



**Asia-Pacific
Economic Cooperation**

2011/SMEMM/013

Agenda Item: 3.1.3

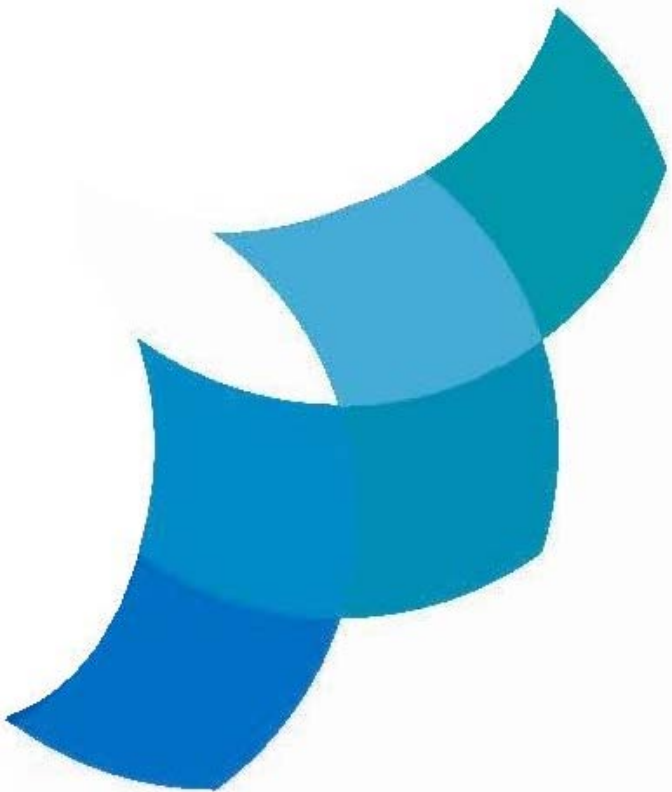
Embracing Business Ethics to Enhance SME's Competitiveness

