



Journalistic Legwork that Tumbled a President

*A Case Study and Guide for
Investigative Journalists*

Lars Møller
and Jack Jackson





Contents

Foreword	v
About the Philippine Center for Investigative Journalism	vii
Chronology	ix
Chapter 1: A Study of the Investigation	1
From the Point of Departure to the Breakthrough Eight Months Later	1
First Report: No Impact	2
Second Report: The Breakthrough	4
Chapter 2: A Guide to How They Did It:	
How the PCIJ Carried Out Its Investigation and the Methods Used	7
Target the Obvious Corruption	7
Focus Your Research	7
Aim at What Can Be Documented	8
Set Goals for Minimum and Maximum Stories	8
Make a Research Strategy	8
Address Systemic Problems	9
Build Your Base on the Legal Trail	9
Beware of Obstruction	10
Be Patient and Invest the Time It Takes	10
Limit the Scope	11
Organize the Data	11
Double Check Your Own Conclusions	11
Follow Strict Ethical Guidelines	12
Work As a Team	12
Confront the Key Sources	13
Timing Is Everything	13
Take Precautions	13

Make the Research Transparent _____	14
Be Open About Your Methods _____	14
Turn Every Stone _____	15
Use Experts _____	15
Use Flow Charts to Find Sources _____	16
Search for “Allied” Sources _____	16
Shake the Tree _____	17
Don’t Lie to Your Sources _____	17
Protect Your Sources _____	17
Expose the Fine Details _____	18
Look for Patterns _____	18
Expose Front Men and Shell Companies _____	19
The Media Changed _____	21
 Chapter 3: The Sequel: From a Refreshed Media Environment to	
Estrada’s Ousting to PCIJ’s Journalism Awards _____	21
PCIJ Reports: Key Evidence to Impeach Estrada _____	22
People Power: Estrada Ousted _____	22
PCIJ Collects Journalism’s Top Prizes _____	23
The Investigative Pen: Mightier Than the Sword _____	24
 Annex A: Part I: Can Estrada Explain His Wealth? _____	
Estrada’s Statements of Assets and Liabilities, 1985–99 _____	29
 Annex A: Part II Estrada’s Entrepreneurial Families _____	
Annex B: Part I: First Family’s Firm Flouts the Law _____	43
Annex B: Part II: The President May Have Violated the Constitution	50
 Annex C: Erap & Families: Estrada Is Unable to Explain the Lavish Lifestyle of his Wives and Children _____	
	55
 Tables	
Table A.1: Pres. Estrada’s Net Worth, 1987–99 _____	28
Table A.2: Business Interests of President Estrada and/or Luisa P. Ejercito _____	30
Table A.3: Business Interests of Guia Gomez _____	32
Table A.4: Business Interests of Laarni Enriquez _____	35
Table A.5: Business Interests of Joseph Victor ‘JV’ Ejercito _____	37
Table A.6: Assets of Selected Companies of Estrada and his Families _____	39
Table B.1: Violations Committed by JELP’s Antipolo Housing Project _____	44
Table B.2: JELP Stockholders _____	51

Foreword

The story of how a handful of Filipino journalists pulled the red carpet from under their powerful president is not only a great story.

It is a brilliant case study for other journalists. How did they dare to go against a president who made all other media tremble? How did they initiate the investigation when their starting point was nothing more than a great hunch and numerous coffee shop rumours? And how did they find their way through all the documents that finally disclosed the billion-peso (tens of millions in U.S. dollars) graft and corruption of the now ousted president?

This case study shows that patient, steadfast investigative journalism can have an immense impact—even in a country rife with weak law enforcement, corruption and close-knit cronyism.

The Philippine Center for Investigative Journalism (PCIJ) proved this through its first eight months of investigating the unexplained wealth of Philippine President Joseph Estrada. The center's first three published reports became cornerstones in the impeachment trial against Estrada. The trial led to Estrada's downfall a few months later, and PCIJ's stories were fundamental in rousting the country's non-critical media into action.

This report is divided into four main sections:

- Chapter 1—A study of the investigation. Here we follow the journalists from their point of departure to the breakthrough eight months later.
- Chapter 2—A guide to how they did it. Chronological tips of how the PCIJ carried out its investigation and the methods it used.
- Chapter 3—The sequel. Here we describe the aftermath—from a refreshed media environment to Estrada's ousting to the PCIJ's journalism awards.

- Annexes—The stories that tumbled the president. Here we include the full text of the PCIJ’s first three Estrada reports, including tables and illustrations.

About the Philippine Center for Investigative Journalism

The Philippine Center for Investigative Journalism (PCIJ) is an independent, nonprofit media agency that specializes in investigative reporting. It was founded in 1989 by nine Filipino journalists who realized, from their years on the beat and at the news desk, the need for newspapers and broadcast agencies to go beyond day-to-day reportage.

While the Philippine press is undoubtedly the liveliest and freest in Asia, deadline pressures, extreme competition and budgetary constraints make it difficult for many journalists to delve into the causes and broader meanings of news events.

The Center believes that the media play a crucial role in scrutinizing and strengthening democratic institutions. The media could—and should—be a catalyst for social debate and consensus and bring about the promotion of public welfare. To do so, the media must provide citizens with the bases for arriving at informed opinions and decisions.

The Center was set up to contribute to this end by promoting investigative reporting on current issues in Philippine society and on matters of large public interest. It does not intend to replace the work of individual newspapers or radio and television stations, but merely seeks to encourage the development of investigative journalism and to create a culture for it within the Philippine press.

The Center funds investigative projects for both the print and broadcast media. It puts out books on current issues and publishes *I*, an investigative reporting magazine. In addition, PCIJ organizes training seminars for journalists and provides trainers for news organizations in the Philippines and Southeast Asia. It also conducts seminars and studies on issues involving the media and information access.

In the ten years since its founding, PCIJ has published over 180 articles in major Philippine newspapers and magazines, produced five full-length documentaries, and launched over a dozen books. It has also won major awards, including nine National Book Awards, a Catholic Mass Media Award, and more than two dozen awards and citations from the Jaime V. Ongpin Awards for Investigative Journalism.

PCIJ stories make an impact. Well-researched and well-documented, these reports have contributed to a deeper understanding of raging issues, from politics to the environment, from health and business to women and the military. Some of these reports have prodded government action on issues like corruption, public accountability and environmental protection.

The PCIJ's website can be found at www.pcij.org.

Chronology

Prologue

- Philippine government enacts anti-corruption measures, requiring asset declarations of all government officials in 1987
- PCIJ founded in 1989. In the following years the PCIJ journalists launch several investigations of government officials' asset declarations
- In 1998 Joseph Estrada wins presidential election in landslide victory
- PCIJ publishes in 1999 the first article on Estrada's decadent midnight cabinet
- Estrada lashes out at media critical of him, forcing the sale of an independent newspaper and instigating a crippling advertising boycott of the Philippine Daily Inquirer, (among other measures)

January 2000

- PCIJ begins to investigate Estrada's alleged corruption on two fronts: his involvement in companies and his real estate holdings

April 2000

- After three months of retrieving and analysing company records, the research of Estrada's wealth moves into its second phase, following the real estate trail

July 2000

- PCIJ publishes first report on Estrada's hidden assets—on the very day of the President's annual address to the nation—in seven small newspapers

- The revelations have little impact, although some readers come forward with additional information on Estrada's wealth

August 2000

- PCIJ publishes and airs report on Estrada's secret real estate acquisitions. First television news broadcast that is critical of the president
- The breakthrough: PCIJ publishes and airs in late August the third Estrada report, again on real estate deals
- Following the PCIJ reports, an impeachment process is launched against Estrada in the Lower House of Congress, but dropped for lack of support

September 2000

- Meanwhile, encouraged by the PCIJ's reports, many readers and viewers offer detailed information on Estrada's properties

October 2000

- Former Estrada crony, Governor Luis 'Chavit' Singson, calls press conference and claims that gambling-related bribes were paid to the president
- PCIJ publishes and airs in late October the report, "Cronies and attorneys front for properties," in many newspapers and on television

November 2000

- House of Representatives files articles of impeachment, using three PCIJ reports as evidence. Of four charges against Estrada, three are based on PCIJ articles
- PCIJ publishes its final two reports on Estrada's hidden real estate deals

December 2000

- Impeachment trial begins
- PCIJ publishes book: Investigating Estrada: Millions, Mansions and Mistresses, with additional revelations of Estrada's corruption

January 2001

- Senate turns down evidence that ties Estrada to a bank account in the name of a fictitious person, stopping the impeachment
January 16
- Public demands Estrada's resignation, in a protest that grows to half a million people. Estrada refuses.
- Four days later Supreme Court ousts Estrada. The former vice president, Gloria Macapagal-Arroyo, is sworn in as the new president
- PCIJ marks the occasion the by publishing more incriminating reports on Estrada's political corruption

Epilogue

- Later PCIJ is rewarded three top prizes in the country's premier competition for Investigative Journalism. This is the fourth time PCIJ wins the annual competition.

A Study of the Investigation

From the Point of Departure to the Breakthrough Eight Months Later

If it were not for the legwork of Jane Continente, a library assistant and researcher at the Philippine Center for Investigative Journalism (PCIJ), Philippine President Joseph Estrada might have been able to cling to power—at least a little longer. To help her journalist colleagues at the PCIJ, Continente spent endless hours lining up from 7 a.m. at the public corporate register to trace records which eventually documented a network of obscure companies and secret businesses spinning billions of pesos (tens of millions of U.S. dollars) into the pockets of the president and his lavish households of wives, mistresses, children, and in-laws.

It was the type of methodical and even boring work for which journalists normally detest to spend time or energy, yet it is what made a difference between PCIJ's effective investigation and regular, run-of-the-mill journalism: steady, thorough perseverance, leaving no stone unturned. Since Continente was a clerk by profession, PCIJ used her skills in following the strict procedures at the SEC, including how to line up and how to fill out the forms. Permitted to retrieve only three records a day, Continente and a small cadre of journalism interns lined up for weeks and weeks before the PCIJ journalists could assemble the puzzle that pictured a presidential network of 66 private companies.

Following the paper trail of Estrada's companies was not the only way for PCIJ to investigate the president's wealth. Another trail led to his acquisition of real estate and construction of houses. This was even trickier to follow, involving dozens of interviews with architects, lawyers,

builders, interior designers, neighbors and staff of exclusive residential estates, as well as countless visits to municipal real estate registers. The payoff was, however, equally lucrative in terms of exposure of opulent mansions for the president's family of 11 children, wife and five mistresses.

After eight months of research, PCIJ could expose a lifestyle of the number one family, which could only be described as lavish, arrogant and totally lacking discretion. PCIJ's executive director, Sheila Coronel, was joined by a core group of four staff journalists, three journalists who helped occasionally with research and TV news production and five interns. In addition, a retired government tax official and his assistant offered invaluable help in finding and retrieving land titles.

"The direction of our research was determined by what could be documented," according to Coronel in an interview. Unlike other countries in Southeast Asia, the access to many categories of public records is fairly routine in the Philippines, she adds. These include corporate registration and financial records, building and various permits, and statements of assets of public officials. These documents formed the backbone of PCIJ's research and the basis for checking information provided by human sources.

First Report: No Impact

Although the findings of PCIJ were well documented, albeit scandalous and sensational, Coronel had a hard time finding a media outlet that would publish its first report on Estrada's companies. As an independent, non-profit news organization, PCIJ has no media outlet other than its own website (<http://www.pcij.org>) and quarterly "i" magazine. Funded by grants, PCIJ relies mainly on newspapers and television networks to disseminate its findings.

When PCIJ began its investigation, President Estrada was immensely popular and enjoying what Coronel calls an uneasy honeymoon with the media. Estrada's nationwide popularity as a film star in some 300 movies had paved his way to politics, first as a mayor, then a senator and vice president and from mid-1998, the president's post, which he won with the largest number of votes of any previous Philippines president.

Due partly to his popularity, media exposure of Estrada's wrongdoings was almost unseen. His lifestyle and many mansions soon became the talk of the town, however, and in 1999 PCIJ disclosed the decadence of the president's midnight cabinet in "I" magazine. The

drinking sessions with ministers and cronies often went on into the early morning, leaving the president sleepy or even asleep during the next day's meetings.

With the exception of alternative journals and internet-based discussion groups, most Philippines media chose to be gentle or even favorable to the president. "There was a general fear of criticizing the president even among the independent media. Estrada had control of press because he did not hesitate to intimidate, bribe or regiment the media in other ways," Coronel explains in an interview.

During the first year of Estrada's presidency, the media witnessed what could happen if they were critical of him. In 1999 Estrada forced the sale of the feisty, independent *Manila Times* to one of his cronies. Later, he instigated a paralyzing advertisement boycott of the *Philippine Daily Inquirer*. He even sought control of one of the biggest radio/television networks in the country by marrying off one of his daughters to the son of the owner.

Coronel was herself not afraid of the president's anger. She had been investigating political corruption in the Philippines since 1989 when she and seven colleagues founded PCIJ with a few thousand pesos (hundred U.S. dollars), a typewriter and a paid staff of one. Coronel, who was the only one to work full time with the staff member, did not see a paycheck for her work for close to a year.

In the period after founding PCIJ, the center's journalists documented a number of wrongdoings during the term of Estrada's predecessor, Fidel Ramos, including a plunder of public health funds, shady loans to cronies, the sell-out of a Supreme Court justice, a number of corrupt land deals and a multi-billion-peso investment scam.

