Original Article

Pension funds in a highly politicised environment: The case of the Philippines

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ABSTRACT This article seeks to contribute to the greater understanding of the challenges faced by pension funds in developing countries. This article reviews the investment decisions and strategies of two government-owned pension funds in a highly politicised environment. The Government Service Insurance System (GSIS) and the Social Security System (SSS) are both government-owned pension funds located in the Philippines. Interviews were conducted in 2007 with representatives from both pension funds, and other public and private sector interviewees as part of a broader research into the turbulent corporate governance landscape of the country. A review of politicisation and presidential appointments provides the context in which the two pension funds operate in the country. Being government institutions, these two funds have experienced the delicate balancing act of pursuing organisational objectives concurrently with political wishes – more often than not at the expense of the former to appease the latter. One of the ongoing debates in Western corporate governance is the exercise of influence and activism by institutional investors. The actions of the pension funds in an episode involving former Philippine President Joseph Estrada and a bank merger provide an insight into how institutional investor activism is exercised and conducted in a non-Anglo American corporate governance environment and a developing economy with a weak bureaucratic state.

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INTRODUCTION¹

This article seeks to contribute to the greater understanding of the challenges faced by pension funds in developing countries.

This article reviews the investment decisions and strategies of two government-owned pension

funds in a highly politicised environment. The Government Service Insurance System (GSIS) and the Social Security System (SSS) are both government-owned pension funds located in the Philippines. Interviews were conducted in 2007 with representatives from both pension funds, and other public and private sector interviewees as part of a broader research into the turbulent corporate governance landscape of the country.

A review of politicisation and presidential appointments provides the context in which the

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two pension funds operate in the country. Being government institutions, these two funds have experienced the delicate balancing act of pursuing organisational objectives concurrently with political wishes – more often than not, at the expense of the former to appease the latter.

One of the ongoing debates in Western corporate governance is the exercise of influence and activism by institutional investors. The actions of the pension funds in an episode involving former Philippine President Joseph Estrada and a bank merger provide an insight into how institutional investor activism is exercised and conducted in a non-Anglo American corporate governance environment and a developing economy with a weak bureaucratic state.

POLITICISATION

Government institutions in the Philippines are heavily politicised. According to David Kay, politicisation refers to

[T]he reaching of decisions on matters within an agency's or program's functional competence through a process that is essentially political and that does not reflect technical and scientific factors in the decision process; and ... the taking of specific actions on issues within an agency's or program's competence for the sole purpose of expressing a partisan [or self-interested] political position rather than attempting to reach an objective determination of the issues.^{2,3}

More specifically, Peters and Pierre define politicisation of the civil service as

'the substitution of political criteria for merit-based criteria in the selection, retention, promotion, rewards and discipline of members of the public service ... [and while] the public service is inherently a political creation, and also inherently involved in politics, simply because it is the structure that delivers *services publiques* to the citizens', at least in Western liberal democracies, 'the pattern of political development has been to shield the civil service from overt political control in order to enhance its efficiency and to ensure its fairness in dealing with citizens

and [even if it] can never be made fully apolitical ... [to be] removed from the more direct forms of partisan control'.⁴

The authors also point out that a consequence of a politicised bureaucracy results in the 'primarily loss of confidence in the fairness of government institutions'.⁵

In the context of the Philippines, there is a history of politicisation in the civil service, which was compounded under the tenure of dictator President Ferdinand Marcos, who ruled the country from 1965 to 1986. It has been rare for instances of impartiality to occur in the bureaucracy since the end of the dictatorship. In a study of the performance appraisal of the civil service in Singapore, Thailand and the Philippines, Vallance found that

... the civil service of the Philippines is a highly politicised structure, traumatised by the frequent reorganisations imposed upon it by incoming administrations. Under Marcos, the distinction between politics and administration became increasingly blurred as the president appointed undersecretaries from the ranks of elected legislators. Patronage in the civil service became entrenched during the Marcos regime and notions of civil service neutrality were irreparably damaged. Despite President Aquino's vow to 'de-Marcosify' the Philippine civil service⁶, the trend of politicisation has continued. Under President Ramos it is estimated that slightly more than half of all senior civil servants in the Philippines are political appointees.^{7,8}

In a comprehensive 2003 report⁹ prepared by the World Bank and the Asian Development Bank for the Government of the Philippines on improving the efficiency of government organisations, politicisation was singled out as a significant obstacle in the effective functioning of government, which in turn hinders the country's performance and frustrates development.¹⁰

In a country where financing and sources of funding are critical, the two pension funds covered in this article have at various times been politicised and their organisational functioning compromised.

Table 1: Coverage ratios of pension schemes¹³

<i>Economy</i>	<i>Active members (000s)</i>	<i>Members as % of covered population</i>	<i>Members as % of labour force</i>	<i>Members as % of total population</i>
Hong Kong	2832	95.5	79.4	41.2
Indonesia	14 000	42.7	14.0	6.6
Malaysia	5070	n/a	45.5	19.8
Philippines	8925	n/a	74.0	31.0
Singapore	1324	77.0	56.6	31.2
South Korea	17 070	n/a	73.0	37.1
Thailand	10 351	72.0	29.0	16.8

n/a: not applicable

Table 2: Assets of institutional investors in East Asia¹⁵

<i>Economy</i>	<i>Pension</i>		<i>Life insurance</i>		<i>Mutual funds</i>		<i>Total</i>	
	<i>USD in B</i>	<i>% of GDP</i>	<i>USD in B</i>	<i>% of GDP</i>	<i>USD in B</i>	<i>% of GDP</i>	<i>USD in B</i>	<i>% of GDP</i>
China	28.0	1.6	136.0	7.9	27.0	1.6	191.0	11.1
Hong Kong	38.0	22.9	9.0	5.4	465.6	280.3	512.6	308.6
Indonesia	5.4	2.1	10.5	4.2	11.1	4.5	27.0	10.9
Malaysia	70.0	59.2	21.0	17.8	23.0	19.4	114.0	96.4
Philippines	7.9	9.2	2.7	3.1	1.4	1.6	12.0	14.0
Singapore	68.0	61.2	33.0	29.7	28.0	25.2	129.0	116.0
South Korea	161.0	21.4	133.0	17.7	186.0	24.7	480.0	63.8
Thailand	20.0	12.0	17.0	10.2	19.0	11.4	56.0	33.6
TOTAL	398.2	11.8	362.2	10.8	761.0	22.6	1521.7	45.2

PENSION FUND ENVIRONMENT IN THE PHILIPPINES

The Philippines is a developing country with a developing capital market. Share market participation is small and exclusive.^{11,12}

Nevertheless, the country has two significant institutional investors, the GSIS and the SSS. Both are government-owned pension funds.

