

# 4<sup>th</sup> Enterprise Survey on Corruption

The bad news is that corruption among government agencies has deteriorated in the last year. The good news is that more people are determined to do something about it now. That, in essence, was the finding of the 4<sup>th</sup> Enterprise Survey on Corruption conducted by Social Weather Stations for the Transparent Accountable Governance project and the Makati Business Club. The survey was conducted from November 2003 to January 2004 among 701 Filipino businessmen representing small, medium, and large businesses. The survey, which has traditionally been centered on Metro Manila businesses, was expanded to cover businesses in Cebu and Davao.

The general findings of the 2003/2004 TAG Enterprise Survey were that ratings for government agencies on corruption were poorer than in the 2002/2003 Survey. Moreover, 50% of the managers and executives interviewed personally encountered corruption in the immediate three months prior to the survey, indicating that corrupt practices were relatively frequent. As in the previous three surveys, private sector managers indicated that corruption was more prevalent in the public sector than in the private sector; 57% said bribery to get a public sector contract was pervasive in their own business sector. The median allotments for bribery on a government contract was 20% (versus 10% on a private sector contract).

## REASON WHY CORRUPTION IS WRONG

In % of Respondents

|                               | TOTAL | Manila | Cebu | Davao |
|-------------------------------|-------|--------|------|-------|
| It hurts national development | 56    | 52     | 61   | 74    |
| It is immoral                 | 41    | 47     | 33   | 18    |
| Both (volunteered)            | 3     | 1      | 6    | 8     |

Source: Social Weather Stations

The private sector, however, was not immune to corrupt practices. Among businessmen, few trusted others in their business sectors (i.e., competitors) to be issuing official receipts, keeping a single set of books of accounts, or paying taxes honestly. Less than a third felt that all companies in their sector issued receipts. Only 2 in 10 stated that all companies in their sector kept one set of books. And only 15% felt that all companies in their sector paid the right taxes.

Significantly, it didn't seem to make a difference whether a company was publicly listed on the stock exchange or had a written code of corporate governance

or ethics. Practices among these companies were no better than for companies which were privately-held or had no written codes of ethics.

While conventional wisdom points to deteriorating family values and life as the culprit, the survey indicates that even business managers – 71% of them – feel that corruption is learned in the workplace rather than at home.

## WHETHER CORRUPTION IS LEARNED DURING CHILDHOOD OR WORKING LIFE

In % of Respondents

|                     | TOTAL | Manila | Cebu | Davao |
|---------------------|-------|--------|------|-------|
| During working life | 71    | 72     | 64   | 70    |
| During childhood    | 28    | 27     | 32   | 28    |
| Both (volunteered)  | 1     | 0.6    | 3    | 2     |

Source: Social Weather Stations

There are several reasons why corruption is so hard to beat in the public or the private sector. The first is that so few complain publicly. Among those asked for bribes on a government transaction, 95% opt to stay quiet and never complain. The most commonly cited reason is that nothing will be accomplished anyway. Even in the private sector, 46% of executives say that private firms seldom punish corrupt executives.

The good news is that all that is about to change. For the fourth year in a row, the survey has shown that there is a growing sentiment among the business community of the need to establish an Anti-Corruption Program Fund. Starting from a median contribution of one percent of net income in the 1<sup>st</sup> TAG Enterprise Survey, this year's survey now indicates that businesses are willing to set aside a median contribution equivalent to three percent of net income for such a fund. Two-thirds of the firms covered in the latest TAG Enterprise Survey indicated that they were willing to contribute to a fund.

In response to the findings, the Makati Business Club is teaming up with the Catholic Bishops' Conference of the Philippines (CBCP), National Citizens Movement for Free Elections (NAMFREL), Coalition of Development NGOs (CODE-NGO), and Bishops Businessmen's Conference (BBC) to establish an anti-corruption program fund and expand their respective anti-corruption projects.

## A GLANCE AT THE BUREAUCRACY'S PERFORMANCE

It is not unusual for ordinary citizens to complain about how complicated government systems are. But there are those who make our lives easy. Like last year, almost three-quarters of respondents cited a government agency for simplifying transactions. The net gainers for simplicity include the Land Transportation Office, the Social Security System, and the Securities and Exchange Commission.