Based on this experience, Coronel was not worried about the reaction of Estrada—as long as PCIJ revealed only the truth as it could be documented. On the contrary she confronted Estrada's press secretary with her findings prior to publication of the stories, beginning with the first report on the 66 presidential companies in July.

"I called the palace for weeks to get Estrada's side of the story, but they ignored us," she tells. "Our only doubt was whether our reports would be published—whether the newspapers were brave enough to run the story. We really had a hard time getting the first few articles published."

Coronel managed to convince seven small newspapers—*BusinessWorld*, *Philippine Post*, *Sun Star Daily*, *Pinoy Times*, *Sun Star*

Cebu, Cebu Daily News and *The Freeman*—to publish jointly the center’s first report on Estrada’s hidden assets titled “The State of the President’s Finances: Can Estrada Explain His Wealth.” The report listed the various holdings of the president and showed the disparities between what he declared in his statements of assets and income tax returns and what government records indicate. He had immensely understated his true wealth.

Based on the thorough public records research and eyewitness interviews, the lengthy two-part report inventoried 66 companies in which Estrada and his family members were listed as board members and incorporators—companies which Estrada had not mentioned in his statement of assets.

Due to presidential pressure—and the prevailing editorial policy of the mainstream media—the PCIJ report went largely unnoticed at first. “None of the TV networks were brave enough to use our first report, and none of the radio stations or the newspapers followed up the story, except for presenting the reaction of the government,” says Coronel.

PCIJ’s first report was published on July 24, the day of Estrada’s annual address to the nation. He did not refer to the PCIJ’s allegations in his speech, but he addressed the subject of corruption. He was direct: “From the rebellion, I am shifting the war toward another enemy: graft and corruption. This is my promise. This I shall fulfil.”

In subsequent days, when he punched back at the PCIJ’s report, he merely claimed that the organization was funded by enemies trying to destroy his reputation.

Second Report: The Breakthrough

The absence of impact did not discourage the PCIJ journalists from pursuing their investigation. As they followed the real estate trail, they soon knew they were onto something significant. Their findings involved opulent mansions for the president’s mother, wife and mistresses, featuring heavy draperies, carved wood and a swimming pool with real sand and artificial waves.

Altogether, the center’s journalists found 17 pieces of real estate acquired by the President and his various family members since 1998. These properties had a total estimated worth of PHP 2 billion (about US\$40 million), most of them listed under the names of shell corporations formed by close associates of the president.

The PCIJ investigative team also documented how Estrada not only systematically flouted numerous building regulations and laws, but also violated the constitution and anti-graft laws by not divesting himself of his successful construction company.

Thus on August 21–22, the PCIJ produced the scandalous but true story, “The Estradas’ Three Dozen Houses: First Family’s Firm Flouts the Law”, verified through documentation, interviews and brilliant photographs of the luxury estates of the Estrada family. The article described how the presidential real estate firm was flouting government rules in the construction of a housing project in Antipolo.

A few newspapers ran the story—*BusinessWorld*, *Philippine Star* and *Pinoy Times*—and this time the center succeeded in having the story aired on television with the help of an independent production company. This was not easy, however. “It ran in a show produced by the company for a major network. Just before, the network owners called and ordered them not to air it, because they were afraid what could happen to them,” Coronel tells.

“It was very difficult, and there was a long debate. But despite the network request, the company went on with the story. For us it was a breakthrough. It was the first time that TV had aired something critical about Estrada.”

A few days later the PCIJ summed up the irregularities in the third article, published in the center’s “*I*” magazine, “Erap & Families,” describing the indiscreet affluence of Estrada’s many families and raising questions about how he could support so many households in such grand style.

This was a breakthrough for the PCIJ. The revelations echoed throughout the islands and into the halls of the parliament, where many politicians by now had had enough of the president’s behavior. “It was a very clear cut story of violation of the law and the constitution,” explains Sheila Coronel.

Based on the PCIJ reports and other allegations, a number of congressmen in the Lower House raised an impeachment charge against Estrada, accusing him of corruption and graft. But they could not collect enough signatures from their fellow congressmen to move forward with the charge, however.

The attempt was nevertheless nothing but a victory for the PCIJ. This was the first political move to strip the president of the powers he evidently abused.

Now the ball was rolling, and the ball was tossed by the investigative journalists of PCIJ.

For this case study the most important chapter is How They Did It, which we address in detail in the next chapter.

For the Filipino people, however, the final outcome was the most important: The president was eventually impeached, ousted and jailed, which is described in Chapter 3.

A Guide to How They Did It: How the PCIJ Carried Out Its Investigation and the Methods Used

Target the Obvious Corruption

When PCIJ began its Estrada investigation in January 2000, it set out on what other media thought would be a dangerous and even impossible voyage.

On the other hand, PCIJ only set out to research what the whole town was talking about anyway. And that was its challenge: To address the obvious—and prove it.

“We started because I think others didn’t quite know how to get started on it,” says the center’s executive director, Sheila Coronel.

“It was time to do the story. There was a lot of coffee shop talk about deals made by the president and huge amounts of money being paid, but there was nothing substantial. It was difficult to get people to go on the record at the time. The challenge in investigating political corruption is to find a paper trail and then to get people to talk, especially when the targets of the investigation are powerful,” says Coronel. “We knew we couldn’t do it unless we could find the documents to prove the truth behind the rumors,” she says.

Focus Your Research

Coronel says that over the years, she and her PCIJ colleagues have developed a system for their investigations. “We used to waste a lot of time just doing research. Since 1989, we’ve learned how to focus. We have a better sense of what can be accomplished.”

At the earliest stage of the Estrada investigation, the journalists decided to focus on companies and properties, and that is why it was clear where they wanted to go.

Aim at What Can Be Documented

The PCIJ set out to disclose how Joseph Estrada spent his money, rather than investigate how he earned it. “Our investigation was determined by what could be documented,” points out Coronel. “In this case it was very difficult to document deal-making and payoffs. It was easier to document the fruits of that deal making,” she explains.

“We went to the obvious sources such as corporate registers and land records, with which we worked with before. You have to be aware of your limitations, and the limitations of the information you can get, so you can anticipate in advance what you are going to find. You must have a grasp of what the documents are going to tell you, and who will be willing to talk.”

Set Goals for Minimum and Maximum Stories

The PCIJ wanted to document that the president’s assets exceeded what he had declared in his statement on assets. That was the journalists’ basic hypothesis, and their “minimum” story, that is, the final published goal with the least amount of expected findings.

“It was not very ambitious,” tells Coronel. “We wanted to get a picture of [Estrada’s] entire wealth. We knew the assets law and its requirements to declare every piece of property and companies owned. If he hadn’t declared it all, then it would already be a major violation of the law.”

The maximum stories were not specifically named, but they could go in many directions, such as other assets not registered in the president’s name, abuse of office, illegal acquisition of assets or illegal income. “There were rumors about a partnership in gambling companies, but obviously it would be difficult to document so we didn’t investigate that trail,” Sheila Coronel explains.

Devise a Research Strategy

Coronel says that investigative journalists must make a strategy for their research, to help focus on what information to go after. “If you don’t know why a particular piece of information is needed, you could go on researching forever.”

The research strategy might typically include a feasibility study, a budget and timetable.

“In this case we didn’t have a budget or timetable,” says Coronel. “It was a very unusual story. We had never before done a story that involved

so much in terms of people involved, time and money. It was costly for us; just to get records at the [Security and Exchange Commission] cost us ten dollars for each record, or more than 1,000 dollars. That is very high by our standards. On top of that we had to pay transport for people back and forth,” she explains.

Address Systemic Problems

The PCIJ defines investigative journalism as journalism that targets systemic errors aiming to right a wrong.

“The PCIJ always addresses systemic problems. We never look at individual cases or incidents unless we can put them in a wider context of important issues such as the environment, corruption or social disintegration. We are always looking at the specific case as part of a bigger pattern in order to point out what’s wrong in the system. This is what makes these investigations possible,” says Coronel.

“For us investigative journalism is not just techniques,” she adds. “It is very important to understand investigative journalism—on a philosophical level—as journalism which holds powerful individuals and institutions accountable for their actions. We are very conscious of the role investigative journalism can play in a young democracy in terms of enriching public debate, catalyzing reforms and holding the powerful to account,” emphasises Sheila Coronel.

Build Your Base on the Legal Trail

In the first research phase the PCIJ finished what is often called base-building, collecting the basic, but necessary, information on the subject. A major base-building effort is used to describe how the system is supposed to work in terms of what a country’s laws, norms and “unwritten rules” say—and then how the system actually works.

For the PCIJ journalists, the central part of this base was within their general knowledge.

“We have since 1995 done many of investigations of government officials’ asset declarations, so we already knew the assets law, the procedures for the official statements of assets and the constitution’s statutes on divestments,” Coronel explains.

Anti-corruption measures instituted in 1987 after the downfall of the Marcos regime require all government officials, both elected as well as appointed—from the president all the way down to mayors and members

of local councils—to submit an official statement of assets and to divest private businesses.

However, the legal framework for land development and building was more or less new territory for the PCIJ journalists. “At the very early stage we had to look into the housing and building regulations and study the official procedures for a certain housing project. We would make a flow chart of a process of buying property or building houses: what paperwork do you need in every phase, and where is it filed? Thus we would know which documents to search for,” she tells.

Beware of Obstruction

PCIJ began with a search of corporate records, looking for companies in which Estrada and various family members were registered as board members or incorporators. They began their investigation at computer terminal at the Securities and Exchange Commission (SEC)—which was open to the public—to search for all the companies in which the names of Estrada or his immediate family brought results.

The researchers worked only when the computer was unsupervised to ensure freer access. “We didn’t want to attract attention,” says Coronel. “Because once word got around that people were doing research on Estrada’s companies, documents might suddenly not be available. This happened to us in the past. Documents that couldn’t be found. We wanted to prevent that.”

Be Patient and Invest the Time It Takes

In the Philippines, explains Coronel, access to public records is routine but notoriously tedious. Retrieving corporate registration records at the SEC required waiting in line for five or six hours for a maximum of three records per day. When a company was initially confirmed to be part of Estrada’s enterprise, PCIJ sent its library assistant, Jane Continente, to retrieve the records at the SEC. Continente, a clerk by profession, knew the routine and how to fill out forms, plus she was willing to stand in line collecting puzzle pieces while her journalist colleagues tried to piece the puzzle together. In all, it took three months to establish the final result and obtain all records.

Although it was time-consuming to get the information by normal media standards, Coronel says PCIJ was not under a time pressure to complete its investigation. “Estrada was only two years in power by then, and he would be president for four more years” says Coronel. “We knew

this was an investigation that would take a long time, and we knew we had to get all the information documented. We decided just to get on with it.”

Limit the Scope

After about three days in its database search at the SEC, the PCIJ found more than 100 companies. These had to be validated. the PCIJ removed records by people with identical names and companies that no longer existed, and compared their records to a list of companies that had been formed since the president had taken office. After three months, the PCIJ came up with its list of 66 companies in which Estrada or his family held shares.

Organize the Data

For the journalists at the center it was crucial to organize and analyze all the data the researchers brought home. For name and number crunching, the PCIJ used a basic spreadsheet program, Microsoft Excel. The program sorts data, categorizes and alphabetizes, allowing the user to view the data in any number of ways in the goal of spotting patterns.

“We sorted by incorporation dates, by members of Estrada’s family, by Estrada’s wives—we could quickly find which wife’s name came up the most number of times,” Coronel explains.

Journalists used to doing Computer Assisted Reporting (CAR) would probably have chosen to analyze the data in a database, allowing for many more combinations. However, the PCIJ case shows that the Excel software was adequate for handling data on fewer than 100 different companies.

The PCIJ’s strategy—to match acquisitions of companies and property with what Estrada officially declared in his statement of assets—showed some incriminating results after the data was organized and analyzed. Assets of just 14 of the 66 companies alone totaled more than PHP 600 million (about US\$13 million), but in 1999, Estrada declared a net worth of PHP 35.8 million (US\$790,000) and a net income of PHP 2.3 million (US\$51,000). By not divesting himself of his holdings in these firms, Estrada was violating the constitution, an act that would eventually become one of the four charges against him in his impeachment.

Double Check Your Own Conclusions

PCIJ carefully presents its findings as factual information, which linked together as a whole may lead to evident conclusions. “We never express opinions,” says Coronel. “We may analyze, put facts in context and draw

conclusions. But we never offer our own opinion. This stand presupposes a willingness to be skeptical about your own analysis and conclusions, to be able to see problems from various points of view. Even assumptions do not play a role in the reports we try to sell to the newspapers. We would never get away with it. Our reports must be really hardcore investigative reports.

“There is of course room for opinions in newspapers, but there is too much opinionated journalism going around, especially in the Philippines. Columnists are the big stars here. But our niche is investigative reporting and we know where our comparative advantage lies.”

The PCIJ secures the quality and impartialness of its conclusions by double- or triple-checking not only the facts behind but also the very analysis, which is examined by other reporters as well as lawyers. “We would never sell a story that lawyers would say were potentially libelous,” she stresses.

Follow Strict Ethical Guidelines

Normally, the PCIJ follows the code of ethics which has been produced for journalists working in the Philippines. The country’s ethical standards are somewhat “loose,” Coronel explains. “But for this story, we were in some ways a bit stricter about the rules,” she says, explaining that the center took these precautions because the story was accusing Estrada of wrongdoing. “We had to be absolutely sure about details. We wouldn’t name a house unless we had the land titles. Even if we had been told that the president had been seen there, we would not mention it until we had the land titles. It was not enough that information was confirmed by two or three human sources—we needed actual documentation.”