These two funds cover approximately 74 per cent of the labour force or 31 per cent of the total population, which places the country in a respectable position in the East Asian region, as Table 1 indicates.

However, the next table shows that compared to its neighbours, the assets of these two institutional investors ranked second last out of eight countries in 2006. The country's pension funds are yet to match the financial leverage of its neighbouring countries, and while '(t)he assets of institutional investors in East Asia have grown over the past few years and at the end of 2004 amounted to USD1.5T or around 45 per cent of GDP',¹⁴ sitting on USD7.9B or nearly 10 per cent of GDP, these two funds have some way to go to match the significant institutional investor

funds of South Korea (USD161B), Malaysia (USD70B) and Singapore (USD68B) (Table 2).

THE GSIS

During the American colonial period, the Government Service Insurance System or GSIS was created in 1936 with the passage of the Commonwealth Act 186 to 'look after the needs of the nation's public servants when they could no longer look after themselves or their families'.¹⁶

GSIS is one of the oldest social security programmes in the region still in existence today, with a mandate covering a variety of social security benefits

... to provide and administer the following social security benefits for all employees of the Philippine government: compulsory life insurance, optional life insurance, retirement benefits, disability benefits for work-related contingencies and death benefits.¹⁷

As the overarching organisation dealing with government employee pension, membership is around '1.42M consisting of all employees of

government regardless of status except for uniformed members of the military, police, jail management and fire protection'.¹⁸ Administering the system are around 3000 GSIS employees, with the majority located in a magnificent building on reclaimed land overlooking Manila Bay.

Recently, reforms in the administration of GSIS have included changes to the premium-based policy and computerisation of member records promoting transparency and disclosure.

The wealth held and generated at the GSIS fund comes with a heavy weight of responsibility. Among other interviewees, the impression of GSIS is that of a heavily politicised organisation in which investment and funding decisions are not carried out in an impartial way, and supra-organisational issues must be considered.

As the sole pension fund for government employees, there is wariness as to whether the funds are being used for their intended purposes. According to a former public servant,

The monopoly powers of GSIS are basically its recipe for inefficiency. Government employees complain of unacquired loans. The budgetary constraints are institutionalised. They have the government employees' money. There are sources of possible corruption – both soft and hard corruption. It happens in GOCCs. Whose money is it? Who's making the decisions? How do they manage it from [political] interference to [one without]? [GSIS] doesn't have full control. All of government want some contribution to a particular fund. They change rules of what public servants can do to any amount they [politicians] want.

In 2007, GSIS initiated a search for a Global Fund Manager (GFM) to manage the fund's foray into international investments. A certain amount of political and cultural struggle had to be experienced before the go ahead was given for GSIS as the following statement relates:

Global investments are just being developed now. Here, the view is that we should concentrate our investments in the Philippines. The feeling or the view is that investments overseas are unnationalistic or unpatriotic. Currently we are looking for a global fund manager to manage our

international investments. We tried several years ago to introduce this but it was prevented and stopped by the then President-General Manager [of GSIS], then by the Senate, then by Congress.
– GSIS interviewee

According to a private sector interviewee, the failure of the funds to engage in international investments in favour of peso-based financial instruments is badly advised and shows the parochial nature of fervent nationalism:

[The funds] are severely restricted in terms of [their] investment allocation guidelines. The conundrum is the peso has the lowest rating – a junk rating for a currency¹⁹... [This] foreign resistance is not well advised. It is uninformed. It is matter of information and national resistance. Main Street USA has the same attitudes.

For GSIS, the search for the GFM was also a way for the organisation to mitigate the political interference known only too well by governmental organisations given past experience; hence, with GSIS's international investments and GFMs, there could be little substance to allegations that the process and investment decisions were being politicised:

This is not a political appointment. The shortlist may include Lloyd's, Merrill Lynch. It might be better to have two Global Fund Managers for a period of time – [so we do] not have all eggs in one basket. For example, for European investments [we have] a European Fund Manager; for American investments, [we have] an American Fund Manager ... The GFM is something new, [it's] uncharted territory. Gains may come from investing overseas. [This is the] reason the [current] PGM [states] why we're going global is the local market here is already saturated. So we are looking at investing in other potential markets.^{20–23} – GSIS interviewee

THE SOCIAL SECURITY SYSTEM OR SSS

The SSS was created nearly two decades after GSIS in the post-war environment of the Philippines with the passing of the Republic Act 1162 in 1954. Although the GSIS serves the

Table 3: Asset size and type of the most important pension schemes in East Asia²⁶

<i>Economy</i>	<i>Pension assets USD in B</i>		<i>Pension assets (% of GDP)</i>		<i>Most importance scheme</i>		
	<i>Total</i>	<i>Most important scheme</i>	<i>Total</i>	<i>Most important scheme</i>	<i>Year established</i>	<i>Type</i>	<i>Benefits</i>
Hong Kong	38.0	MPF 15.5	23.3	9.5	2000	DC	Lump sum
Indonesia	11.5	Jamsostek 3.8	4.6	1.5	1995	DC	Lump sum
Malaysia	70.0	EPF 63.3	59.4	53.7	1951	DC	LS or PW
Philippines	10.0	SSS 3.5	10.2	3.6	1954	DB	LS or PW
Singapore	68.0	CPF 68.0	63.7	63.7	1955	DC	Lump sum
South Korea	161.0	NPS 128.6	21.4	17.1	1986	DB	Annuities
Thailand	20.0	SSF 6.7	12.2	4.1	1990	DB	Annuities

Table 4: Nominal contribution rates of main pension schemes²⁸

<i>Economy</i>	<i>Scheme</i>	<i>Employee rate (%)</i>	<i>Employer rate (%)</i>	<i>Credited to retirement account</i>	<i>Contributions from main scheme as % of GDP</i>
Hong Kong	MPF	5.0	5.0	10.0	1.8
Indonesia	Jamsostek	2.0	3.7	4.4	0.2
Malaysia	EPF	11.0	12.0	13.8	4.9
Philippines	SSS	3.3	6.1	9.4	0.7
Singapore	CPF	20.0	13.0	7.0	8.5
South Korea	NPS	4.5	4.5	9.0	2.2
Thailand	SSF	3.0	3.0	6.0	0.6

needs of public sector employees, the SSS was established to address the needs of people employed in the private sector.²⁴ Over the decades, the SSS scheme was expanded to include ‘the self-employed (1990), farmers and fishermen (1992), domestic helpers, overseas contract workers (or OFWs) and workers in the informal sector with monthly income of less than PhP1000 per month’.²⁵

Administering the fund are around 4000 employees and another 1500 contractors mostly based in Quezon City. As a result of some organisational rightsizing of the SSS in the past decade, there is a high amount of contractual workers (clerks, encoders and frontline people). Eventually, the intention is to make the contracted workers part of the regular workforce, but this depends on the limits of the SSS budget.