Simplification involves basic processes within an agency. This item has a time-factor attached to it. The transacting public can directly feel whether an agency is responsive to their needs or delaying to extort money. Some 40% cited one or more agencies for making transactions more complex and only 22% believe no transactions got simpler. The net losers in simplicity in transactions were the Bureau of Customs and Department of Environment and Natural Resources.

Majority of executives believe that government can be run without corruption, higher than 55% in 2002/03, 32% in 2001 and 47% in 2000. Unfortunately, some 40% still believe that corruption is part of the way government works, with Cebu having a slightly higher figure of 42%.

### AGENCIES WHOSE TRANSACTIONS GOT SIMPLER

In % of Respondents

|                  | TOTAL | Manila | Cebu | Davao |
|------------------|-------|--------|------|-------|
| LTO              | 25    | 26     | 20   | 25    |
| BIR              | 17    | 19     | 17   | 6     |
| Local Permits    | 11    | 12     | 14   | 5     |
| Business Permits | 9     | 5      | 15   | 20    |
| SSS              | 8     | 9      | 5    | 7     |
| SEC              | 6     | 6      | 6    | 7     |
| Local Taxes      | 5     | 5      | 6    | 2     |
| NBI              | 4     | 5      | 0    | 3     |
| DTI              | 4     | 3      | 4    | 4     |
| BOC              | 4     | 5      | 2    | 4     |
| NSO              | 3     | 4      | 1    | 1     |
| DFA              | 3     | 4      | 1    | 1     |
| PAG-IBIG         | 0.4   | 0.2    | 1    | 1     |
| DENR             | 0.3   | 0.4    | 0    | 0     |
| Others           | 18    | 17     | 18   | 22    |
| NONE             | 22    | 22     | 21   | 20    |
| Don't Know       | 3     | 2      | 5    | 5     |

Source: Social Weather Stations

### WHETHER CORRUPTION IS REALLY PART OF THE GOVERNMENT SYSTEM

In % of Respondents

|                                       | TOTAL | Manila | Cebu | Davao |
|---------------------------------------|-------|--------|------|-------|
| Government can run without corruption | 60    | 60     | 57   | 60    |
| Part of the way it works              | 40    | 40     | 42   | 40    |
| Both (volunteered)                    | 0     | 0.2    | 1    | 0     |

Source: Social Weather Stations

Two-thirds of executives blame tax collectors for tempting citizens to cheat. In last year's survey, the proportion grew to 71%. In the latest survey, however, only 46% of Davao respondents blamed tax collectors.

### Sincerity Matters

The ratings of most government agencies for sincerity in fighting corruption declined in the latest survey. Of 24 agencies, only seven (SEC, Ombudsman, COA, City/Municipal government, DOJ, PCGG, Trial Courts) gained in ratings; one (DENR)

### NET SINCERITY OF PUBLIC INSTITUTIONS

In % of Respondents

|                           | TOTAL | Manila | Cebu | Davao |
|---------------------------|-------|--------|------|-------|
| SEC                       | +68   | +68    | +77  | +57   |
| Supreme Court             | +59   | +57    | +73  | +54   |
| DOH                       | +57   | +60    | +48  | +49   |
| Baranggay government      | +39   | +40    | +33  | +40   |
| DBM                       | +37   | +42    | +28  | +21   |
| DepEd                     | +33   | +37    | +24  | +22   |
| Ombudsman                 | +28   | +23    | +50  | +32   |
| COA                       | +28   | +28    | +33  | +19   |
| Sandiganbayan             | +27   | +23    | +39  | +35   |
| City/municipal government | +26   | +19    | +31  | +56   |
| DOJ                       | +22   | +19    | +32  | +28   |
| Office of the President   | +22   | +17    | +30  | +39   |
| PCGG                      | +11   | +12    | +6   | +8    |
| Trial Courts              | +9    | (2)    | +35  | +35   |
| PAGC                      | (1)   | +2     | (3)  | (13)  |
| DILG                      | (14)  | (18)   | (12) | +1    |
| Senate                    | (19)  | (18)   | (27) | (11)  |
| DENR                      | (25)  | (26)   | (8)  | (37)  |
| House of Representatives  | (36)  | (36)   | (48) | (24)  |
| LTO                       | (47)  | (49)   | (55) | (34)  |
| PNP                       | (48)  | (54)   | (33) | (33)  |
| BIR                       | (57)  | (58)   | (51) | (54)  |
| DPWH                      | (63)  | (65)   | (64) | (54)  |
| Bureau of Customs         | (69)  | (68)   | (78) | (65)  |

Source: Social Weather Stations

continued to have negative ratings; seven (Supreme Court, DOH, Barangay government, DBM, DepEd, Sandiganbayan, Office of the President) retained positive ratings; and nine (PAGC, DILG, Senate, House of Representatives, LTO, PNP, BIR, DPWH, and Customs) saw their ratings decline.

