

# Investigating Officials

Thursday, 07 June 2007

Last Updated Thursday, 07 June 2007

## CHAPTER III

### INVESTIGATING OFFICIALS

#### CHECKING ASSETS, LIFESTYLES, BEHAVIOR, AND CONFLICTS OF INTEREST

SHEILA S. CORONEL

Corruption takes place because individuals who have been entrusted with power take liberties with the law and with the public purse. Pursuing the trail of wrongdoing inevitably leads to individuals who commit malfeasance. Sooner or later, therefore, one who is bent on uncovering corruption will have to check on the lifestyles, assets, and behavior of public officials.

These are areas that are ripe for investigation. The accumulation of wealth by those who hold public office is hardly kept secret, and there is bound to be documentation proving such illicit amassing of riches. Moreover, even while corrupt deals are transacted behind closed doors, those who commit wrongdoing invariably leave a trail, either in the form of botched procedures or behavior that violates codes of ethics.

The following are some techniques that have been successfully used to investigate corrupt public officials:

#### Check lifestyles

Many citizens take for granted that bureaucrats and officials live in a grand manner that cannot be explained by their paltry salaries. The fact that poorly paid tax personnel or customs collectors drive Mercedes Benzes and live in mansions hardly raises eyebrows. Extravagant lifestyles are one of the most obvious

indicators of corruption and among the easiest to document. They are also a violation of the law, if an official is unable to prove where she got the wherewithal to support such a lifestyle.

The Anti-graft and Corrupt Practices Act (Republic Act 3019) says that a public official can be dismissed if he "has been found to have acquired during his incumbency, whether in his name or in the name of other persons, an amount of property and/or money manifestly out of proportion to his salary and to his other lawful income." There is a presumption of culpability if an official cannot explain where she acquired income or assets. Among the things mentioned in R.A. 3019 as indicators of unexplained wealth are unexplained bank deposits, "manifestly excessive expenditures," and ostentatious display of wealth, including frequent travel abroad.

Unlike other techniques of investigating corruption, conducting a lifestyle and asset check shifts the focus of the investigation from the act of malfeasance (e.g. awarding an overpriced contract, rigging a tax audit, favoring a relative for an appointment) to the fruits of such malfeasance.

When journalist Earl Parreño was investigating the misuse of pork barrel funds in Eastern Visayas in 1998, among the things he looked at was the way the congresspersons from the poorest provinces in the country lived. The result of even a cursory examination of congressional lifestyles was astonishing. Among the things Parreño found on his visits to the congresspersons' districts were fabulous mansions, one with a jet ski in the garage, the other with a helipad where the congressman parked a rented helicopter for his weekly visits to his constituents – all these amid the poverty and misery of Samar island.

Visits to offices and houses are a good way to begin a lifestyle check. Among the things to look out for are fancy vehicles (boats, cars, jet skis, etc.) parked in these homes or used for ferrying officials, sumptuous parties hosted by them, the retinues they keep (bodyguards, valets, maids), the suits and jewelry they wear. Other lifestyle indicators are foreign trips, children sent abroad for schooling, or, as in the case of former president Estrada, luxury houses built for mistresses and family members.

After taking note, one can begin asking questions. Remember that public officials are banned by the anti-graft law from receiving gifts. Find out whether they have a plausible explanation for the manner in which they live. What salaries do they get from the government? Did they inherit or marry into land or other forms of wealth? Did they make money from a business or profession?

To answer these questions, one must do a background check. Ask for curriculum vitae; interview family, friends, staff, classmates, and townmates; scour newspaper archives for articles about these officials. Try to get a sense of how official lifestyles have changed over time. Parreño, for example, found that the Eastern Visayas congresspersons he was investigating acquired markedly more affluent lifestyles after their election to the legislature. He looked at their statements of assets and discovered that their assets registered a dramatic increase after they were elected to the House; the longer they stayed in Congress, the larger the cumulative gain in their assets.

#### Look for assets

The first step when checking the assets of those in government is to get their statements of assets and liabilities. Officials often lie in their asset statements, tending to understate what they own; nonetheless, these records are among the most valuable public documents

available when one is investigating corrupt officials. While the data these documents contain are often incomplete, inaccurate, or otherwise unreliable, they still offer baseline information for pursuing a more thorough investigation. [See Chapter IV, "The People and Paper Trail," for a more detailed discussion of statements of assets.]