Purpose: Information

Submitted by: Mexico

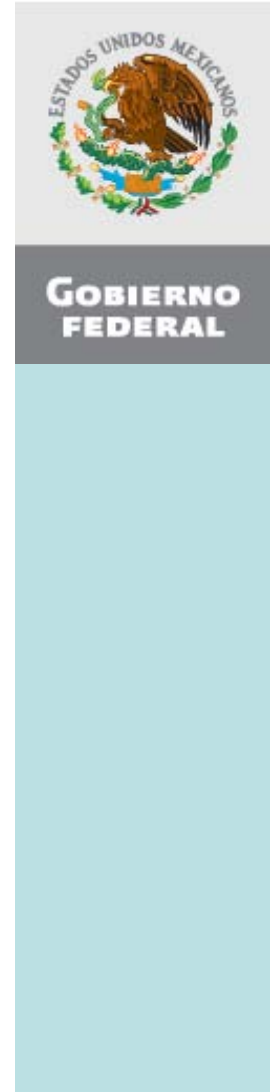


**18th Small and Medium Enterprises
Ministerial Meeting
Big Sky, United States
21 May 2011**



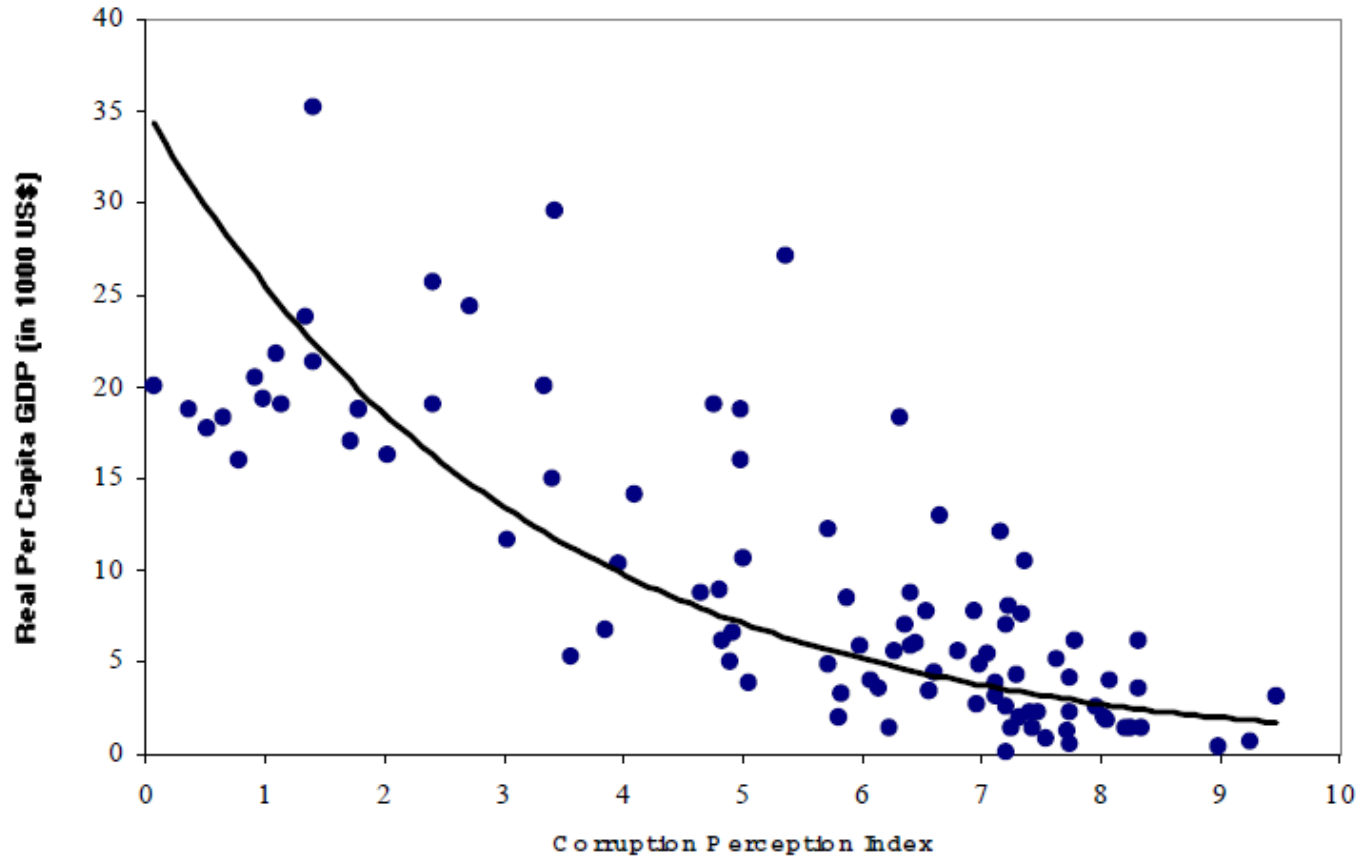
Embracing Business Ethics to Enhance SME's Competitiveness

Big Sky, Montana,
United States
May 2011



Relationship between Corruption and Development

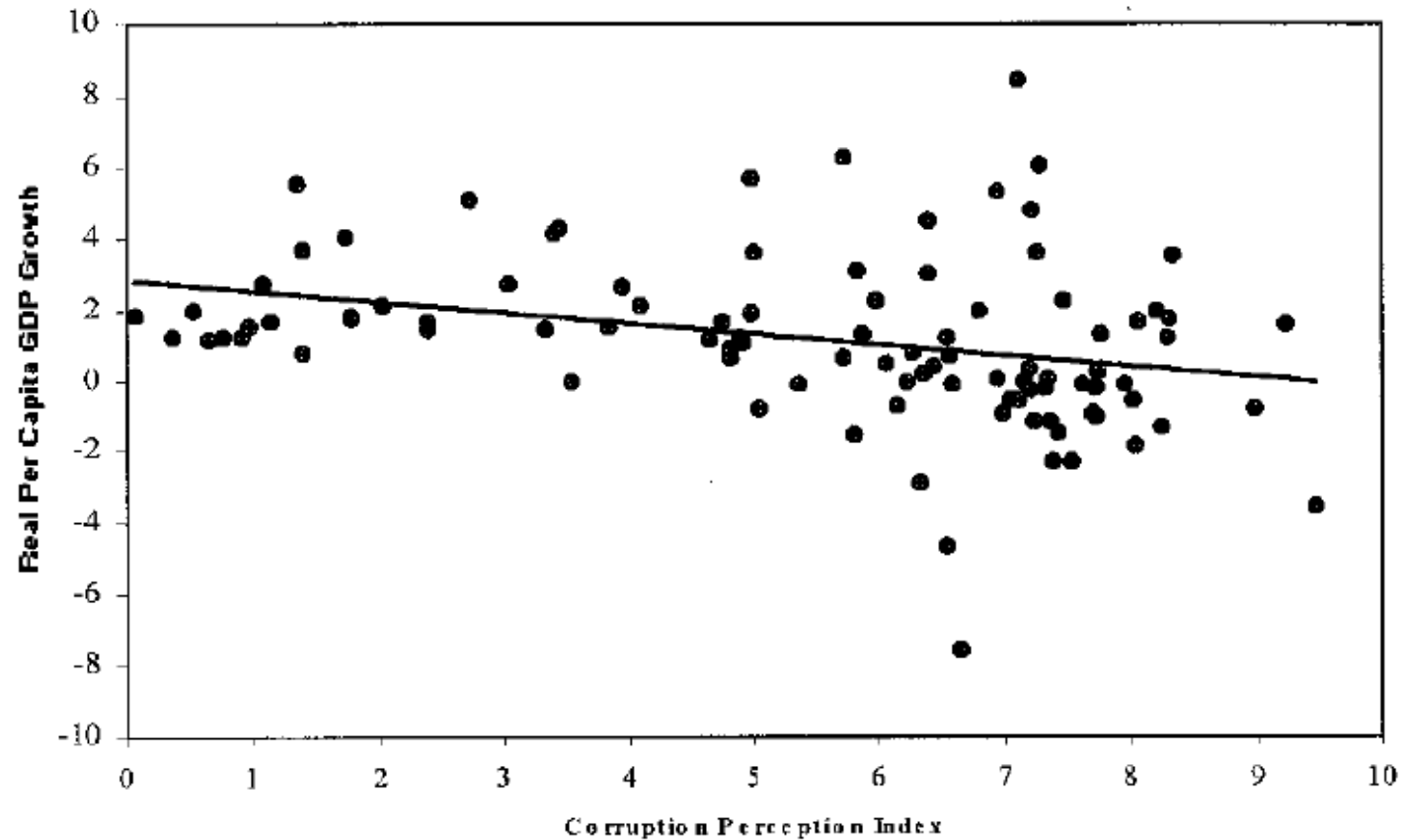
(in 97 countries)