With more people employed in the private sector, the SSS is a much larger scheme than GSIS. In 2006, a World Bank study ranked the SSS scheme as the most important and the largest in the country, as Table 3 indicates.

In 2002, SSS had 19M registered members, although only 7M are actively paying. In 2006, the coverage remained stable with the SSS covering 74 per cent of the private sector, but only 1/3 are active contributors.²⁷

In terms of the nominal contribution rate, the employee rate is 3.3 per cent, while the employer rate is 6.1 per cent. The contribution from the scheme as percentage of GDP is only 0.7 per cent. However, regionally, the figures for SSS are par for the course, as Table 4 shows.

The employee nominal contribution rate has some way to go to meet the Singaporean rate of 20 per cent, but it is above Thailand and Indonesia’s. Similarly, as percentage of GDP, the Philippine contribution is above those two countries, with a wide gap among the bottom three and the regional leaders of Singapore at 8.5 per cent and Malaysia at 4.9 per cent.

The quiet rivalry between the two pension funds is also well known, especially when it comes to investments and member contributions:

[In 2007] our asset base is PhP235 M, the GSIS is PhP400B. That wasn’t always the case. Until

2000 SSS was ahead of GSIS but eventually GSIS took us over.

There has always been a silent rivalry between GSIS and SSS. There was a competition on projects. We were leading them on investments in 1997, but only in 2005 that we've fallen behind them. The functionalities are different. There's a controlled membership base at GSIS. 1.5 M vs. 26 M. How can you compete? We have to work more on volumes, a catch up game as far as the volume is concerned. There's flexibility in how they are concerned – they have higher contributions ... The reputation of GSIS is getting better. – SSS interviewee

INVESTMENT PORTFOLIO AND STRATEGY OF THE FUNDS

The investment portfolios of both GSIS and SSS are legislated in their respective charters:

There are certain ceilings limiting the amount of investments that can be made in different financial products and sectors. These policy guidelines or parameters are issued to set out limits on domestic and global investments ... Section 36 (j) of the Republic Act states that GSIS must make investments in companies that have shown profitability. This [Act] is our bible.²⁹ This sets out specific guidelines [for our investments]. – GSIS interviewee

Therefore, the investment strategies of the pension funds are restricted by these legislated requirements and social obligations, as outlined in their charters. Decisions must closely follow their respective charters and cannot be overruled by the board:

In private sector corporations it is the decision of the board that will prevail with regard to making company investments but that's how they practice in industry. – GSIS interviewee

Both pension funds have a fund in which members' contributions are pooled. For GSIS, the fund is called the Social Insurance Fund,³⁰ while the SSS equivalent is the Reserve Fund.³¹

Each fund is then used to invest in different asset classes with expected returns meeting each fund's future actuarial requirements. For SSS in particular, the limitations and ceilings on the type of investment are extensively articulated in Section 26 of the SSS Act:

... cumulative ceilings as follows: 40 per cent in private securities; 35 per cent in housing; 30 per cent in real estate related investment; 10 per cent in short and medium-term member loans; 30 per cent in GFIs [Government Financial Institutions] and GOCCs [Government-Owned Controlled Corporations]; 30 per cent in infrastructure projects; 15 per cent in any particular industry; 7.5 per cent in foreign-currency denominated investments.

For GSIS, its Act gives it more discretion than SSS in terms of its investment ceilings for all asset types with the main exception being the limitation on housing loans to GSIS members, which is capped at 40 per cent.

The types of assets that these two funds are allowed to invest in and the legislated ceilings are set out in the following extensive table (Table 5). This table covers the mandated financial instruments and limitations on how much the fund can invest in that particular asset type or financial instrument. This table compares section 26 of the SSS Act and section 36 of the GSIS Act.

Figure 1 compares the portfolio mix of the two funds at the end of 2001.

For GSIS, a high proportion of their investment portfolio is loans made to members at nearly 48 per cent. Given the ceiling of a 40 per cent housing loans, the 8 per cent presumably is made of other loans. At the end of the GSIS interview, with some relief a representative stated 'I am so glad you didn't ask about our non-performing loans'. I asked rhetorically, 'What about your non-performing loans?' However, the issue of NPLs was peripheral to the research, and pursuing this avenue was an option not exercised.

For SSS, the portfolio mix is more evenly distributed with private equities and securities, the most dominant at 27 per cent. The old investment adage of not putting all eggs in one basket applies.

Table 5: Comparison of mandated financial instruments, investment funds and investment ceilings between SSS³² and GSIS

<i>Financial instrument</i>	<i>SSS sub-section of section 26³³ investment reserve fund</i>	<i>SSS ceiling (%)</i>	<i>GSIS sub-section of section 36³⁴ investment of funds</i>
Government instruments	(a) In bonds, securities, promissory notes or other evidence of indebtedness of the Government of the Philippines, or in bonds, securities, promissory notes or other evidence of indebtedness to which the full faith, credit and unconditional guarantee of the Government of the Philippines is pledged.	—	(a) In interest-bearing bonds or other evidence of indebtedness of the Government of the Philippines.
Domestic infrastructure	(b) In bonds, securities, promissory notes or other evidence of indebtedness of the Government of the Philippines or any of its agencies or instrumentalities to finance domestic infrastructure projects such as roads, bridges, ports, telecommunications and other similar projects; provided that the instruments issued by an agency or instrumentality of the government shall be guaranteed by the Government of the Philippines or any government financial institution or acceptable multilateral agency; provided further the SSS shall have priority over the revenues of the projects; provided that such investments shall not exceed 30 per cent of the Investment Reserve Fund.	30	—
Government financial institutions and corporations	(c) In bonds, securities, promissory notes or other evidence of indebtedness of the government financial institutions or government corporations with acceptable credit or guarantee; provided that such investments shall not exceed 30 per cent of the Investment Reserve Fund.	30	—
Banks	(d) In bonds, securities, promissory notes or other evidence of indebtedness of any bank doing business in the Philippines and in good standing with the BSP to finance loans to private corporations doing business in the Philippines including schools, hospitals, small- and medium-scale industries, cooperatives and NGOs; in which case the collaterals or securities shall be assigned to the SSS, under such terms and conditions as the commission may prescribe; provided that in the case of bank deposits, they shall not exceed at any time the unimpaired capital and surplus or total private deposits of the depository bank, whichever is smaller; provided further that said bank shall first have been designated as a depository for this purpose by the Monetary Board of the BSP; provided that such investments shall not exceed 40 per cent of the Investment Reserve Fund.	40	(b) In interest-bearing deposits or securities in any domestic bank doing business in the Philippines; provided that in the case of such deposits, these shall not exceed at any time the unimpaired capital and surplus or total deposits of the depository bank whichever is smaller: provided further that said bank has prior designation as a depository for the purpose by the Monetary Board of the Central Monetary Authority.
Housing; loans to members	(e) In bonds, securities, promissory notes or other evidence of indebtedness of shelter agencies of the national Government or financial intermediaries to finance housing loans of members; and in long-term direct individual or group housing loans giving priority to the low-income groups, up to a maximum of 90 per cent of the appraised value of the properties to be mortgaged by the borrowers; and in short- and medium-term loans to members such as salary, educational, livelihood, marital, calamity and emergency loans; provided that not more than 35 per cent of the Investment Reserve Fund at any time shall be invested for housing purposes: provided further that no more than 10 per cent of the Investment Reserve Fund shall be invested in short- and medium-term loans.	35; 10	(c) In direct housing loans to members and group housing projects secured by first mortgage, giving priority to the low income groups, and in short-and medium-term loans to members such as salary, policy, educational, emergency, stock purchase plan and other similar loans; provided that no less than 40 per cent of the investable fund of the GSIS Social Insurance Fund shall be invested for these purposes. Ceiling of 40%.