Government officials and employees are required to make annual declarations of their assets and liabilities. The idea is that such declarations make it easier to keep track of the accumulation of wealth by public officials, so that the public can check on, among other things, potential conflicts of interest or illicit gain from public office. Making inaccurate declarations is a violation of the law and has caused the downfall of high officials.

In Thailand, the newspaper Prachachart checked the accuracy of asset statements by comparing them with corporate and other records. For example, in 1999, the Thai interior minister was forced to resign after declaring a fake loan from a company to cover up an unexplained increase in his assets. The newspaper found out about the fake loan because it was not registered in the lending firm's balance sheet.

In 2001, Prime Minister Thaksin Shinawatra came perilously close to losing his post after he was charged with filing inaccurate asset declarations and with concealing his assets by transferring his shares to his maid and his driver. Prachachart did the initial investigation as well, again by comparing the prime minister's asset declaration with corporate financial statements, and by uncovering the identities of the individuals who had acted as his dummies.

Similarly, the PCIJ's own investigation in 2000 of President Estrada's unexplained wealth – as shown by the disparity between what he declared in his asset statements and what other public records show he actually owned – became one of the bases for filing impeachment charges against him. [See section "Investigating a President" in this chapter.]

All these investigations were based on a thorough check of asset declarations and proving their inaccuracy by using other public records. In Estrada's case, the PCIJ found that the president's declared net worth and income could not explain how he, his wives, and his children were able to live a lavish lifestyle (including fancy cars and high-priced mansions) and form so many companies, most of which were not listed in his statements of assets.

#### Examine conflicts of interest

The law recognizes that the tremendous powers given to officials have to be tamed in various ways, including ensuring that they do not use these powers to protect and promote their own interest rather than the public's. Conflicts of interest arise when those entrusted with power or authority have pecuniary interests that may either benefit from, or be damaged by, the exercise of such power.

The Constitution has measures to guard against conflicts of interest in the legislature, the executive, and the judiciary. Any official who violates these measures can be charged with violating the Constitution. [See sidebar.] Thus, in investigating officials, it may not be necessary to prove that they received bribes or otherwise benefited from an anomalous action, policy, or decision. Showing that they were in a conflict-of-interest situation often suffices.

For example, in a 2002 investigation of the justice department, the PCIJ's Malou Mangahas found that Justice Secretary Hernando Perez declared ownership of shares in Belle Corp. among his assets. She also discovered that Perez had served as chair of Belle in the early 1990s. Yet Perez, as justice secretary, was overseeing the corruption charges against former president Estrada, which included the purchase by state pension funds, at Estrada's behest, of millions of pesos of Belle shares. At the very least, Perez should have inhibited himself from the case. Yet, the PCIJ investigation showed that he who negotiated for the chair of Belle and the heads of the two pension funds to become state witnesses in Estrada's trial. The three men failed to help the government nail Estrada with their testimonies even as they saved their own skins.

The Constitution requires that the President, the Vice President, and Cabinet secretaries divest themselves of their business interests so that they will not be caught in conflict-of-interest situations. Officials, however, cannot divest to their wives or relatives within the fourth degree.

Even after divestment, officials very often operate in a gray area, which is also an area that is ripe for investigation. In 1992, for example, Howie G. Severino documented a conflict of interest in the case of the newly appointed environment secretary, Edelmiro Amante, a former logger and lawyer for logging firms as well as the former representative of the country's foremost logging province. Severino cited conflict of interest among the issues that raised doubts about Amante's suitability for the post of environment chief at a time when the future of logging was being hotly debated.

In addition to the Constitution, the Anti-graft and Corrupt Practices Act prohibits officials from directly or indirectly benefiting from transactions requiring the approval of government bodies of which they are part. The Act explicitly says that officials cannot be members of such bodies even if they do not participate in the deliberations on transactions in which they may benefit.

Apart from these laws, institutional or professional codes of ethics guard against conflicts of interests. For example, the Code of Judicial Conduct requires judges to inhibit or recuse themselves from cases in which their relatives or former clients are involved. [See Chapter VII, "Investigating the Courts," for further discussion.] The classic example of conflict of interest in the judiciary is Severino's 1994 exposé of how a Makati trial judge issued several rulings in favor of

Hoechst, a German multinational company that manufactures Thiodan, one of the most harmful pesticides in the market. Severino examined corporate records, court documents, and minutes of Hoechst board meetings to prove that the judge had once been a lawyer for a Hoechst affiliate while his wife owned substantial shares in another Hoechst subsidiary.

