

My Experiences as a Public Servant

By Edgardo B. Espiritu '55



I had two major stints in government. The first one was when President Cory Aquino asked me to head the Philippine National Bank, then the largest government financial institution, and to do some other special assignments for her government. The second one was when I was appointed Finance Secretary by President Estrada. (I have not counted here my first job as a young lawyer in the Bureau of Internal Revenue and my first assignment from President Cory, which was to chair the National Power Corporation's Board of Directors. Although both of these jobs also gave me some insights into the nature of government work, I did not specifically include these work experiences because of the only short period of time covered and the limited depth of my involvement in government issues then.)

These two experiences in government service were really of different levels and nature. One was as head of a chartered and somewhat independent government corporation and the other was as a member of the Cabinet and therefore an alter ego of the President. My experiences in these two positions under two different administrations gave me two vantage points from which to view many aspects of and issues in government work. Some of these are common to both positions (or maybe to all public positions) and some are peculiar to a particular level.

I assumed the presidency of PNB in the early post-EDSA 1 period, when the bank was trying to recover from the devastation wrought upon it by the deposed dictatorship. What I saw then was already the end result of the avariciousness and misuse of power by the dictator and his cronies - a bank squeezed dry of its resources and overburdened with worthless assets and large obligations. But of course, this was just one more of the numerous problems left by the previous government, which has after all already been judged by the people, particularly the multitudes at EDSA, as corrupt and detestable. But that was the past and the new government was supposed to be doing everything to undo or correct the wrongs done by the old one. For PNB, it has drawn a rehabilitation plan and it was my job as new bank president to implement it and bring its objectives to fruition.

As head of a chartered government corporation like PNB, one could still have a lot of leeway in instituting internal reforms. I found PNB, despite the sorry state it had come to at that time, to be still a goldmine in terms of goodwill, of the latent talents and capabilities of its workforce, and of various assets that have potentially high values. All that we needed to do was to tap and release

all these latent energies, capabilities and values. This was basically what I did. I just tried to provide clear directions and to boost the morale of and inspire the bank's workforce, mainly by showing them that their labors would bear much fruit. It was essentially a matter of linking hard work with the results in terms of growth and good performance for the institution as well as professional advancement and rewards for the individual employee.

This formula was still much the same as what has worked well in the private corporate world and was still within the range of my experience so far. The only difference was that whereas in the case of a private corporation, management's main responsibility was to the private owners (although in a service institution like a bank, it would also need to protect the interests of the bank's clients), in a public entity like PNB, although management is also answerable to the owner, namely, the government, it is also and ultimately answerable to the taxpayers. Moreover, a government bank's activities must result not only in profits but also in benefits for the country in general in terms of helping improve people's lives and bringing development to communities.

Overall, my experience at PNB still allowed me to keep a reformist's positive view of things. I still believe that with the right priorities, a sense of mission, and dedicated work, one could still bring about meaningful changes, albeit within a limited area of public service. Although we have not been spared from the usual scrutiny by various agencies, congressional investigations and pressures from politicians, we were confident that as long as we were doing the right thing, we could defend ourselves and obtain enough support for our programs. The result proved the soundness of our approach and the efficacy of our efforts. We were able to turn around the bank within a very short period of time and restore it to strength and stability. The bank's officers and staff regained their pride and faith in their institution. The bank's clients and the general public's trust and confidence in the bank gradually came back. We were even able to successfully launch the bank's privatization. Indeed, for a long time the bank's stock was the darling of the local equities market, reflecting the investors' confidence in the bank. Our little experiment at PNB thus became one of the clear success stories in the new administration.

But I also got my first big disappointment with government at PNB when just before the presidential elections of 1992, the administration in power issued directives that would make the bank an instrument of politicking. They wanted the bank to release funds that will in effect be used to support the administration's chosen candidates, contrary to existing policies and to the bank's character as an independent, neutral and professional organization. As dictated by conscience and principle, therefore, I resigned as president of the bank.