Education and medical institutions	(f) In bonds, securities, promissory notes or other evidence of indebtedness of educational or medical institutions to finance the construction, improvement and maintenance of schools and hospitals and their equipment and facilities: provided that such investments shall not exceed 10 per cent of the Investment Reserve Fund.	10	(d) In bonds, securities, promissory notes or other evidence of indebtedness of educational or medical institutions to finance the construction, improvement and maintenance of schools and hospitals.
Real estate	(g) In real estate property, including shares of stocks involving real estate property, and investments secured by first mortgages on real estate or other collaterals acceptable to the SSS; provided that such projects and investments shall in the determination of the Commission, redound to the benefit of the SSS, its members as well as the general public: provided further, that investment in real estate property including shares of stocks involving real estate property shall not exceed 5 per cent of the Investment Reserve Fund: provided finally, that investments in other income-earning projects and investments secured by first mortgages or other collaterals shall not exceed 25 per cent of the Investment Reserve Fund.	30	(e) In real estate property including shares of stocks involving real estate property and investments secured by first mortgages on real estate or other collaterals acceptable to GSIS: provided that such investments shall, in the determination of the Board, redound to the benefit of the GSIS, its members as well as the general public.
Projects involving prime corporations or multilateral institutions	(h) In bonds, securities, promissory notes or other evidence of indebtedness of any prime corporation or multilateral institution to finance domestic projects: provided that the issuing or assuming entity or its predecessors shall not have defaulted in the payment of interest on any of its securities and that during each of any 3 including the last of the 5 fiscal years next preceding the date of acquisition by the SSS of such bonds, debentures or other evidence of indebtedness, the net earnings of the issuing or assuming institution available for its fixed charges, as defined in this Act, shall have been not less than 1 and $\frac{1}{4}$ times the total of fixed charges for such ear: provided further that such investments shall not exceed 30 per cent of the Investment Reserve Fund.	30	—
Domestic capital market investments	(i) In preferred or common shares of stocks listed or about to be listed in the stock exchange or options or warrants to such stocks, or subject to prior approval of the BSP, such other risk management instruments of any prime or solvent corporation or financial institution created or existing under the laws of the Philippines with proven track record of profitability over the past 3 years and payment of dividends at least once over the same period. Provided that such investments shall not exceed 30 per cent of the Investment Reserve Fund.	30	(f) In debt instruments and other securities traded in the secondary market. (g) In loans to, or in bonds, debentures, promissory notes or other evidence of indebtedness of any solvent corporation created or existing under the laws of the Philippines. (h) In common and preferred stocks of any solvent corporation or financial institution created or existing under the laws of the Philippines listed in the stock exchange with a proven track record of profitability over the past 3 years and payment of dividends at least once over the same period.
Domestic (and foreign mutual funds)	(j) In domestic or foreign mutual funds in existence for at least 3 years: provided that such investments shall not exceed 20 per cent of the Investment Reserve Fund: provided further that investments in foreign mutual funds shall not exceed 1 per cent of the Investment Reserve Fund in the first year which shall be increased by 1 per cent for each succeeding year but in no case shall it exceed 7.5 per cent of the Investment Reserve Fund.	20 (7.5)	(i) In domestic mutual funds including investments related to the operations of mutual funds.

Table 5: continued

<i>Financial instrument</i>	<i>SSS sub-section of section 26³³ investment reserve fund</i>	<i>SSS ceiling (%)</i>	<i>GSIS sub-section of section 36³⁴ investment of funds</i>
Foreign currency instruments	(k) In foreign currency deposits or triple A foreign currency denominated debts, prime and non-speculative equities, and other BSP approved financial instruments or other assets issued in accordance with existing laws of the countries where such financial instruments are issued. Provided that these instruments or assets are listed in bourses of the respective countries where the instruments or assets are issued. Provided further that the issuing company has proven track record of profitability over the past 3 years and a record of regular dividend payout over the same period. Provided finally that such investments shall not exceed 1 per cent of the Investment Reserve Fund in the first year, which shall be increased by 1 per cent for each succeeding year, but in no case shall it exceed 7.5 per cent of the Investment Reserve Fund.	7.5	(j) In foreign mutual funds and in foreign currency deposits or foreign currency-denominated debts, non-speculative equities and other financial instruments or other assets issued in accordance with existing laws of the countries where such financial instruments are issued; provided that these instruments or assets are listed in bourses of the respective countries where these instruments or assets are issued; provided further, that the issuing company has a proven track record of profitability over the past 3 years and payments of dividends at least once over the same period.
Secured loans	(l) In loans secured by such collaterals like cash, government securities or guarantees of multilateral institutions. Provided that such investments shall not exceed 30 per cent of the Investment Reserve Fund.	30	—
Other BSP-approved investment instruments	(m) In other BSP-approved investment instruments with the same intrinsic quality as those enumerated in paragraphs (a)–(j) hereof, subject to the policies and guidelines, which the commission may formulate.	—	—

In comparison, Figure 2 illustrates the portfolio mix³⁶ of the Canadian Pension Plan Investment Board (CPPIB) – the investment arm of the Canadian government’s pension fund. In 2009, the fund was valued at C\$108B and is an example of a well-run, independent fund from an OECD country.