Work As a Team

Teamwork is always an important factor in the PCIJ’s investigative work, but for the Estrada investigations, it was invaluable. “We’ve never before done a project with so much editorial coordinating,” tells Coronel. The journalists worked in teams during the research, writing and analysis processes. “We work collegially—especially during the Estrada stories. We start by writing a draft, and then pass it around. This gets discussed and then it is rewritten over and over again. There’s also a copy editor who goes over it. It’s back and forth, all over the place. If we’ve divided a story to more than one writer, it goes to one person to put it together.” When a

draft is finished, the PCIJ gives it to lawyers to read, to check for libel, though Coronel stresses that the center may consult with lawyers during the course of an investigation as well.

Confront the Key Sources

Once the Estrada corporations story began to take form in May, the PCIJ began its attempts to contact the president's press secretary for comment. Coronel says she called and left messages at least once a week for several weeks with no success. "We kept calling up to the very end, the day before we released the article. But he refused to talk to us."

At this time it could be feared that the president in some dubious way would try to suppress the story before it was published. However, for PCIJ and its credibility it was important to do its best to present the president's side of the story to the readers, even though the journalists did not succeed in getting Estrada's comments in the end.

Timing Is Everything

The resulting article of the companies investigation, "Can Estrada Explain His Wealth?" was published the day Estrada gave his annual State of the Nation address on national television, July 24.

"We were criticized by the country's biggest newspaper for our timing—why we chose to come out with this on that particular day. The timing was determined in part by all the time we used to try to get a comment from the president. Part of his speech was to be about the state of the nation's finances, so it seemed to us to be a good peg."

Take Precautions

The first story generated considerable controversy. "We were getting swamped with hate mail," says Coronel. "All of it was anonymously sent, with fake addresses. Sometimes we would receive a thousand email notes at once by an anonymous person, causing our server to crash. We could never trace who those were from. There were also fake newsletters circulated by fax that said we were funded by a business group against Estrada."

Intimidation also trickled down from the top man himself. "We were not threatened directly. We just received word from friends of ours inside the Presidential Palace that the president was very mad and we should be careful, that people might be taking signals from his anger to do something against us."

These warnings were not taken lightly. “We were a bit concerned. We figured that it would not be politically smart for Estrada to be seen as harming journalists, but we were more concerned about something more underhanded—making [an attack] look like an accident,” says Coronel.

The PCIJ thus took what she calls its “normal precautions.” These included informing each other of their whereabouts at all times, keeping sensitive files out of the office, requiring passwords and codes to access computer files and using code names for all sources. “Our sources’ names were never written down. I was the only one who knew everybody’s sources.” PCIJ staff also informed their journalistic friends about the work, to expand the general base of people who knew what the PCIJ was doing and where the research was taking them.

Make the Research Transparent

“If you do a controversial story, you must be prepared to be attacked for it,” says Coronel. “We had to be prepared to defend ourselves and our methods. We had to be very scrupulous about the work. We documented as much as we could and got as much paperwork as we could.

“It was possible for us to take short cuts, but we decided to do it the hard way. We could have used connections to get documents at the SEC, like a lot of journalists do—they don’t line up. We could say with a straight face: No one helped us. We went through it the hard way.

“That way we wouldn’t have to put people in trouble or implicate them. We also kept all the receipts—the slips that showed that on a certain day we retrieved three documents and how much we paid for them. The norm in many countries is that journalists are fed with information—a box of information secretly arrives on their desk. We wanted to be able to show that we did the work. We knew that we would be put under much scrutiny. We had to be able to withstand that scrutiny.”

Be Open About Your Methods

Coronel says that once the first story was published, there were many questions raised about the PCIJ, its agenda and funding. “Before that we’d turn down invitations to speak, since we thought it took too much time. But after the story came out, we began to speak publicly to groups, students, Rotary Clubs and other non-governmental organizations about our work. We decided to be more open about our methods and sources of finance, to be more publicly visible. We spoke to groups and

allowed ourselves to be interviewed, figuring that if we got public support for our work, then it would be more difficult for (anyone) to harass us.

“I know that journalists don’t like to do this,” she adds. “None of us want to speak in public—normally journalists say the story speaks for itself. But we owe it to the public to explain how we do the work. This tradition of saying that “journalists work in mysterious ways” adds to part of the mistrust between journalists and the public. We had to explain ourselves. We spent a lot of time talking to people. It’s a chore, but it’s a necessary duty.”

The PCIJ also explained its methodology on its website, which was getting more hits after the first report was published.

Turn Every Stone

The investigation of Estrada’s dubious real estate acquisitions posed a much bigger challenge than the corporation research, not only because Estrada’s family’s names were not to be found on the paper trail, but also because the paper trail was so difficult to follow. “[All real estate transactions are] part of public records and anyone can get access to them—as long as they know exactly what they’re looking for,” Coronel says. Land and corporate records to establish ownership could only be retrieved at the individual municipal government offices, but it wasn’t enough to show up at the municipal building and ask for a file. “We needed to know the address and the name of the owner of the land to get access. Even if we found out the address, we had to know who the original owner of the property was. If we didn’t know the owner of the land or the property, we had to guess,” she says.

“Once, when we did find an owner, it turned out that he had thousands of square meters of properties. So which one were we looking for? It was a lot of trial and error.”

Use Experts

Before the Estrada investigation, the PCIJ had never contracted out research, but took this step in following the real estate paper trail. They paid a retired government internal revenue (tax) official and his assistant to help in the complicated procedure of getting land titles.

“He knew the process,” says Coronel. “We had a lot of things done for us—lawyers offered free legal advice, they were working with us. We were

also supported by other NGOs [non-governmental organizations] who had the same ideals.”

Use Flow Charts to Find Sources

To help them focus before setting out on the real estate paper trail, PCIJ journalists made a series of flow charts. “We looked at the process of building a house,” Coronel says. “We did a chart to show us who would be involved at every step of the way. We started with the owner of the house, then the lawyer of the owner, and so on. Which people would know about a house construction? Because it’s impossible to build a house without anyone knowing about it.”

The PCIJ did flow charts for paper and human sources in the different stages, organizing their brainstorming.

Part of the initial basic research also involved calling up a number of “tipping sources” for direction. “We phoned up a lot of people, talked to them, listened to what was being said,” says Coronel. Thanks to these tips, the PCIJ knew from the beginning that none of the houses would be officially owned by Estrada or his family, so thus the documentation would be very difficult to find. “We knew that we couldn’t just look for one house. We had to look for several, and we knew there had to be a pattern in their acquisition.”

Search for “Allied” Sources

The PCIJ had to rely on human sources who could either help to guide them to the paper trail or else verify information from their eyewitness accounts or other experience. The organization thus began to contact architects, builders, suppliers and other contractors familiar with the construction of various mansions, as well as neighbors and residents of village associations in areas where Estrada was suspected of building mansions. Slowly, the PCIJ began to hone in on the properties where the president or one of his mistresses or wives had been seen.

“We got the co-operation of some very exclusive residential associations,” she tells. “They believed something should be done. There was also a little bit of resentment among them towards the president. These were huge houses he was building. In one village where one of the wives lived, all the president’s security men accompanied him when he was visiting her. And the security people weren’t exactly behaving appropriately.”

Shake the Tree

The publication of the first corporate story made it easier for the PCIJ to attract sources and tips from readers.

“There were times when people came to us to volunteer information. One woman told us that a representative of Estrada offered to buy her property—her neighbor had already sold. She didn’t want to sell and resented the kind of pressure being put on her. Our first story on the companies had come out, and so she came to us,” says Coronel.

However, the major effect of “shaking the tree” came after the second story of the mansions, which was also broadcasted by TV. More and more individuals began to offer information to PCIJ, thus facilitating the publication of more reports with even more detailed account of the president’s assets. Some informants even sent photographs of houses and provided exact addresses that made the paper chase much easier.

Altogether, the PCIJ found 17 pieces of real estate in Metro Manila, Tagaytay and Baguio obtained by the president and his various family members since 1998.

Don’t Lie to Your Sources

PCIJ journalists did not go undercover or lie to any sources. “We never disguised who we were or what we were doing. Even on television. We thought otherwise we could get into serious trouble if we were not forthright in what we were doing. We told [the sources] simply what we wanted to do,” Coronel says. This, she adds, was the key.

“The only problem was getting inside the gated housing estates. They were guarded, and you needed to leave an ID or say you were visiting someone in the area if you didn’t live there. So we talked to the people who lived there, told them what we were doing, and they let us in.”

Protect Your Sources

The PCIJ named their human sources as much as possible in the stories, but precautions were taken in some instances. “We knew that we could be endangering their lives or businesses, so in those cases we opted not to name them. Remember, Estrada was very powerful at the time. If they wanted to go public we would tell them consequences.”

As Coronel explains, code names were used for some of the sources, and even this was not enough. “Our sensitive sources’ names were never written down. I was the only one who knew everybody’s sources.”

Expose the Fine Details

In the actual presentation the PCIJ exposes its major conclusions through details, observations and examples.

In one story, “Erap and Families,” Coronel begins the story by describing the presidential mansions one by one. For example: “Last year, the President’s mother celebrated her birthday in a two-story villa owned by the Ejercitos in Laguna. Built in 1912, the house had fallen to neglect after the Second World War. On the president’s orders, however, well-known architect Chito Antonio gave it a facelift, the results of which were featured earlier this year in the glossy architectural magazine *BluPrint*. ‘Traditional elements were restored: capiz windows, the noble wooden floor, and decorative ceiling details,’ the magazine reported.”

“It is the description of people and places details that make the story,” Coronel explains. “To create pictures is a storytelling technique and investigative reporting is really about story telling, working with a narrative structure.”

“The details also make the story more credible. We tell the reader we found this, we found that, so people know you have actually amassed all this information and done a thorough proper investigation.”

However, to be able to use details and observations, PCIJ needs to collect them systematically. “It is a part of our research plan,” says Sheila Coronel.

Look for Patterns

Since most of the properties were under the names of shell corporations set up by close associates of the president, neither Estrada nor his family were listed on any of the records. “From the beginning, it was clear to us that proving the real ownership of these properties would be problematic,” according to Coronel. “But we also knew that the investigation would not reach a dead end if we were able to show a pattern in their acquisition.” Patterns could prove indirectly that one person or company was the true owner, and PCIJ thus looked for the following patterns among the suspected Estrada properties:

- The mode of acquisitions
- The law firm/s used to form companies to front for the acquisitions
- The individuals or companies who were nominees for the acquisitions
- The contractors and interior designers of the houses
- The design of the houses.

As the PCIJ found documentary evidence and links to Estrada, Coronel says, patterns soon became discernible, she says. From interviews, building plans and photographs, 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 yielded 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.

The PCIJ also found one property acquired while Estrada was evading tax payments, as well as a building company owned by Estrada which violated building laws.

Expose Front Men and Shell Companies

The main breakthrough in the real estate research also came after the corporations story had been published. It centered around the extra-lavish “Boracay” mansion in New Manila, Quezon City, which was supposedly built for one of the president's wives. Built in late 1999, its grounds included a white sand beach surrounding a heated swimming pool with a wave machine.

“People would say, ‘Yeah, we see him there,’ but we couldn't find a document link,” says Coronel. From a tip on the address, the PCIJ finally located the property and discovered that its new owner was a company called St. Peter Holdings. Thus, the real estate trail led the PCIJ back to the SEC—and the corporate trail. “We found the corporate registration of the company, its address and the names of the incorporated individuals. Then we found that all the people registered in the company belonged to the same law firm. Estrada's top presidential advisor, Edward Serapio, was a former partner of that law firm, but his name was still included on the firm's web site. So the link to Estrada was very close.”

The PCIJ found two law firms that formed shell companies to front for most of the Estrada properties, which they later would transfer to Estrada. “We were very happy when we found this. We knew the story was getting somewhere.”

The Sequel: From a Refreshed Media Environment to Estrada's Ousting to PCIJ's Journalism Awards

The Media Changed

For the politicians' impeachment efforts, the breakthrough came on October 6, when a former gambling mate and crony of Estrada, Governor Luis 'Chavit' Singson, called a press conference and disclosed how he had paid bribes—payoffs from illegal gambling—to the president. Asked why he chose to go against the president the governor said: "He betrayed me. He was using me as his collector for his *jueteng* payoffs. After using me, he disregarded me. He gave the Bingo Two-Ball [franchise] in my province to Eric Singson, who is my political enemy whom I defeated in the 1998 gubernational election. What face can I show in my province?" he told reporters. Singson's accusations led to a senate hearing on the charges and opened the way for the impeachment trial.

By this time, the newspapers and television stations scrambled to use the well-documented PCIJ material, which widened the scope of the story. "The media environment became more receptive to investigative reporting on Estrada. The public, too, was hungry for information about the goings-on in Malacañang Palace," recalls Sheila Coronel. "We had collected a lot of detailed information by that time, so we rushed the next story out at the end of October," she tells.

This time, the story—"Cronies and Attorneys Front for Properties"—came out in several big newspapers and also on television, adding substantially to the revelations of the first published stories. "TV couldn't get enough. Before we had to beg them to take our stories," Coronel says.

Once accused of being lapdogs of the president, many media organizations were now both daring and digging, launching their own

investigations. One of the best examples was ABS-CBN, the biggest TV network in the Philippines. The turnaround in Estrada's political fortunes was a relief for many Philippine journalists who had felt stifled by Estrada's political and economic pressure to mute press criticism. "Now everyone was trying to find more houses inhabited by Estrada's mistresses," Coronel points out. "The media learned to see the value in investigation and long term reporting." Similarly, press outlets viewed as pro-Estrada were now targets for derision from Estrada's opponents.