The sincerity indicator is an essential ingredient to build trust especially for agencies responsible for averting and litigating corrupt practices. More than just a mandate, a government agency must commit to sustain every bit of confidence the public has in the institution.

### GOVERNMENT AGENCIES NAMED AS INCORRUPT

In % of Respondents

|                         | TOTAL | Manila | Cebu | Davao |
|-------------------------|-------|--------|------|-------|
| None are incorrupt      | 25    | 22     | 27   | 36    |
| Supreme Court           | 13    | 14     | 20   | 4     |
| DTI                     | 11    | 10     | 20   | 10    |
| SEC                     | 10    | 11     | 13   | 2     |
| DOH                     | 10    | 12     | 3    | 3     |
| DBM                     | 6     | 8      | 3    | 3     |
| BSP                     | 5     | 5      | 5    | 2     |
| SSS                     | 4     | 3      | 4    | 6     |
| DSWD                    | 3     | 3      | 4    | 4     |
| DepEd                   | 3     | 3      | 2    | 2     |
| DOF                     | 3     | 4      | 2    | 1     |
| BOI                     | 3     | 3      | 4    | 1     |
| COA                     | 3     | 4      | 3    | 3     |
| PCGG                    | 3     | 3      | 3    | 1     |
| MMDA                    | 2     | 3      | -    | 1     |
| DBP                     | 2     | 2      | 2    | 2     |
| DOJ                     | 2     | 1      | 5    | -     |
| PAG-IBIG                | 2     | 2      | 4    | 3     |
| Ombudsman               | 2     | 1      | 2    | 2     |
| Office of the President | 2     | 3      | 1    | -     |
| DOT                     | 2     | 2      | 3    | 1     |
| DOA                     | 2     | 1      | 2    | 5     |
| DOST                    | 2     | 1      | 5    | 2     |
| Don't know etc.         | 4     | 5      | 3    | 7     |

Source: Social Weather Stations

### The Corrupt and Incorrupt

Setting a benchmark on how government agencies perform in its fight against corruption is crucial. Though perception varies, an annual series allowed us to see consistencies or inconsistencies in actual reforms implemented.

### GOVERNMENT AGENCIES NAMED AS CORRUPT

In % of Respondents

|                          | TOTAL | Manila | Cebu | Davao |
|--------------------------|-------|--------|------|-------|
| Bureau of Customs        | 70    | 73     | 79   | 50    |
| BIR                      | 68    | 71     | 68   | 56    |
| DPWH                     | 49    | 49     | 52   | 45    |
| PNP                      | 28    | 29     | 29   | 22    |
| LTO                      | 21    | 21     | 28   | 17    |
| DENR                     | 10    | 8      | 10   | 16    |
| DepEd                    | 8     | 8      | 7    | 10    |
| Office of the President  | 7     | 8      | 3    | 2     |
| House of Representatives | 6     | 7      | 7    | 2     |
| Senate                   | 6     | 7      | 6    | 4     |
| DOJ                      | 5     | 6      | 4    | 4     |
| DILG                     | 5     | 5      | 3    | 3     |
| Trial Courts             | 4     | 6      | 2    | -     |
| Don't know etc.          | 0.5   | 0.6    | 1    | 1     |
| None are corrupt         | 1     | 1      | 1    | 2     |

Source: Social Weather Stations

A quarter of business executives believe that no government agency is incorrupt, the same proportion as last year, but lower than the 44% in 2001 and 41% in 2000. The Supreme Court is on top of the incorrupt list with 13%, followed by DTI (11%), SEC (10%), and DOH (10%). Thirty-six percent of respondents in Davao—a figure slightly higher than in Cebu and Manila—believe that none are incorrupt.