One can document conflicts of interest by doing an asset check of officials and examining how they make decisions on transactions involving companies, property, or economic sectors (e.g., power, manufacturing, agriculture) in which they or their relatives have an interest. For example, in 1995, Marites Dañguilan Vitug obtained a list of projects funded from the pork-barrel allocation of Surigao del Norte Rep. Glenda Ecleo. Among the major recipients of Ecleo's largesse was a mining cooperative. Vitug then checked Ecleo's statement of assets and was not all that surprised to find that the legislator had listed interests in the same mining cooperative among her assets.

Congress is a particularly difficult nut to crack as far as conflicts of interest are concerned. The divestment requirement does not apply to members of Congress, although the law [see sidebar] puts other limits on the actions of legislators. Unlike members of the Executive Department, senators and congressmen are not barred from practicing their profession. They are only expressly prohibited by the Constitution from appearing in court; otherwise, they are allowed to continue practicing law even while serving in Congress.

The difficulty lies in the fact that most legislators have economic and professional backgrounds that put them in potential conflict-of-interest situations. As shown in *The Ties that Bind*, the PCIJ's ongoing research on the proprietary and family interests in Congress, most legislators own businesses or property which can benefit from the laws they pass. But it is hard to call them to account because they can always say that these laws were drafted on behalf of certain constituencies they represent. Or a representative in a conflict-of-interest situation may simply ask a colleague to file a bill on his or her behalf. At any rate, the mere pinpointing of such potential conflicts through an asset check of legislators and its comparison with their voting record or the bills they filed, is an invaluable public service and will make the lawmaking process more transparent.

Sidebar: Guarantees against Conflict of Interest

What the Constitution says:

n The President, Vice President, Cabinet members and their deputies or assistants cannot hold any other office or employment during their tenure. They cannot directly or indirectly practice any other profession, participate in any business, or be financially interested in any contract, franchise, or special privilege granted by any government entity.

n Members of Congress cannot personally appear as counsels before any court, electoral tribunal or quasi-judicial and other administrative body. They cannot be directly or indirectly interested financially in any contract, franchise or special privilege granted by the government. They cannot intervene in any matter before any office of the government, if it is for their pecuniary benefit. They are also required to notify Congress of any potential conflict of interest that may arise from laws or bills they author.

n The President, Vice President, Cabinet members, Ombudsman, and members of Congress, the Supreme Court, constitutional commissions cannot directly or indirectly receive any loan, guarantee, or any other financial accommodation from a government-owned or controlled bank or financial institution.

#### Anti-graft and Corrupt Practices Act (Republic Act 3019)

n Public officials cannot request or receive any pecuniary benefit from any person who has obtained or is seeking to obtain a government license or permit.

n A public official and his family cannot accept employment from a private enterprise that has pending official business with him.

n A public official cannot have a direct or indirect interest in any transaction or act requiring the approval of a body of which he is a member, even if he does not participate in the action of that body.

n The spouse or any relative within the third civil degree of the president, vice-president, Senate president, and Speaker of House cannot intervene directly or indirectly in any business, transaction, or contract with the government.

n Members of Congress are banned, during the term for which they are elected, from acquiring any personal material interest in any business enterprises that will be "directly and particularly" benefited by any resolution or law approved by them during that term. If they already have prior interest in said enterprises, they are required to divest themselves within 30 days.

#### Code of Conduct for Public Officials and Employees (Republic Act 6713)

n Public officials and employees are banned from

having a direct or indirect financial or material interest in any transaction requiring the approval of their office.

n They cannot own, control, manage, or accept employment in any private enterprise regulated, supervised, or licensed by their office.

n They cannot engage in the private practice of their profession unless authorized by law, and only provided that such practice will not conflict with their official functions.

n They cannot recommend any person to any position in a private enterprise that has a regular or pending official transaction with their office.

n When a conflict of interest arises, they shall resign from any private business enterprise within 30 days from assumption of office and/or divest themselves of their shareholdings or interest within 60 days. Divestment does not apply to those who serve in an honorary capacity nor to laborers and casual or temporary workers.

n Divestment shall be to a person or persons other than the official's spouse and relatives within the fourth degree.