PCIJ Reports: Key Evidence to Impeach Estrada

For the parliament, the PCIJ findings were now indispensable information. Three of the center's first articles were included in the impeachment, filed by the House of Representatives before the Senate on November 13. The once powerful Joseph Estrada was presented with four charges: bribery, graft and corruption, betrayal of Public Trust and culpable violation of the constitution. Three of the charges were based on the PCIJ's reports, while the fourth was based on Singson's "whistleblower" accusation.

The Senate impeachment trial began in December and was broadcast live. Estrada, the former movie star who became known as Asiong Salonga, a Filipino version of Robin Hood, now starred in a real-life soap called "The Rise and Fall of the Philippine President." Elected in 1998 on a platform to fight poverty and corruption, the only role left for him was the one of a hard-line denier of all charges.

The broadcasts soon became the nation's most popular TV show, eclipsing even professional basketball matches and the favorite soap opera, "Rosalinda".

People Power: Estrada Ousted

However obvious the outcome of the trial may have seemed to the millions of viewers, the guilty verdict was—to the formal justice—not the only possible outcome. A crucial but unsolved question was that of the funding of Estrada's real estate adventure.

"While we had documented the purchases of property and the formation of corporations, we had yet to report on where the money to fund these acquisitions came from," recalls Coronel. In an article, "A Transaction Marred by Fraud," PCIJ journalists argued for the existence of a secret bank account under a fictitious name into which

Estrada could direct his dubious income. But the journalists could not prove it.

Only later was it possible for the prosecution to disclose the actual bank account under the fictitious name of Jose Velarde, which paid for one of the major mansions with a PHP 142 million check (US\$2.84 million). Velarde's signature was allegedly the same as Estrada's on the national bank's 500-peso bill. During the trial, a bank vice president even testified that he saw the president sign documents with a false name.

A setback came January 16, however, when the Senate decided surprisingly not to accept evidence that tied the president to the fictitious bank account. The argument for not doing so was the formality that the mansions and bank accounts were not explicitly mentioned in the articles of the impeachment.

Before the eyes of millions of TV viewers across the Philippines, the senators decided with a one vote majority not to open a sealed envelope containing the bank documents allegedly incriminating the president.

Witnessing the triumph of Estrada's defenders and loyal senators after the vote, the Filipino people apparently lost faith in the legal procedures of justice. They took to the streets to protest the decision, and during the following days the protesters grew to a mass of half a million people gathering at Santos Avenue—the very same street where an equally outraged People Power ousted Ferdinand Marcos 15 years earlier. Fifty thousand militant protesters massed outside the Melacañang, ready to storm the presidential palace.

On January 20, after three days of protest—Estrada still refusing to resign—the Supreme Court ousted him unanimously on a decision that allowed the vice president, Gloria Macapagal-Arroyo, to be sworn in as the new president of the archipelago.

PCIJ Collects Journalism's Top Prizes

PCIJ and Coronel researched and published a series of stories on the Estrada scandal throughout the impeachment process. In November, the journalists exposed how a protected forest was felled to make way for "Cronyville," an exclusive enclave for the president and his cronies. Another story documented even more lavish mansions in "An Embarrassment of Houses," summing up the 17 pieces of presidential property.

In December the center compiled its major articles in the book *Investigating Estrada: Millions, Mansions and Mistresses*. Most of the stories

are accessible at the PCIJ's website (<http://www.pcij.org>). Later articles include "The Multibillion-Peso President" and "Firm Linked to Estrada Got Metro Manila Garbage Contract".

As a result the PCIJ was awarded with major prizes in the 2001 Jaime V. Ongpin Competition for Investigative Journalism. First prize went to the three PCIJ reports included in the impeachment trial: "The State of the President's Finances: Can Estrada Explain his Wealth?", "The Estradas' Three Dozen Houses: First Family's Firm Flouts the Law" and "Erap and Families".

Awarded third prize was the PCIJ's "Cronies Scramble to Get Clark Casino for Estrada".

Some 150 reports were screened for the Ongpin awards. Among the other PCIJ finalists cited for outstanding investigative journalism were "Corruption and Waste Weigh Down Agriculture" and "Baguio Forest Cut Down to Build 'Cronyville.'" This was the fourth time since 1997 that the PCIJ topped the country's premier journalism competition. The center's writers were cited "for their superlative research and documentation as well as outstanding craftsmanship comparable to the best work that has ever been done in journalism elsewhere; but most of all for their impact as a body of work...playing a critical role in the public's...understanding of the political dimensions of the crisis of governance, democratization and development in the Philippines."

The Investigative Pen: Mightier Than the Sword

Among all allegedly corrupt leaders of Asia, Joseph Estrada was the first to face an impeachment trial.

The trial was not brought to a convincing finish to allow full legitimacy to the new president's powers, but even so, the mere prosecution of Estrada and later his conviction was called a victory for democracy. The shift in the media climate away from "presidential lap dog" to the fourth power of estate was also seen as a victory.

For the PCIJ and Coronel, however, the ultimate goal is to develop the democracy much further, to the extent where politics and economy will be based on the rule of law. "We invest our time, talent and resources so that we can bring about a real change," Coronel said when she was named by *Asiaweek* as one of top graft-busters of Asia.

The need for change is striking: just a few of the Philippines' estimated 15 million families are reported to control virtually all the wealth of the nation, and a few hundred are said to control political life

through the Filipino *utang na loob*—a system of obligation earned through favors. While the rich may profit from tax evasion and bribery, 40 percent of the islands' 76 million inhabitants live below the poverty line.

Asiaweek described the now 43-year-old Coronel as being slight of frame and with a young girl's voice. "But anybody who thinks Sheila Coronel is a lightweight would be making a serious miscalculation," the magazine continued, describing her role in the downfall of Estrada. "Coronel's biggest coup underlines the role of the press," *Asiaweek* stated. "It also shows that the pen is mightier than the sword—especially when the one wielding it looks so harmless."



Can Estrada Explain His Wealth?

Originally published 24–25 July 2000

by YVONNE T. CHUA,

SHEILA S. CORONEL

and VINIA M. DATINGUINOO

PRESIDENT ESTRADA says his life is an open book. He does not deny the complications of his private life—that he has several mistresses, and that he has sired children by them.

The President, however, has not exactly been forthright about the financial aspects of his private life and the complex ethical issues—such as conflicts of interest—posed by the many and varied business involvements of his various families.

In his statements of assets, for example, Estrada does not declare his participation in about a dozen companies in which he and his wife are major investors and board members. Neither do his asset declarations give an idea of the magnitude of the business interests that he and his families are engaged in.

In the course of several months, we obtained and examined 66 corporate records in which Estrada, his wives and his children are listed as incorporators or board members. Altogether, these companies—31 of which were set up during Estrada’s vice-presidential term and 11 since he assumed the presidency—had an authorized capital of P893.4 million when they were registered. The President and his family members had shares of P121.5 million and paid up P58.6 million of these when the companies were formed.

It is difficult to estimate how much these businesses are now worth because of incomplete data at the Securities and Exchange Commission (SEC). But based on available 1998 and 1999 financial statements, 14 of the 66 companies alone have assets of over P600 million.

It is not clear from the President's official asset declarations over the last 12 years where the funds to invest in so many corporations come from. Moreover, neither the President nor his immediate family members acknowledge that many of their businesses involve the government, either in the acquisition of permits and clearances or in the award of contracts.

Today, as the President gives an accounting of the state of the nation, he should also be making an accounting of the state, and the source, of his—and his families'—finances.

Table A.1: Pres. Estrada's Net Worth, 1987–99

<i>Year</i>	<i>Assets (in million Ps)</i>	<i>Liabilities (in million Ps)</i>	<i>Net Worth (in million Ps)</i>
1987	8.0	5.9	2.1
1988	9.1	6.9	2.2
1989	9.6	6.8	2.8
1990	9.9	7.2	2.7
1991	11.8	8.6	3.2
1992	15.9	12.5	3.4
1993	25.9	22.1	3.8
1994	26.2	14.8	11.4
1995	33.0	10.2	22.8
1996	44.4	14.5	30.0
1997	48.8	10.2	38.9
1998	46.3	12.9	33.4
1999	48.8	13.0	35.8

Source: Office of the Ombudsman

This becomes an urgent issue because of the lavish lifestyles of the President's various households. Two of Estrada's women companions—Laarni Enriquez and Joy Melendrez—live in posh quarters in Wack-Wack, Mandaluyong City and Green Meadows, Quezon City. According to land records, none of these residences are registered in their names or the President's.

Estrada's wives and children have also been seen riding a fleet of imported expensive vehicles, including a Jaguar, a Range Rover and several Mercedes Benzes—each of which costs millions of pesos (tens of thousands of dollars). But neither the President's statement of assets nor his most recent income tax declaration can explain where he got the wherewithal to support the extravagance of his loved ones. In 1999, Estrada declared in his statement of assets a net worth of P35.8 million and in his income tax return, a net income of P2.3 million.

In Wack-Wack, for example, land values are currently at P40,000 per square meter. Enriquez's residence since the mid-1990s is at 771 Harvard Street; it is on property that covers more than 1,000 square meters and is listed under the name of Jacinto Ng Sr., one of the President's closest friends. The land alone is worth over P40 million. Rentals for a typical Wack-Wack house would easily run to more than P100,000 a month or P1.2 million a year, about half of Estrada's declared net income in 1999.

A recent visit to Wack-Wack revealed that the Enriquez house was being renovated. Earlier this year, Enriquez was reported to be building another Wack-Wack mansion at 796 Harvard Street, on a 5,000-square meter property registered, according to land records, under KB Space Holdings, a company owned by Ng.

Estrada's Statements of Assets and Liabilities, 1985-1999

It is obvious from this example that official declarations—as contained in Estrada's statement of assets and income tax return—do not provide an accurate picture of the magnitude of the President's and his families' wealth.

At the same time, what Estrada declares are in themselves problematic. R.A. 6713 mandates that all public officials file every year the acquisition cost and the assessed and fair market values of their real property. In addition, they should also list other personal property as well as their investments, the cash they have on hand or in banks, their

financial liabilities, and their business interests and financial connections.

Since his election to the Senate in 1987, Estrada has consistently declared interests in only four corporations: JELP Real Estate Development Corp., J. E. Inc., Feluisa Development Corp. and Felt Food Inc. The first three are real estate companies, with JELP appearing to be the biggest.

In a 1998 financial statement submitted to the Securities and Exchange Commission (SEC), JELP declared assets worth P194.2 million, mostly buildings and real estate valued at P147.2 million, or more than double its 1997 real estate assets of P58.8 million.

None of these assets, however, are listed in Estrada's declaration, even if he and his wife jointly own 70 percent of JELP's shares. Moreover, none of JELP's liabilities of P188 million are declared in Estrada's statements. Presumably, some of this money went to the acquisition of nearly P90 million worth of real property in 1998 alone. It would interest Filipinos

Table A.2: Business Interests of President Estrada and/or Luisa P. Ejercito

<i>Company name</i>	<i>Nature of business</i>	<i>Year</i>
Millennium Cinema, Inc.	entertainment	1999
First LPL Land Syndication Inc.	real estate	1995
JOI's Food Corp.	restaurants	1995
JE Films & Video I Corp.	entertainment	1994
JELP Real Estate Development Corp.	real estate	1992
Asis-Ejercito Garments Inc.	trading	1990
24K International Food Inc.	restaurants	1988
Alpha Funds Inc.	stocks/bonds	1987
Primetime Entertainment for Television Productions Inc.	entertainment	1986
A.D.E. Food Inc.	restaurants	1984
Intro Vision Promotion Inc.	entertainment	1983
All Hot Soup Inc	restaurants	1983
Electronics Sentry Systems Inc.	manufacturing	1983
Feluisa Development Corp.	real estate	1983
Felt Food Services	restaurants	1982
J. E. Inc.	real estate	1980

Source: Securities and Exchange Commission

which banks, institutions or individuals lent Estrada so much money in the year of his election.

Incorporated on November 18, 1992, a few months after he was elected vice president, JELP began operating with a paid-up capital of P14.4 million, only P3 million of which was in cash. It is difficult to determine how the company built up its asset base and how it funded its real estate purchases from 1993 to 1996 because it has not complied with SEC requirements to file annual financial statements.

It was only in 1997, a year before Estrada was to run for the presidency, that JELP suddenly filed its financial statements. By then, it reported assets of P116.3 million, of which P58.8 million was real property. In 1998, the year Estrada became president, JELP reported assets of P194.2 million, an increase of nearly P78 million despite the Asian crisis and the slump in real estate prices. Of these assets, P147.2 million was real property.

Estrada also did not include in any of his statements of assets since 1987 his and his wife's shareholdings in 11 companies. A check with the SEC shows Estrada or his wife Luisa Pimentel were incorporators or shareholders of, among others, Millennium Cinema Inc., JE Films and Video One Corp., and JOI's Food Corp., none of which were listed in the President's asset declarations in the last 12 years.

Yet, when we queried Malacañang about these issues in late April this year, Press Secretary Ricardo Puno told us to wait until the President's accountants and lawyers were available to provide answers. Subsequent follow-ups since then did not yield any answers. Puno also declined to say who these lawyers and accountants were.

The problem with R.A. 6713, which requires government officials to declare their assets every year, is that it asks these officials to make public the assets only of their spouses and children under 18. Framers of the law apparently never foresaw a president like Estrada who would openly acknowledge relationships with other women and children out of wedlock. The problem becomes even bigger when several of these extramarital liaisons yield mistresses and children who are actively involved in business.