Despite internal efforts to curb corruption, the Customs, BIR and DPWH are still perceived as the corrupt agencies. Majority of respondents named Customs as corrupt, slightly worse than the 66% in 2002/03 and 65% in 2001, but better than the 74% in 2000. Only half of the executives in Davao, however, named Customs as corrupt.

Like last year, 68% of respondents say BIR is corrupt, about the same in 2001 but better than 72% of 2000. Almost half of the respondents cited DPWH as corrupt this year, similar to 2002/03, but considerably more than the 38% in 2001.

### DAILY DOSE OF CORRUPTION

Most executives are knowledgeable about government corruption. In their sector of business, a quarter of respondents have extensive knowledge on public sector corruption, while 49% have moderate knowledge of the same.

In fact, one of two respondents experienced or had personal knowledge of corruption in the three months prior to the survey. Only 42% of executives in Davao had moderate to extensive knowledge about public sector corruption in their own sector of business, compared to 51% of respondents in Cebu and Manila.

### PERSONAL KNOWLEDGE OF PUBLIC SECTOR CORRUPTION IN THEIR SECTOR

In % of Respondents

|           | <u>TOTAL</u> | <u>Manila</u> | <u>Cebu</u> | <u>Davao</u> |
|-----------|--------------|---------------|-------------|--------------|
| Extensive | 25           | 25            | 29          | 25           |
| Moderate  | 49           | 50            | 42          | 52           |
| Slight    | 18           | 19            | 19          | 13           |
| None      | 7            | 6             | 10          | 11           |

Source: Social Weather Stations

### Being Asked for a Bribe

Permits, licenses and taxes are quite vulnerable to bribe solicitation when conducting business with the government. A significant 68% were asked for a bribe related to taxes or licenses, but only seven percent of those asked reported it. Bribery incidence this year, however, has been on the decline from 72% in 2002/03, 80% in 2001 and 79% in 2000. Still, most businesses remain susceptible to the practice.

On the other hand, 27% of respondents were asked for a bribe connected to a transaction with government, but only six percent of those asked reported it. This figure is similar to the survey results in 2001, but more rampant in 2000 where 41% of respondents were asked for a bribe, and relatively lower than last year's 36%.

### ASKED FOR A BRIBE IN RELATION TO TAXES AND LICENSES

In % of Respondents

|   | <u>2000</u> | <u>2001</u> | <u>2002/03</u> | <u>2003/04</u> |
|---|-------------|-------------|----------------|----------------|
| Local government permits or licenses    | 55          | 54          | 50             | 41             |
| Payment of income taxes                 | 52          | 50          | 43             | 39             |
| National government permits or licenses | 42          | 34          | 37             | 28             |
| None of the above                       | 21          | 20          | 26             | 30             |
| Don't know/Refused                      | -           | -           | 2              | 2              |

Source: Social Weather Stations

Futility is the common reason for not reporting bribe attempts. Respondents do not report bribery related to taxes and licenses because 40% believe nothing will be done and 58% observe that it is standard practice that is difficult to prove. Bribe reporting is low regardless of firm size, being listed in the Stock Exchange, or having a Code of Ethics.

### ASKED FOR A BRIBE IN RELATION TO A TRANSACTION WITH GOVERNMENT

In % of Respondents

| <u>Transaction</u>                       | <u>2000</u> | <u>2001</u> | <u>2002/03</u> | <u>2003/04</u> |
|--|-------------|-------------|----------------|----------------|
| Supplying government with goods/services | 15          | 14          | 18             | 15             |
| Compliance with import regulations       | 17          | 10          | 18             | 13             |
| Collecting receivables from government   | 9           | 8           | 13             | 11             |
| Availment of government incentives       | 6           | 4           | 10             | 4              |
| None of the above                        |             | 9           | 12             | 10             |
| No transaction with the government       | 59          | 68          | 51             | 62             |
| Don't know                               |             |             | 1              | 0.3            |