The fund’s investments are in three areas: equities, fixed income and inflation-sensitive assets.³⁷ At the end of 2008, most of the fund was invested in publicly listed and private equities at around 57.5 per cent or C\$USD62.7B of the total portfolio.³⁸ The fund’s portfolio does not provide loans to its 17M members and beneficiaries.³⁷

Interviewees from both pension funds acknowledge the conservative nature of their charter’s ceilings in their investment decisions:

Most of our funds are invested in government securities (sovereign guarantee undertakings), [and are] protected from external [shocks]. There are also layers of authority with committees to approve investments. The Commission of Audit [will] look at whatever adverse conditions there are [such as what] crisis in Asia will bring. Our investments are relatively safe – we hold on to them. We have short-term government treasury bills held for a maximum of 1 year, 364 days; Then we have 180 days, 90 days T-bills. For the long term, we invest in Treasury bonds: from 2 years to 25 years. We have [currency]-denominated long-term bonds with the earliest [having a] maturity date of 2014 while the longest will mature in 2032. – GSIS interviewee

However, at the same time, investment cultures in both funds are also shaped by events and/or personalities. At GSIS, the impact of the East Asian crisis produced a conservative approach in making investments:

Crisis is our lifestyle. Basically the Philippine investments were pretty resilient to stay afloat. Government agencies and instrumentalities – we have remained safe. Investments remained secure. The whole region was affected by the crisis, we have remained steadfast, but we have regained [from the crisis]. Some have been affected. The

Figure 1: Comparison of investment portfolio mix of GSIS and SSS (2001).³⁵

Figure 2: Investment Portfolio of the Canadian Pension Plan Investment Board (2009).

investment aspect of GSIS is very good. We managed to maintain our stability. GSIS manages the pension fund and the huge amount of money contributed by its members. The investment policy, therefore, is very, very conservative to staying afloat during the crisis. Post-1997, our expectations to recover are already here and have recovered under [the current President Gloria

Macapagal-Arroyo]. We thrive in crises. – GSIS interviewee

At SSS, the background of each SSS head influenced a different type of investment culture under their tenure:

There was significant improvement in our funds – our fund grew 6 times between 1979 and 1989. The fund management became more diversified when handled by bankers; then [someone from the] military was appointed then [someone from] the banking sector. [In the 1990s, there were] aggressive [reforms] with computerisation – and as far as [this head] was concerned, [he was] more of an operations person.

With the change to [SSS Commissioner Corazon] de la Paz, the priority was to clean up SSS first when the cases³⁹ happened. She was more conscious of [restoring the reputation of SSS]. – SSS interviewee

POLITICISATION OF THE PENSION FUNDS: PRESIDENT JOSEPH ESTRADA AND THE EQUITABLE PHILIPPINE AND COMMERCIAL INDUSTRIAL BANK EPISODE

Investment decisions for both funds are normally politicised. This section narrates an episode showing the heavy politicisation of both funds.

‘How can you say no to the President of the Philippines?’ asked one of my interviewees from the pension funds rhetorically.

Both pension funds have a history of being politicised and influenced by the government of the day. The breadth and depth of funds these two organisations hold are a temptation to divert and use them from their intended purpose as Palmieri described:

The government has influenced the use of public pension funds to attain a variety of public policy objectives Given the large pool of funds, it is often tempting for government bodies to direct the investment of a portion of these assets for specific domestic political purposes such as low income housing, financing start-up businesses and development of the capital market among others. While well-intended these economically targeted investments normally lead to less than market rates and thus deviate from the fiduciary principles.⁴⁰

Under the Marcos regime, GSIS (with the government-owned Development Bank of the Philippines or DBP) was directed to fund ‘the construction of hotels as a result of the government’s bid to host the World Bank and IMF meeting in Manila. Most of these hotels were later privatised in the late 1980s and late 1990s. It was also during this period that the GSIS took over ownership of PAL [Philippine Airlines], the Philippine flag carrier’.⁴¹

A more recent case of politicisation that heavily impacted the pension funds occurred with the previous president, Joseph Estrada. According to a 2007 World Bank Report, it is estimated that Marcos embezzled between USD5B–USD10B during his lengthy reign; on the other hand, Estrada, president between 1998 and 2001, managed to embezzle between

USD78M and USD80M in the 3 tumultuous years he presided over the country.⁴²

Under the Estrada presidency, the pension funds directly experienced politicisation with regard to their investment strategies. This reinforced the view that for government financial institutions they must be prepared for every political crisis that besets the country, and that the President’s self-interests are carried out sometimes to the detriment of the nation.

The case of Estrada’s interference with the pension funds occurred with share market speculation over financial transactions relating to a bank merger between the companies Equitable and Philippine and Commercial Industrial Bank (PCI). There was a strong suggestion emanating from the presidential residence, Malacañang Palace, to invest in the bank, the PCI.

Two of the major shareholders in the PCI bank were the Lopez and Gokongwei families and their combined shareholdings formed a block. This block was sold to Mark Jimenez, a stockbroker who was a member of Estrada’s inner circle.⁴³ There were three banks involved that were looking at acquiring the PCI block: Bank of the Philippine Islands (BPI), Metrobank and Equitable. Two of the potential buyers, BPI and Metrobank, stated that their intent to buy the bank was conditional upon the completion of their due diligence over PCI. The last buyer, Equitable, passed on the due diligence part and sought GSIS and SSS’s financial support in this partnership: ‘Equitable’s president George Go was a long-time Estrada friend’.⁴⁴

Therefore, the three organisations had an equal split to buy into PCI: one-third was with Equitable (and its owners the Go Family), the second-third was with GSIS and the last-third to SSS.

While there was no direct, written order from Estrada to invest in those shares, one interviewee pointed out that

... this is the President – what the President wants, the President gets. In Philippine culture, all presidents have exercised a degree of influence over the whole of government – agencies and

organisations. You cannot deny the president's wishes. – Public sector interviewee

For both GSIS and SSS, the political pressures from Malacañang Palace were sufficient enough for his wishes to be carried out. Both GSIS and SSS were suggested to invest in Equitable PCI:

When the purchase was made, it was above board. The board of trustees and management committee approved it, and ok'ed the purchase. It was nothing irregular at the time. – Public sector interviewee

Combined, the pension funds – under presidential advisement (or some would argue duress) – bought Php15B worth of Equitable PCI shares, which represented 30 per cent of the company: a hefty, substantial holding or 'the biggest chunk'.

