



MCA-PTP *e-News*

Millennium Challenge Account-Philippines Threshold Program



Vol. 1 No. 1

April 16, 2007

Steering Committee Notes MCA-PTP Progress

The Millennium Challenge Account - Philippines Threshold Program (MCA-PTP) Steering Committee noted, in its March 13 meeting, the significant progress so far achieved by the Program's components. The Steering Committee also discussed issues regarding MCA-PTP implementation.

The MCA-PTP is a program of the Philippine government to fight corruption and strengthen revenue administration. It is supported by a

US\$ 21 million grant from the US Millennium Challenge Corporation.

The MCA-PTP components are the Office of the Ombudsman (OMB), the Revenue Integrity Protection Service (RIPS) of the Department of Finance (DOF), the Run After Tax Evaders (RATE) Program of the Bureau of Internal Revenue (BIR), and the Run After the Smugglers (RATS) Program of the Bureau of Customs (BOC).



The MCA-PTP Steering Committee reviews the progress of the Program's work. Presiding over the meeting was Steering Committee chairman and Finance Secretary Gary Teves.



CHAIRMAN'S Message

Hon. Gary B. Teves
Secretary of Finance

It gives me great pleasure to share with you this first issue of "MCA-PTP e-News."

This is all about what the Philippine Government is doing to fight corruption and improve revenue administration. With the help of the United States Millennium Challenge Corporation (MCC) through its Threshold Program in the Philippines and the United States Agency for International Development (USAID), we are building our capacity to fight corruption in the country through our key partners in Government: the Office of the Ombudsman, the Department of Finance, the Bureau of Internal Revenue and the Bureau of Customs.

We are now implementing judicial reforms to make sure cases that are filed against corrupt officials, tax evaders and smugglers are disposed of as promptly as possible. We are installing systems to make transactions more transparent and reduce the opportunities for corruption. We are improving investigative and case management skills of our lawyers and prosecutors so that winnable corruption cases are developed. Lastly, we are adding teaching exemplars on corruption prevention to the curriculum of public schools to sensitize our youth on the evils of corruption.

We would like to enlist your help in our battle against corruption. As we forge ahead, we share with you our vision of a strong, clean and honest government, not only now but for generations to come.

With my best wishes.

The OMB investigates and prosecutes officials charged with graft and corruption and ensures the integrity and efficiency of public sector systems. RIPS investigates, conducts lifestyle checks on, and files

To page 5

INSIDE

Steering Committee Notes MCA-PTP Progress	1
Chairman's Message	1
Harnessing the Youth against Corruption	2
OMB Promises Enhanced Investigation and Prosecution of Corruption Cases ..	2
BIR Computerization Program Launched	2
MCA-PTP: An Overview	3
Raising Integrity Awareness at the BOC	6



DepEd Secretary Jesli Lapus, USAID Philippines Mission Director Jon Lindborg and Ombudsman Merceditas Gutierrez in a huddle before the launch of the Graft and Corruption Prevention Education Teaching Exemplars.

Harnessing the Youth in the Fight against Corruption

The Office of the Ombudsman (OMB) and the Department of Education (DepEd) are investing in the youth in their fight against corruption. On March 2, both agencies launched the Graft and Corruption Prevention Teaching Exemplars, teaching guides that would instill among public school students the values that would enable the youth help build a more honest, transparent, and accountable government in the Philippines.

The launch, which was held at the P. Bernardo Elementary School in Quezon City, was led by Ombudsman Merceditas Gutierrez, DepEd Secretary Jesli Lapus, United States Agency for International Development (USAID)/Philippines Mission Director Jon Lindborg and European Commission Ambassador Alistair MacDonald.

The exemplars, consisting of 52 teaching modules, were first published in 1995 and have since been used in selected public schools. In 2004, the OMB and DepEd began revising these teaching materials to make them more attuned to the basic

To page 6

OMB Enhances the Investigation and Prosecution of Corruption Cases

More than 40 senior officials of the Office of the Ombudsman (OMB) recently committed to aggressively investigate and prosecute corruption cases in the Sandiganbayan, the anti-graft court, and the regional trial courts. This commitment was made during the first-ever Ombudsman Case Build-up Workshop, which was held on February 27 and 28 in Quezon City. The two-day summit discussed and resolved internal policy & case flow issues that sometimes hamper the investigation and prosecution of corruption cases by the OMB.