However, as things turned out, my bigger disappointments with government were reserved for my second stint in public service. When I was appointed to

the Cabinet, and therefore became an alter ego of the president, I got more intense exposure to the dynamics of politics and high-level power play. Of course, when I joined the Estrada Administration as Secretary of Finance, I no longer had the innocent idealism of the uninitiated, but I still kept the reformist's optimism that I had when I was at PNB. Indeed, I helped in the Erap campaign because I sincerely believed then that with his mass base and with what appeared then to be a genuine concern for the poor on his part, there might still be hope for a truly responsive and people-centered government. But, of course, subsequent events proved me wrong.

When I accepted the position of Secretary of Finance, the mission I set for myself was basically to help improve the deteriorating business environment and thus help put back the economy on the road to recovery and growth. The economy was of course then still mired in the region-wide financial and economic crisis. Foreign capital had all but completely left the country, investor confidence was at record lows, interest rates were very high, business activity was in the doldrums, pressures continued to bear on the local currency that had already fell steeply at the onset of the crisis, and jobs were being lost rapidly. But what was really of serious concern about the crisis was that it had a negative impact on basic social services, such as education and health, and therefore had long-term or permanent repercussions on the welfare of the population and on future growth.

In this regard, it was particularly important to address the problems in the fiscal sector, the Secretary of Finance's area of concern. We had to see to it that we were able to raise enough funds and spend these efficiently on the correct priorities. We had some success in raising funds abroad and did better than other emerging countries in this area because we still had substantial goodwill in the international financial markets and investor community. But as we now know, this goodwill was slowly eroded by certain scandals and unfortunate events that rocked the local business scene and that seriously damaged investor confidence in our country. The first one was the BW fiasco, which not only exposed the weakness of our stock market and its susceptibility to manipulations but also left a dark stain on the Estrada presidency in view of its apparent involvement in the matter. Then, there was the acquisition of PCI Bank by Equitable Banking Corporation with the help of SSS and GSIS under rather questionable and allegedly anomalous circumstances. These are only a few of the cases where there were indications that the President and his cronies used their power and influence to meddle in business transactions.

Raising money through borrowing, both abroad and locally, was not intended to be permanent solution to the country's fiscal problems. I knew from the start that the only lasting way of strengthening the country's financial-fiscal position was to reform the tax system, addressing the weakness in both tax policy and tax administration. But I also realized that we could not bring about permanent

improvements in this regards without addressing the critical issue of corruption.

That corruption in government exists no one would doubt. But for a long time, corruption was not considered a major factor in economic development. It was taboo to speak about it in international forum. Even the multilateral institutions like the World Bank and the IMF avoided talking openly about it in their dealings with governments. Moreover, the development experience of the last several decades, particularly of the East and Southeast Asian economies, showed that major drivers of development are high rates of savings and investment among the population; a focus on education, training and productivity; sound macroeconomic policies; and so on. Development would proceed as long as these major factors were present, whether or not corruption existed. But recent experience, particularly the Asian economic-financial crisis, showed that corruption and good governance, both in the public sector and in the corporate world, are important issues in development. When corruption is being done on a massive scale and is prevalent even at the very top of both government and business, the harm done on the economy would be substantial. The widespread presence of corruption would discourage investment in general, would lead to distortions and inefficiencies in business decisions, and would eat up resources for important public expenditures on basic social services and thus retard productivity growth and future development. In the sector of my involvement, namely the fiscal sector, the impact of corruption was particularly pernicious. It affected both the revenue administration side and the public expenditures side of the fiscal program and led to massive wastage of resources.

Realizing all of these, trying to help combat corruption, in whatever modest way I can, in the areas I was involved in was high in my personal mission in government service. I even asked the World Bank to conduct a study on corruption in the Philippines. They did so and came up with very good recommendations and proposed direction for an anti-corruption strategy that can be initiated by government. But despite the initial token agreement and promises on the part of the government, the recommendations really fell on deaf ears and whatever interest there was in them just faded away.

