

A STUDY OF CORRUPTION IN THE PHILIPPINE NAVY

By:

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INTRODUCTION

On 26 May 2001, Abu Sayyaf bandits kidnapped 20 persons from Dos Palmas, an up-scale resort in Palawan. The next day, a joint task force was formed to conduct pursuit operations (PDI, 27 May 2001). On 28 May, a reconnaissance plane spotted the kidnappers' group aboard three boats approaching the Mapun Island Group (MIG)(PDI, 28 May 2001). Immediately, four navy patrol crafts were dispatched to conduct a naval blockade on the island. Then finally on 31 May, Abu Sayyaf spokesman Abu Sabaya claims that they have slipped through the naval blockade and are now in Sulu and Basilan (PDI, 31 May 2001). Presidential Spokesperson Rigoberto Tiglao quickly forgave the Navy for its ineffectiveness when he said: "the gunmen's boats had top speeds of 40 knots, way beyond the capability of the Philippine Navy. Using that type of craft they would have eaten up the wide expanse of Sulu Sea between Palawan and Cagayan de Tawi-Tawi (Mapun) in five hours" (PDI, 28 May 2001). Tiglao further stressed that "the biggest problem really is the Philippine Navy has few patrol boats. There are plans to increase the number of these patrol boats" (PDI, 28 May 2001). These statements coming from the presidential spokesperson clearly signified three things: First, is the cluelessness of the PGMA Administration as regards the true situation on the area because of its total reliance on non-incriminating information given by the AFP leadership; Second, is its ignorance on the capabilities of its navy; Last, is the PGMA Administration's penchant for tolerating grossly incompetent acts of the AFP, in this case the Navy, due to her political indebtedness for being primarily responsible for installing her as President of the Republic.

The kidnappers actually used three motor launches (lancha) that run a measly 12 knots as seen by the Air Force reconnaissance plane and reported to the Western Command. This probably explains why the kidnappers took two days (and not 5 hours as Tiglao said) to travel from Dos Palmas to MIG. Besides, the kumpit (fast motor boats used by smugglers in the South), while it is true that it can run up to 40 knots (without load), it is never used for prolonged sorties as it easily runs out of fuel. Its reported fuel consumption is approx 500 liters/hr at speed of 40 knots. For it to traverse Dos Palmas to Mapun, they would need space

for at least 10 drums of fuel aside from the space that the kidnappers and hostages would occupy. For a sleek boat, which measures no more than 60 feet, this is impossible unless they had a convoy of at least 5 kumpits, which is totally unheard of and costs around P125,000,000.00.

The four navy patrol crafts would have successfully blockaded MIG (area approx 30 sq n.mi) had they been deployed correctly. Each craft has a navigational/surface search radar that has an effective scanning radius of 6 nautical miles (n.mi.). This means that if properly positioned, the four patrol crafts' radar sweeps should have overlapped at least at the middle, thus covering the whole MIG upto 3 n.mi. off the coastlines. However, as it happened the Task Group Commander in charge of the blockade, relying heavily on intelligence reports, positioned all four crafts 1n.mi off Tandatao Pt of Mapun mainland at 500-yard intervals thus minimizing their surface search capabilities. The Naval Special Warfare Group team that landed in the area supposedly to rescue the hostages found out that indeed one of the boats used was anchored near Tandatao Pt, but the kidnappers' group were either in Pamelikan Is or Binlut Is, the northern islands of MIG and both were way beyond radar range from where the crafts were positioned. Thus, enabling the group to slip off to Basilan.

The escape of the Abu Sayyaf through the naval blockade was one tactical blunder that caused great humiliation and enormous cost to the country. To be simply ignored and forgiven by the President (through Tiglao's statement) was a display of weakness as a Commander-In-Chief of the AFP. But I am inclined to believe that the President was not as stupid and weak as this gesture had showed. Thus, it is rather safe to conclude that it was her political indebtedness and fear of the AFP that prevented her from imposing sanctions that could have antagonized it. Otherwise, she would also suffer the same fate as former President Estrada through another "withdrawal of support" by the AFP. These unfortunate political concessions, first demonstrated in the case of RAdm Guillermo G Wong AFP during the PN leadership crisis that occurred in February 2001 (to be discussed later in this paper), while it would favor certain officers, could further deteriorate the Navy, and the AFP.

While it would seem that the incident cited above has dwelt more on incompetence and ineffectiveness, this paper would show that this is just one manifestation of the ill effects of corruption in the Navy. More specifically, how corruption made this incident even possible to happen.

Through the years, the Navy top brass have always raised the issues of obsolescence and shortage of operating assets of the fleet to cover for the Navy's ineffectiveness. But is this really the case? Or, is it

simply caused by an institutionalized corruption that exists in all levels and in all areas of the organization? If so, then what is the cost? How could this problem be solved? These are the questions that this paper intends to answer.

In going about the discussion, a brief look at the history of the Navy will be necessary to appreciate its importance and relevance to the country. Other basic facts about the organization would also have to be laid down to provide the necessary backdrop to the main subject of the paper.

THE PHILIPPINE NAVY

THE PAST

The Insurgent Navy

The Philippine Navy traces its roots way back to the Philippine Revolution against Spain with the hand-over by the Americans of a captured Spanish steam pinnace to Gen Emilio Aguinaldo on 20 May 1898. The vessel was named "Magdalo" and emerged as the first watercraft of the navy. Soon, several other merchant ships donated by patriots were added to form a nascent fleet. The Insurgent Navy was instrumental to the revolutionary cause through its conduct of basic naval operations such as troop deployments and arms shipments. The first successful amphibious assault against a Spanish garrison was even spearheaded by the Magdalo on Bacoor Bay on 26 May 1898. Its effectiveness went on throughout the Fil-Am War. However, after the capture of Pres. Aguinaldo on 23 March 1901, the insurgent navy disintegrated. (Zulueta 1998, 20)

The Off-Shore Patrol

The Navy was reborn with the creation of the Off-Shore Patrol (OSP) on 14 April 1938. A few patrol crafts and three high-speed torpedo boats, also known as Q-boats, were the pioneers of this force. They were intended to form part of a nucleus of 55 Q-boats that would repel enemy amphibious landings as Gen Douglas McArthur had envisioned. But before the acquisition of more Q-boats, war had broken out. As a consequence, the OSP was relegated to other roles such as; troop insertions, intelligence operations and ferry missions. Though they had a few skirmishes with Japanese Navy ships and warplanes, after the fall of Bataan on 08 April 1942, all ships of the OSP had to be scuttled. (Giagonia 1997, 147)

The Post-War Navy

After World War II, the country had a surplus of war materiel given by the US. Among which were 83 ships of various types. Thus the OSP was reorganized and upgraded into the Philippine Naval Patrol, to become a major command of the AFP. On 23 December 1950, through E.O. 389, the Philippine Naval Patrol was renamed as the Philippine Navy. (Giagonia 1997, 245)