Yet, other laws like the Anti-Graft and Corrupt Practices Act recognize the potential of people with family or otherwise "close personal relation" with any public official to take advantage of such a relation by "directly or indirectly requesting or receiving any present, gift or material

Table A.3: Business Interests of Guia Gomez

<i>Company name</i>	<i>Nature of business</i>	<i>Year</i>
Grandmeadows Properties Inc.	real estate	1999
El Pueblo Builders Inc.	real estate	1999
EG Properties Inc.	real estate	1998
Apex Land Inc.	real estate	1998
Xytox Corp.	trading	1998
Star Group Cellulars Services Ltd. Inc.	repair services	1997
Bioconcepts International Inc	trading	1997
GTWJ Food Corp.	restaurants	1996
Personal Shopper Inc.	trading	1996
All Time Realty Consultants and Managers Inc.	real estate	1996
Poongsan Precision Phils. Inc.	manufacturing	1996
Paisa Champagne Bar Inc.	restaurants	1995
WT Partnership Phils. Inc.	project management	1995
Wegtec International Corp.	consultancy	1993
Powerhouse Staffbuilders Int' l. Inc.	job placement	1992
Gazelle Distribution System Inc.	trading	1992
Stallion Intertrades Center Inc.	trading	1992
Meiji Inc.	real estate	1992
JV & G Inc.	real estate	1992
Paisa International Inc.	trading	1992
Micro-Biomass International Inc.	manufacturing	1992
Rainbowman International (Mla.) Inc.	trading	1990
Risktrac Inc.	consultancy	1989
Environmental Primemovers of Asia Inc.	environ. studies	1989
Job Employment Staffing Assistance & Allied Services	equipment services	1989
Monde Quality Services Inc.	job placement	1989
Guiorel Trading & Allied Services Inc.	trading	1989
Trumpet Marketing International Inc.	trading	1988
Environmental Laboratory & Research Services Inc.	laboratory services	1988
Nu-Genes Technologies Inc.	water treatment	1988
Guia Industries Corp.	garments	1987
Gomez-Orozco Recruitment Agency Co.	job placement	1987
Gomez Antonio Enterprises Inc.	inns, restaurants	1985

Source: Securities and Exchange Commission

or pecuniary advantage from any other person having some business, transaction, application, request or contract with the government, in which such public official has to intervene.”

The law includes such relationships as close personal, social and fraternal connections, and professional employment all giving rise to intimacy which assures free access to a public official. Presumably, mistresses and illegitimate children fall under this category.

The law on unlawfully acquired property, on the other hand, raises the possibility that ownership of property can be concealed by recording it in the name of, or held by, a public official’s spouse, crony or relatives.

These laws become pertinent particularly in the light of the multi-faceted business involvements particularly of Guia Gomez, with whom President Estrada has acknowledged having a long-term relationship, and her 31-year old son Jose Victor ‘JV’ Ejercito.

Gomez, who admits to her entrepreneurial inclinations in newspaper interviews, appears to be the most business-minded among the President’s women companions. A check with the SEC shows that Gomez is listed as having shareholdings in 33 companies involved in real estate, food, office machinery, trading and semiconductors. Her son is a shareholder in 11 of these companies, although on his own, he is an incorporator and stockholder of eight other firms.

Also listed as shareholder in two of the Gomez companies is Joel O. Ejercito; his sister, Ma. Theresa O. Ejercito, is stockholder in five. Both are the President’s children with Peachy Osorio, a movie director’s daughter with whom he had a relationship before his marriage to the First Lady.

From the records, it appears that Gomez’s core businesses are real estate and trading. She owns at least seven real estate companies, with a combined authorized capitalization of over P200 million. It is, however, difficult to determine from SEC figures the real assets, including land and other property, of these corporations.

For example, EG Properties alone, formed on November 23, 1998, shortly after Estrada was elected president, has an authorized capital of P100 million, P25 million of which has been paid up, half by Gomez and the rest by JV, Joel and Ma. Theresa Ejercito, and one Joey G. Estrada.

Another real estate company, Meiji Inc., is developing a housing estate in Cavite. It has an authorized capital of P100 million, P7 million of which was paid up when it was established on June 24, 1992, the year Estrada became vice president. Gomez holds the biggest number of

shares and had paid up P4 million of her P16-million subscribed capital when the firm was registered. Son JV is the next biggest shareholder after his mother.

Other real estate companies listed in Gomez's name are Grandmeadows Properties Inc., El Pueblo Builders Inc., Apex Land Inc., All Time Realty Consultants and Managers Inc., and JV&G Inc.

There is, of course, no law that prevents presidential mistresses from engaging in business. What is worrisome is when these businesses engage in transactions that involve the government. For example, housing projects have to comply with zoning and environmental regulations. Real estate firms can also avail themselves of loans from government financial institutions.

In defense of his and his mother's business practices, JV Ejercito has said, "We are businesspeople and we have been in the past 10 years. We never dealt with any government projects since my father is a public official, and we will continue avoiding deals with the government."

This becomes a tricky statement considering that JV is the biggest shareholder in the now-inactive Best World Construction Corp., an affiliate of the controversial BW Resources Corp., which is currently involved in an insider trading scandal.

JV's core business is real estate development. His Buildworth Development Corp. constructs houses and condominiums. As anyone who has done even minor construction work knows, construction involves obtaining a slew of government clearances and permits. JV also has a lending company, Foremost Credit Resources, in which he, too, is the biggest shareholder.

Gomez is also into trading of various products, including food, biological products, office equipment, machinery and chemicals. Her dozen trading companies include Xytox Corp., Bioconcepts International Inc., Personal Shopper Inc., Gazelle Distribution System Inc., Stallion Intertrades Center Inc., Paisa International Inc., Micro-Biomass International Inc., Rainbowman International (Manila) Inc., and Trumpet Marketing International.

Gomez is active in the labor recruitment business as well, having formed four job placement companies—Monde Quality Services Inc., Job Employment Staffing Assistance and Allied Services Inc., Powerhouse Staffbuilders International Inc., and Gomez-Orozco Recruitment Agency Co.

Table A.4: Business Interests of Laarni Enriquez

<i>Company name</i>	<i>Nature of business</i>	<i>Year</i>
Magic Star Food Corp.	restaurants	1997
Star J Management Corp.	real estate	1996
Star J Bingo Corp.	gaming	1996
Star J Games	gaming	1996
Good Shepherd Productions Inc.	entertainment	1994
L&B Commercial Co.	trading	1990

Source: Securities and Exchange Commission

Like the First Lady, Gomez has her share of restaurants that operate under GTWJ Food Corp., Paise Champagne Bar Inc. and Gomez-Antonio Enterprises Inc.

Meanwhile, the President's other woman companion, Laarni Enriquez, has six companies to her name, some of which include her brothers as incorporators. Star J Management Corp., which she formed in 1996 with the President's brother Jesus, sister Pilarica and presidential buddy Jaime Dichaves, operates the Star J Plaza, a mall in Malabon whose ownership, according to a document displayed in the lobby of the mall, is under the name of Jacinto Ng. Enriquez also owns Star J Bingo and Star J Games, which operate the bingo parlor and bowling alley at the Malabon mall.

On the other hand, the First Lady and her children are mainly into real estate, restaurants and entertainment. Apart from JELP, Estrada, the First Lady and their children formed the Feluisa Development Corp. They have restaurants listed under five food companies: Felt Food Services, JOI's Food Corp., 24K International Food Inc., ADE Food Inc. and All Hot Soup Inc.

In the entertainment business, the Estradas invested in Millennium Cinema Inc., formed in 1999, and which is reported to be the fastest-rising film production company these days, and JE Films and Video One Inc.



Estrada's Entrepreneurial Families

IN 1998, Jose Victor 'JV' Ejercito, then 29 years old, became the biggest shareholder of the newly formed Best World Construction Corp., an affiliate of BW Resources Corp., the gaming company now in the dock for stock manipulation and insider trading.

Apart from Ejercito, the other incorporators of the construction firm were businessman Dante Tan, a key figure in the BW scandal; Tan's lawyer Jose Salvador M. Rivera Jr.; Francis Ablan, who was named BW chairman early this year; and Malaysian businessman Kenneth Eswaran, Tan's business associate who is a major shareholder of another BW affiliate, Best World Gaming & Entertainment Corp.

Corporate records show that the other shareholders of Best World Gaming include Tan, and lawyer Rivera—both of them JV Ejercito's business partners in Best World Construction. In December 1998, the Philippine Amusement and Gaming Corp. (Pagcor), the government's casino company, gave Best World Gaming the sole authority to conduct nationwide computerized online bingo gaming for 10 years.

In a congressional hearing in March 1999, Pagcor chairperson Alice Reyes admitted that Best World Gaming got the bingo license "because it had the endorsement of the Office of the President." In addition, Best World Gaming's affiliate, BW Resources, signed a memorandum with Pagcor on June 30, 1999, in which Pagcor agreed to be the "anchor tenant" at the Sheraton Marina, a casino, shopping and tourism complex BW is building in Malate, Manila.

In 1999, BW and Best World Gaming became co-borrowers of a P600-million loan obtained from the Philippine National Bank, in which the government was then the major shareholder.

Table A.5: Business Interests of Joseph Victor 'JV' Ejercito

<i>Company name</i>	<i>Nature of business</i>	<i>Year</i>
Aeromax Aircraft Services, Inc.	pub/priv carrier	2000
Vegas Foods Inc.	restaurants	1999
International Maximum Entertainment Inc.	entertainment	1999
Grandmeadows Properties Inc.*	real estate	1999
Best World Construction Corp.	construction	1998
EG Properties*	real estate	1998
Apex Land Inc.*	real estate	1998
Pro-Advance International Inc.	trading	1996
GTWJ Food Corp.*	restaurants/catering	1996
Foremost Credit Resources Inc.	lending	1995
Buildworth Development Corp.	construction	1995
Paisa Champagne Bar Inc.*	restaurants	1995
WT Partnership Phils. Inc.	mgmt/engineering	1993
Agri-Power Equipments Inc.	manufacturing/trading	1993
Wegtec International Corp.*	mgmt consultancy	1993
Stallion Intertrades Center Inc.*	trading	1992
Meiji Inc.*	real estate	1992
JV & G Inc.*	real estate	1992
Job Employment Staffing Assistance & Allied Svcs. Inc.*	machinery maint.	1989

* Companies with mother, Guia G. Gomez, also as incorporator
Source: Securities and Exchange Commission

These interlocking relationships illustrate the ethical problems posed by the involvement of presidential relatives in business. In an interview, Ejercito explained that he was drawn into Best World Construction by Tan and his partners. “Since they were family friends, they told me they were going to put up a development corporation and since I was in real estate and construction, I thought okay, that’s in line with my business.”

But Ejercito said that he pulled out of the partnership when BW shifted from real estate development to gaming in late 1998. “I told them I can’t help you, I wouldn’t be an asset to you, it wouldn’t be good for me and for my father. It’s not nice manipulating stock prices, I even told them that.” In the end, nothing ever came out of Best World Construction, Ejercito said.

Even if that were so, the incident illustrates the apparently close business and personal relationships between members of the Estrada family and individuals who have obtained government loans, contracts and franchises. Such relationships are bound to raise thorny issues of conflicts of interest.

There was nothing illegal about Ejercito's short-lived partnership with BW. But the fact that the President's favorite son was once involved with businessmen alleged to have received preferential treatment from government entities and now currently undergoing government investigation reveals the fuzziness of the line that separates business from politics.

Earlier this year, former Securities and Exchange Commission (SEC) chairman Perfecto Yasay Jr. had already accused the President of undue interference in the SEC's investigation of BW and Dante Tan who, apart from having been JV Ejercito's business partner, is also widely known to be Estrada's friend.

Ejercito, however, insisted that his family has not taken advantage of Estrada's presidency to further their business interests. "I don't want shortcuts," he said. "I see to it that everything is done legally. Even my bank loans are obtained not because of who I am, I want them to lend me because of the projects I am doing. I don't want them to see me as a political client. It's actually hard to be the president's son - you can't go into this, you can't go into that because you're partly a political figure. I just can't wait for the President's term to finish."

Despite these supposed difficulties, the businesses of Estrada's various families appear to be doing well. In fact, our search of corporate records showed that the President's wives and children have engaged in a rash of company formation, establishing at least 11 new corporations since June 1998, a month after Estrada's election. Most of these firms are in real estate and entertainment.

In a country where the fortunes of businesses are often determined by political connections, the entrepreneurial activities of Estrada's various families, while not illegal, tread on fragile ethical ground.

JV's mother, Guia Gomez, for example, has a long list of business partnerships with individuals who are now in government. Her business activities are those of a politically well-connected entrepreneur whose interests have expanded with Estrada's rise to power.

All but one of the 33 companies in which Gomez is listed as an incorporator were formed since 1987, when Estrada was first elected to the

Table A.6: Assets of Selected Companies of Estrada and his Families

<i>Company name</i>	<i>Total assets (in million Ps)</i>	<i>Year declared</i>
Buildworth Development Corp.	83.3	1998
Feluisa Development Corp.	1.8	1998
First LPL Syndication Inc.	126.6	1998
Foremost Credit	29.5	1998
GTWJ Food Corp.	23.0	1998
JE Films & Video I Inc.	4.3	1997
JELP Real Estate Development Corp.	194.0	1998
JOI' s Food Corp.	9.2	1998
Magic Star Food Corp.	6.1	1998
Meiji Inc.	67.5	1998
Paisa Champagne Bar Inc.	1.5	1998
Paisa International Inc.	6.2	1999
Powerhouse Staffbuilders International Inc.	8.8	1999
Star J Management Corp.	45.0	1998

Source: Financial statements submitted to the Securities and Exchange Commission

Senate. Of these, 13 were set up while he was senator, 15 during his vice presidency, and four in the first two years of his presidential term.

