
Transparent Accountable Governance (TAG) Project SWS Survey of Enterprises on Public Sector Corruption August 14 – October 30, 2000

Highlights of Findings

Social Weather Stations (SWS) has continually been monitoring perceptions of the public on corruption for about fourteen years now. Through the TAG Project, jointly implemented with the Asia Foundation (TAF), the Philippine Center for Policy Studies (PCPS) at the University of the Philippines, Philippine Center for Investigative Journalism (PCIJ) and the Makati Business Club (MBC), SWS was commissioned to undertake a survey on perceptions of public sector corruption by enterprise managers.

Summarized in this report are the results of the said Survey of Enterprises which was undertaken from August 14 – October 30, 2000. The survey had a total of 604 top management-level respondents: 204 from the top 1,500 corporations and 400 from small and medium enterprises. The total sample size of 604 has an error of $\pm 4\%$; $\pm 7\%$ for the large corporations and $\pm 5\%$ for the small and medium enterprises.

When available and comparable, also included in this report are related survey items on corruption in the SWS 3rd Quarter National Survey. This survey, implemented from September 23 to October 6, 2000, had 1,200 voting-age Filipinos as respondents.

1. PROFILE OF THE RESPONDENTS

1.1 The enterprise respondents

Designation, business sector, date of establishment of company and company size

Practically all respondents are top officials of the enterprises that participated in the survey. Three out of ten (28%) hold the rank of either President or Chief Executive Officer, another third are either First or Senior Vice-Presidents, Chief Operation Officers, Chief Financial Officers and General Managers. The rest are middle-level managers (Table 1).

Of the total enterprise managers interviewed, the most number are in the service sector (66%) (Table 2).

Forty-five percent of enterprises were established in 1986 and later; 26% were founded between 1971 and 1985; and 20% founded in the years 1951 to 1970 (Table 3).

As far as company size is concerned, majority of the top 1,500 corporations (about 60%) have over 200 employees while 50% of the small and medium enterprises have between 11-99 employees (Table 4).

Business contracts, income from the public sector and liabilities to public sector financial institutions

Two-fifths of enterprise respondents say their companies have business contracts with government agencies or corporations while 59% do not (Table 5).

Of those who have business contracts with government agencies or corporations, 33% say that less than 1% of their net income is derived from public sector contracts (including government corporations). Three of ten say it is between 1-5% (Tables 5-6).

Of the same number who have business contracts with government agencies or corporations, a large majority (75%) say that less than 1% of their liabilities is owed to public sector institutions. About half (49%) say that less than 1% of their business with the public sector is publicly-bided (Tables 5, 7, & 8).

Incentives and gross revenue

A third of enterprise respondents say that their company is registered for incentives with the BOI while 66% claim they are not. Only about a fifth (18%) avail of incentives from the government other than through the BOI while 81% say they do not (Tables 9-10).

A large majority of them (63%) say that their gross revenue from exports is less than 1% (Table 11).

Board members

A tenth (9%) of the enterprises included in the survey are not structured to have board members. A third (35%) of them have 5 board members/trustees/directors while a fourth (25%) have some 6-7 board members (Table 12).

Of those which have board members / trustees / directors, it is composed roughly of 70-90% representing private interests and 10-30% representing foreign interests. There are very few enterprises which have former government officials (0.04-0.1%) as well as those representing public interests (0.002-0.03%) as members of their Board (Table 13).

Total assets, total liabilities and net worth

Among the small and medium enterprises who mentioned their total assets, half of them said they had approximately P30 million as of the end of 1998 and 1999. Their total liabilities would amount to between P15-17 million (median) for the two year-ends. Net worth for half of these enterprises was within P12-13 million for the same year ends while a tenth had less than a million or even negative net worth (Tables 14-19).

Among the top 1,500 corporations who indicated their net assets, the median value was P1.2-1.4 billion for the 1998 and 1999 year-ends, respectively. Half of them had P643 million in end-1998 and P700 million in end-1999 with regard to liabilities while their net worth was on the P500 million level with a few (2%, end 1998 and 3%, end 1999) with less than a million or even negative (Tables 14-19).