Source: Social Weather Stations

### REASONS FOR NOT REPORTING BEING ASKED FOR A BRIBE IN RELATION TO TAXES AND LICENSES

In % of Respondents

|  | <u>TOTAL</u> | <u>Manila</u> | <u>Cebu</u> | <u>Davao</u> |
|--|--------------|---------------|-------------|--------------|
| Nothing would be done anyway                       | 40           | 40            | 44          | 33           |
| It is standard practice not to report the incident | 31           | 30            | 35          | 29           |
| Cannot prove anything                              | 27           | 29            | 24          | 16           |
| Afraid of reprisal                                 | 24           | 24            | 23          | 24           |
| It is too small to bother                          | 21           | 19            | 23          | 31           |
| Do not know how or whom to report                  | 12           | 13            | 13          | 7            |
| Will spend much                                    | 12           | 11            | 21          | 13           |
| Do not want to betray anyone                       | 6            | 5             | 5           | 11           |
| It is embarrassing                                 | 4            | 3             | 8           | 4            |

Source: Social Weather Stations

## Bribery for Contracts

Shady deals are difficult to detect especially when a company does not have a strict policy against bribery. Like last year, 57% of executives observe that most companies in their sector use bribes to get public sector contracts. The practice is higher in Cebu (64%) compared in Manila (57%) and Davao (51%). With regards to getting private sector contracts, 26% of respondents believe that most companies in their sector use bribes.

The median allotment for bribery for public sector contracts is 17% in Manila and 15% in Cebu and Davao, compared to 20% in 2002/03 and 2000. As far as private sector contracts are concerned, 10% has remained the median allotment for a bribe since 2000. These monies could have been savings for the company or allocated for other productive undertakings.

### PERCENTAGE OF COMPANIES WHO BRIBE TO ACQUIRE PUBLIC SECTOR CONTRACTS

Base: Those who say there is corruption in the public sector  
In % of Respondents

|                       | TOTAL | Manila | Cebu | Davao |
|-----------------------|-------|--------|------|-------|
| Almost all companies  | 23    | 23     | 23   | 26    |
| Most companies        | 34    | 34     | 41   | 25    |
| Few companies         | 24    | 23     | 25   | 24    |
| Hardly any companies  | 7     | 8      | 3    | 8     |
| None of the companies | 11    | 11     | 6    | 14    |

Source: Social Weather Stations

## BUSINESS ETHICS

### Receipts, Books and Taxes

Honesty in corporate practices is also necessary to reform the supply side of corruption. Like last year, only 35% of respondents admitted that *all* companies in their sector issued receipts and 43% believed *most* companies in their sector issued receipts. In Cebu, only 28% of respondents think all companies in their sector issued receipts.

Only 21% of executives believe all companies in their sector keep one set of books compared with 18% last year. When asked how many in their sector pay taxes honestly, only 15% believe all companies do. In Davao, 13% of respondents believe all companies pay the correct taxes, lower than 17%

in Cebu. In the three cities, only 51% of executives believe most or almost all companies pay the right taxes.

### COMPANIES IN THE SECTOR WHO ALWAYS ISSUE RECEIPTS, KEEP ONLY ONE SET OF ACCOUNTS AND PAY TAXES HONESTLY

In % of respondents

|                       | Always issue receipts |      | Keep one set of accounts |      | Pay taxes honestly |      |
|-----------------------|-----------------------|------|--------------------------|------|--------------------|------|
|                       | 2003                  | 2004 | 2003                     | 2004 | 2003               | 2004 |
| Almost all companies  | 35                    | 35   | 18                       | 21   | 11                 | 15   |
| Most companies        | 49                    | 43   | 42                       | 39   | 43                 | 36   |
| Few companies         | 13                    | 18   | 28                       | 28   | 39                 | 34   |
| Hardly any companies  | 2                     | 3    | 8                        | 7    | 5                  | 11   |
| None of the companies | 0.6                   | 0.6  | 2                        | 3    | 2                  | 4    |
| Don't know            | 0.2                   | 0.1  | 2                        | 1    |                    |      |

Source: Social Weather Stations

### The Stick and the Carrot

Imprisonment is still the number one pick for punishment. Some 38% of respondents believe that corrupt people should end up in jail. In terms of rewards, 86% of executives want financial incentives and job or business opportunities for "whistle-blowers." In Cebu, all of the respondents want material rewards. In contrast, majority of respondents in Davao prefer non-material rewards such as honors, good publicity and protection.