Look for patterns

Many of the investigations that the PCIJ has done involved examining not just a single corrupt act but a series of acts or anomalies. Investigating wrongdoing often entails looking for a pattern in the actions of corrupt officials or bodies. A single suspicious act can be explained as being due to something plausible, say, carelessness, inefficiency, or ignorance. But a pattern of suspicious actions is harder to account for. When gathering evidence of wrongdoing by officials, therefore, one often has to establish that a pattern of wrongful acts has been committed and to find out who is responsible for them.

Severino's investigation of a Makati judge's rulings on the German pesticide producer Hoechst, for example, entailed examining the judge's actions over a two-year period. These included a ruling overturning the government ban on Hoechst pesticides in 1992, a court order a week later that doubled Hoechst's import quota for one of the banned pesticides, and a 1993 injunction stopping a new government prohibition on the pesticides. The injunction was issued by the same judge even if the case had been raffled off earlier to another judge. When these actions were seen over time, a pattern of anomalous rulings designed to counter government efforts to ban or restrict the harmful pesticide became evident.

In other investigations, the pattern was discernible not so much in the official's actions related to his position but in his acquisitions. In the PCIJ's investigation of Estrada, for example, the pattern of building fancy houses in de luxe subdivisions and the acquisition of real estate through dummy firms were established only after months of gathering documents and doing interviews with knowledgeable sources. Because most of the real estate and the houses were not in Estrada's or his mistresses' names, the PCIJ team had to find patterns in their acquisition as part of the effort to establish ownership. The patterns emerged only after the records of several of the houses were examined: same contractors and designers were used; same cronies or friends fronted for the properties; and the same law firm incorporated several of the shell companies in whose names these properties were bought.

[See below.]

Investigate the public behavior of officials and lapses in codes of conduct

Investigating officials should not be limited to probing their decisions, assets, lifestyles, and acquisitions. Journalists and other researchers can also venture into examining their behavior both during and after office hours. This is particularly so for officials in positions where high standards of behavior are expected. The foremost example of this is the judiciary. The Code of Judicial Conduct prescribes that judges conduct themselves in a manner above suspicion.

In 1993 and 1997, the PCIJ published articles that reported that Supreme Court justices were violating the code of conduct by being seen in public with litigants and lawyers who had cases pending in their courts. Such so-called *ex parte* communications are not illegal, but they cast doubt on the impartiality of justices when the meetings are held without the presence of both parties to a case.

The articles cited interviews with litigants and lawyers who had witnessed these meetings and also revealed the existence of a network of intermediaries that had emerged around justices who were supposed to be impervious to outside influence. The examination of the public behavior of justices led to an investigation of these intermediaries, particularly law offices run by relatives of justices or retired justices, which have been accused of peddling influence in the high court.

Observing the public or social behavior of officials provides clues as to who is doing the influence peddling. Among the findings of the PCIJ's 1997 investigation of Supreme Court Chief Justice Andres Narvasa was that he was often in the company of a lawyer who was known in the legal community as a conduit to the chief. The PCIJ traced immigration records showing the lawyer and Narvasa took several foreign trips together; they were also seen regularly playing golf and dining together, even if the lawyer and his office had pending cases in the high tribunal. Narvasa had also been seen in the company of litigants who had cases in the Supreme Court, leading to doubts on whether he conducted himself in "a manner above suspicion."

Ethical codes are more lax for elected officials, but they should not be exempt from an examination of their public behavior. For example, eyebrows should be raised if a mayor is often seen in the company of a public-works contractor who has big contracts with the city government, more so if that contractor is listed among the mayor's campaign contributors. While there is nothing illegal about this, such behavior raises issues of propriety and conflict of interest, especially if documents show that the contractor has been unduly favored by the city government.

The issues raised against Estrada during the early months of his presidency also had to do with his behavior, especially in the late evening hours when his friends and cronies joined him for drinks at Malacañang Palace. It later came to light that major decisions of the Estrada presidency, such as appointments to key posts and the award of contracts to favored businesspeople, were made by the so-called "Midnight Cabinet." Who Estrada drank or played mah-jongg with became an important issue, as this had a direct bearing on presidential decision making.

Investigate friends, relatives, and cronies

Nepotism and cronyism are among the most pernicious forms of corruption. [See Chapter I, "Defining Corruption."] Favorable treatment given to family and friends may include a government job, a public works contract, subsidized housing, a loan from a state bank, even leaked questions in a government exam. Such favors are often accepted as the norm and officials think that rewarding family and supporters is part of the perks that come with a government post. It is this widespread thinking that leads to abuses of public office and of the public trust.