This was not at all surprising. The basic approach in fighting corruption, as presented in the World Bank study and as now widely recognized by experts in the field, is to reduce opportunities for it and to punish it swiftly and adequately when it occurs. Thus, a serious anti-corruption strategy would involve systems reform and strict enforcement of rules. This would in turn require strong political will and resolute action from a high moral ground on the part of the country's leadership. Initially, I kept hope and was willing to wait until the President grew into his job and until the said requisites came into being. But having experienced so many disappointments along the way, I

eventually gave up all hope that good governance will ever be achieved in his administration.

The factors that worked against good governance during the Estrada Administration were partly systemic and partly due to the personal leadership and working style of the President. In my particular area, for example, the systemic factors pertained to the unclear and loophole-ridden tax laws, the weaknesses in the tax administration system, and so on. With regard to these, I realized that the solutions could only be put together in the medium-to-long term, since they would need legislation in many cases and a re-orientation of the bureaucracy. There could still be hope. But with regard to the personal factors, it soon became clear that there was little hope for change.

The former President has blurred or distorted notions of what is right and what is wrong. But it is hard to realize unless you get the chance to observe him up close because his public pronouncements often varied greatly with what he says privately and with his actions. But even with regard to distorted standards of right and wrong, although he may have had a kind of Robin Hood mentality, even this he lost somewhere along the way. Whatever concern for the poor he may have had was eventually taken over by greed. His pro-poor rhetoric thus ringed shallow to those who have gotten a glimpse of his private side. He also seemed to have kept a misguided distinction between outright stealing of the people's money, say from government revenues or funds for government projects, and using power and influence for personal gain, although even this he ignored when it was convenient for him to do so.

Another major characteristic of the Estrada presidency that made it impossible to attain good governance under it is its utter disregard for the principle of accountability. In simplest terms, public accountability means that those who hold positions of public trust should account for their actions to the people. This applies not only to elected public officials but also to appointed officials and, indeed, to all those in civil service. One of the reasons that drove me to reassess my involvement with the previous administration was my disappointment with the proliferation of various informal advisers without accountability but who exerted tremendous influence not only in government but also outside of government. The notoriety attained by his so-called "midnight Cabinet" and its harmful impact on governance seemed to have been a major reason why legitimate business and foreign investors shied away from the country.

My confidence in government, that is, with the Estrada Administration thus reached its lowest ebb after only a year and a half of such disappointing experiences. With the growing conflict between my own personal principles and the way the government was being run, I deemed it most appropriate to resign from my position.

Subsequent events, however, saved me from being a complete cynic. I saw the impeachment trial as a cleansing experience for the country and I therefore decided to testify in the trial. Contrary to what those who are close to the former president may say, there was nothing personal in my decision to testify against him. I was not out to take revenge. Rather, it was just a logical extension of my personal mission to help in the fight against corruption. I could not bear not speaking and standing up for the truth at a time when the country was being threatened by political turmoil and economic collapse. It will be remembered also that at the time I testified, the odds were quite different from the final turn of events. The overwhelming prospect then was that the president would still be able to get away with it since all indications point to his being acquitted by the majority of the senator-judges. The public outrage that would be ignited by the vote against the opening of the second envelope could not have been foreseen yet at that time. Moreover, my whole family has expressed in very strong words their opposition to my testifying and their worry that this would put the safety of the entire family, particularly my grandchildren, at risk. We were worried maybe not so much of what the president himself might do, with his vast powers, but we were thinking more of the dangers that can come from his coterie of dubious friends. But eventually they realized that this was something I had to do and all of them came around and gave me their full support.

The subsequent events and finally the booting out of power of the corrupt leadership somehow rekindled in me some hope that our country still has a chance at attaining good governance and sustained long term economic growth. But having gone through those difficult and sobering experiences under the previous government, I was much wiser and knew that profound change would take much more than just a change in leadership. It will take a constant, consistent effort on the part of each one of us, citizens and other stakeholders of this country, to be more vigilant, to be more aware of our responsibilities to society and to our country and to make our individual actions consistent with the common good.