Gomez operates a range of businesses involved in real estate, trading, and even environmental impact assessments. All of these businesses would require government clearances and permits and some of them involve transactions with government entities.

Gomez finds herself in sticky situations as several of her business partners have been appointed to government posts since Estrada became President.

For example, SEC records show that Gomez and Julius Topacio, assistant secretary of the Department of Interior and Local Government, are partners in five companies. Topacio is the president's chief accountant and is listed as such in Estrada's 1987 statement of assets. In 1998, Topacio was appointed the government representative to the board of Legaspi Oil Co., a sequestered company.

He and Gomez are partners in Meiji Inc., a company formed in 1992 and currently developing a subdivision and housing project in Cavite, which presumably needed to obtain local government permits and

clearances. In addition, Topacio and Gomez are shareholders in Paisa Champagne Bar Inc., operating restaurants that again need all sorts of local government permits.

They are also partners in Paisa International Inc., a trading company; two project management firms, WT Partnership Philippines Inc and., Wegtec International Corp.; JV& G Inc., a real estate company; and Powerhouse Staffbuilders International Inc., a labor recruitment firm.

Another shareholder of that recruitment firm is Rosario G. Yu, formerly tobacco tycoon Lucio Tan's secretary. Yu was named presidential assistant in 1998, and is frequently seen in Malacañang.

An even more controversial business associate of Gomez's is Cecilia Ejercito de Castro, who is known as the President's cousin. De Castro was appointed presidential assistant in 1998. In 1999, she figured in a P200-million textbook scandal in which Education Secretary Andrew Gonzalez said she approached him for the speedy release of textbook funds.

De Castro is Gomez's business partner in the real estate firm, Meiji Inc., and Xytox Corp., a trading firm.

Another Gomez partner is Talreja Mangharam Shivandas, the Indian businessman who runs the restaurants and VIP lounges at the Ninoy Aquino International Airport and who was responsible for the ill-fated construction of a restaurant on the Malacañang grounds. Gomez and Shivandas are partners in Paisa International Inc., a trading company.

Gomez's network of business associations include presidential brother-in-law, academic Raul P. de Guzman, who was appointed to the San Miguel Board and named presidential adviser on development administration in the first few months of Estrada's term. In 1989, De Guzman and Gomez were both incorporators of Environmental Primemovers of Asia, Inc., a company that conducts environmental impact studies for firms seeking environmental clearances from the government.

In 1996, Environmental Primemovers was bought by Woodward-Clyde Philippines, although the original incorporators retained their investments in the new company.

These included De Guzman's son, Raul Roberto, who was appointed presidential assistant for environment and water in 1998, even while he was still involved with the environmental firm.

Raul Roberto is also in partnership with Gomez in two other companies, including Paisa International and Risktrack Inc., as well as Environmental Primemovers. The two are also among the original

incorporators of Poongsan Philippines, a wholly owned subsidiary of the Korean firm Poongsan Precision Corp., but had since unloaded their shares.

The involvement of Gomez and Raul Roberto de Guzman with Poongsan Philippines, a wholly owned subsidiary of the Korean firm Poongsan Precision Corp., is nominal but still raises questions. Poongsan manufactures semiconductors and is located in the Clark Special Economic Zone, and therefore leases government property and receives government incentives.

Yet another business associate is Jose Fernando B. Camus, Gomez's partner in WT Partnership Philippines Inc., a management and engineering company, and in Meiji Inc. He was named to the board of the Bases Conversion Development Authority also in 1998.

Meanwhile, Rolando Macasaet, who currently heads the Philippine National Construction Corp., the government corporation that operates the country's toll roads, is JV Ejercito's business partner in Foremost Credit Resources Inc., a lending company formed in 1995.

The first two years of the Estrada presidency was a period that saw a burst of entrepreneurial energies among Estrada's wives and children. The busiest appear to be Gomez and her son JV. Gomez formed four real estate firms in 1998 and 1999: El Pueblo Builders, Grandmeadows, Inc., EG Properties and Apex Land Inc. Her son is a partner in three of these firms while Estrada's other illegitimate children - Joel Eduardo and Ma. Theresa Ejercito - hold shares in EG Properties.

JV, on his own, formed three new companies since his father's election: Aeromax Aircraft Services, Inc., a carrier of mail and merchandise; Vegas Food Inc., a restaurant and catering firm; and International Maximum Entertainment, Inc., which is involved in movie, TV and musical productions.

In addition, the assets of JV's construction firm, Buildworth, grew from P14 million in 1997 to P83.3 million in 1998, according to financial statements submitted to the SEC. Meanwhile, his Ang Bayang Makulay Production Inc., a foundation formed last January 3, is producing the Philippine version of the Broadway hit, "Miss Saigon."

Often referred to as the family's black sheep, Jude Estrada, the President's second son with the First Lady, did not show much entrepreneurial inclinations before his father's election. But in 1999 alone, Jude and his associates formed three new companies: Primeval

Commodities, Inc., which is engaged in the trading of petroleum and food products; Paragon Security Management and Investigation Services, Inc., which provides security services; and Reach Management Corp., which is into personnel and management consultancy.

In addition, Jude with his two other siblings, Jinggoy and Jacqueline, his mother Luisa and uncle Jesus Ejercito, formed Millennium Cinema in 1999. Barely two years old, Millennium hopes to rival the big film companies, Regal and Viva, in the movie production business.

ANNEX

B

PART
I

First Family's Firm Flouts the Law

by MALOU MANGAHAS and LUZ RIMBAN

“SAGASA MILITAR.”

This was how businesswoman Flor Rosario described what she said are the flagrant disregard for the law, the local people, and the environment by JELP Real Estate Development Corp., which is building 36 two-story townhouses on a one-hectare lot near her home at the middle-class Vermont Park Executive Village in barangay Mayamot, Lower Antipolo.

Rosario and her Vermont Park neighbors have complained that the JELP housing project has exacerbated the floods that visit the valley that is Lower Antipolo every time the rains come. On days when there is a heavy downpour, floodwaters now rise thigh-high in some parts of her neighborhood, said Rosario. In other parts, she said, the water can even be waist-deep.

Before the construction, the flooding reached only up to their ankles, at most it went up knee-high, residents said. But because the JELP houses are being built one-and-a-half meters higher than their neighbors, on an area that used to be the catch basin for floodwaters, the problem has become so much worse. The traffic, garbage and sanitation in Vermont Park have also deteriorated since JELP's construction, say over a dozen residents interviewed for this report.

The plight of Vermont Park residents could be just another story of urban misery, except that JELP, the company that they blame for the flooding, is a real estate firm formed by President Joseph Estrada, First Lady Luisa Pimentel Ejercito and their children Jose 'Jinggoy,' Jacqueline and Jude.

Vermont Park is a subdivision 10 kilometers northeast of Quezon City that was developed in the 1980s by Sta. Lucia Realty and Development Inc. Straddling the Marcos Highway, it lies on a valley surrounded by creeks, at the foot of the Antipolo hills.

What makes this otherwise nondescript housing estate's story extraordinary is that neither JELP nor its contractors have secured permits, clearances and licenses required by law for any of the 36 houses that are now nearing completion.

In March 1999, the city government of Antipolo ordered JELP "to cease and desist" operations because of these violations. Yet JELP ignored the warning and continues to build its houses sans permits.

When asked about this, the President's son, San Juan Mayor Jose 'Jinggoy' Ejercito, only said, "I know about JELP but I cannot say anything about this (project)."

In an "ambush" interview at his San Juan office last week, the PCIJ and "The Probe Team" told the mayor about the complaints of Vermont Park residents. Ejercito snapped back, "*Eh, di mag-complain sila* (Let them complain)!"

Table B.1: Violations Committed by JELP's Antipolo Housing Project

<i>Violation</i>	<i>Agency concerned</i>
Failure to obtain a license to sell	Housing Land Use Regulatory Board
Failure to obtain an environmental clearance certificate	Department of Environment and Natural Resources
Failure to obtain a development permit	Antipolo city government
Failure to obtain sanitation and water potability permits	Department of Health
Failure to obtain permits for water diggings	National Water Resource Board
Failure to obtain zoning clearance certificates and building permits	Antipolo city government
Failure to obtain homeowners' clearance certificates and barangay clearance certificates	Vermont Park Homeowners Association
Irregular subdivision of the transfer certificates of title covering the one-hectare project area	Land Regulation Authority

The First Lady, who is the treasurer and controlling stockholder of JELP, refused to be interviewed. But Romeo V. Escalona, JELP's project engineer at the Antipolo site, blamed the lack of permits on the local residents' refusal to issue a homeowners' clearance. Without such a clearance, he said, the company could not apply for a building permit.

Vermont Park residents said that Escalona approached them only last week for a homeowners' clearance, but they said they could not issue this as JELP had not responded to the Antipolo government's notice of violation.

The residents feel betrayed. In 1996, the officers of their homeowners association took their oath before then Vice President Estrada at his office at the PICC Complex.

"He told us that when he developed his property at Vermont Park, he would help us with the flooding problem," resident Celeste Caragay, a nurse, recalled.

Ramon Ramos, her neighbor, remembered: "He told us he was planning to build one-story houses so that the view from our houses would not be blocked."

But the residents were soon disappointed. In 1998 and 1999, clearing and filling work commenced at the one-hectare lot in Vermont Park that JELP acquired in June 1993.

Black, murky filling materials emitting the stench of sewage were dumped in the area by trucks, some bearing the name of the local government of San Juan. The trucks came in the mornings and sometimes late into the night, residents recalled.

Once, Flor Rosario, whose house borders the JELP property, complained to the truck driver. She got a scolding from him instead, "*Gaga! Hindi mo ba alam kay Erap ito* (Idiot! Don't you know this is Erap's property)?"

Residents say that from 1997 to 1998, Estrada and his son, the San Juan mayor, were frequent visitors at Vermont Park. "They came here nearly every week," said Rosario. They were inspecting the property. Their vehicles would be in a convoy, and they came with security." Her neighbors Caragay, Ramos and other officers of the local homeowners association confirmed this.

In January this year, the residents were startled by the sight of nearly 200 construction workers and huge trucks of construction materials that invaded the quiet of their neighborhood. Bit by bit, JELP's plans

unraveled, and the residents realized that their views and their welfare were not going to be considered.

JELP hired 13 small- and medium-size contractors to build 36 townhouses and a clubhouse on the property. One contractor, Amphor Construction and Development Corp., was awarded five houses. Its contract with JELP showed the official starting date of the project as January 12, 2000 and that the construction was to finish in 120 days.

The JELP project stood out in Antipolo for the degree to which it has flouted the law. Despite the harm caused to neighboring residents, the company has refused to obtain the numerous clearances, permits, licenses and other documents that owners and developers of housing projects must secure before they can begin construction.

The Antipolo government' issuance of a notice of violation against JELP on March 18, 1999 was the first indication that the firm was violating the law. The notice, signed by Mayor Angelito C. Gatlabayan and Engineer Ignacio E. Asuncion of the City Planning and Development Office, cited JELP for "violation of preliminary approval and locational clearance/development permit."

It instructed JELP to "cease and desist operation until further notice or permitted by this office," and to "report to this office within 3 days from receipt hereof and submit pertinent documents relative thereto."

Records show that one Conrad Abuan received the notice on March 19, 1999 on JELP's behalf. But 17 months after the notice of violation was issued, JELP still had not sent a representative to the City Hall nor suspended work in deference to the notice. Instead, construction went on and the 36 houses are supposed to be inaugurated in two weeks.

Neither did JELP get an environmental clearance certificate from the Department of Environment and Natural Resources, as housing developments of this sort are required to by law. A check with the DENR found no ECC issued in JELP's favor.

A check with the Antipolo government also found that not a single building permit was issued for any of the 36 townhouses and the clubhouse being constructed on the site. The law requires individual permits for each house. Neither did Antipolo give JELP a development permit.

The proper procedure is for developers to obtain these permits and then submit them to the Housing and Land Use Regulatory Board (HLURB), so they could obtain a Certificate of Registration and License to

Sell (CRLS). But the HLURB had no CRLS application at all from JELP as of last week.

The CRLS is issued when it is assured that the developer has set aside 30 percent of the project area to common spaces and another 20 percent to socialized housing. The latter may take the form of a joint venture with the local government to build low-cost houses or purchase of socialized housing bonds of equivalent value. There is no evidence to show that JELP has complied with these requirements.

HLURB rules say that only when the ECC, the CRLS, and the development permits have been issued can the property developer apply with the Land Registration Authority (LRA) to subdivide the land titles and sell them individually.

In an apparent violation of procedures, however, the LRA allowed the subdivision of titles in April this year. The City Planning and Development Office and the Engineering Office of Antipolo said the subdivision is irregular.

Magdalena Vergara, assistant chief of the HLURB Licensing Division's Technical Services, sees JELP's decision to subdivide the titles as a clear indication of the firm's plan to sell the 36 houses it is building in Antipolo. But it cannot do so unless it gets a CRLS.

Only when the CRLS is obtained from the HLURB can JELP apply for a building permit from the city government's Engineering Office and start construction. But before the construction commences, the developer is required to obtain a barangay clearance certificate, a homeowners' clearance certificate, an ECC, a development permit, water and sanitation permit, tax assessment and declaration, tax payment certificate, etc.