The deputy ombudsmen, assistant ombudsmen and directors of investigation offices of the OMB who participated in the workshop, committed to:

- Continue complete staff work, from fact-finding investigation to preliminary investigation and prosecution, on cases filed by the OMB;
- Develop case build-up tools such as investigation and prosecution manuals and legal document templates to standardize the quality of investigation and prosecutions; and

To page 6



Deputy ombudsmen, assistant ombudsmen, and directors of investigation offices of the Office of the Ombudsman gathered in a 2-day workshop beginning 27 February 2007 to strengthen the build up of corruption cases to secure more convictions in the Sandiganbayan.

BIR Nationwide Computerization Program Launched

On March 12, the Nationwide Rollout of Computerized System (NRCS) of the Bureau of Internal Revenue (BIR) was launched in Revenue District Office (RDO) 59 in Lipa City, Batangas. Witnessing the roll-out were BIR Commissioner Jose Mario Bunag, Millennium Challenge Corporation (MCC) Director for Threshold

Programs Maria Longi, and USAID Office of Economic Development and Governance (OEDG) Chief Robert Wuertz.

The NRCS is geared toward computerizing the 75 non-computerized RDOs of the BIR. This computerization will support the establishment of the

Integrated Tax System (ITS), which is a computer-based information system that will improve tax administration at the BIR. More specifically, the ITS reduces the processing time of transactions with the RDO, thus encouraging voluntary tax compliance, broadens the taxpayer base,

To page 5

MCA-PTP:

Reducing Corruption and Improving Revenue Compliance and Enforcement

The Philippines' efforts at reducing corruption in government service and improving revenue compliance and enforcement have been given fresh and more intense impetus with the launch of the Millennium Challenge Account-Philippines Threshold Program (MCA-PTP) in November 2006.

The MCA Program

The MCA is an innovative approach to development assistance by the United States that recognizes sound policies and good governance as critical to poverty reduction and economic growth in developing countries. In this approach, development aid is provided to those countries that rule justly, invest in their people, and encourage economic freedom. Administered by the Millennium Challenge Corporation (MCC), a U.S. government-owned corporation, the MCA provides aid to qualified countries through Compact Agreements and Threshold Programs. Compact Agreements fund specific programs targeted at reducing poverty and stimulating economic growth. A Threshold Program is designed to assist countries, such as the Philippines, that are on the threshold of qualifying for Compact Status and have demonstrated a significant commitment to improve their performance on policy reforms.

The MCA-Philippines Threshold Program

The MCA-PTP is a two-year, US\$ 21 million program to help the Government of the Republic of the Philippines (GRP) reduce corruption and improve revenue administration by strengthening the Office of the Ombudsman, and strengthening enforcement within three areas of the Department of Finance (DOF), namely, the Revenue Integrity Protection Service (RIPS), the Bureau of Internal Revenue (BIR), and the Bureau of Customs (BOC). The Program is implemented by the United States Agency for International Development (USAID). As a sign of its commitment to the program, the Philippines allocated P 1 billion for its anti-corruption programs to complement the MCA-PTP.



A simulated panel discussion during a demonstration class on the use of the Graft and Corruption Prevention Education Teaching Exemplars (teaching guides) for elementary and high school students.

Program Oversight/Results Measurement

A Steering Committee chaired by the Secretary of Finance and composed of the DOF, Office of the Ombudsman, BIR, BOC, and USAID, provides guidance to MCA-PTP implementing partners, reviews the progress of the program's implementing partners, and monitors and evaluates the program's progress and effectiveness. The Steering Committee is assisted by a Monitoring and Evaluation Unit, which reports on the progress of the GRP in meeting the MCA-PTP Performance Indicators.

Program Components

- **Strengthening the Office of the Ombudsman.** The Ombudsman investigates and prosecutes high level officials charged with graft and corruption. The technical assistance will expand the Ombudsman training programs; improve information management; strengthen its investigation and surveillance capability, train teachers to implement an anti-corruption module in public school curricula; and establish a mediation system and an integrity training institute.

- **Department of Finance/Revenue Integrity Protection Service (RIPS).** The program investigates, conducts lifestyle checks, and files complaints against government employees of the revenue collecting agencies of the DOF, in particular the BIR and BOC. Technical assistance will strengthen the RIPS Unit's investigation and surveillance capacity; train staff on case preparation and legal writing, and improve its information and evidence security.
- **Bureau of Internal Revenue (BIR)/Run After Tax Evaders (RATE).** The program investigates and prosecutes tax evaders. Technical assistance will support institutionalization of the RATE program; improve the taxpayer database through IT; and develop the BIR's Human Resource Information System. These activities will strengthen BIR capacity to investigate and file strong cases of tax evasion and secure convictions.
- **Bureau of Customs (BOC)/Run After The Smugglers (RATS).** This program is tasked to coordinate, monitor, investigate and prosecute violators of Customs Law. Technical assistance will strengthen the RATS Unit, improve information management; procure port and airport surveillance equipment, strengthen the Customs Accreditation Secretariat (CAS), harmonize Customs laws, rules and regulations, and establish an Internal Control Unit.