For the next four decades, the Navy experienced a confluence of events and performed various roles in furtherance of national security interests and national development. The first role was to conduct counter insurgency operations against the Hukbalahap then the ferry missions during the Korean War both in the early 1950's. Followed by the anti-smuggling and anti piracy operations in Sulu where the Navy was credited for destroying the network of illegal operations of the most notorious band of pirates and outlaws, including the dreaded Kamlon. The 1960's were highlighted by activities such as the ferry missions during the Vietnam War and by the bilateral and multi-lateral naval exercises that further strengthened the Navy's maritime defense posture in the region. The anti-smuggling and anti-piracy operations in the south were sustained during this era (Giagonia 1997, 247-272). Throughout the 1970's up to the early 1980's, the Navy reverted to its counter-insurgency mode this time against two fronts, the Muslim secessionists and the communists (Zulueta 1998, 44). During the 1986 EDSA Revolt, eighty five percent of the Navy joined the rebels led by then Minister of Defense Juan Ponce Enrile and then AFP Vice Chief of Staff and PC Chief Fidel V Ramos. (Giagonia 1997, 310)

"By the time things were simmering down to a semblance of peace quiet in the early 1990's, the American naval and air forces, stung by the Philippine Senate's rejection of a treaty that would have prolonged their stay in the Philippines, were leaving in a huff. Suddenly, the Philippines saw its "surrogate" navy and air force heading for the gates of Subic and Clark, leaving the resident highly anxious about its national defense." (Zulueta 1998, 46)

Commo Jose Francisco, former FOIC, on commenting about the American withdrawal, aptly stated "All throughout the years the Americans were here, we had the military assistance agreement with them and logistical support from them, and all that the government had to do was pay our salaries. What happened was that we had an indigestion. We knew it would not last, but when it did end, we were at a loss" (Zulueta 1998, 46). Rightly so, among the benefits the Navy had when the US bases were still around were: the US Military Assistance Program (USMAP), the hand-me-down program of the US; Foreign

Military Sales (FMS), part of the bases rental fees are channeled back to the AFP for the purchase of surplus US military hardware or ship repair packages; use of floating drydock and other facilities; foreign training programs and technical consultations; and the security blanket for external threats. (The latter could arguably be considered a benefit since it could also be that because of this dependence, the Philippine Navy never got to prepare to become an independent and credible navy by the time the Americans left.)

THE PRESENT

Mission

The Navy today has for its mission "to conduct prompt and sustained naval operations in support of the AFP's mission".

Functions

1. Provide naval defense to ensure the sovereignty of the Philippines and to protect the people from external threats.
2. Conduct naval operations in support of air and ground operations.
3. Conduct maritime law enforcement within the territorial waters and EEZ.
4. Promote safety of life at sea and environment protection.
5. Assist in national development efforts.

Organization (see Annex A)

Resources

Personnel - 1,687 Officers (see Annex B)

10,561 EP

Marines - 387 Officers

7,142 EP

Budget - P 6,014,191,000.00 (see Annex C)

(Source : GAA 2000)

Assets -

	Total	Operating
Patrol Ships-	14	3
Patrol Boats-	35	10
Transport Ships -	9	4
Auxiliary Ships -	8	2
Patrol Craft -	32	17
Service Craft -	19	9
Aircraft:		
Fixed wing -	9	4
Rotary -	5	2
Operational Readiness:		
Ships -	38.5%	
Aircraft -	42.8%	

Capabilities

1. Limited Surface Warfare
2. Naval Gunfire Support
3. Amphibious Warfare
4. Sealift Operations
5. Domestic sea control
6. Search and Rescue

Present Role in Society

The traditional role of any navy is to obtain "sea control" when necessary. Sea control is the ability of a fleet to control certain maritime areas (Mahan 1885) for whatever purpose it may serve. It involves deployment of naval forces to engage, destroy or repel enemy naval forces and carries with it the right to forbid passage through capture or destruction (Agudelo 1994, 25). While the Navy can obtain sea control within our territorial waters, it cannot do so beyond it. This is due to the

fact that our antiquated and technology-deficient fleet could not match-up to any of our neighbors' navies (de los Reyes 1996). Thus, the Navy today could not perform its primary mandated task to provide naval defense to ensure the sovereignty of the Philippines and protect the people from all external threats. With this, the role of the Navy has been relegated to conducting internal security operations and maritime law enforcement. But the Philippines, with its recognition as an archipelagic state, where all "the islands, waters and other natural features form an intrinsic geographical, economic and political entity", these roles seemed as paramount to the survival of the state as naval defense. (Zulueta 1998, 14)

Internal Security Operations (ISO) involve naval gunfire support, amphibious and sealift operations. These are defined in an operations plan and are conducted often in conjunction with air and ground forces. For the past decades, the Navy had been very active in this role in support of the counter-insurgency operations.

On the other hand, Maritime Law Enforcement (MARLEN) is actually the primary role of the Philippine Coast Guard (PCG), which was separated from the Navy and transferred to the DOTC in 1998. However, due to the PCG's lack of surface assets and also due to the wide expanse of the Philippine waters that include the EEZ, the Navy was deputized by various government agencies to enforce their specific laws. MARLEN involves the conduct of active and passive patrols to achieve naval presence in areas where illegal activities are perceived to be rampant.

While it is a known fact that several Navy ships are of World War II vintage, most of the boats/crafts that conduct MARLEN operations are new and acquired only in the mid-90's. They are highly effective in coastal waters. Most are armed with 25 mm cannons and have maximum speeds of 30 knots.

FORMS AND LOCI OF CORRUPTION

CORRUPTION DEFINED

Corruption is "defined as a dysfunctional and pathological act that negates the accomplishment of its constitutional mandate of promoting public interest" (Sosmena 1999, 6). "It is the misuse of a public office for personal gain". (Klitgaard 1995)

Corruption may be categorized in two ways: individualized or systemic (Carino 1985, 15). Individual corruption is where a person performs a secret moneymaking act in relation to his duties as public official or government employee. While systemic corruption is committed in an agency where "corruption has become so regularized and

institutionalized that organizational supports back wrong-doing and actually penalizes those who live up to the old norms" (Caiden 1977, 306). It is "demonstrated when bureaucrats and clients can describe the same illegal process, including such details as bribery rates per service and the way these are shared among the members of the syndicate throughout the agency. Those with 'initiative' and 'daring' share the largesse with their colleagues with less opportunities, thus engulfing everyone in an administrative culture that tolerates, even idolizes, the fruits of corruption". (Carino 1985, 15)

LOCI OF CORRUPTION

The loci of corruption in the Navy are found in two distinct areas: in operational activities, which are ship-based and in administrative and support activities, which are shore-based. Ship-based activities include individual Navy ship activities and Naval Task Forces (NTF) directly involved in ship operations. Shore-based activities, meanwhile, include operations or functions of the various staff/support units such as personnel, intelligence, logistics, finance, training, etc.. Under these are the various forms of corruption, which are not necessarily peculiar to each.

Ship-based Corruption

Direct bribery - "Any public officer who shall agree to perform an act constituting a crime, in connection with the performance of his duties, in consideration of any offer, promise, gift or present received by such officer, personally or through mediation of another..." (Art 210 of the Revised Penal Code 1987)

Case illustration # 1

On or about 1600H of 07 June 1995, while patrol ship PS1 was anchored off Sacol Island, Zamboanga and conducting a naval blockade against Abu Sayyaf Group reportedly hiding on the said island, a medium-sized lancha was sighted suspiciously steaming near their ship. Upon sensing its possible hostile intentions, the crew of PS1 signaled it to come alongside. The lancha was inspected and it yielded P11 million worth of smuggled goods. At the same time, 2 Navy patrol crafts were also sighted approaching the lancha but were observed to have reversed their course when it unintentionally went near PS1.