Net income after taxes and total taxes paid

For small and medium enterprises which provided data on their net income, the median value was P1 million for year-ends 1998 and 1999 with 11% experiencing negative income. Of those who indicated the amount of total taxes paid, half said P1 million was paid in taxes for the periods considered (Tables 20-23).

For the top 1,500 corporations which provided data on their net income, approximately P40 million was the median value with about a tenth having negative income for the year-ends 1998 and 1999. Taxes paid was on the P30 million mark (median) for those who gave a response (Tables 20-23).

1.2 Profile of Adult Respondents of the SWS National Survey of September 23 to October 6, 2000

Area and sex

As predetermined by census weights, 15% of the respondents come from the National Capital Region, 42% from the Balance of Luzon, 20% from the Visayas, and 23% from Mindanao. Also predetermined is gender, with a 50-50 division (Table 24).

Locale and age

Majority of the respondents live in the rural areas (57%), while 43% reside in the urban areas. About four out of nine belong to the 45 and above age bracket (45%). The youth (18-24 years old) comprise 11%; the intermediate young (25-34 years), 22%; and the middle aged (35-44 years), 22% (Table 24).

Socio-economic class

A large majority are poor (D class, 68%); 22% are destitute (Class E); and 10% belong to the upper middle classes (Class ABC) (Table 24).

Educational attainment

Less than a fifth completed high school (18%); a few pursued college (10%); and 15% graduated from college. Majority are working (58%) (Table 24).

2. Knowledge About Public-Sector and Private-Sector Corruption

Enterprise managers more sensitive to severe cases of public sector corruption than the public in general

When asked, “How much corruption do you think there is in the public sector?”, a large majority (63%) of enterprise respondents perceived “a great deal” of corruption while 2% said “none” as compared to the general public where a lesser number (36%) said “a great deal”, 34% said “some”, and 18% said “none” (Table 25).

*Enterprise managers are also more sensitive to
overall cases of private sector corruption*

When considering corruption in the private sector, 4% of enterprise managers say there is “none” while the general public sharing this sentiment is substantially more (27%). Enterprise managers would generally have the opinion that there is either “some” (39%) or “a little” (43%) corruption while the general public would more often than not say “some” (31%) (Table 26).

*Enterprise managers are more aware of corruption outside
rather than inside their sector of business*

When confronted with the question, “On matters outside your sector of business, how much is your personal knowledge of public sector corruption?”, a plurality of enterprise managers (43%) have personal knowledge of “extensive” cases, 38% “moderate” cases, while 2% do not (Table 27).

When asked, “On matters directly related to your sector of business, how much would you say is your personal knowledge of public sector corruption?”, it is noticeable that a lesser number (29%) said they had “extensive” knowledge while a greater number had “moderate” knowledge (44%). Five percent of enterprise managers said they had ‘no’ knowledge of public sector corruption (Table 27).

3. Perceptions About Public-Sector Corruption

*Enterprise managers and the general public contend that
the government can be run without corruption*

When asked:

“Which of these two statements is closer to your opinion? Corruption is part of the way government works in the Philippines; or The government can be run without corruption?”

A majority of enterprise managers (55%) as well as the general public (58%) think that “the government can be run without corruption”. Less than half think corruption is “part of the way things work” (43% and 42%, respectively) (Table 28).

*Enterprise managers and the general public have different views
on why corruption is wrong*

When asked:

“Which of these two statements is closer to your opinion? Graft and corruption is wrong because it is immoral; or Graft and corruption is wrong because it hurts the country’s development.”

A great majority of the general public (74%) say corruption is wrong “because it hurts national development”. On the other hand, enterprise managers are split: 47% say corruption is wrong “because it hurts national development” and 41% say “because it is immoral”. A few (11%) even volunteered that it was both. (Table 29)

4. Areas of Public-Sector Corruption

Public sector corruption is seen to be equally found in government revenue spending and raising and due more to bad implementation than regulation

A large majority of enterprise managers (67%) think public sector corruption is found in “both revenue raising and spending”. A leaning is observed with 27% of enterprise managers thinking that public-sector corruption can be “found more in government spending” rather than the 3% who say it is “found more in government revenue raising” (Table 30).