Members of the Run After The Smugglers (RATS) Program and the Legal Service of the Bureau of Customs (BOC) listen intently to a lecture during a seminar on 'Corruption in the Global Environment'.

Program Achievements

Four months after its launch, the Program is already supporting significant initiatives:

- A human resource development program to develop the investigative capabilities of BIR personnel and strengthen cases filed by the BIR. The MCA-PTP conducted three (3) workshops on Improved Tax Fraud Investigative Techniques for 130 BIR personnel nationwide, and will conduct similar training in the future.
- A nationwide computerization program to strengthen the BIR's Integrated Tax Systems (ITS). This program will allow easier and more accurate tax filings by taxpayers and improve tracking of tax evaders. Roll-outs of the first three (3) installations in BIR Revenue District Offices (RDOs) in Luzon have been completed. Up to 73 more rollouts are planned.
- A fully-automated Human Resource Information System (HRIS) that will allow better utilization and management of the personnel of the BIR.
- A training program to strengthen the case development processes and skills at the Office of the Ombudsman, and to improve the conviction rates at the Office. The MCA-PTP conducted a two-day workshop on Case Build-Up Techniques for 35 senior officials of the Office of the Ombudsman and the Office of the Special Prosecutor, and will conduct similar training for new and additional staff in the future.
- A values and anti-corruption education curriculum program among the youth. The Office of the Ombudsman and the Department of Education, with assistance from the MCA-PTP and the European Commission, have launched the Graft and Corruption Prevention Education Teaching Exemplars for all public elementary and high school students throughout the country.
- Information management and evidence security improvement. Procurement of surveillance equipment and document security, and work on improving the evidence storage facilities for DOF-RIPS has been initiated.
- Integrity training program and establishment of the Internal Control Unit at the BOC. These two programs are currently underway.

Steering Committee notes ... *From the front page*

complaints against, revenue officials, especially from the BIR and BOC. Meanwhile, the RATE Program investigates and prosecutes tax evaders. Finally, the RATS Program monitors, investigates and prosecutes violators of Customs laws.

The more remarkable of the MCA-PTP's achievements included the BIR RATE Program surpassing its 2006 target of +5% on the percent increase in the number of both individual and corporate income tax returns. Based on latest figures from the BIR, the Program exceeded these targets by achieving increases of 8.3% and 6.6%, respectively. By the end of the MCA-PTP's implementation in September 2008, the Program anticipates achieving at least a 10% increase in both indicators. The BIR also exceeded its 2006 target for the number of RATE cases filed with the DOJ by filing 33 new cases by end

of last year to bring its case total to 77 since 2005. By September 2008, it anticipates that total to reach in excess of 116 such cases.^{6 c.}

The OMB exceeded its target increase in the conviction rate in the corruption cases it filed before the Sandiganbayan, the country's anti-graft court. Its cumulative conviction rate of 25% for the period January 1, 2005 up to December 31, 2006 increased to 34% by March 7, 2007. By the end of MCA-PTP, its conviction rate is expected to improve to 40%.

The RATS program also surpassed its target of 9 smuggling cases filed with the DOJ in 2006. That year, it filed 17 such cases, while in the first quarter of 2007, it filed 6. The program also filed 4 cases in the Court of Tax Appeals (CTA) in 2006 and 2 cases in the first quarter of this year.

Finally, RIPS is on its way to achieving its target of filing 50 RIPS cases per year with the OMB. Moreover, in 2006, 12

revenue officials charged by the OMB were suspended. By 2008, the target is to suspend at least 35 erring public officials.

One of the more important implementation issues discussed in the meeting was the approval of the Rationalization Plans of the BIR and the BOC. It was noted that the institutionalization of the RATS and RATE programs would depend on the creation of the appropriate offices mandated to implement these programs. Another issue was the need to closely coordinate with the DOJ to ensure that MCA-PTP targets on the cases filed with, and prosecuted in and by, the said agency would be achieved. Also discussed were the delays in the prosecution of cases brought about by temporary re-training orders, the insufficient resources available to the different program components, and the need for social marketing to harness public support for anti-corruption efforts of government.