Permits and clearances must also be obtained from the City Health Office for sanitation and water potability, and from the National Water Resources Board for the water diggings to be done at the construction site. There is no record of JELP having obtained any of these permits.

It was after the publication last July of a PCIJ story on the many companies that President Estrada and his families own, that JELP took action.

At about 5 p.m. on July 27, we witnessed a meeting of JELP contractors with project engineer Escalona. "*O, nabasa niyo ba 'yung balita tungkol sa mga kumpanya ni Presidente? Nabanggit duon 'yung JELP. Kaya kailangan ayusin na natin ang ating building permits, kung hindi, malilintikan tayo* (Did you read those articles about the President's

companies? JELP's name was mentioned there. We need to fix our building permits or we're going to get hit)," a woman told the contactors gathered around a table of pancit and soft drinks at the JELP project site in Antipolo.

Escalona told the contractors that they must secure building permits for the housing units assigned to them. "*Siguro, may makakausap naman sa munisipyo* (We can probably talk to someone at City Hall)," a man butted in.

By July 28, three applications for a building permit for three housing units at the JELP project had been submitted to the City Planning and Development Office and the Engineering Office of Antipolo. Two were returned to the contractors because the documents were incomplete and the land titles "do not tally."

By August 14, three more applications for zoning clearance and development permit had been filed with the city government. No action has been taken because the documents submitted were incomplete or not in order.

Antipolo's Project Development Officer Reynaldo Baltazar says that in the absence of a development permit and other requirements, JELP's housing project may be considered illegal.

But because JELP continuously ignores the notice of violation that the city government had issued in March 1999, Baltazar reckons that the next step is for Antipolo to raise JELP's case to the HLURB.

HLURB, a quasi-judicial agency, can declare violators of housing laws in direct contempt, fine them for up to P20,000 per violation, and deputize the police to arrest and jail the guilty parties.

Engineer Peter Ulaybar says that while fines are all that the city government may impose on JELP, the Antipolo Engineering Office is determined to enforce the law, even if JELP is owned by the First Family. "We have no choice, this is our job," he said in an interview.

The City Engineer's office has imposed on JELP a 100-percent surcharge on fees for failure to obtain permits within the required period. Ulaybar assured that JELP cannot antedate documents covering its project. "Those dates are in the receipts. You can't change them."

Baltazar acknowledged that a sense of foreboding has gripped civil servants assigned to enforce the law because JELP is a company owned by the President's family. But there is also a sense among Antipolo's civil servants that after last year's Cherry Hills tragedy, the rules should be followed.

“*Madami sa aming nasaktan ‘dun* (A lot of us had to take the rap),” Baltazar recalled, referring to city employees who were fired or suspended after a portion of the Cherry Hills subdivision collapsed and left 57 people dead.

Lawyer Noel Parel, vice president of the homeowners association, sees that of all the things going wrong for the JELP project, the biggest is one that spooks the President himself. “If it’s true that JELP has not obtained permits and clearances, then he has no moral ascendancy to lead and to enforce the law,” said Parel.

His fellow officer in the association, Celeste Caragay, asks, “*Eh sino pa ang tatakbuhan namin ngayon? Presidente na itong kalaban namin.* (Who do we run to for help now? It is the President himself who has turned against us).”

ANNEX

B

PART
II

The President May Have Violated the Constitution

PRESIDENT Estrada may have violated the Constitution and anti-graft laws by having a business interest in JELP Real Estate Development Corp.

Securities and Exchange Commission (SEC) records show that the President divested from JELP only on November 20, 1998, nearly five months after he assumed office. There are no other public records, including SEC filings, to indicate the President divested earlier. The Civil Service Commission, which looks into divestment by officials, has no record that Estrada divested himself of his business holdings, says CSC chair Corazon Alma de Leon.

SEC records confirm that before November 1998, Estrada was a principal shareholder of JELP since its formation in 1992, when he was still Vice President. But even after he had divested, he was an active participant in the real estate business. Residents of a subdivision near the JELP housing project in Antipolo say they witnessed Estrada himself taking active part in supervising the project in 1997 and 1998.

The project engineer, Romeo V. Escalona, has also told residents that he meets with the president regularly, often on a Friday. But on Wednesday last week, he was summoned to Malacanang, Escalona told officers of the local homeowners association. In an interview last Thursday, Escalona admitted that he consults regularly with the owners of JELP, although he refused to name who those owners are.

This could be a violation of the prohibition contained in Section 13, Article VII of the Constitution, which says that the President, Vice President and members of the Cabinet cannot “directly or indirectly, practice any profession, participate in any business, or be financially

interested in any contract with, or in any franchise, or special privilege granted by the Government.”

JELP was incorporated on September 21, 1992, three months after Estrada assumed the vice-presidency. The name of the firm was based on the first letters of the First Couple’s names-Joseph Estrada and Luisa Pimentel. Until November 20, 1998, when the President assigned his shares to the First Lady, SEC records show that the shareholders of the firm were Estrada, his wife and their three children. The assignment of shares was certified by JELP’s corporate secretary in a notice to SEC on March 5, 1999.

Among JELP’s real estate projects is the construction of 36 two-story houses at Vermont Park Executive Village in Barangay Mayamot, Lower Antipolo. The houses are being built at the cost of P3 million each-or about P108 million in all-on a one-hectare lot that JELP acquired in 1993, when Estrada was still Vice President. Clearing of the property began in 1998 and construction of the houses in 1999, when Estrada was already President.

The project puts Estrada in a real conflict of interest situation. To begin with, JELP, like all real estate developers, has to obtain a Certificate of Registration and License to Sell (CRLS) from the Housing and Land Use Regulatory Board (HLURB), an agency under the Office of the

Table B.2: JELP Stockholders

<i>Before divestment</i>	
<i>Name</i>	<i>Number of shares</i>
Joseph Estrada	80,000
Luisa Pimentel	60,000
Jose “Jingoy” P. Ejercito	20,000
Jacqueline P. Ejercito	20,000
Jude P. Ejercito	20,000
<i>After divestment</i>	
Luisa Pimentel	120,000
Presentacion V. Ejercito	20,000
Jacqueline P. Ejercito	20,000
Jude P. Estrada	20,000
Genoveva de la Fuente	20,000

President. The HLURB, a quasi-judicial body, also polices real estate developers and handles complaints against them.

Presidential adviser on housing, Leonora de Jesus, an Estrada appointee and former Presidential Management Staff chief, chairs the HLURB board. As chair of the Housing and Urban Development Coordinating Council (HUDCC), she also heads four other housing agencies-Pag-IBIG, the Home Insurance Guaranty Corporation, National Housing Authority, and National Home Mortgage Finance Corporation-which are all under the administrative jurisdiction of the Office of the President.

Estrada, moreover, designated himself as the government's "housing czar," following the resignation last year of Karina Constantino-David as HUDCC chair over policy disagreements.

Estrada's November 1998 divestment from JELP creates more problems. SEC records show that the President transferred his 80,000 shares in JELP worth P8 million mostly in favor of the First Lady (60,000 shares) and a new director, Genoveva de la Fuente (20,000 shares).

The President's son, San Juan Mayor, Jose 'Jinggoy' Ejercito, divested his 20,000 shares in JELP in favor of the second new director, his wife Presentacion Vitug Ejercito.

These divestments may have violated Republic Act 6713 or the Code of Conduct and Ethical Standards for Public Officials, which says that public officials must divest themselves of shareholdings and interest in private business and corporations when conflicts of interest with their official duties arise, within 60 days from their assumption of office.

The Code also says that officials cannot divest to their spouses and relatives within the fourth civil degree of consanguinity or affinity. This rule applies to all officials, says former Senator Rene A.V. Saguisag, one of the authors of RA 6713.

That law states that conflicts of interest arise when an official is a substantial stockholder, board member, or officer of a corporation or an owner or has substantial interest in a business. A conflict of interest situation also arises "when the interest of such corporation or business, or his rights and duties therein, are opposed to or affected by the faithful performance of official duty."

The situation is complicated by the fact that the JELP and its contractors have not secured any of the numerous clearances, permits and licenses required by law for even one of the 36 housing units and

clubhouse now nearing completion in Antipolo. These include zoning permits, building permits, an environmental clearance certificate and a license to sell.

Moreover, there is no evidence to show that JELP complied with HLURB regulations that state that housing developments of its category should set aside 20 percent of their land or its equivalent value for socialized housing. JELP also did not allot 30 percent of the Antipolo development to common spaces, in defiance of HLURB rules.

In addition, residents of a subdivision near the JELP project are complaining that the company has caused flooding and other problems in the area.

Since 1993, the President has consistently declared in statements of assets his wife's and children's interest in the firm. JELP documents list the family home at 1 Polk Street, North Greenhills, San Juan as the company's "principal office."

JELP has mobilized 13 small- and medium-size contractors to rush work on the Antipolo project. The contractors have been asked to finish within 120 days beginning January. The project is delayed, but contractors interviewed at the site say the houses will be inaugurated and sold from P6 million to P7 million each by the end of this month.

It is not clear from JELP's financial statements where the funds for this project are coming from. The houses are not being "pre-sold" to clients. Neither has the land on which the houses are being built been mortgaged as the titles covering the property have no mortgage notices.

JELP's financial statements show that the President's company relied heavily on loans that totaled P102 million in 1997 and P188 million the following year.

Why lenders chose to put money in a company that has been losing and already deeply in debt is anybody's guess. What is as confounding is JELP pays its contractors on a regular basis, sometimes in checks and at other times, in cash.

JELP reported losses from its operations: P1.5 million in 1997 and P7.9 million. With only about P11 million in cash, securities and receivables, it is difficult to see how the firm could have repaid its P188-million liabilities, all of them short term—short of selling its P144 million worth of real property or obtaining new loans.

The borrowings had made JELP a financial risk. Every P33 in debt was matched by only P1 in equity as of 1998. In fact, the firm's total

stockholders' equity declined by over half in 1998 to P6.28 million from P14.3 million in 1997.

The one-hectare lot in Antipolo on which JELP is building is covered by two titles (Nos. 241995 and 241996), which the firm acquired in June 1993. The original titles covering the two properties were registered with the province of Rizal in 1923 as irrigated riceland. Their last owners, previous to JELP, were listed as Jose C. Lao and Rosanna Reyes Lao. In 2000, the market values of the two lots was assessed by the municipal government at P1.9 million.

According to Magdalena Vergara, assistant chief of the HLURB Licensing Division's Technical Services, JELP's housing project in Antipolo has committed at least eight major violations:

1. Failure to obtain a license to sell from the HLURB.
2. Failure to obtain an environmental clearance certificate from the Department of Environment and Natural Resources.
3. Failure to obtain a development permit from the city government of Antipolo.
4. Failure to obtain sanitation and water potability permits from the City Health Service.
5. Failure to obtain permits for water diggings from the National Water Resources Board.
6. Failure to obtain zoning clearance certificates and building permits from the city government of Antipolo.
7. Failure to obtain homeowners' clearance certificates and barangay clearance certificates from the residents of Vermont Park Executive Village.
8. Irregular subdivision of the transfer certificates of title covering the one-hectare project area.

ANNEX

C

Erap & Families: Estrada Is Unable to Explain the Lavish Lifestyle of his Wives and Children

by SHEILA S. CORONEL

PRESIDENT Joseph Estrada has a weakness for grand houses. Many years ago, he built one for the First Lady, a sprawling mansion at 1 Polk Street in North Greenhills in San Juan. Expanded and renovated over the years, the official family home now covers three adjoining lots with a total area of 2,000 square meters. There, surrounded by his collection of expensive crystal, Estrada likes to hold court for his clan and cronies.

To mark his mother Mary's 95th birthday last May, the President had her Kennedy St., Greenhills home refurbished, a major renovation that converted the family matriarch's large, comfortable quarters into something close to palatial: high ceilings, a state-of-the-art kitchen, and a cavernous living room with a grand piano and exorbitantly-priced beige curtains.

Last year, the President's mother celebrated her birthday in a two-story villa owned by the Ejercitos in Laguna. Built in 1912, the house had fallen to neglect after the Second World War. On the president's orders, however, well-known architect Chito Antonio gave it a facelift, the results of which were featured earlier this year in the glossy architectural magazine *BluPrint*.

"Traditional elements were restored: capiz windows, the noble wooden floor, and decorative ceiling details," the magazine reported. The "Palace in Pagsanjan," as *BluPrint* called the villa, is apparently intended more as a "cultural landmark" than to be lived in. It boasts of a luxurious living room flooded with light from floor-to-ceiling windows and adorned

with modern paintings. Estrada's bedroom, *BluPrint* noted, has an "exquisitely carved four-poster narra bed," billowing drapes and French windows looking out to the garden

Whether it is his own home or that of his mother or one of his wives, the President's architectural and design preferences tend toward opulence—heavy draperies, antiques, carved wood and crystal. All these of course add up to princely sums. But especially extravagant, say those who have seen them, are the more recent constructions attributed to either Estrada or one of his special women. These homes have been described consistently as being done in a style in which it was obvious that cost was not a concern. For instance, says an interior designer, a house supposedly for one of the presidential wives, in New Manila, Quezon City, features a swimming pool with real sand and a machine that churns artificial waves.

A two-story mansion being built on a 5,000-square-meter lot on Harvard Street in Wack Wack, Mandaluyong, has a mini-theater, a gym, a sauna and three kitchens on the ground floor and another upstairs. Until the furor over the construction made it too controversial, this house was supposedly designed especially for Laarni Enriquez, a long-time Estrada companion, and her three children.