Enterprise managers are split between saying that public-sector corruption is “equally due to both bad regulations and bad implementation” (47%) and “due more to bad implementation” (45%) (Table 30).

5. Where Public-Sector Corruption is Initiated

*Corruption is more often than not initiated by the
public sector than the private sector*

When enterprise managers who mentioned the presence of corruption in the private sector as well as knowledge of involvement of same-sector companies involved in bribery to procure contracts from the private sector were further queried whether corruption was initiated more often than not by the private sector or the public sector, 41% of them said that it was initiated ‘mostly by those in the public sector’ with 22% of them even saying that it was initiated “always from the public sector” (Tables 26, 31 & 36).

Corruption is experienced most of the time when applying for local government permits or licenses (55%), in the payment of income taxes (52%), and in applying for national government permits or licenses (42%). It is also said to happen to a lesser degree when complying with regulations on importation (17%), in supplying government with goods or services (15%), in collecting receivables from government (9%) and in availing of government incentives (6%) (Tables 32-33).

6. Involvement of Businessmen in Bribery

Enterprise managers generally think that a good number of their fellow businessmen are involved in bribery to acquire government contracts

When enterprise managers who mentioned the presence of corruption in the public sector were further asked about how many companies in their sector of business were involved in bribery, 55% said that “almost all/most companies” were involved in bribery to acquire government contracts. A third (33%, corrected for rounding) counted “few/hardly any companies” were involved (Tables 25 & 34).

For the same enterprise managers who mentioned the presence of corruption in the public sector as well as knowledge of involvement of same-sector companies in bribery to procure contracts from the government, an average of 22% of the contract was said to be allotted as bribe. (Tables 25, 34 & 35)

Few on the other hand are involved in corruption to acquire private contracts

When enterprise managers who mentioned the presence of corruption in the private sector were again asked to rate fellow businessmen in their sector of business to what degree were they involved in corruption to acquire private sector contracts, 67% said “few/hardly any companies” as against the 24% who said “almost all/most companies”. (Tables 26 & 36)

For the same enterprise managers who mentioned the presence of corruption in the private sector as well as knowledge of involvement of same-sector companies in bribery to procure contracts from the private sector, an average of 13% of the contract was reported to be allotted as bribe (Tables 26, 36 & 37).

7. Government Agencies Perceived to be Without Corruption

*DSWD, most cited as having no corruption
PNP, most improved over the last 5 years*

When asked:

“At present, what specific government agencies or corporations, if any, would you commend for their good reputation as not having corruption?”

DSWD was ranked by the both the public (2%) and to a greater degree the enterprise managers (12%) as the most commendable. The most improved agency as having lesser corruption now compared to five years ago is the Philippine National Police (PNP) as identified by 17% of enterprise managers (Tables 38-40).

Forty-eight percent of enterprise managers and 90% of the general public could not identify any government agency without corruption (Table 39).

8. Government Agencies Perceived to be Corrupt

BOC and BIR are perceived to be the most corrupt and, over the last 5 years, have deteriorated the most with regard to corruption

When asked:

“At present, what specific government agencies or corporations, if any, do you think have a bad reputation due to corruption?”

The Bureau of Customs (BOC) and the Bureau of Internal Revenue (BIR) topped the list of perceived most corrupt government agencies with 74% and 72% (respectively) of enterprise managers saying so. Aside from being the most corrupt agencies, the BOC and BIR have also deteriorated the most over the last five years as a plurality of the enterprise managers indicated (45% and 42% respectively) (Tables 41-42).

Only 2% of enterprise managers could not identify a corrupt government agency; 59% among the general public (Table 43).

9. Institutions Perceived to be Sincere and Praiseworthy in Fighting Public Sector Corruption

Asian Development Bank, rated as the most sincere institution in fighting corruption; World Bank, most praiseworthy foreign institution assisting the fight against corruption

The Asian Development Bank (ADB) emerged as the sincerest institution fighting public-sector corruption (+63 net sincerity rating) when enterprise managers were asked to rate selected institutions on a 5-point scale, namely: very sincere, somewhat sincere, undecided if sincere or not, somewhat insincere and very insincere. World Bank (+57) and big foreign businesses (+55) follow closely (Table 44).