### RECOMMENDED GOVERNMENT PUNISHMENT FOR CORRUPT PEOPLE

In % of respondents

|                                       | TOTAL | Manila | Cebu | Davao |
|---------------------------------------|-------|--------|------|-------|
| Imprisonment                          | 38    | 38     | 36   | 40    |
| Follow due process, implement the law | 32    | 33     | 40   | 24    |
| Removal from office                   | 30    | 29     | 31   | 34    |
| Death penalty                         | 16    | 18     | 13   | 13    |
| Restitution of assets                 | 14    | 15     | 16   | 9     |
| Ban/blacklist them                    | 8     | 8      | 8    | 10    |
| Expose them/media publicity           | 7     | 7      | 10   | 4     |
| Revocation of licenses and privileges | 1     | 1      | 3    | 2     |
| Extra-legal action                    | 1     | 1      | 1    | 2     |
| Lifestyle check                       | 0.3   | 0.4    | 0    | 0     |
| Others                                | 5     | 5      | 4    | 7     |
| None/Don't know                       | 1     | 0.4    | 3    | 4     |

Source: Social Weather Stations

## Gains from Reducing Corruption

If corruption were reduced to the level of corruption in Singapore, 60% of respondents believe their net income would increase. The median expected increase is 20%. Thus, majority of executives are willing to invest in an anti-corruption program. Only 11% of respondents in Cebu are not willing to pay for an anti-corruption program, lower than the 22% in Davao and 17% in Manila.

Executives are now willing to contribute a median three percent of net income to fund an anti-corruption program versus two percent in 2001 and 2002/03 and one percent when we first ran the survey four years ago.

### EXPECTED CHANGE IN NET INCOME IF CORRUPTION IS REDUCED TO THAT OF SINGAPORE

In % of respondents

|                       | TOTAL | Manila | Cebu | Davao |
|-----------------------|-------|--------|------|-------|
| Negative change       | 3     | 2      | 5    | 7     |
| Zero change           | 29    | 30     | 31   | 23    |
| Positive up to 5%     | 6     | 7      | 4    | 5     |
| 6 to 10%              | 11    | 12     | 9    | 10    |
| 11 to 20%             | 17    | 17     | 20   | 12    |
| 21 to 30%             | 11    | 12     | 7    | 11    |
| 31 to 50%             | 7     | 7      | 7    | 8     |
| 51 + %                | 7     | 7      | 3    | 10    |
| Don't know            | 8     | 6      | 14   | 13    |
| Mean of positives     | 30.4  | 29.7   | 24.6 | 38.9  |
| Median of positives   | 20    | 20     | 20   | 25    |
| Mean of full sample   | 18.9  | 19.2   | 12.7 | 23.2  |
| Median of full sample | 10    | 10     | 10   | 10    |

Source: Social Weather Stations

## Invest in Good Governance

A good governance fund is an excellent investment for building transparent and accountable institutions and supporting various anti-corruption programs. According to 65% of executives, they are willing to join an organization that administers an Anti-Corruption Program Fund. In Davao, 75% of respondents were willing join, while Cebu reported 66% and Manila, 63%.

On the usage of the fund, nine of ten respondents call for legal prosecution of the corrupt, protection of whistleblowers and lifestyle checks. Six of ten respondents approved extra-legal action against

corruption. Only 14% agreed to use the fund to supplement salaries of government officials who are vulnerable to corruption.

### NET AGREEMENT WITH USE OF THE ANTI-CORRUPTION PROGRAM FUND

In % of respondents

|  | TOTAL | Manila | Cebu | Davao |
|--|-------|--------|------|-------|
| File and prosecute cases in court against corrupt officials and corrupt businessmen                    | +90   | +93    | +91  | +77   |
| Protect "whistleblowers" or those who expose corruption in either the government or the private sector | +89   | +89    | +86  | +89   |
| Conduct lifestyle checks on government officials in positions prone to corruption                      | +85   | +88    | +83  | +71   |
| Encourage extra-legal action to punish government officials and corrupt businessmen                    | +60   | +59    | +84  | +43   |
| Use the fund to supplement salaries of government who are vulnerable to corruption                     | +14   | +14    | +9   | +19   |

Source: Social Weather Stations

## THE PRICE OF POLITICS

### Campaign Contributions in the 2004 Elections

Based on the survey, 12% of respondents claimed they donated to one candidate for a single position. But a majority claimed to have donated to more than one candidate for the same position. In Davao and Cebu, 17% of respondents gave to only one candidate compared to 11% in Manila.