As far as we can ascertain, Estrada was already a wealthy man before he assumed the presidency. The dimensions of his wealth, however, are not reflected in his asset statements, and the President seems to think it unnecessary to go into any detail on just where he is getting the money to indulge what looks like an edifice complex. Not even when it is already raising eyebrows in Manila's gossipy café society.

After all, constructions such as these in some of the poshest parts of town are difficult to hide. The houses themselves—sprawling, palatial and luxurious—demand attention. That these houses are supposedly being built for women other than the First Lady only spices up the talk.

Most important, these constructions are taking place in the first two years of the Estrada presidency. The 5,000-square meter Wack-Wack property, according to land records, was bought in 1998 by presidential friend, businessman Jacinto Ng, when he took over KB Space Holdings, a company owned by the Roxas-Chua family, the original owners of the property. Construction on the site began in 1999. The New Manila property, land records show, was purchased from the Madrigal family only late last year.

IF THERE is anything that characterizes Estrada's conduct of both his public and private life, it is a lack of discretion. The President flaunts his extravagance and his generosity to the women in his life. He believes that since he has been open about the complications of his private life — at least 11 children by six women and some other rumored mistresses — then he should no longer be held to account. That is why he gets really ornery when he is questioned about these matters.

Estrada may have been right earlier in his term, when he admitted to his extramarital indiscretions and retorted to those who had expressed unease about his multiple liaisons, "You seem to be more concerned than my wives." But the lavish lifestyle of those wives and the cost of maintaining those liaisons are now being widely discussed and fast becoming a public concern.

To begin with, Estrada does not explain how he can support four households in such grand style. Apart from the First Lady Luisa Ejercito, Estrada has long-term relationships with three other women: former actress Guia Gomez, with whom he has a son, 31-year old Jose Victor or 'JV'; one-time starlet Laarni Enriquez, with whom the President has three children, the oldest of them, 15 years old; and ex-model Joy Melendrez, a Pasig policeman's daughter who has borne Estrada a son.

On their own, these women are not independently wealthy. Yet Gomez is listed in records of the Securities and Exchange Commission (SEC) as an incorporator and shareholder of 33 companies ranging from real estate to trading and manufacturing. All but one of these companies were formed since Estrada was elected to the Senate in 1987; 15 were set up during his vice-presidency and four in the first two years of his presidential term.

In August, Gomez told a group of women journalists, "I have shares in more than 33 companies, but I don't have money in all of them." She also boasted that she employed thousands and that she planned to set up more enterprises.

Enriquez, meanwhile, has five companies to her name, among them Star J Management, which manages a mall in Malabon. Incorporated in 1996, the company declared assets of P45 million in 1998. During Estrada's tenure as senator, Enriquez was living in a modest townhouse in Sunnyvale, San Juan; later, she moved to the penthouse of the Goldloop Towers in Pasig.

In the mid-1990s, after Estrada's election to the vice-presidency, Enriquez began living in posh Wack-Wack, on a 1,000-square meter property registered in the name of businessman and presidential pal Jacinto Ng. The land alone, at current market values, costs about P40 million, while rental for a typical house in that neighborhood is about P100,000 a month.

When Estrada became president, preparations were made for even grander housing for Enriquez. That was when Ng bought the property on which the mansion supposedly being built for Wife No. 3 is being constructed. That piece of real estate is worth a fortune: At P40,000 per square meter, the going price for Wack-Wack property, its current value is close to P200 million.

Melendrez has no companies registered in her name and no known source of income but lives in a big house on Swallow Drive at the upscale Green Meadows in Quezon City.

It is not clear where these women—or the President, if he supports them—got the wherewithal to live in such style. According to JV Ejercito, the President was a successful movie actor and made substantial amounts from his films. No doubt he did. But there is a discrepancy between what Estrada declared in his statements of assets and his income tax return and what corporate records show are the rather vast holdings of his various families.

In July, the Philippine Center for Investigative Journalism (PCIJ) revealed the findings of a four-month research based on the records of 66 companies in which Estrada, his wives and his children are listed as incorporators or board members. Altogether, these companies—31 of which were set up during Estrada's vice-presidential term and 11 since he assumed the presidency—had an authorized capital of P893.4 million when they were registered. The President and his family members had shares of P121.5 million and paid up P58.6 million of these when the companies were formed.

It is difficult to estimate how much these businesses are now worth because of incomplete data at the Securities and Exchange Commission (SEC). But based on available 1998 and 1999 financial statements, 14 of the 66 companies alone have assets of over P600 million.

The President's official asset declarations over the last 12 years cannot explain where the funds to invest in so many corporations come from. In 1999, Estrada declared in his statement of assets a net worth of P35.8

million and in his income tax return, a net income of only P2.3 million.

Since the PCIJ's report was published, however, Estrada has declined to explain the obvious gaps in his asset and income tax declarations and the SEC records. JV Ejercito, who taken up the President's defense, maintains that many of these companies no longer exist and that most of them were just small, "mom and pop" operations anyway. Ejercito, however, did not list which of the firms had been shuttered. More to the point, his argument does not explain the disparity in declared assets and income and the lifestyle and multifarious business activities of the First Families.

It is quite likely that some of the discrepancies can be explained by the carelessness of the President's accountants, who appear not to have bothered to prepare sufficiently credible declarations of assets and income that would explain the sumptuous lifestyles of the presidential women. But it is equally likely some of the funds in the President's possession are probably hard to explain, even by the most brilliant of accountants.

IN 1992, then Senator Estrada tried to mount a presidential campaign, but failed to mobilize enough resources to fund his candidacy. The big contributors, like tobacco tycoon Lucio Tan, for example, had opted to put their money on the star contenders, then House Speaker Ramon Mitra or coconut king Eduardo 'Danding' Cojuangco Jr. Estrada was no doubt popular even then but was considered not quite ripe enough for the presidency. He gave up his candidacy and agreed to run as vice president on Cojuangco's ticket instead. The price for moving down, it was widely bruited about then, was P300 million.

Such cash transactions were not uncommon. Miriam Defensor-Santiago has recounted to journalists that in that election, she was told by her supporters to offer Estrada the vice-presidential slot in a Santiago for President ticket. In exchange, she would give him P50 million. The offer was made at the home of one of Santiago's supporters. But the nonplussed Estrada only made a counter-offer: P100 million if the woman senator ran for vice-president with him, and P50 million was ready right there and then if she said yes.

This, after all, is the reality of money politics in this country, and Estrada is not exactly a political neophyte. When it was his turn to run for the presidency, the cash was, by all accounts, flowing in. The opinion polls

had predicted an Estrada victory and even mid-way through the campaign, the thinking was that it was all over but the counting. There was so much money raised, said Estrada campaigners, that a lot of it was left even after the last vote had been tallied.

The problem is that this kind of money is given in the shadows. It cannot be legitimately declared as income or asset without explaining how it was earned. Campaign contributions, despite their role in the capital accumulation of politicians, cannot be entered into corporate ledgers as income or investment without creating headaches for accountants. The same is true for other types of “gray” money that make it to politicians’ pockets, such as commissions from government contracts or cuts from deals business enterprises make with official regulators. This is the reason why many politicians cannot legitimately account for their wealth.

THE RECORDS show that Estrada, through JELP Realty Development Corp., the real estate firm he put up with the First Lady and their three children as incorporators, has been acquiring property steadily through the years, although the more formidable acquisitions took place after 1992. JELP was formed in November 1992, five months into Estrada’s vice-presidential term, with the President and his wife owning 70 percent of the shares. Ironically, this was a time when Estrada was supposed of have divested himself of his corporate shareholdings as the law requires of officials of the executive branch. Cabinet secretaries during that period went through divestment, but as far as SEC records show, Estrada did not.

Only in March 2000 did JELP submit to SEC a new general information sheet that listed its shareholders; by then the President was no longer on the list. Instead, his shares were transferred to the First Lady. Such divestment is problematic as the implementing rules of RA 6713 say that an official cannot divest in favor of his spouse or any relative within the fourth degree of consanguinity.

In 1992, JELP declared a paid-up capital of P14.4 million, of which P11.3 million was in real property and P3 million in cash. It is difficult to determine how the company built up its asset base and how it funded its real estate purchases from 1993 to 1996 because it has not complied with SEC requirements to file annual financial statements.

It was only in 1997, a year before Estrada was to run for the presidency, that JELP suddenly filed its financial statements. By then, it

reported assets of P116.3 million, of which P58.8 million was real property. In 1998, the year Estrada became president, JELP reported assets of P194.2 million, an increase of nearly 67 percent despite the Asian crisis and the slump in real estate prices. Of these assets, P147.2 million was real property.

JELP records show that the Estrada, the First Lady and their children acquired P135.9 million worth of land and buildings between 1992 and 1998. How this was acquired and with what funds are questions that remain unanswered.

Moreover, none of these assets are listed in Estrada's declaration. Neither are JELP's liabilities of P188 million declared in Estrada's statements. Presumably, some of this money went to the acquisition of nearly P90 million worth of real property in 1998 alone. But the President does not say which banks, institutions or individuals lent him so much money in the year of his election, despite a law that mandates that all officials give a full accounting of their assets and liabilities.

THE ACTIVITIES of JELP show a similar disregard for laws and procedures. As reported in a PCIJ story published in August, JELP is currently building 36 tony townhouses, to be sold at P6 to P7 million each, in a one-hectare lot in Antipolo. The clearing of the property began in 1999 and the project is now about 90 percent complete. The company, however, violated nearly every regulation in the book. It did not get a zoning clearance, submit a development plan, apply for an environmental clearance certificate, ask for a building permit or obtain a license to sell the units once they are finished.

JELP also flouted provisions of a Marcos-era law that says housing developments of its category should set aside 30 percent of their area as open spaces. Neither did it comply with a provision that requires real estate companies to invest 20 percent either of the land area developed or its equivalent value in low-cost housing.

One would think that the President, of all people, should make sure that the actions of his companies are in strict compliance with the law. According to the constitution, the President's primary responsibility is to "ensure that the laws be faithfully executed." The constitution also recognizes that given the powers of the President, there should be more severe restraints and checks on these powers. Thus, Article VII, Section 13

of the charter says that the president and the members of the Cabinet should strictly avoid conflicts of interest. They are also banned from participating in any business or being financially interested in any contract or franchise from the government. That is why these officials are required to divest themselves of their business holdings.

Estrada, however, has always shown an impatience with the niceties of the law. And true to form, the President, as far as corporate records show, has not bothered with divestment—at least not until this year and only as far as one of his companies is involved. This is one reason why the business involvements of the President and his family members tread on delicate ground. Many of these businesses—whether real estate development, restaurants or manufacturing—involve the acquisition of government permits and clearances and regulation by various state agencies. The Housing and Land Use Regulatory Board (HLURB), for example, the body tasked with policing real estate companies such as JELP, is directly under the Office of the President.

In addition, RA 6713, the Code of Conduct for Public Officials and Employees enjoins public officials to have a “modest lifestyle.” As head of government, the President is expected to set the example.

It is obvious that Estrada’s grasp of the responsibilities of the presidency is primitive. At the same time, however, he shows a keen appreciation of the perks of his position. Which may be why he does not bother to answer questions about his finances. He probably thinks he is above the law, and from the looks of it, he may be right. Take the JELP development in Antipolo. Although it had been warned as early as March 1999 by the Antipolo City Planning and Development Office that it had no clearance to develop the site, JELP never got around to obtaining the necessary permits. The Ombudsman’s slowness in probing the discrepancies and missing entries in his statements of assets is another indication of the impunity that the President seems to enjoy.

It is possible that Estrada will get away with these infractions, as he always had in the past. But he sets a bad example. If the President does not comply with the laws of the land, who will?

Highlights of the PCIJ’s Report on “The State of the President’s Finances” include:

- Estrada’s declared net worth of P35.8 million and net income of P2.3 million in 1999 cannot explain the extravagant lifestyle and varied business interests of his families. Altogether, Estrada and

his wives and children are listed as shareholders of 66 companies. The assets of 14 companies alone are worth P600 million.

- Estrada did not declare in his statements of assets since 1987 his and his wife's shareholdings in 11 companies, including Millennium Cinema, Inc., formed in 1999 and now among the country's top movie production outfits.
- Many of these businesses involve transactions with, and regulation by, government agencies. As such, they raise thorny conflict of interest issues for the President.
- The first two years of the Estrada presidency saw a burst of entrepreneurial energies among his families, who formed 11 new companies since 1998.
- Guia Gomez appears to be the most entrepreneurial of the President's wives; SEC records show 33 companies in which she is listed as a shareholder and incorporator. Her core businesses are real estate and trading. She owns at least seven real estate companies with combined authorized capital of P200 million.
- Several of Gomez's business partners are now in government. These include Julius Topacio, undersecretary of the Department of Interior and Local Government and assistant executive secretary for budget and corporate affairs; presidential assistant Rosario Yu, Lucio Tan's ex-secretary; former presidential assistant Cecilia Ejercito de Castro, Estrada's cousin who was implicated in a P200-million textbook scandal in 1999; presidential brother-in-law Raul de Guzman, the presidential adviser on development administration; Raul Roberto de Guzman, presidential assistant for environment and water; and Jose Fernando B. Camus, board member of the Bases Conversion Development Authority.
- Estrada's son, JV Ejercito, was a partner in a short-lived construction venture of Dante Tan and the other founders of BW Resources, which is currently being investigated for insider trading and stock manipulation. Ejercito's name is listed as shareholder in 18 companies. The assets of his construction firm, Buildworth, grew from P14 million in 1997 to P83.3 million in 1998.