During interrogation aboard PS1, the master patron confessed that they were hired to transport the goods from Sandakan, Malaysia to a designated place near the coast of Zamboanga City. They were further instructed to rendezvous with Navy patrol crafts that will escort them to the drop-off point.

The lancha and its crew were then apprehended and its goods were confiscated.

* This special "escort" arrangement is common to the small patrol crafts assigned in Naval Forces South. The personnel assigned in these crafts are particularly vulnerable to bribes since they are the workhorses of the fleet that conduct MARLEN patrols. The bribe package includes a monthly rice and cash incentives for the crew plus repair expenses for the craft. A utility boy is also provided who also doubles as courier in behalf of the smuggler.

Case illustration # 2

On Aug 1999, a patrol gunboat (PG1) along with three other patrol crafts received a directive from NTF61 to conduct naval blockade/MARLEN patrols at designated areas in Sulu Sea, several n.miles off Jolo Is. Also contained in the directive was an intelligence report stating that there will be an attempt that evening to smuggle in assorted firearms and explosives to the island. PG1 and the other crafts then proceeded as ordered and vigilantly kept watch over their designated areas where the Muslim extremists were supposed to pass as stated in the directive. The following morning, the PN boats returned to port empty handed. A few days later, the NTF61 operations officer invited fellow officers to a drinking spree. There he openly bragged that he just got a payoff amounting to P100,000.00 from a known big-time smuggler. The payoff was for letting the smugglers pass through a few nights ago without being apprehended by ensuring that their sea lanes were cleared of Navy patrol boats. This he did by directing all patrol boats to proceed to their designated areas far away from these sea lanes.

*It is common knowledge for intelligence operatives that only small-time smugglers would dare to dash their way through the waters of the South. Their merchandise are often blue seal cigarettes, ukay-ukay or small quantities of lumber. However, most of them are armed with machine guns and sometimes have armed escorts. On the other hand, big-time smugglers, pirates and bandits (including the Abu Sayyaf) will never venture out into the Philippine waters unless they are given "clearance" by the Navy, Customs and PNP personnel (the Navy mole in these transactions is usually the operations officer of the NTF). They would not risk losing their valuable merchandise, which include arms, explosives, drugs and other contrabands, to a crusading Navy captain patrolling the high seas. Another given fact is that the bulk of the arms supply of the MILF are sea-borne. MILF Commanders use big-time smugglers as fronts to conduct their transshipment operations. This form is also common in Quezon province where illegal logging is rampant

and in the Northern coasts of Luzon where all forms of smuggling are being conducted.

Extortion - a crime "committed by means of intimidation of persons, that is, by extorting money from a person. In cases where a law enforcer has apprehended a person committing a crime and the officer demands money from the culprit as the price for not arresting or prosecuting him, even if the latter is willing to give money, there is nevertheless some element of intimidation because of the threat of impending arrest or prosecution. (Aquino 1987, 427)

Case illustration # 3

On or about 1900H of 14 May 1999, the Commanding Officer (CO) of a patrol gunboat (PG2) assigned in Davao, received an intelligence report stating that a known smuggler would attempt to smuggle contrabands that evening to the southern coast of Davao. Immediately, PG2 was off to sea to conduct patrols to intercept the unknown craft. A few hours later, PG2 picked-up a radar contact a few miles off their position. As the patrol gunboat approached, the crew noticed that boat was unlighted yet it was running at a steady speed, an obvious indication of a smuggling activity. PG2 then overtook the suspected smuggling boat and conducted inspection. The boat yielded contrabands worth at least P2 million. After the inspection, the patron was invited inside PG2 for interrogation. Present during the investigation were the CO, Executive Officer (EXO), Chief Master At Arms (CMAA) and the patron of the boat. Upon being seated in the wardroom, the CO said to the patron "Didiretsohin na kita, magbigay ka ng P100,000.00 at pakakawalan kita." The patron haggled for a while but eventually agreed. He then went back to his boat and after a few minutes, returned to PG2. The patron gave a bag to the CO, who then counted the money inside. Satisfied with the transaction, the CO ordered the boat to be released. The CO then went inside his room with the bag in hand.

* This is a classic example of individual corruption as defined by Dr Carino. Often done by the extreme scalawags of the Navy, which are not few.

Fraud Against Government (Pilferage) - "Any person subject to military law who steals, embezzles, knowingly and willfully misappropriates, applies to his own use or benefit, or wrongfully or knowingly sells or disposes of any ordnance, arms, equipment, ammunition, clothing, subsistence stores, money, or other property of the government furnished or intended for the military services thereof." (Article of War Nr 95 1938)

Case Illustration # 4

On March 1995, the CO of a patrol gunboat PG3 received a directive from the Naval Task Force 71(NTF71) to conduct MARLEN patrol around the waters off Saranggani. The CO then reprovisioned and refueled to full tank capacity for the protracted mission. After refueling, PG3 left port. However, when they were already out at sea, instead of conducting MARLEN patrols as directed, the CO instructed the crew to moor their patrol boat to a payaw or fish marker. After securing their patrol boat to the payaw, The CO then gave orders to have the main engines shut off. During this time, the CO was periodically reporting to NTF71 that his craft was continuously patrolling the designated area. After four days of being moored to the payaw, PG3 went back to port. The CO then reported the negative result of his patrol to the NTF71 Commander and then made a phone call to a contact. Early morning the next day, a motor launch went alongside PG3. After a few hours, the motor launch left but not after siphoning 10,000 liters of fuel saved by PG3 during the operation and paying the CO P60,000.00 as payment at P6/liter.

Case illustration # 5

On October 1999, the CO of patrol ship PS2, went to the Petron Bulk Plant in Cagayan de Oro to make a "special" arrangement regarding the delivery of fuel to his ship. He wanted Petron to give him P60,000.00 in cash instead of delivering the 10,000 liters of fuel his ship had requested. That way he added that the Petron station would even earn some more from the transaction. He assured Petron that the ship would receive the "ghost" delivery accordingly. The CO thought that since he over-declared his ship's fuel consumption, he had a fuel savings of 10,000 liter and this would cover for the 'ghost' delivery. Intelligence operatives got wind of the transaction and an investigation soon followed. When the verdict was out and the information was confirmed, the unscrupulous CO was "punished" by the Headquarters by assigning him to another ship of the same category.

*Almost 2 out 4 Navy vessels engage or have engaged in these types of malpractice. These occur in all geographical areas of operation, even in Manila Bay. Some CO's try to justify this act by claiming that the money generated goes to ship operations or for morale and welfare activities. But for most, it is simply to sustain their lifestyle. Worse, some CO's sell the fuel to the very same smugglers they are supposed to apprehend.