Corrupt officials typically distribute the profits from, and opportunities for, malfeasance among their kin and cronies. Marcos, who divided control over profitable sectors of the economy among his relatives and friends, was the foremost example of the heights to which this practice can go. Corazon Aquino is generally acknowledged to have been an honest president, but her relatives were not shy about using their closeness to Malacañang to wangle official positions and get concessions from government bodies.

Even if office-holders are themselves clean, their family and friends can still use their connections for various forms of malfeasance. This appeared to be the case with Environment Secretary Angel Alcala, whom Severino investigated for the PCIJ in 1995. Severino found that Alcala had issued anomalous permits to cut down forests because of the lobbying of a "syndicate" within the environment department that included the secretary's daughter who was also his secretary and his former students at Silliman University who served as his advisers. Members of the syndicate acted as intermediaries for logging firms. (See below, "Investigate intermediaries.")

The PCIJ's own investigations have shown that the practice of favoring family and friends is pervasive in all branches of government. The Ties that Bind shows that the interlocking family and business ties of officials – many representatives, for example, belong to political families that also run business networks – is partly responsible for the fudging of the lines that separate the private from the public sphere.

Investigators of corruption should therefore be adept at unraveling “the ties that bind.” One of the strongest ties is family. One way to investigate family ties is to examine genealogies and family histories. In their statements of assets, officials are also required to list family members holding government posts [see Chapter IV, “The People and Paper Trail”]. It is important to know how officials are related to each other or to businesspeople who will benefit from, or be harmed by, legislation or government regulation. This information could provide the missing link in an investigation.

Other ties are those formed in schools, fraternities, civic clubs, and professional associations. Religious and ethnic or linguistic- group affiliation are also strong ties. These often give clues as to why an official is favoring a particular businessperson or firm. For example, it is well known in the legal community that the University of the Philippines-based Sigma Rho fraternity wields strong influence in appointments to the judiciary. Many lawyers and litigants use the Sigma Rho connection to get favorable rulings from judges.

Real-estate developer Roberto Sobrepeña was believed to have wangled big contracts during the Ramos presidency because he and the President belonged to the same church. It was this connection that made Sobrepeña one of the big contributors to the Ramos campaign. Another contributor was musician and bistro operator Ramon ‘RJ’ Jacinto, who used his closeness to the President to get billions in loans from government banks.

The campaign expenditure records that candidates are required to submit to the Commission on Elections within 30 days after the vote are a good source of the identities of a politician's closest friends and supporters. Although these listings are by no means complete, they are a good place from which to start. Estrada's campaign expenditure record, for example, showed tobacco tycoon Lucio Tan's brother Harry among the contributors. Lucio Tan himself was believed to be the biggest contributor to the campaign, although he was not listed as a donor. He reaped his investments during the Estrada presidency, when he got preferential treatment for Philippine Airlines and the investigation of his tax evasion cases. Estrada later appointed other campaign contributors to high government posts.

Unlike Estrada, the cronies of Ramos, a former general, tended to be from his “old boys network” in the military. When Chay Florentino-Hofileña investigated the Mount Pinatubo Commission during the Ramos presidency, she found it to be full of retired officers, some of whom used their office to enter into anomalous and overpriced

contracts. It was the same case for the Centennial Exposition, which Hofileña probed years later. Some of the key Ramos-appointed officials who took part in the construction of that white elephant in 1997 and 1998 were former military officers, who appeared to have condoned the massive expenditures and the diversion of funds intended for the exposition to the ruling party's election coffers.

To unravel such ties, investigators can seek interviews with the associates, friends, and long-time staff of these officials. Other sources are published reports, directories published by fraternities and professional groups, alumni associations, rosters of civic clubs. Many of these lists are now online and many organizations, even family or clan associations, have e-groups for their members. Many e-group postings are in Web archives. Reading through the correspondence mounted on these online discussion groups can provide clues of what ties bind. Investigators can also post queries in nonexclusive e-groups or listservs.

### Investigate intermediaries

In the course of its many investigations, the PCIJ has come across the role played by intermediaries – either middlemen or brokers – in corrupt transactions. A company or individual that does business with the government or is subject to official regulation inevitably searches for connections to the powerful. For this reason, a network of intermediaries or intercessors sooner or later forms around a wielder of power or an interpreter of government rules, be he or she a mayor, police chief, district highways supervisor, or even a Supreme Court justice.