BIR Computerization ... *From page 2*

facilitates prompt responses to taxpayer inquiries, and streamlines and automates traditional manual processes. It also provides a database of taxpayer information that can be used for audit and enforcement activities, facilitates the alignment of tax administration processes, thus making tax administration more efficient and less costly.

The NRCS is supported by the MCA-PTP, which will provide each of the RDOs computers, servers, network cabling and data storage facilities. MCA-PTP will also provide associated training to all BIR personnel involved. Up to 73 more roll-outs are planned.

The NRCS is part of the package of support MCA-PTP is providing to the BIR's Run After Tax Evaders (RATE) Program. This assistance aims to help the BIR improve the investigative and prosecutorial skills of BIR personnel, and fundamentally reform and realign the process of taxpayer registration and filing. It will also allow the BIR to substantially improve RATE's investigative capability.

The MCA-PTP will also support the automation of the BIR's Human Resource Information System (HRIS). This will enable the BIR to more effectively allocate human resources, improve work efficiency and better evaluate and monitor staff performance.



BIR Commissioner Bunag presenting the Rollout Certificate to Revenue District Officer Tamani for the successful launch of the BIR National Rollout of Computerized Systems in Revenue District Office (RDO) 59 in Lipa City. Witnessing the presentation were senior BIR officials, Maria Longi, Director, Threshold Programs, MCC, and Robert Wuertz, Chief, OEDG, USAID.

The NRCS has also been installed in RDO 20 in Balanga City, Bataan, and RDO 84 in Tagbilaran City, Bohol. Site assessments to determine actual needs will also be conducted for RDOs in Batangas City, Gumaca in Quezon, and Boac in Marinduque. The NRCS will be installed in these RDOs within the month of April.

Harnessing the Youth... *From page 2*

education curriculum. After 2 years of revisions, the new edition of the teaching guides is now ready for distribution. More than 200,000 copies of this edition will be distributed to all 44,000 public elementary and secondary schools all over the country.

The project is being implemented with support from the MCA-PTP. The European Commission supported the printing of the new edition of the exemplars.

The project is part of the OMB's effort to increase the youth's awareness on the urgent need to fight corruption. For the Ombudsman, corruption education activities are important in creating much-needed public support for the investigation and prosecution of corruption cases to make public service delivery more efficient and transparent.



Ombudsman Merceditas Navarro Gutierrez, Department of Education Secretary Jesli Lapus, and United States Agency for International Development (USAID)/Philippines Mission Director Jon Lindborg in animated conversation during the launch of the MCA-PTP supported Graft and Corruption Prevention Education Teaching Exemplars held March 2.

OMB Enhances ... *From page 2*

- Conduct training of investigators and prosecutors so that they can learn from each other and promote teamwork.

The summit was supported by the Millennium Challenge Account-Philippines Threshold Program (MCA-PTP), a Philippine program to reduce corruption and improve revenue administration.

The workshop culminated in a rally led by Ombudsman Merceditas Gutierrez. In this rally, the heads of the investigation offices of the OMB pledged their support for the Office of the Special Prosecutor (OSP), which is principally in charge of prosecuting cases against high-ranking officials before the Sandiganbayan. In return, the OSP

committed to improve conviction rates at the OMB. More than 150 officials and staff of the OSP attended the rally.

In the period January 1, 2005 to March 7, 2007, the OMB had exceeded its target increase in the conviction rate in the cases it had filed with the Sandiganbayan.

Raising Integrity Awareness at the BOC

The Bureau of Customs (BOC) with technical assistance from the Millennium Challenge Account-Philippines Threshold Program (MCA-PTP) recently

launched a series of integrity awareness seminars with the conduct of a seminar on "Corruption in the Global Environment: An Overview" at the BOC Training Center on March 16. These seminars are intended to increase participant awareness and understanding of corruption related issues and the effects of corruption on a society by focusing on various concepts and theories related to this complex phenomenon. The seminars are designed to stimulate self-

thought, self-reflection, and personal situational planning on the subject of integrity. Twenty-nine BOC personnel, mostly with the Run After The Smugglers (RATS) Program, attended the integrity seminars.



MCA-PTP Senior Advisor for Customs, Dr. Leonard Ginnochi, delivering a lecture during the first seminar on "Corruption in the Global Environment: An Overview," which was held last March 16, 2007 at the BOC Training Center.

For more information, please contact: Ms. Leah de Leon, Office of the Secretary, Department of Finance, Department of Finance Building, Roxas Blvd. Metro Manila, Tel. No. 523-9215, e-mail address: DMarcellano@dof.gov.ph