### DONATIONS OF COMPANIES FOR THE 2004 ELECTIONS

In % of respondents

|   | TOTAL | Manila | Cebu | Davao |
|---|-------|--------|------|-------|
| Donate to only one candidate for a single position      | 12    | 11     | 17   | 17    |
| Donate to more than one candidate for a single position | 33    | 34     | 32   | 28    |
| Not donate for any candidate at all                     | 54    | 55     | 49   | 52    |

Source: Social Weather Stations

According to the official report of expenditures filed in COMELEC (Commission on Elections), candidates for President, Vice-President, and Senator spent over P1.2 billion during the campaign in the 2004 elections. Presidential candidates spent P538.4 million; vice-presidential candidates, P148.8 million; and proclaimed senatorial candidates, P524.9 million. On the average, five candidates for president spent P107.6 million. Three candidates for vice-president spent an average of P49.6 million, while 12 winning senators averaged P43.7 million.

**DONATIONS MADE BY A TYPICAL COMPANY FOR POLITICAL CAMPAIGNS**  
In % of respondents

|                        | <u>TOTAL</u> | <u>Manila</u> | <u>Cebu</u> | <u>Davao</u> |
|------------------------|--------------|---------------|-------------|--------------|
| Nothing                | 54           | 55            | 49          | 52           |
| Less than P50,000      | 13           | 10            | 19          | 22           |
| P50,000-99,000 worth   | 8            | 9             | 8           | 6            |
| P100,000-499,000 worth | 13           | 13            | 13          | 6            |
| P500,000-999,000 worth | 5            | 6             | 4           | 4            |
| P1,000,000+ worth      | 5            | 5             | 3           | 5            |
| Don't know/Refused     | 2            | 1             | 2           | 2            |

Source: Social Weather Stations

When asked how much political donations executives gave during the campaign, 23% of respondents cited a low of P100,000 to a high of P1 million. In Davao, 22% gave less than P50,000 compared to 19% in Cebu and 10% in Manila. At least five percent of executives gave one million and above during the campaign.

**Conclusion**

“Power tends to corrupt; absolute power corrupts absolutely,” says Lord Acton, a British historian. Power without accountability destroys institutions. Those who are in power must either face corruption or gamble with it. The only clear path to build strategic schemes to thwart the graft menace is by targeting weaknesses in our country’s corporate and government sphere and make it a rallying point for reform. Good governance means sincere public service and business with integrity. We must make it happen. It is now or never.

## ABOUT THE SURVEY

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The Enterprise Survey on Corruption is a joint undertaking between the Makati Business Club and Social Weather Stations (SWS) under the Transparent Accountable Governance project. Every fourth quarter of the year since 2000, SWS interviews managers from top 1,500 corporations or large corporations, as well as small and medium enterprises on their perception and experience of corruption in both public and private sectors. These surveys aim to deepen our understanding of public and private sector perceptions of the roots and realities of corruption in the country.

SWS conducted the 4th Enterprise Survey from 13 November 2003 to 28 January 2004 with 701 companies from Metro Manila, Cebu and Davao. In preparation for the survey, the MBC conducted focus group discussions in Manila, Cebu and Davao together with SWS. The survey is funded by USAID through the Asia Foundation.

## RESPONDENT PROFILE

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Of the 701 respondents, 500 were from Manila, 100 from Cebu and 101 from Davao. More than half of the respondents or 59.3% (416) were small and medium enterprises (SMEs) while 40.6% (285) were large corporations.

In terms of company size, Davao's large corporations had a median number of 300 employees while SMEs had a median number of 15 workers. Metro Manila had a median number of 250 employees for large companies and 50 for SMEs. In Cebu, large companies had a median number of 238 employees while SMEs had 30.

Assets of respondents in large corporations are higher in Davao with a median net worth of P400 million. SMEs have a median net worth of P1.8 million. The median net worth of large companies in Metro Manila is P368 million while SMEs had P12 million. Meanwhile, large companies in Cebu had a median net worth of P145 million and SMEs had P5 million.

Large companies in Metro Manila paid a median tax of P20 million; Cebu, P5.5 million; and Davao, P3 million. Small and medium enterprises from the three areas paid a median tax of less than one million pesos.