Such intermediaries may, in the case of Supreme Court justices, be law offices that have relatives of justices as partners. As this writer's 1997 investigation of the Supreme Court found, the law offices are hired by litigants or subcontracted by other law firms expressly for backroom deals with justices. For this reason, that investigation focused largely on the role of intermediaries in corrupting the court.

Similarly, the PCIJ's 1995 investigation of presidential mistress Rosemarie 'Baby' Arenas was essentially an examination of her role as intermediary to President Ramos. The article, based on interviews with government officials and businesspeople, probed whether Arenas was indeed lobbying for government appointments and contracts.

Very often private individuals do not transact directly with officials. Litigants and lawyers, for example, may go through the clerk of court or other members of the judicial staff. Public works contractors rarely meet with congressmen themselves when they try to negotiate a slice of pork barrel funds; they deal with congressional staff. Demands for payoffs, commissions, or grease money are sometimes coursed through trusted relatives, who are also sometimes employed as secretaries, chiefs of staff, or consultants of officials. Following the trail of corruption, therefore, entails unraveling the network of intermediaries and brokers that surround a corrupt official.

Sometimes corrupt deals are transacted through or by mistresses, as in Arenas' case, fraternity mates, classmates (as in the case of President Estrada, whose classmates were said to have wangled juicy deals from government). In this case, the trail of accountability becomes fuzzy, as these are private individuals who influence government decision making; if at all, it is the officials they influence, rather than the brokers themselves, who are held to account.

For sure, these intermediaries often take a cut for themselves. In the case of the Amari scandal that hounded the Ramos presidency, the PCIJ found that the intermediaries were two ethnic Chinese businesspersons who received commissions from Amari in exchange for ensuring that the Thai company got the contract to purchase and develop reclaimed land off Manila Bay. These two businesspersons in turn bribed other officials to get that contract. Amari was a huge and complex deal that involved other brokers as well, including George Triviño, a convicted gold smuggler who was Amari's conduit to House Speaker Jose de Venecia. Triviño, who fled the country at the height of the Senate investigation of the scandal, was the "smoking gun" in that he was the link between Amari's corrupt deals and de Venecia's possible complicity in them.

Sidebar:

#### Checklist for Backgrounding Officials

The following is a list of documents that can provide essential information on officials. Chapter IV, "The Paper and Human Trail," discusses some of these records in more detail.

Official biodata

Newspapers, magazines, and newsletters

Biographies, family histories, genealogies, and Who's Whos

Directories and yearbooks

Listings of trade and professional organizations

Statements of assets

Land records

Corporate records

Vehicle registration records

Licenses and permits (for firearms, business, etc.)

School records

Civil registry records (birth, marriage, etc.)

Voter registration records

Record of campaign expenditures

Speeches and papers

Immigration (arrival and departure) records

Sidebar

Investigating a President

The PCIJ's award-winning investigation of the unexplained wealth of President Estrada

employed many of the techniques described in this chapter. The findings of the investigation were published as news reports in major newspapers and aired as 10- to 15- minute segments on public-affairs programs in two major networks from July to December 2001. These reports also became the bases for the impeachment charges filed against the President.

Estrada's two-and-a-half-year presidency provides a classic case study of political corruption in the Philippine context and of the vast amounts that can be amassed by a president who misuses the powers of his office. These included the powers to appoint over 3,500 officials, including the boards of government banks, corporations, and pension funds. The President also has the power to approve contracts above P50 million. He can veto laws, order the release of amounts from the national budget, and exercise influence on nearly every office in the bureaucracy.

By the time Estrada was ousted in January 2001, it had become apparent that he combined the vintage methods of presidential plunder that Marcos had perfected – behest loans, commissions from contracts, and the ownership of companies through nominees – with newer types of machinations such as stockmarket speculation and corporate mergers and takeovers using state pension funds. The estimate is that Estrada accumulated as much as P20 billion in cash and real estate while in Malacañang.

When the PCIJ began its investigation in January 2000, there was already coffee-shop talk about the deals made by the President and the huge amounts of money that were changing hands. It was, however, difficult to substantiate these rumors, especially when Estrada was at the height of his popularity and had succeeded in muzzling critical segments of the press. It was difficult at that point to get firsthand sources to be interviewed on the subject or to find documentation to support the allegations.

Such is often the case when one is investigating corrupt officials.