- Countries with higher perceived corruption tend to have lower real per capita GDP.
- Putting it differently, countries with low per capita income tend to have higher corruption.

Relationship between Corruption and Growth

(in 97 countries)

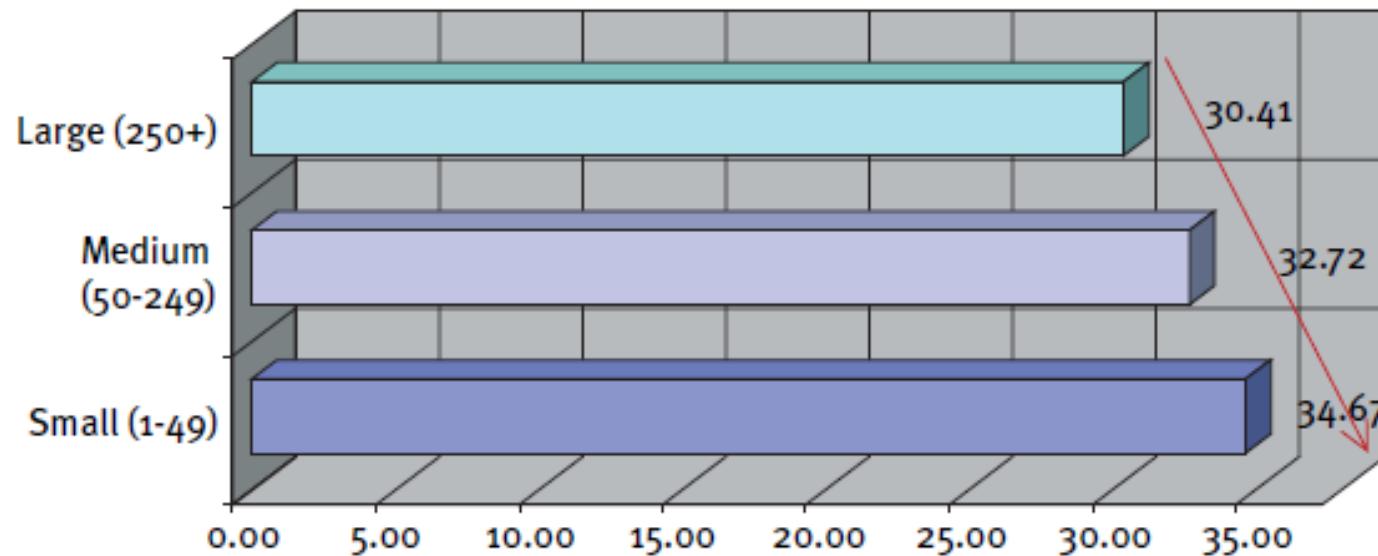


- Countries with higher perceived corruption tend to have lower growth rate.