Shore-based Corruption

Malversation - "Any public officer who, by reason of the duties of his office, is accountable for public funds or property, shall appropriate the same, or shall take or misappropriate or shall consent, or through abandonment or negligence, shall permit any other person to take such public funds, wholly or partially, or shall otherwise be guilty of the misappropriation or malversation of such funds or property..."(Art 217 Revised Penal Code 1987)

Case illustration # 6

In 1999, patrol gunboat PG4 underwent major repairs that had a budget cost of P50 million. While the vessel was drydocked in Navotas, the Executive Officer found out that the steel plates placed on the hull were below the specifications stated in the work order. He then reviewed the other areas of the work package and discovered that most of the spare parts being installed during the overhauling of the main engines were used ones coming from another gunboat of the same class that has been mothballed. Thus, when he computed the actual cost incurred by the contractor, the total repair package should have been only P5 million. The EXO then went to the Headquarters to complain about the repair irregularities and the grossly overpriced contract, he was surprised to find out that the repair had already been accepted by the Technical Inspection and Acceptance Committee six months before. Which means that the contractor had been paid even while the repair was still unfinished. Six months later, PG4 completely bogged down right after a send-off ceremony for deployment. It is now programmed for another major repair.

Case illustration # 7

On 22 December 1999 during the Command Christmas Party, the Commander of the Philippine Fleet distributed P450.00 each to all the personnel in his Command (For a total number of personnel at above 4,000, this would compute to roughly P2 million). Then on January 2000, the Patrol Force (a major unit of Philippine Fleet) prepared documents for the "ghost" repair of an already operational patrol gunboat amounting to P3 million apparently as payment for the cash advanced by a favored dealer during the said Christmas party.

* Case illustrations # 6 and 7 will show why only 38% of the total naval assets are operational. For the Navy top brass to say that the Navy has few patrol boats is because of their own undoing. Had these funds for repair (almost P350 million in the present budget) been used properly all these years, there would have been more ships to patrol our waters. A

patrol boat with a speed of 20 knots is capable of patrolling an area of almost 3,000 sq n.mi. in one hour. Several boats positioned properly, could project a Naval presence in the vast Philippine waters that could effectively deter outlaws.

Case illustration # 8

The Office of the Assistant Chief of Naval Staff for Personnel, O-N1, among other functions, is the staff in charge of personnel accounting. It listed the total number of active military personnel (officers and EP) at 19,714. This total excludes those assigned in GHQ. On the other hand, the Philippine Navy Finance Center (PNFC) is the unit in charge of providing the pay and allowances of personnel. In the PNFC list, the total number of personnel (excluding those assigned in GHQ since their salaries are handled by the AFP Finance Center) is 20,496 or 782 more than O-N1's total. Simply put the Navy is paying 782 personnel whose whereabouts are unknown.

*These "ghost" personnel came from those who have left the service either through attrition, AWOL, retirement, death, etc., and have not been dropped deliberately from the payroll.

Case illustration # 9

All officers assigned in the Headquarters of the Philippine Navy (HPN) get an average of P3,000.00 each monthly as "incentive pay". To afford this, the HPN prepare documents for "ghost deliveries" also known as "conversion". At 193 officers, this would amount to almost P600,000.00 a month.

*This is done in almost all major units that have the authority to procure. Other variations of this are over-pricing, under delivery and substitution. This is easily done because of the collusion between dealers and all those involved in the procurement process. The COA Auditors give a blind eye to these irregularities because they receive commissions equivalent to 1-2 percent of the total amount in the purchase orders. A PCIJ report further states that "After 1991, negotiated deals became the norm, with the AFP going straight to the President for whatever big purchase it wants to make. Nearly all these deals turned disadvantageous- if not downright disastrous- to troops in the end...officers say that corruption has become so pervasive in the AFP that the crooks in their midst have evolved a vocabulary of their own. For instance, one colonel said, 'cost of money' means 'the amount a proponent pays to facilitators for making his dreams come true'. 'Cleared money', meanwhile, is 'money (procurement budget) that has been converted (to other uses), which one could spend anywhere.' Put another

way, it is 'laundered money', he said. Contractors for their part said that the evolving consensus among them is that some service commands are more corrupt than others. Their integrity meter puts the Army on top, followed by General Headquarters, and then the Navy. The Air Force ranks last, they said, for allegedly being the most corrupt." Overpricing "in the Navy is about 100 to 200 percent."(Mangahas 2001)

EFFECTS ON NATIONAL DEVELOPMENT

The direct effects of corruption in the Navy on national development are staggering. It affects the economy through the systemic rape of the funds entrusted to it. These include losses from the ghost payroll, ghost repairs, ghost deliveries/conversion, pilferage of fuel, overpriced purchases, etc.

Indirectly, the effects are much, much worse. "Smugglers, poachers and pirates rob the economy of billions in lost revenue and taxes, ultimately sapping the strength of local industries and commerce and often times inflicting serious damage on the natural environment."(Tangco and Sarmenta 1998, 177)

Then "Senator Orlando Mercado, who chairs the Senate Committee on national defense and security, estimates that around 600,000.00 metric tons of fish worth an astounding P50 billion are lost annually due to poaching by foreign fishing vessels." (Tangco and Sarmenta 1998, 177)

Even more alarming is its indirect effect on national security. The government had been spending billions trying to contain Muslim secessionists and bandits on the ground. Not to mention the thousands of lives lost. When they could have been greatly diminished by a sustained naval presence. The existence of the MILF is hinged on its unimpeded supply lines from sympathetic countries that pass through sea lanes wittingly provided by the Navy primarily because of corruption.

As for the Abu Sayyaf, while it may be true that they have fast kumpits, these boats are still detectable by radar and would not last long in a hot pursuit. Besides, they are not known to go island hopping if they knew that there were Navy boats patrolling the seas that were not in their pockets.

PROSPECTS FOR THE FUTURE

The prospects for the future of the Navy have been defined by two recent events: The success story that happened at the Naval Education and Training Command (NETC) in 2000 and the PN leadership crisis on February 2001 which involved RAdm Guillermo G Wong AFP and the Philippine Marines.

The NETC is the training arm of the Navy. It is responsible for the conduct of basic, advanced and specialization courses for officers and enlisted personnel. Since NETC is technically a school, bulk of its purchases are for uniforms and accessories, school/office supplies and training materials. With an annual budget of P169 million (P121M for salaries and P48 M for supplies) (NETC OPB for CY - 2000), the NETC had become the object of larceny by previous Commanders, which resulted in the deterioration of the whole training system of the Navy.

On December 1999, Commodore Ruben G Domingo AFP assumed as Commander of NETC. Knowing the dark history of his unit and the tasks at hand, he immediately set into motion a reform program centered into the "cleansing" of the procurement system. And the result was astounding. In one year, the NETC, not only accomplished its mission of conducting all programmed courses, it had also accumulated P5 million worth of savings. These savings were then used to improve other training facilities and equipment. The complete eradication of corruption was achieved. He did this, first, by removing suspected scalawags from staff positions then replacing them with officers whom he perceived to be still unstained by the grime of corruption. Then, Commo Domingo simply instructed everyone to do things "by the book". Particularly, the religious implementation of canvassing and bidding procedures of procurement set forth by existing laws and guidelines. No "conversion" or "substitution" was allowed!

. As a safety net, he involved the Intelligence division to monitor the process and set up entrapment operations whenever necessary.

Surprisingly, Commo Domingo's reform program did not resemble the "radical redesigning" concept of Reengineering (Hammer and Champy 1993), the "entrepreneurial government" spirit espoused by the Reinventing Government concept (Osborne and Gaebler 1990) nor was it a form of "Neo-Taylorism" (Reyes 1998, 189). Its only main components were his technical competence, moral integrity and political will as a Commander. Specifically, the technical competence to formulate reforms and the moral integrity and political will to enforce them.