When asked to identify a praiseworthy foreign institution assisting in the fight against public sector corruption in the country, the World Bank came out as the most praiseworthy with 32% of enterprise managers saying so (Table 46).

Makati Business Club, most praiseworthy local institution assisting the fight against corruption

As far as praiseworthy private local organizations assisting in the fight against public sector corruption are concerned, the Makati Business Club (MBC) was the top answer of enterprise managers (15%), followed by the Volunteers Against Crime and Corruption (VACC) (9%) and the Catholic Bishops' Conference of the Philippines (CBCP) (6%). Forty percent did not mention a praiseworthy private local organization (Table 47).

10. Institutions Perceived to Hinder the Fight Against Public Sector Corruption

World Bank also perceived to hinder the fight against corruption

The World Bank was perceived by 4% of enterprise managers as the foreign organization hindering the fight against public sector corruption followed closely by the International Monetary Fund (IMF) with 3%. Eighty-four percent (corrected for rounding) could not identify a foreign institution. (Tables 48).

Very few could mention a local organization hindering the fight against public sector corruption. Of those who did, the KMU, some print and broadcast media, Lucio Tan's group of companies, and some business

sectors were mentioned by 1% each. Eighty-four percent could not identify a local organization (Table 49).

11. Institutions Perceived to be Insincere in Fighting Public Sector Corruption

Enterprise managers and the general public agree that the BOC is the most insincere in fighting public sector corruption

With regard to sincerity ratings (given a selected list of institutions), the BOC, BIR, and the Department of Public Works and Highways (DPWH) are rated by enterprise managers (-83, -74, and -68, respectively) and to a lesser degree the general public (-25, -20, and -17, respectively) as the most insincere in fighting public-sector corruption (Table 45).

12. Reward and Punishment for those Involved in Corruption

Financial incentives, most popular reward for those who fight corruption as suggested by enterprise managers while better job / business opportunities, most popular reward as suggested by the general public

When asked:

“How should the government / business sector reward those who fight corruption?”

Providing financial incentives is how those in government (49%) and the private sector (44%) should reward those who fight corruption. The next most popular suggestion was that they “should be honored”, by those in government (40%) as well as by those in the private sector (43%). For the general public, the top suggestion is to be rewarded with better jobs and business opportunities by the government (36%) (Tables 50-52).

Imprisonment is the most popular form of punishment for those who fight corruption

Enterprise managers (52%) and the general public (39%) suggest imprisonment as government’s punishment for those involved in corruption. The private sector is also suggested by enterprise managers to apply the same punishment (32%) (Tables 53-55).

13. Fund to Reduce Public-Sector Corruption

Enterprise managers were asked the question:

“In case a Program is devised which you believe would reduce public-sector corruption by half within the next ten years, what %, if any, of your company’s Net Income each year would you be willing to pay to fund the program?”

and resulted in half of enterprise managers willing to give up to 1% (median) of their net income to fund this program. Haydee Yorac and the Makati Business Club were suggested by 8% of the enterprise managers to be trusted to administer this fund. Seventeen percent were not able to suggest anyone nor any group (Tables 56-57).

14. Expectation of Business Conditions in the Next 2 Years

Expectations of business are poor -- even very poor

Asked to rate expectation of business on a five-point scale, namely: excellent, good, fair, poor, and very poor -- enterprise managers were not optimistic. A plurality (36%) think conditions will be just fair with a near half (47%) saying it will either be poor/very poor; 17% said it would be either excellent/good (Table 58).

14. Summary and Conclusions

Enterprise managers are even more critical of corruption than average citizens. Like average citizens, they emphasize punishment as the best way to fight corruption. Moreover, they rate very few agencies as sincerely fighting corruption.

Enterprise managers blame government implementation more than regulation. They see corruption equally prevalent in government spending and revenue collection.

Of those who perceive corruption in the public sector, half say most/all companies in their sector of business bribe the government, where these bribes amount to 15-20% (median) of contracts. Of those who mention corruption in the private sector, a fourth add that most/all companies in their sector of business bribe other private companies with bribes amounting to 10% (median) of contracts.

Enterprise managers are willing to pay 1% (median) of their net income to fund an Anti-Corruption Program which proposes to reduce public-sector corruption by half in ten years.