

Tracking private sector integrity

By [Mahar Mangahas](#)
[Philippine Daily Inquirer](#)

10:04 pm | Friday, September 28th, 2012

Part of the good news from the 2012 SWS Survey of Enterprises on Corruption is that the proportion of executives solicited in the past year for a bribe, in connection with a government transaction, is at 48 percent, a record low in this series of 10 surveys since 2000.

The statistic that almost half of Filipino business executives are asked for a bribe in the course of a year is disturbing. Yet it is much lower than the 60 percent in the last previous survey of 2009, as well as the previous record low 57 percent in 2006. Bribe-solicitations even reached 71 percent in 2008.

The 2012 solicitation rates for the seven types of bribes probed by the survey are: (a) Getting local government licenses, 30 percent; (b) Paying income taxes, 25 percent; (c) Getting national government licenses, 19 percent; (d) Complying with import regulations/paying import duties, 16 percent; (e) Supplying government with goods/services, 14 percent; (f) Collecting receivables from government, 13 percent; and (g) Availing of government incentives, 6 percent.

The first three above are record lows ever since the enterprise surveys began in 2000; the rest are lows since 2005. This drop in solicitations is evidence of the government's strong progress in fighting corruption.

The bad news from the new survey is that the private sector, on the other hand, has not shown as much progress. In the first place, the rate of reporting of bribes to the authorities is a very low 8 percent of those solicited; the executives' main excuse is still the claim that reporting is useless.

To the question of how much is the corruption in the private sector, 11 percent now say there is "a lot." This is more than the 9 percent in 2009, as well as above the rates in six of eight prior surveys in 2000-2008.

To the question of how many companies in their line of business give bribes to win private sector contracts, 29 percent say "most" or else "almost all." This is much more than the 23 percent in 2009, and more than all rates since 2000, except for the 30 percent peak in 2002.

As in previous survey rounds, executives expect their profits to rise (by a median of 20 percent), if corruption would be reduced to the level of Singapore. And yet the majority spend nothing to combat corruption in their own companies, and contribute nothing to any private anticorruption program.

The use of honest business practices is disappointingly low, and has a flat trend. Referring to companies in their own line of business, only 45 percent of executives surveyed in 2012 say that “almost all”—henceforth shortened to “they all”—demand receipts for their payments. It is the lowest in six rounds since first surveyed in 2005; it had been at most 53 percent.

Only 32 percent say they all issue receipts for their revenues. This is hardly changed from the 31 percent in 2009, the lowest of seven rounds since 2003. It had been 38 percent at most.

Only 21 percent say they all keep only one set of books, only two points over the 19 percent in 2009, the lowest of seven rounds since 2003. It had been 24 percent at most.

The 20 percent saying that they all pay taxes honestly is already the most in seven rounds since 2003. These are virtual admissions that dishonesty is more the norm, and honesty more the exception, in private business.

At present, with 74 percent of executives calling future business prospects good or excellent, and 70 percent satisfied with the national government’s efforts to promote a good business climate, private companies should be much more active in fighting corruption.

In particular, they should seriously consider joining Integrity Initiative, a campaign of the Makati Business Club and the European Chamber of Commerce of the Philippines. Heads of joining companies must sign an Integrity Pledge committing to: (a) prohibit bribery in any form in all activities under their control, (b) maintain a Code of Conduct to guide employees towards ethical and accountable behavior, with sanctions for violations, (c) conduct integrity training programs among employees, (d) implement internal systems and controls to prevent unethical conduct by employees, ensure good governance, and institutionalize values of integrity and accountability in the business, (e) maintain accurate and transparent financial reporting mechanisms, (f) implement a whistleblowing system for stakeholders to report suspicious circumstances without risk of reprisal, (g) enter into Integrity Pacts with businesses and government agencies, regarding procedures on bidding and procurement, and (h) refrain from dealing with parties who have demonstrated unethical business practices. It was reported at last week’s Second Integrity Summit that 1,500 companies have already signed the pledge. For signatory companies, Integrity Initiative offers an online assessment on integrity practices. This tool indicates the number and effectiveness of the integrity control measures that companies have in place, to inform signatories of their integrity-standing relative to others of their size, industry or location, and suggest areas of improvement to strengthen their overall integrity practices.

* * *

The SWS 2012 Survey of Enterprises on Corruption was supported by AusAid through The Asia Foundation, and done in partnership with the Makati Business Club’s Integrity

Initiative program (www.integrityinitiative.com) and the National Competitiveness Council (www.competitive.org.ph).

* * *

Contact SWS: www.sws.org.ph or mahar.mangahas@sws.org.ph.

Retrieved on October 8, 2012

Retrieved from <http://opinion.inquirer.net/37656/tracking-private-sector-integrity>