On December 2000, when RAdm Guillermo G Wong AFP assumed as Flag-Officer-In-Command (FOIC) of the Philippine Navy everybody in the Navy expected radical changes. RAdm Wong, who had a reputation of being incorruptible, had envisioned a totally corrupt-free Navy. Upon assumption, he went on a "crusading mode" by "going to several places trying to clean up the Navy" (Golez 2001). On February 2001, the Navy (and the AFP) was rocked by a leadership crisis when the Philippine Marines demanded the relief of the RAdm Wong (Pazzibugan 2001). The crisis was triggered by the berating of the Marines by RAdm Wong for

alleged irregularities in the procurement of P3.8 million worth of Kevlar Helmets (Pablo 2001). In the events that followed, President Arroyo left the crisis to be resolved by then Chief of Staff Gen Angelo Reyes (Pablo 2001), who offered Wong the command of the newly formed Northern Command as a concession to the Marines. RAdm Wong, realizing that this was a demotion, opted to resign (Pazzibugan 2001). Later on Pres Arroyo was "asked if she was satisfied with the way Armed Forces Chief of Staff Gen Angelo Reyes had handled the conflict between Wong and the Marine Corps, The President said Reyes had done the right thing." (Pablo 2001). RAdm Wong was eventually replaced by RAdm Hingco, whose policy was to disregard all reforms initiated by his predecessor and to maintain status quo.

For a President and Commander-in-Chief, whose government was supposed to be founded on such slogans as "New Politics", moral regeneration and good governance, to say that what Gen Reyes did was "the right thing" was truly demoralizing to say the least. This was the first indication of the type of leadership the AFP would expect from its Commander-in-Chief. RAdm Wong should have been fully backed by his Chief of Staff and his Commander-in-Chief as he was on the right and principled side. More importantly, he was "the" advocate of good governance and, certainly, someone who has both the moral ascendancy and political will to effect change in the Navy. Unfortunately, according to the "New Politics" philosophy of Pres.Arroyo, this is not so.

The two events narrated symbolize both hope and despair. Hope in that there is still a chance for the Navy to get out of the hole its officers and former officers had created. And despair at the thought that this chance is reliant on a politics-administration dichotomy (Wilson 1887), which was best described by Dr Danilo R Reyes in one of his lectures as a "pretender" paradigm.

CONCLUSION

The corruption problem in the Philippine Navy is grave. The direct and indirect damages to our economy, national security and peace and order in terms of costs and lives lost have been devastating. Thus, impeding our national development efforts. Even as the MILF, Abu Sayyaf, smugglers, pirates, and poachers continue to spread havoc as each day passes that they are not apprehended.

The obsolescence and shortage of operating assets of the Navy's fleet are not the reasons for its ineffectiveness but they are the results of years of malversation of funds. Ill-equipped as it is, the Navy is still very

capable of ISO and MARLEN operations if only there are CO's and officers who have enough moral decency to be faithful to their mandated tasks. More so, if the people in the headquarters would properly appropriate funds then this capability would be further enhanced.

The corruption had become systemic and had eaten through the very core of the organization and had infected, practically, all levels of the bureaucracy and all areas of operations.

The future of the Navy is clouded by mixed insights. On one hand, the success of the NETC model was a ray of light amidst the darkness of moral decadence. It proved that total eradication of corruption in a major unit in the Navy is possible. The next step is magnifying this accomplishment to a higher plane, the Philippine Navy Command itself. More importantly, it showed how it could be done simply through the Commander's political will with moral integrity and technical competence as primary requisites.

However, this will only be possible if the next crusading Flag-Officer-In-Command will be fully supported by a Commander-in-Chief who possesses strong leadership qualities and who will not allow political concessions and political indebtedness to be the bases of his/her decision-making as regards AFP matters. This way the whole AFP Officer Corps will not get the impression that they are being treated as an organization of untouchables who can easily get away with anything.

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CORRUPTION IN THE PHILIPPINE NAVY PROCUREMENT SYSTEM

By:

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March 2002

INTRODUCTION

On February 2001, the Philippine Navy (and the AFP) was rocked by a leadership crisis when the Philippine Marines (PMAR) demanded the relief of the Flag-Officer-In-Command, Rear Admiral Wong (Pazzibugan 2001). The crisis was triggered by the berating of the Marines by RAdm Wong for alleged irregularities in the procurement of P3.8 million worth of Kevlar Helmets (Pablo 2001). In the events that followed, the Marines prevailed and RAdm Wong was stripped of his command and was "promoted" to an ambassadorial post. The crisis, while it was eventually resolved peacefully, exposed a previously unseen face of the Navy, and that is the face of CORRUPTION.

BACKGROUND: THE PHILIPPINE NAVY

The Philippine Navy (PN) is one of three branches of service of the Armed Forces of the Philippines (AFP). Its mission is "to conduct prompt and sustained naval operations in support of the AFP's mission". Among its functions are; to provide naval defense to ensure the sovereignty of the Philippines and to protect the people from external threats; to conduct naval operations in support of air and ground operations; to conduct maritime law enforcement within the territorial waters and Exclusive Economic Zone; to promote safety of life at sea and environment protection; and to assist in national development efforts (NOQC Naval Orientation Reference Handguide, 1997).

The following are the other relevant information about the Philippine Navy:

- A. Personnel - 1,687 Officers
10,561 EP

Marines - 387 Officers
7,142 EP

B. Budget - P6.88B (see Annex C)

(Source : GAA 2000)

C. Organizational Chart

* The units highlighted in red ink would be the subjects to be used to generalize the findings in this research as explained in the Methodology chapter below.

AUTHORITY

The authority of the Philippine Navy and all government agencies to procure is "in accordance with the guidelines prescribed under the Implementing Rules and Regulations (IRR) of Executive Order No. 302' (entitled 'Providing Policies, Guidelines, Rules and Regulations for the Procurement of Goods/Supplies by the National Government') "dated February 19,1996" (this was amended by E.O. 262) "and with due regard to the provisions of the Government Accounting and Auditing Manual". (Manual on Procurement 1999). For the AFP, this was operationalized by the Department of National Defense Department Order Nr 47 dated 30 April 1996 entitled "Delegation of Authority on Local Procurements" and further regulated by J-4 Logistics Directive Nr PC-97-03 dated 01 August 1997.

PROCUREMENT PROCESS

RESEARCH PROBLEMS

This research seeks to resolve the following problems:

1. Does corruption exist within the procurement system of the Philippine Navy? If so, what are the different forms of corruption being practiced? And, where within the PN bureaucracy do these corrupt practices occur?
2. Is there a relationship between offices exposed to boundary exchange and corruption propensity?

CONCEPTUAL AND THEORETICAL FRAMEWORK

This research covers two parts. The first part is a descriptive analysis of the existence and extent of corruption, the forms of corruption being practiced, as well as the other variables stated.

The second part would follow the theoretical framework shown below:

From this framework, this research hypothesizes that the boundary exchange processes between PN procurement officials and accredited dealers, which work within the milieu of the procurement system process would result to bureaucratic corruption.