Corruption and SMEs

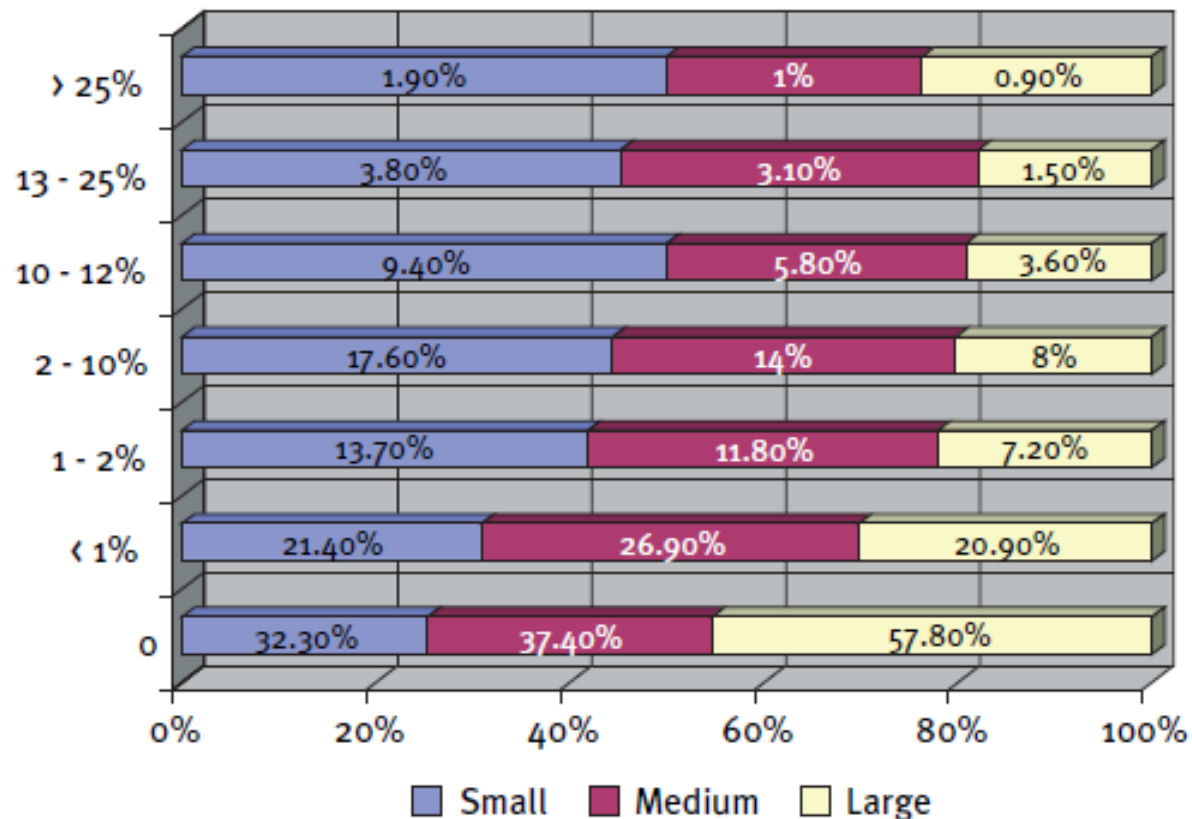
- Corruption within and between public and private sectors has become one of the leading problems for businesses all over the world.
- According to the World Bank Institute, more than \$1 trillion dollars (US\$ 1,000 billion) are paid in bribes every year, which means that each year the cost of corrupt activities is equal to a full 3 per cent of the world's gross domestic product.
- Corruption is not exclusive to the public sector. Corruption exists also within the private sector, in particular in relation to contractual relationships. This constitutes a huge problem for SMEs.
- A study made by the World Bank shows that even though there are huge differences between countries and among industry sectors, the crucial areas for small businesses when dealing with the corrupt requests of public sector officials are customs, licences, taxation, court cases, regulations, and public procurement.

Corruption perceived as a major business obstacle by SMEs and large companies (in per cent)



- According to the Business Environment and Enterprise Performance Survey (BEEPS):
 - More than 70 per cent of SMEs in transition economies perceive corruption as an impediment to their business.
 - Almost 35 per cent of Small companies perceived corruption as a major business obstacle.

Percentage of revenues paid for bribes to public officials per annum



- According with the World Bank, SMEs pay much higher percentages of annual revenues in bribes to public officials, and make additional payments to get things done much more frequently than large companies.

Recommendations:

- Promote Corporate social responsibility (CSR) practices focusing on internal measures that are implemented by the individual company.
- Develop standards and procedures designed to safeguard the integrity of companies, including:
 - Codes of conduct,
 - Promoting honourable business standards and
 - The use of good commercial practices by contractual partners.
- The involvement of other institutions and organizations in the public and private sectors is of particular importance to the success of anticorruption efforts.
 - Chambers of businessman
 - NGOs
- Improve the business environment for SMEs:
 - Laws and regulations,
 - Efficiency of courts,
 - Transparency in public procurement and government spending