For GSIS, they bought the shares at Php90. The problem with undertaking this order was the enormous amount of money and volume in the share transaction involved, which contributed to the volatility in the capital markets.^{45,46} For GSIS, some Php7B were invested in the Equitable PCI shares:

What was wrong was the shares became volatile after [GSIS'] purchase. There was so much insider trading involved that the shares dropped by more than 30 per cent. It looked like we were losing on this transaction. – GSIS interviewee

These shares were later disposed to another banking conglomerate, Banco de Oro (or BDO, which later took over Equitable PCI) being sold at Php92 after being held by GSIS from 2002 to 2006. For GSIS, it made some money – a gain of Php2 per share over the 4 years that it was a substantial owner of the company.

For SSS, its involvement in the transaction has had a different outcome and a more profound effect. In 2007, 8 years after the initial share purchase, the organisation was still involved in the intricacies of the Equitable PCI purchase.

At the time of SSS's purchase in 1999, the organisation was moving towards a different way of record keeping – accounting for adjustments to its books when it moved to mark-to-market

for equity investments. Immediately after SSS purchased shares of Equitable PCI, the fund posted a loss of Php75M as the shares decreased:

We had, during Estrada, continued buying until we doubled our investment; the share price doubled; twice the original share price. From 2 board seats [of our original ownership] this increased to 5 seats in Equitable.

Right now, we can't close the sale of SSS' Equitable PCI shares. We're still under a Supreme Court restraining order from selling the shares. The issue is still with the Senate. Once the Court rules, we will be able to sell them off. We've recovered [the sale of the shares] but the proceeds are at an escrow account. Once the Supreme Court lifts the order – at the higher price – we can post a profit. The share price [of the SSS sale] was posted in 2005. – SSS interviewee

The undue political pressure on SSS overrode the organisation's charter and internal policies on equity investments:

There was a lack of due diligence and governance over these shares as the former Commissioner advised that Equitable PCI [shares] be bought. – SSS interviewee

While the direct order from the President to SSS to buy Equitable PCI shares was not officially recorded, the unwritten directive caused a great deal of harm, as the public servants were caught between the proverbial rock and a hard place – how to justify these investment decisions within the parameters of their legal charters:

Whether or not there was political interference with the shares, the documents we have showed a hasty deal. No due diligence was done when SSS bought the shares.

We just don't invest in ordinary investments. There's a process that needs to be followed. Questions at this time was over due diligence. But no due diligence was done. The merger happened between Equitable (the Go Family) and PCI. The case we filed (now in the Supreme Court) is that the

SSS funds were used to aid the Go Family to help them buy PCI. If it were not for the funds of the SSS, the Go Family could not have bought PCI.

The respondents to our case said it was a good investment. But our charter did not say we had to own a bank. The SSS continued buying the shares. In 2001/2002 – Erap⁴⁷ was being impeached. During the impeachment, it was revealed that there was a Jose Villar account with Equitable but this was really Erap. That was a dummy account. The Equitable shares decreased and SSS bought more shares to prop-up the share price.

If one of the justifications for SSS was for it to control the bank, why didn't SSS own a bank? We had a majority ownership of Unionbank at one time where we had 3 board seats but it was divested. Our share has now decreased to 10 per cent in Unionbank. At Equitable PCI, it was the first time we had the controlling interest but no control at all. – SSS interviewee

SSS's involvement with the Equitable PCI deal lingered on in 2007. For an organisation that managed to remain relatively unscathed under the Marcos years, unlike the DBP, SSS's capitulation to a president in the democratic era tested the organisation's strength, mettle and well-being:

It's still a controversial issue. [Commissioner] de la Paz joined SSS at the time and maintains a hands-off policy. It was ironic as she was also the chair of Equitable PCI. We had the largest shareholding in Equitable PCI [before its merger with BDO.]

Even in the Marcos era, SSS was clean and straight compared with GSIS during the era. The [SSS] administration at the time was very strict, very conservative. Why? Marcos let [us] be. [SSS] had one outside investment during that time – a loan to Philippine General Hospital for their facility. All earnings and contributions went into government securities. The biggest [investments were] handled conservatively. There was an ultra conservative investment policy [in SSS under Marcos]. – SSS interviewee

Why then did Estrada strongly request these two pension funds buy into the company? One proposition suggested that he was looking for

funding sources for the next presidential election, which he had hoped to contest – building the election war chest so to speak:

The sale done on the holding – some said there were commissions that were paid to the government so they could be used to pay for the presidential campaign. It was pretty bloody. It's the timing that came into question – whether or not there were funds that were exchanged over to private hands. There were commissions to be paid off to Estrada. The deal was overpriced by Php1B. It was an overpriced deal. – Public sector interviewee

This episode has also seen much cause for soul searching and reform within the organisation:

The present [SSS] board is more careful. There has been a precedent – fuelled by people inside. We are more careful as far as investments, deals and acquisitions are concerned. There has been an increase in due diligence and governance has improved. [Commissioner] de la Paz is careful with integrity – she is pushing for governance reforms after what has happened. De la Paz is also strict with transparency and with unaudited financial statements.

The GSIS annual report is unaudited. [There's] a hard feeling that [SSS is still reeling over the scandal while GSIS has moved on.] De la Paz is careful after she saw the deal with Equitable.

After the Gos sold [their shares in Equitable PCI], things have improved after that sale was done with BDO. We will keep the board seats until the final sale is consummated. – SSS interviewee

Estrada's political interference with the pension funds had strong reverberations for the rest of the civil service. For one corporate governance regulator, this incident was a highly distasteful politicised episode:

We must make sure funds of these pension funds are not used by the incumbent president for political ends. Former president Estrada ordered GSIS and SSS to invest in certain corporations – money that went there went down the drain.

The after-effects of Estrada's suggestion to the pension funds to invest in Equitable PCI had lingering, long-term effects. Apart from destabilising the capital market with such a purchase, disposal of the Equitable PCI shares took several years. The short-term monetary gain to then President Estrada had long-term repercussions for the pension funds although his penchant for capital market speculation contributed to his premature ousting.

For the time being, the Equitable PCI experience has shown the limited experience of institutional investor activism in the country. Nevertheless, both GSIS and SSS⁴⁸ can – political will and non-interference notwithstanding – and may contribute to more effective corporate governance in public companies and towards the economic development in the country:

The SSS and the GSIS could play a much more active role in developing the domestic capital market by lengthening the maturity structure of government securities and by promoting the equity market through appropriate policy changes. A more diversified investment portfolio and prudent investment policy would also enable both institutions to earn a higher risk adjusted return without compromising their fiduciary obligations or disrupting financial markets.⁴⁹

CONCLUDING REMARKS

This article looked at the experience of two pension funds in the heavily politicised environment of a developing country. Both have experienced the harsh realities of decisions made under undue and partial influence. Politicisation of government institutions, especially those dealing with the financial aspects of government, can expect interference. Such interference usually has a detrimental effect on the country. Politicised actions rarely have short-term outcomes. Interference from the government executive must be held in check to curb the temptation to capture the government pension funds. The bureaucracy needs to be strengthened and must be treated not as an extension of the executive or expression of presidential power but as representing autonomous functions to serve all, and not just a select few, citizens of the country.