CONCEPTUAL DEFINITIONS

1. BUREAUCRATIC CORRUPTION - is "defined as a dysfunctional and pathological act that negates the accomplishment of its constitutional mandate of promoting public interest" (Sosmena 1999, 6).
2. CORRUPTION -"It is the misuse of a public office for personal gain" (Klitgaard 1995). Corruption may be categorized in two ways: individualized or systemic (Carino 1985, 15). Individual corruption is where a person performs a secret moneymaking act in relation to his duties as public official or government employee. While systemic corruption is committed in an agency where "corruption has become so regularized and institutionalized that organizational supports back wrong-doing and actually penalizes those who live up to the old norms" (Caiden 1977, 306). It is "demonstrated when bureaucrats and clients can describe the same illegal process, including such details as bribery rates per service and the way these are shared among the members of the syndicate throughout the agency. Those with 'initiative' and 'daring' share the largesse with their colleagues with less opportunities, thus engulfing everyone in an administrative culture that tolerates, even idolizes, the fruits of corruption". (Carino 1985, 15)
3. BOUNDARY EXCHANGE - "a value-free interaction" or exchange of boundaries between the client and the public official (as defined by Dr Prosperina Tapales during an interview conducted on 21 March 2002).
4. PROCUREMENT OFFICIAL- for the purpose of this research, all PN officers, enlisted personnel, civilian employees involved in the PN procurement system would be labeled as procurement officials. They would also include the officials and personnel of the local Commission on Audit office.

5. FORMS OF CORRUPTION:

- A. Lagay- also known as SOP, commission, porsyento, for the boys, etc. This is "grease money" given to the procurement official by the dealer to facilitate the processing of documents or as a return favor for a project given.
- B. Tong- extortion or money demanded by the procurement official to a dealer to facilitate the processing of documents.
- C. Negotiated canvass or nego- an arrangement made by the dealer and the procurement official to manipulate a canvass method of procurement to ensure that the purchase order would be "won" by the said dealer. This is done by giving all the canvass papers of a certain project to the favored dealer. Thus, effectively depriving other interested dealers.
- D. Rigged bidding or bidding-bidding- an arrangement made by the dealer and the procurement official/s to manipulate a public bidding method of procurement to ensure that the purchase order would be "won" by the said dealer. This is done by the collusion between all the attending bidders, which include the favored dealer, and the Bids and Awards Committee.
- E. Ghost delivery or conversion - the process in which government funds allocated through budget releases are "converted" into cash. This is done by preparing procurement documents taken from either a negotiated canvass or a rigged bidding, then, instead of delivering the items stated in the purchase order, the dealer would deliver the cash equivalent of the goods in the purchase order, less certain percentages for the dealer's profit.
- F. Over-pricing - to cover for the additional expenses incurred by the lagay, the dealers and procurement official mutually agree on setting the price, which are way above the authorized limits.
- G. Under delivery - again to cover for the additional expenses incurred by the lagay, the dealers and procurement official mutually agree that the quantity of the delivery will be lower than the one specified in the purchase order.
- H. Substitution - to circumvent certain prohibitions of the law, specifically the General Appropriations Act, where certain gov't agencies have no capital outlay and, therefore, cannot

buy equipment, the dealer and the procurement official mutually agree to deliver items other than those stated in the purchase order.

OPERATIONAL DEFINITIONS

1. Perception of corruption on the PN procurement system - this would be measured by asking the respondents the question, "Sa pananaw ninyo, mayroon bang corruption sa procurement system ng PN sa kasalukuyan?"
2. Perception of corruption on the procurement system of major units of the PN - this would be measured by the statement "Base sa inyong pananaw, sukatin ninyo ang level ng corruption ng mga sumusunod na unit ng PN." To quantify the different levels, a fixed ratio scale was formulated wherein a standardized value was assigned to a corresponding level of corruption. A value of 0 was assigned for the level, walang corruption; 1 for the level, madalang ang corruption; 2 for the level, di-gaano laganap ang corruption; 3 for the level, laganap ang corruption; 4 for the level, talamak ang corruption.
3. Perception of corruption on the different offices involved in the procurement system- is measured by the question "Sa pananaw ninyo, alin sa mga sumusunod na opisina na kasapi sa procurement system ay mayroong nagaganap na corruption?"
4. Perception on the eradication of corruption in the PN procurement system- is measured by the question "Kayo ba ay pabor na alisin ang corruption sa procurement system ng PN?"

REVIEW OF RELATED LITERATURE

While there are volumes of literature on corruption, there are very rare writings that directly dealt with corruption on the procurement system of a military organization or any government agency for that matter. One such writing is the article for the Philippine Center for Investigative Journalism by Malou C. Mangahas entitled "Kickbacks and Negotiated Deals mar AFP Procurement System". While the said article made some startling revelations, it did so under the pretext of "journalistic freedom", where the data gathered came as unstructured information fed by people from both inside and outside of the organization (AFP) and, therefore, lacks the criteria of validity and reliability to support its findings as in a technical research.

SIGNIFICANCE OF THE STUDY

The Martial Law years have created a fearful reputation for the AFP organizations. Because of this, no group has ever dared to conduct any formal research on corruption on the procurement system of a military organization. Thus, the significance of this research couldn't possibly be overstated.

This research would provide a vivid picture of what used to be a restricted domain of the AFP. It could also be seen as a microcosmic representation of the procurement systems of various government agencies.

METHODOLOGY

RESEARCH DESIGN

The survey design was used since it is the most applicable for the quantitative-descriptive and quantitative-explanatory approaches of this research.

UNITS OF ANALYSIS

The following are the units of analysis:

1. The Philippine Navy. It is represented by its five major units based in the Manila-Cavite area namely; Headquarters Philippine Navy, Headquarters Support Group (HPN,HSG); Headquarters Philippine Fleet (HPHILFLT); Headquarters Philippine Marines (HPMAR); Naval Logistic Center (NLC) and the Naval Sea Systems Command (NASSCOM). These units were chosen because of their huge individual budgets and, therefore, are the main procuring agencies of the PN.
 - a. HPN,HSG - The support unit of the main headquarters of the PN.
 - b. HPHILFLT - One of two operating arms of the PN. This unit has the administrative control over all floating and air assets.
 - c. HPMAR - The other operating arm of the PN. It has administrative control over all Philippine Marine (PMAR) brigades and other PMAR units.
 - d. NLC - The main procuring agency of the PN. It is responsible for supplying the bulk of the logistical requirements of the whole PN.

- e. NASSCOM - The main service support group of the PN. It is also responsible for the repair of ships and other major equipment.
2. All offices involved in the procurement process (as shown in the diagram above).
3. Accredited dealers of the PN.

RESPONDENTS

The respondents chosen are the accredited dealers of the PN because they are considered to be insiders in the procurement system and they would be easier subjects to extract confidential information from, than the officers involved in the procurement system.

TECHNIQUES OF DATA COLLECTION

A primary technique of data collection (questionnaires) was used for this research. As for the sampling strategy, a simple random sampling from a sample frame of all the accredited dealers of the PN was initially planned. However, it was found that there was no updated list available and the said non-current list contained inactive or inexistent dealers, which made probability sampling inapplicable. Hence, purposive sampling methods were resorted to.

STATISTICAL TOOLS

Chi-square Statistic was used to establish the relationship between two nominal variables namely; boundary exchange and corruption. The application of said statistical tool was facilitated by the use of Statistical Package for Social Sciences (SPSS).

LIMITATIONS OF THE STUDY

Due to the sensitivity of the research subject, which could expose or incriminate a military organization like the Philippine Navy, the respondents may not have fully detached themselves from the physical or professional risks involved, despite the assurances of the researcher. Thus, the objectivity of some of their answers may have been affected by the fear of reprisal.