This does not mean that one should stop probing. It only means that one should change the focus of the probe and the techniques used. The PCIJ investigation of Estrada took nearly a year and was done by a team of five journalists, several researchers, and interns.

The following is a simplified-step-by-step account of how the PCIJ investigated a president:

#### Aim for what can be documented

The challenge in investigating political corruption is to find a paper trail and to get sources to reveal information, especially when the targets of the investigation are powerful. The PCIJ knew that it had to find documents to back up its reports. Its investigation, therefore, was determined by what could be documented. It was difficult to document deal making and payoffs. It was easier at that time to document the fruits of the dealmaking. This was the reason the PCIJ decided to find out how Estrada spent his money, rather than how he got it.

#### Devise a research strategy

It is essential at the onset to conceptualize a strategy for the research. The strategy should include a list of the information needed and the documents and sources that can provide such information. Investigators should know what they are looking for. For the PCIJ, this requirement also entailed rereading the law on assets and conflicts of interest.

The main strategy at the initial stage of the investigation was to find out whether the President's assets exceeded what he had declared in his statement of assets, making him liable for accumulating unexplained or ill-gotten wealth. As shown in the previous chapter, an asset check is often one of the simplest ways to document corruption. To do this, we needed to retrieve Estrada's statements of assets since 1987. Then we would have to do a systematic search of his assets and see whether his statements contained major omissions.

#### Be patient with documents

The search for statements of assets was easy. The PCIJ had several of these already on file. Those when Estrada was a senator were still on file at the Senate, and those he filed as president were obtained from the Office of the Executive Secretary in Malacañang. The search for the other assets was more tedious. The PCIJ began with corporate records and did a systematic search of companies in which Estrada and various family members were registered as board members or incorporators.

The search began at a computer terminal at the Securities and Exchange Commission (SEC), where members of the public can key in a name and find out what companies list it as an incorporator or a board member. PCIJ researchers keyed in Estrada's name and those of his wife, various mistresses, and children. More than 100 companies were found, but the list was trimmed down to take out companies that listed people who had the same name but were not Estrada family members.

The next step was to retrieve the registration records of the companies in the trimmed down list. This entailed queueing at the SEC for five to six hours to get a maximum of three records a day. The process took about three months. By the end of that period, the PCIJ had a list of 66 companies in which Estrada or his family held shares. The search had paid off as Estrada declared less than a dozen companies in his statement of assets.

### Organize and analyze data

The crucial information from the corporate records (date of incorporation, board members, incorporators, areas of business, amount of assets) were inputted in Microsoft Excel, a basic spreadsheet program which sorts data, categorizes information, and alphabetizes. This allows the user to view the data in any number of ways and to discern patterns. The data were categorized according to which wife/mistress or child held the corporations, at what stage of Estrada's political career the corporations were formed, and how much they were worth. The assets of 14 companies alone totaled more than P600 million, but in 1999 Estrada declared a net worth of only P35.8 million. Thus, the PCIJ's first story, released in July 2000, basically said that Estrada had accumulated more assets than could be explained by what he had declared in public records.

### Investigate further

Further trips to the SEC later showed that Estrada either did not divest himself from companies where his name was listed or that he divested only after the 60-day deadline set by the law. Moreover, the divestments were made to his wife, Luisa Ejercito, again a violation of the law that says there can be no divestments to relatives within the fourth degree. In effect, there were no real divestments, meaning that Estrada could have violated the Constitution, which bans the President from engaging in business.

This violation became abundantly clear in the PCIJ's investigation of 34 townhouses being constructed by JELP, a real estate company owned by Estrada, his wife, and their three children. The PCIJ team visited the project site in Antipolo and talked to neighbors who complained that the construction caused flooding in their area and tipped off the journalists that the project did not have the required permits.

The PCIJ team then did a research of the permits required for building housing projects and found that JELP had violated every rule in the book: it had none of the eight permits needed for such a project. Moreover, residents had seen Estrada himself inspecting the property, further proof that he had violated the constitutional ban on engaging in business. Because he had named himself housing czar overseeing his administration's housing projects, the President was clearly in a conflict-of-interest situation. The PCIJ's report released in August 2000 exposed the problematic housing project.

Continue the search

In the beginning, the PCIJ's documentation of Estrada's assets focused on those that were registered in his name or those of his family members. The PCIJ, however, suspected that he had more. For example, talk of fabulous mansions being built for various presidential mistresses was rife. If the rumors were true, then it was scandal on a grand scale. An initial search, including tips from various contacts, showed that the mansions were not in the names of either the President or those of his mistresses. This was going to be a far bigger challenge than the corporate search.