Until the problems and consequences of politicisation are widely recognised and appreciated by the political representatives of the country, this problem will continue to affect the whole of government in the foreseeable future. Until such fundamental changes are made, the damaging effects of politicisation will continue to blight and hinder the development of the country.

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- 6 Carino, L. (1989) Bureaucracy for a democracy: The struggle of the Philippine political leadership and the civil service in the post-Marcos period. *Philippine Journal of Public Administration* 33(3): 207–252, 214.
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- 10 In a section on 'Strengthening the Public Administration, and under the heading 'Institutional Weakness', the following seven points articulate the main problems of a politicised bureaucracy:
 - (i) The bureaucracy functions too much as an adjunct of the political executive. Civil servants see themselves as mere implementers and followers of the prevailing political leadership, and are vulnerable to the dictates of the political executive.
 - (ii) The operational behaviour of the bureaucracy is still largely

top-down, and there are few debates or consensus-building activities on issues affecting the civil service.

(iii) Civil servants see themselves primarily as individuals employed by the organisations they serve, rather than as members of an institution dedicated to serving the people or driven by the ethos of public service. Rigid implementation of rules continues to offer scope for graft and corruption.

(iv) Political influence and the spoils system continue to hold sway in appointments to senior and other key career positions. Open selection for career executive positions continues to be eroded by political influence. This is exacerbated by the fact that the President is the legally mandated appointing authority for most career executive service positions: the President appoints no less than 11 000 personnel comprising 3000 constitutional positions, 6000 career executive service positions, 1650 prosecutors and 500 other positions created by special laws.

(v) Some minimum qualification standards have been established for appointment. But they hardly guarantee real competence and desired behavioural attributes. There is too much emphasis on academic requirements, training and experience. Value dimensions of public service employment, for example, service orientation, work ethic and character integrity, have yet to be factored into the system.

(vi) The impact of information technology on productivity improvements has yet to be felt, and personnel management is crippled by a lack of integration of existing data systems.

(vii) The existing compensation regime does not attract and retain the best and the brightest in public service. (World Bank, 2003, 106–107).