FINDINGS

DESCRIPTIVE STATISTICS

PROFILE OF THE RESPONDENTS

Of the 30 accredited dealers chosen as respondents, only 1 (3.3%) is a male while 29 (96.7%) are females (Table 1). This could be explained by the conjecture that since the PN is a male-dominated workplace, having females as dealers may help in facilitating business transactions.

TABLE 1: FREQUENCY DISTRIBUTION BY GENDER

Gender	Frequency	Percent
Female	29	96.7
Male	1	3.3
Total	30	100.0

PERCEPTION OF CORRUPTION ON THE PHILIPPINE NAVY PROCUREMENT SYSTEM

The frequency distribution on the perception of corruption on the PN procurement system yielded an absolute affirmative answer that corruption does exist. (TABLE2).

PERCEPTION OF THE LEVEL OF CORRUPTION ON THE PROCUREMENT SYSTEM OF THE MAJOR UNITS OF THE PN

HPHILFLT scored the lowest at 1.43 and would fall under the level of madalang ang corruption. This is due mainly to the integrity and moral resolve of its incumbent commander, RAdm Ruben G Domingo. Most of the respondents even qualified their answers in a way that if it weren't for the lagay at COA, HPHILFLT would have been corruption-free. HPN,HSG came in a distant second with a score of 2.30, followed by the HPMAR at 2.39. Both of these units fall under the level of di-gaano laganap ang corruption. The most corrupt PN units as far as the dealers were concerned were NASSCOM (2.87) and NLC (2.95), whose scores fall under the level of laganap ang corruption. According to them, the high levels of corruption of these units were caused by their commanders' blatant negative bureaucratic behavior. (TABLE 3).

FORMS OF CORRUPTION

The most common form of corruption being practiced is the lagay, which recorded a 100% frequency. This was followed by the "negotiated

canvass" at 86.7% and "rigged bidding" at 76.7%. The least practiced is the "under delivery" at 36.7%. (TABLE 4 and 5).

REASONS WHY CORRUPTION IS BEING RESORTED TO

The main reason why corruption is being resorted to by the dealer is, in order "to expedite the processing of documents" (96.7%). A significant number of respondents (63.33%) also said that another reason is "to be able to get a project or transaction". While only 36.7% of the respondents answered that utang na loob was the reason. (TABLE 6).

WHO INITIATES CORRUPTION?

On the question of "who initiates corruption?", a significant number (83.3%) claimed that the corrupt practices were mutually agreed upon by both parties with neither one initiating directly. Instead, these under-the-table transactions have become a routine activity that it had evolved to an SOP or standard operating procedure. (TABLE 7).

PERCEPTION OF CORRUPTION PER OFFICE

Surprisingly, the offices, which emerged as the top three from the frequency distribution, are civilian offices; the Commission on Audit (100%); the Accounting Office (66.7%); and the Supply Accountable Office (66.7%). While the finding for the COA is indisputable, a big factor in the findings for other two offices could be that the dealers are more willing to volunteer information against civilian employees than against military officers.

Among the military offices, the procurement office figured the highest in terms of corruption perception at 60%. It is followed by the logistics office and the Commander's office both at 56.7%. The Bids & Awards Committee (16.7%), Deputy Commander's office (20%) and Chief of Staff office (20%) are the three lowest in terms of corruption perception. (TABLE 8).

IS THERE A FIXED RATE OF 'LAGAY' PER OFFICE

According to all 30 respondents, there is a fixed rate of lagay per office. However, this finding is deceiving because, while it is applicable to the COA where there is consistency in the fixed indicated by the respondents at 1-2% of the total amount of the purchase order, the entries for the other offices had a wide range of variance. This could be explained by the tendency of the dealers to get confused in assigning fixed values for every office. They further qualified that these are dependent on the total amount of the transaction. At any rate, the

finding for the COA is very significant and indisputable at the same time. (TABLE 9 and 10).

IS IT PROFITABLE TO DEAL WITH THE PN?

28 out of 30 respondents (93.3%) felt that despite the existence of corruption, transacting business is still profitable. This could give us an idea of the high profit margins being padded by the dealers on the goods and services delivered to the end-users just to cover for the expenses incurred by the corrupt practices. (TABLE 12).

PERCEPTION ON THE ERADICATION OF CORRUPTION IN THE PN PROCUREMENT SYSTEM

Amazingly, a slight majority of the respondents (53.3%) were not in favor of the eradication of corruption, while 46.7% felt otherwise. One possible explanation for this is that the dealers who did not favor the eradication of corruption are apprehensive that a level playing field may not assure them of getting transactions and, thus, not favor them as much as the status quo. Specifically, a level playing field would negate whatever "business" connections they have with those with discretionary powers. (TABLE 13).

INFERENTIAL STATISTICS

RELATIONSHIP BETWEEN CORRUPTION PROPENSITY AND BOUDARY EXCHANGE

Chi-square statistic was used to establish if there is a relationship between boundary exchange and corruption propensity for every office involved in the procurement system. Of the 12 offices subjected to the research, only the Deputy Commander's office and Bids & Awards Committee obtained a significance level higher than the 0.05 threshold set to conclusively establish a relationship. Hence, for these two offices, there were not evidence to conclude that there is a relationship. But for each of the other offices, the relationship between boundary exchange and corruption propensity was found to be conclusive.

COMMANDER'S OFFICE

Chi-Square Tests

Value df Asymp. Sig. (2-sided) Exact Sig. (2-sided) Exact Sig. (1-sided)

Pearson Chi-Square 19.615 1 .000

ANALYSIS:

The data indicate to us that, at the office of the Commander, corruption propensity and boundary exchange are directly related. Of the 17 respondents who perceived that there is corruption at the office of the Commander, all of them had boundary exchange processes with the said office. Statistically, this is validated by the chi-square test value of 19.615 and significance level of 0.000.

DEPUTY COMMANDER'S OFFICE

Chi-Square Tests

Value df Asymp. Sig. (2-sided) Exact Sig. (2-sided) Exact Sig. (1-sided)

Pearson Chi-Square 3.750 1 .053

ANALYSIS:

The chi-square test value of 3.75 and significance level of 0.053 would indicate to us that, at the office of the Deputy Commander, there are not enough data to conclude that corruption propensity and boundary exchange are directly related. Of the 6 respondents who had perceived that there is corruption at the said office, 4 (66.66%) had boundary exchange processes, while 2 (33.33%) did not.

CHIEF OF STAFF OFFICE

Chi-Square Tests

Value df Asymp. Sig. (2-sided) Exact Sig. (2-sided) Exact Sig. (1-sided)

Pearson Chi-Square 5.868 1 .015

ANALYSIS:

The data indicate to us that, at the office of the Chief of Staff, corruption propensity and boundary exchange are directly related. Of the 6 respondents who perceived that there is corruption at the office of the Chief of Staff, 5 (83.3%) of them had boundary exchange processes with the said office while only 1 (16.66%). Statistically, this is validated by the chi-square test value of 5.868 and significance level of 0.015.