Land records are public, but researchers have to know exactly what they are looking for. The process of searching for Estrada's properties involved a lot of trial and error. At the start, the PCIJ had only sketchy information, from rumors and numerous contacts, of the various real-estate acquisitions: in some cases, the journalists knew only who the previous owner of the property was; in others, only the address or the subdivision.

Use flow charts

To put some logic into its investigation, the PCIJ journalists made flow charts. One chart illustrated the process of building a house, who would be involved, and what papers were needed at every step of the way. First would be the owner of the property, the lawyer of the owner, the architect, the contractor. Soon the neighbors would sense that construction was going on, the village association where the building was taking place would have to be informed, permits would have to be obtained, and so on down the line. It is impossible to build a house without an entire army of people knowing about it and a boxful of documents being produced in connection with the construction.

Tap human sources

When the documents – land titles, building permits, etc. – did not show the names of Estrada or any of his family members, the focus of the investigation shifted to human sources. These included architects, lawyers, builders, suppliers, and other contractors as well as neighbors and residents of villages. These human sources had encountered either Estrada, one of his mistresses, or one of his

cronies who had fronted for the sale. Some exclusive residential associations cooperated with the investigation by supplying information as well as giving access to documents such as barangay permits and building plans. Some neighbors saw Estrada inspecting his properties. One neighbor said one of Estrada's intermediaries had offered to buy her property, which was next to one of the mistresses' homes.

#### Look for patterns

From the beginning, it was clear to the PCIJ that proving the real ownership of the mansions would be problematic. But if there was a pattern that could be established, then it would be possible to link the houses to Estrada. As the investigation progressed, the patterns began to emerge in:

- n the mode of acquisition,
- n the law firm/s used to form companies or to front for the acquisitions,
- n the individuals or companies who acted as nominees,
- n the contractors and interior designers of the houses, and
- n the design of the houses.

From interviews, buildings plans, and photographs, the PCIJ found a pattern in the use of contractors, project managers, architects, and design firms, as well as a uniformity in the style of the mansions. A routine search of building plans – some obtained from village associations, others from City Hall, or from contractors – showed the grandeur of the constructions. Not only that, they revealed new information, such as the names of the President's children in the blueprint of bedrooms being planned for them – additional proof that the houses were indeed being built for Estrada. While searching for documents, the PCIJ also found Forbes Park property that Estrada had bought without paying taxes.

#### Unmask front men and shell companies

The breakthrough in the investigation of the mansions came when the ownership of the ownership of the "Boracay" mansion in New Manila, Quezon City was uncovered. The property was purchased in 1999 from the wealthy Madrigal family. Estrada had both the house and the grounds redone. He also ordered the construction of a heated swimming pool surrounded by white sand. The pool came with wave- and mist-making machines.

From a tip in the address, the PCIJ located the land title for the property and discovered that its new owner was a company called St. Peter Holdings. The real-estate trail thus led back to the corporate trail at the SEC. From the corporate registration files, the PCIJ found

St Peter's incorporators. The journalists had no idea who they were. But around that time, the PCIJ was told by various sources, including Estrada's press secretary, that the person to talk to about the President's assets was his counsel, Eduardo Serapio, who had been appointed presidential assistant for political affairs.

A search on the Web showed that Serapio was part of the De Borja Medialdea Bello Guevarra Serapio & Gerodias law firm. The law firm's Website also revealed the names of all the partners and associates working for it. It was here that the PCIJ found that all the names listed as incorporators of St. Peter Holdings were partners and associates of the firm. The link to Estrada had been established. Later, the PCIJ found that the law firm was linked to other acquisitions as well, including shares in a gambling casino.

In October and November 2000, the PCIJ released a series of stories on Estrada's mansions. A total of 17 properties worth over P2 billion in Metro Manila, Baguio, and Tagaytay were uncovered. In December 2000, the PCIJ exposed how Estrada, through his crony Lucio Co, may have used shell companies to acquire the Fontana casino in Clark.

(For a more detailed explanation of how the PCIJ investigated Estrada, see Lars Moller and Jack Jackson, "Journalistic Legwork that Tumbled a President," published by the World Bank Institute. That paper is available online at <http://www.worldbank.org/wbi/governance/cases.htm>.)