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- 12 'as of 1 May 2007, the Philippine Stock Exchange has a total of 241 listed companies' from PSE (2009) Listed Companies, <http://www.pse.com.ph/html/ListedCompanies/listedcompanies.jsp>, cached copy, accessed 4 May 2009.
- 13 Table from p. 132 in Chapter 6 Strengthening the Investor Base by Ghosh, S. R. (2006) *East Asian Finance: The Road to Robust Markets*. Washington DC: World Bank Group, [http://siteresources.worldbank.org/INTEAPREGTOPFINFINSECDEV/Resources/589748-1144293317827/Chapter 6.pdf](http://siteresources.worldbank.org/INTEAPREGTOPFINFINSECDEV/Resources/589748-1144293317827/Chapter%206.pdf), accessed 28 April 2009; NB: For South Korea, National Pension Scheme only; Malaysia: Employees' Provident Fund Only; Philippines: GSIS and SSS only.
- 14 Ghosh (2006) 129.
- 15 Table from p. 130 from Ghosh (2006).
- 16 Further on this history, legislative changes sought to expand the original functions of GSIS: 'This system replaced what had been known as the Constabulary, Health and Teachers Pension Fund. This was basically an insurance programme and that remained the function of the GSIS until 1946, when the GSIS began granting loans to employees based on their salary levels. In 1951, Congress passed Republic Act 660, which provided compulsory retirement benefits to government employees. In that same year, Congress also enacted Republic Act No. 656, which expanded GSIS coverage to protect government properties. In 1960, the responsibilities of GSIS were expanded under Republic Act No. 1616 into the retirement, insurance, housing and loan areas. The Philippine Medical Care Act of 1969 designated the GSIS to administer the medical care programme for government employees. In 1975, Presidential Decree 626 created the Employee Compensation Commission and the GSIS was charged with administering the benefits of this programme for all government employees. This programme provides for income and medical benefits for employees in case of work-related accidents. In 1977, Presidential Decree 1146 expanded and increased the life and retirement insurance programmes available to government employees and introduced survivorship and sickness income benefits. The General Appropriations Act of 1989 instituted the concept of government self-insurance with the GSIS responsible for administering the funds allocated annually for this purpose.' (World Bank, 1995, p. 28) in Philippines: An Agenda for the Reform of the Social Security Institutions, Country Operations Division, Country Department I, East Asia and Pacific Region, 29 September, Report No.134000-PH, Washington DC: World Bank Group, http://www-wds.worldbank.org/external/default/WDSCContentServer/WDSP/IB/1995/09/29/000009265_3961019094717/Rendered/PDF/multi_page.pdf, accessed 29 April 2009.
- 17 GSIS. (2009) About GSIS <http://www.gsis.gov.ph/content.asp?ContentId=536&ContentType=AboutGSIS>, accessed 23 April 2009.
- 18 Palmieri, R. P. (2002) 4. Investment of Social Security Funds: The Philippine Experience. Address to the Board of Asean Social Security Association (ASSA), ASSA. 22pp, http://www.asean-ssa.org/Material/BM_22Mar2002_1.pdf, accessed 29 April 2009.
- 19 Exchange rate of USD1=Philippine Peso (PhP) 47 as at June 2009, <http://www.xe.net>, accessed 9 June 2009.
- 20 GSIS appointed ING Investment and Credit Agricole (Singapore) as its European fund managers while JP Morgan was appointed the fund manager for its North American investments. The search for the GFM was done in a methodical way with GSIS seeking the advice and experience of other pension funds such as CalPERS, 'the California State Teachers' Retirement System, as well as the direction being taken by Asian neighbours such as the National Social Security Fund of China, the Government Pension Fund of Thailand and the Employees' Provident Fund of Malaysia.' From GSIS (2008) Press release: Value of GSIS' global investments up 5 per cent, 30 September, <http://www.gsis.gov.ph/content.asp?ContentId=839&headertype1=left>, accessed 29 April 2009.
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- their beneficiaries against the hazards of disability; sickness, maternity, old-age, death and other contingencies resulting in loss of income or financial burden. Towards this end, the State shall endeavour to extend social security protection to workers and their beneficiaries’.
- 25 Palmiery, R. P. (2002) 4. Investment of Social Security Funds: The Philippine Experience. Address to the Board of Asean Social Security Association (ASSA), ASSA. 22pp, http://www.asean-ssa.org/Material/BM_22Mar2002_1.pdf, accessed 29 April 2009; Section 9 of the SSS charter looks at coverage: ‘Coverage in the SSS shall be compulsory upon all employees not over 60 years of age and their employers: Provided, That in the case of domestic helpers, their monthly income shall not be less than P1000 a month’.
 - 26 Table is from p. 130 of Ghosh (2006). Acronyms from the Table: NPS=National Pension Scheme; EPF=Employees’ Provident Fund; SSS=Social Security System; SSF=Social Security Fund; MPF=Mandatory Provident Funds; CPF=Central Provider Fund; DB=Defined Benefit; DC=Defined Contribution; LS=Lump Sum; PW=Programmed Withdrawal.
 - 27 Ghosh (2006) 132.
 - 28 Ghosh (2006) 134.
 - 29 This description was prompted when I read the Useem quote in the Theories of Corporate Governance book. I told them the Theories book was my bible for my research.
 - 30 This is outlined in Section 34 of the GSIS Act: ‘All contributions payable under Section 5 of this Act together with the earnings and accruals thereon shall constitute the GSIS Social Insurance Fund. The said fund shall be used to finance the benefits administered by the GSIS under this Act. In addition, the GSIS shall administer the optional insurance fund for the insurance coverage described in Section 26 hereof, the Employees’ Compensation Insurance Fund created under P.D. 626, as amended, General Insurance Fund created under Act No. 656, as amended, and such other special funds existing or that may be created for special groups or persons rendering services to the government. The GSIS shall maintain the required reserves to guarantee the fulfilment of its obligations under this Act. The funds of the GSIS shall not be used for purposes other than what are provided for under this Act. Moreover, no portion of the funds of the GSIS or income thereof shall accrue to the General Fund of the national government and its political subdivisions, instrumentalities and other agencies including government-owned and controlled corporations except as may be allowed under this Act’.
 - 31 This is outlined in Section 26 of the SSS Act: ‘All revenues of the SSS not needed to meet current administrative and operational expenses incidental to carrying out this Act shall be accumulated in a fund known as ‘The Reserve Fund.’ Such portions of the Fund not needed to meet the current benefit obligations shall be known as the ‘Investment Reserve Fund’ which Commission shall manage and invest with skill, care, prudence and diligence necessary under circumstances with such matters would exercise in the conduct of an enterprise of a like character and with similar aims ... in line with the basic principles of safety, good yield and liquidity, the Commission shall investment the funds to earn an annual income not less than average rates of Treasury bills or any other acceptable market yield indicator ...’.
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 - 33 Section 26 of the SSS Act states: ‘No portion of the Investment Reserve Fund or income thereof shall accrue to the general fund of the National Government or any of its agencies or instrumentalities, including government-owned or controlled corporations, except as may be allowed under this Act’.
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 - 39 See Section 7 Politicisation of the Pension Funds.
 - 40 Palmiery (2002) 14.
 - 41 See Palmiery (2002) 9. According to Palmiery and substantiated by the SSS interview in the following section of this article, SSS managed to keep off the Marcos radar with investments made in relatively controversial-free financial instruments ‘Concentration of investment at first, was in member loans (eg housing and salary loans). But since the T-bill program was launched in 1969, the SSS set aside a significant proportion of its funds for the purchase of these government securities. Subsequently, the pension fund acquired longer-term instruments, in considerable volume also, when the government initiated the issuance of securities with more than one year maturities (such as T-notes) as part of the state’s objective of developing the market for government securities. ‘Towards the late 70s, loans to private corporations and enterprises were made increasingly through 2 GFIs, PNB (then the largest bank in the country) and DBP. By 1986, SSS was holding a considerable amount of Philnabank Bills and DBP Promissory Notes, representing the volume of loans funded by SSS placements. When the PNB and DNB were rehabilitated sometime in 1987, part of these receivables (mostly NPLs) were agreed to be absorbed by the National Government. SSS then requested the National Government to convert these Philnabank Bills and DBP P-Notes to T-Bills on the maturity dates of each of these bills and notes. ‘The scheme of conversion of these PNB and DBP notes into T-bills proved to be an excellent decision for SSS. When the government in 1991, in an effort to bring down interest rates from 25 per cent, negotiated with both GSIS and SSS for the conversion of the existing T-bills in their portfolios into long-term T-Notes of 3–5 year maturities, and at rates ranging from 20–22 per cent, SSS had so much in its portfolio. A few years later, when the rates started to go down, the SSS found its government securities portfolio way ahead of the market.’ (Palmiery, 2002, p. 11).
 - 42 p. 315 in Gill and Kharas (2007) *An East Asian Renaissance – Economic Ideas for Growth*. Washington DC: WBG.
 - 43 Coronel, S. S. (2001) The multi-billion peso president. PCIJ, <http://www.pcij.org/imag/PublicEye/multibillion.html>, accessed 22 April 2009; this article also provides a detailed account of the extent of Estrada’s business dealings during his tenure as president.

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- 45 From Coronel's account, the volatility had much to do with the excessive premium paid for the shares '... the stock was sold at a premium: PhP290 per share, compared to a peak of P109 at which it was then being traded in the open market. Again, Jimenez was believed to have brokered for and taken commissions from both sides. According to Espiritu and other sources, PhP3 billion in commissions was paid through Jimenez, roughly 10 per cent of the PhP31.8 billion for which the shares were bought from their original owners'.
- 46 From Coronel, S. S. (2001) The multi-billion peso president. PCIJ, <http://www.pcij.org/imag/PublicEye/multibillion.html>, accessed 23 April 2009.
- 47 Nicknames are common in the Philippines. Erap was the sobriquet of Estrada.
- 48 In 2008, the highly esteemed SSS Commissioner Corazon de la Paz was unceremoniously removed from her position. Like so many other presidential appointees, de la Paz served at the pleasure of the President – and removed at her displeasure. Her departure was not well anticipated. During my fieldwork there was the widely held expectation that she would last until at least the next president, given the well-regarded career she had. While she may not have found political favour in her home country, her outstanding career and contribution to her profession is widely recognised. De La Paz achieved many firsts in her career – as a woman and as a Philippine national – such as becoming the first female partner of Price Waterhouse International and board member of the Price Waterhouse World Board. In recognition of her outstanding career, the International Social Security Association (ISSA) re-elected de la Paz for a second appointment as ISSA president. De La Paz is the first woman and first non-European president of ISSA. See ISSA (2009) Biographical Note: Mrs. Corazon de la Paz-Bernardo, ISSA President, <http://www.issa.int/aiss/content/download/39466/771120/file/2-Biography-President.pdf>, accessed 23 April 2009.
- 49 World Bank. (1995) iv.