LOGISTICS OFFICE

Chi-Square Tests

Value df Asymp. Sig. (2-sided) Exact Sig. (2-sided) Exact Sig. (1-sided)

Pearson Chi-Square 11.940 1 .001

ANALYSIS:

The data indicate to us that, at the Logistic Office, corruption propensity and boundary exchange are directly related. Of the 17 respondents who perceived that there is corruption at the Logistic Office, all of them had boundary exchange processes with the said office. Statistically, this is validated by the chi-square test value of 11.940 and significance level of 0.001.

COMPTROLLER'S OFFICE

Chi-Square Tests

Value df Asymp. Sig. (2-sided) Exact Sig. (2-sided) Exact Sig. (1-sided)

Pearson Chi-Square 8.684 1 .003

ANALYSIS:

The data indicate to us that, at the Comptroller Office, corruption propensity and boundary exchange are directly related. Of the 10 respondents who perceived that there is corruption at the Comptroller Office, all of them had boundary exchange processes with the said office. Statistically, this is validated by the chi-square test value of 8.684 and significance level of 0.003.

PROCUREMENT OFFICE

Chi-Square Tests

Value df Asymp. Sig. (2-sided) Exact Sig. (2-sided) Exact Sig. (1-sided)

Pearson Chi-Square 5.000 1 .025

Continuity Correction 2.608 1 .106

Likelihood Ratio 6.009 1 .014

Fisher's Exact Test .054 .054

Linear-by-Linear Association 4.833 1 .028

N of Valid Cases 30

a Computed only for a 2x2 table

b 2 cells (50.0%) have expected count less than 5. The minimum expected count is 1.20.

ANALYSIS:

The data indicate to us that, at the Procurement Office, corruption propensity and boundary exchange are directly related. Of the 18 respondents who perceived that there is corruption at the Procurement Office, all of them had boundary exchange processes with the said office. Statistically, this is validated by the chi-square test value of 5.000 and significance level of 0.025.

SUPPLY ACCOUNTABLE OFFICE

Chi-Square Tests

Value df Asymp. Sig. (2-sided) Exact Sig. (2-sided) Exact Sig. (1-sided)

Pearson Chi-Square 6.667 1 .010

ANALYSIS:

The data indicate to us that, at the Supply Accountable Office, corruption propensity and boundary exchange are directly related. Of the 20 respondents who perceived that there is corruption at the Supply Accountable Office, all of them had boundary exchange processes with the said office. Statistically, this is validated by the chi-square test value of 19.615 and significance level of 0.000.

COMMISSION ON AUDIT

Chi-Square Tests

Value

Pearson Chi-Square .

N of Valid Cases 30

a No statistics are computed because Commission on Audit is a constant.

ANALYSIS:

The SPSS could not compute statistically the chi-square value and significance level of the given data because the variable of corruption perception at the Commission on Audit was misread as a constant since all the respondents perceived the COA to be corrupt. Nonetheless, by looking at the Cross Tabulation count, of the 30 respondents who perceived COA to be corrupt, 28 (93.33%) had boundary exchange

processes at the said office. Hence, corruption propensity and boundary exchange are directly related.

FINANCE OFFICE

Chi-Square Tests

Value df Asymp. Sig. (2-sided) Exact Sig. (2-sided) Exact Sig. (1-sided)

Pearson Chi-Square 6.563 1 .010

ANALYSIS:

The data indicate to us that, at the Finance Office, corruption propensity and boundary exchange are directly related. Of the 14 respondents who perceived that there is corruption at the Finance Office of the Commander, all of them had boundary exchange processes with the said office. Statistically, this is validated by the chi-square test value of 6.563 and significance level of 0.010.

TECHNICAL INSPECTION COMMITTEE

Chi-Square Tests

Value df Asymp. Sig. (2-sided) Exact Sig. (2-sided) Exact Sig. (1-sided)

Pearson Chi-Square 6.982 1 .008

ANALYSIS:

The data indicate to us that, at the Technical Inspection Committee, corruption propensity and boundary exchange are directly related. Of the 13 respondents who perceived that there is corruption at the Technical Inspection Committee, all of them had boundary exchange processes with the said office. Statistically, this is validated by the chi-square test value of 6.982 and significance level of 0.008.

BIDS & AWARDS COMMITTEE

Chi-Square Tests

Value df Asymp. Sig. (2-sided) Exact Sig. (2-sided) Exact Sig. (1-sided)

Pearson Chi-Square 3.409 1 .065

ANALYSIS:

The chi-square test value of 3.409 and significance level of 0.065 would indicate to us that, at the Bids and Awards Committee, there are not enough data to conclude that corruption propensity and boundary exchange are directly related. Of the 5 respondents who perceived that there is corruption at the office of the Commander, 3 (60%) of them had boundary exchange processes with the said office while 2 (40%) did not.

ACCOUNTING OFFICE

Chi-Square Tests

Value df Asymp. Sig. (2-sided) Exact Sig. (2-sided) Exact Sig. (1-sided)

Pearson Chi-Square 4.286 1 .038

ANALYSIS:

The data indicate to us that, at the Accounting Office, corruption propensity and boundary exchange are directly related. Of the 20 respondents who perceived that there is corruption at the Accounting Office, all of them had boundary exchange processes with the said office. Statistically, this is validated by the chi-square test value of 4.286 and significance level of 0.038.

CONCLUSIONS

Based on the data gathered, the following are the conclusions:

1. There is corruption in the Philippine Navy procurement system. However, the levels of corruption of the different units of the PN varied and are dependent on the corruptive or non-corruptive behavior of their respective Commanders.
2. There are several forms of corruption being practiced. These are; lagay, negotiated canvass, rigged bidding, "ghost delivery", overpricing, tong, substitution and under delivery.
3. The main reason why corruption is being resorted to is to expedite the processing of documents. Also, the corruptive behavior is not initiated by the dealer nor the procurement official instead, the practice had become a routine that both parties readily and mutually agree on the terms.
4. All offices involved in the procurement system had corruption incidences. However, some offices were perceived to be more corrupt than the others. Ironically, the COA, which is supposed to

be the watchdog of the government against corruption, got a 100% response in corruption perception.

5. There is a prevailing fixed rate of lagay. However, this is dependent on the amount of transaction except for the COA, where the consistent response yielded the amount of lagay at 1-2% of the amount of the transaction.
6. The data gathered validated the hypothesis inferred by the theoretical framework where the boundary exchange processes between the procurement officials and accredited dealers, which work within the milieu of the procurement process, would result to bureaucratic corruption. However, this is not applicable to offices, which have no discretionary powers, as in the case of the Deputy Commander's office and to offices, which are already part of the largesse as in the case of the BAC.

RECOMMENDATIONS

There are only two practical recommendations that can be formulated as a result of this study. First, is for the PN to strictly adhere to the merit system of promotion and selection of officers to be designated as commanders of its different units. The primary criteria for qualification should be an officer who possesses moral integrity, technical competence and vision to effectively formulate reforms and, more importantly, he should also have the political will to implement these reforms.

The other recommendation is to limit the boundary exchange processes to the front line levels only so as to totally insulate the other offices. Thus, these offices can perform their review and inspection functions with a more independent and dispassionate perspective.

AREAS FOR FURTHER RESEARCH

This research has opened a floodgate for future investigative researches. One is an operations research on the auditing processes of the COA. It is very frustrating to know that the very agency tasked to weed out corruption is unanimously found to be the most corrupt office. Another future study could be a policy research to formulate policies to address this endemic problem of bureaucratic corruption.

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