

**12th IACC
WORKSHOP SHORT REPORT**

Title of workshop: Special Strategic Session. The SME Challenge: How can smaller businesses tackle bribery and corruption?

Date and time of session: Friday, November 17, 2006.

Moderator: Djordjija Petkoski, Head, Business, Competitiveness, and Development team, World Bank Institute)

Rapporteur: Alesia Kachur, Transparency International Secretariat

Co-ordinator: Peter Wilkinson Transparency International Secretariat

Session adviser: Susan Coté-Freeman Transparency International Secretariat

Panellists

- Elaine Burns, for Transparency International (Independent Consultant)
- Badri el Meouchi, Co-Executive Director, The Lebanese Transparency Association
- Guillermo Eduardo Monroy, Executive Director, Centro para la Acción de la Responsabilidad Social Empresarial en Guatemala (CentraRSE), Guatemala
- Gustavo A Yepes Lopez, for Transparencia por Colombia (Director of the Area of Social Management, Faculty of Business Administration, Universidad Externado de Colombia)
- Ronald E Berenbeim, Principal Researcher and Director of The Conference Board's Working Group on Global Business Ethics Principles

Main Issues Covered

- 1) How can small and medium size businesses (SMEs) tackle the problem of bribery and corruption in their respective countries? Do the supply chains provide a good venue to engage them?
- 2) Why is an anti-bribery Program important for SMEs?
- 3) What are the problems faced by SMEs in trying to implement ethical standards programs in their businesses?
- 4) The complexities and specificity of operating family-owned enterprises. Do they need a different code of conduct?
- 5) What are the factors of change for SMEs? What would push them towards adopting ethical standards in their business activities?
- 6) The problems surrounding the informal economy. How can individuals be convinced to legally register their businesses and adopt ethical standards?

Main Outcomes

The panellists were all in agreement that there is a strong need to focus on tackling anti-bribery and corruption issues in SMEs which represent some 95% of the world's businesses. Specific examples from Colombia, Guatemala, Nigeria, Paraguay (among others) were highlighted to show the overwhelming importance of fighting corruption in SMEs. Elaine Burns made the point that SMEs might lack adequate resources and feel trapped in partaking in corrupt practices to ensure their survival

All the panellists agreed upon the need to cooperate with businesses, to seek a common language of understanding in devising ethical business principles and the importance of using a stakeholder process for development of codes. Badri el Meouchi provided a perspective on the issues for family firms and the Code of Governance for SMEs that The Lebanese Transparency Association had recently published after a long consultation process.

Gustavo A Yepes Lopez provided statistics on comparisons between countries for sizes of SMEs. He described the methodology of extensive research that TI Colombia is carrying out to try to understand the difficulties SMEs are facing in running their businesses on a daily basis. Some of the questions in their survey were focused on finding out the reasons for implementing or not implementing anti-bribery initiatives.

Ronald Berenbeim presented new research from The Conference Board highlighting some of the differences in codes and practice between large companies and SMEs. The research indicated that larger companies are more likely to have a statement recognizing that adherence to the company's anti-corruption policy might result in lost business opportunities.

A large amount of time was spent on discussing ways to convince business leaders to promote corporate governance and responsibility as a step toward adopting ethical principles. Guillermo Monroy and Badri El Meouchi stated that the financial benefits of adopting such programs needed to be emphasized to persuade and attract businesses to adopt ethical principles.

The session concluded that although there are various tools available for SMEs in creating an ethical business environment, there was a definite need for the development of a comprehensive SME Model Code of Business Conduct for Countering Bribery.

Main Outputs

We need to give SMEs a "one-stop shop." There is a need for an overarching anti-corruption standard specifically geared towards SMEs – this could be developed by the TI movement. This would be a so-called SME Model Code of Business Conduct for Countering Bribery which would be integrated in corporate governance, CSR and sustainable programs.

Moreover, although ethical codes are in place in many business organizations, more effort needs to be directed on education and monitoring programs to ensure their effective application. This can also include updating university and academic programs. Consideration should be given to the setting up of an advisory body, drawn from business, banks, trade organizations and others to help advise SMEs on how to handle demands for bribes, and to learn from the experience of others.)

SMEs will have more success in dealing with bribery if they act collectively in their efforts. By fighting alone many SMEs get trapped in a prisoner's dilemma (i.e. they can do the right thing but their competitors may not). Long term sustainability of trust is also crucial.

Recommendations, Follow-up Actions

It was decided that a Task Force would be established to start creating an SME Model Code of Business Conduct for Countering Bribery or an equivalent tool, as proposed by Elaine Burns. Many individuals expressed interest in joining the task force or left their contact information in order to receive updates on the Task Force's progresses.

Additional opportunities need to be created for a broader consultation process to better capture the richness and challenges SMEs are facing in different countries and industries.

Workshop Highlights (including interesting quotes)

Many audience members were eager to share the lessons learned from implementing anti-bribery programs in their own countries. For instance, a Bangladesh participant brought forth the issues of gender discrimination as a further impediment to the development of ethical business standards.

A video presentation prepared by Transparencia por Colombia with the assistance of Corona SA, Colombia gave the positive viewpoints of Colombian businesses on their experience of value of integrity programs.

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