

A close-up photograph of two hands in business suits holding a large, blank, light-brown document or envelope over a wooden table. The background is dark and out of focus.

Combating bribery in the SME sector

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Combating bribery in the SME sector

About this report

Small and medium-sized enterprises (SMEs) make up the great majority of businesses in all countries, and employ the majority of the global workforce. Yet their significance to the health of the global business environment is often overlooked. This is as true in relation to bribery and corruption problems as to other aspects of business regulation. This report continues ACCA's work investigating how bribery and corruption damages the SME sector and argues that smaller businesses need to be encouraged and supported in their efforts to combat the threats posed.



Foreword



Bribery is not restricted to «Grand Corruption» which frequently hits the headlines. It affects citizens all over the world and companies of all sizes. These “daily corruption challenges” can be as detrimental as the publicly known cases of multi-million bribery schemes as they destroy the trust of society in governments, administration and business, like a slow but steady poison.

Still, as “daily bribery” often stays in silence or is sometimes perceived as the “cost of doing business” especially for smaller companies or “the cost of surviving” for affected citizens, it is less in the spotlight.

I therefore very much commend ACCA for their second study on “Combating Bribery in the sector of small and medium sized companies (SMEs)”. This effort is of particular value as the results of the 2019 study can now be compared with the results of the first ACCA survey on SMEs in 2013, and the data gives us very interesting insights into the developments over the last five years. There are concerning trends, as for example the increased willingness to mis-state financial statements to cover up misconduct. But thanks to the ACCA study, we also see encouraging signals, such as significantly increased awareness that bribery is indeed a problem for SMEs which requires attention and determined counter-measures.

Now, what can the international community of experts from international institutions, private and public sector and civil society do to build on the rich content of the ACCA study? From a business point of view, there is a clear need for more stakeholder engagement and discussion. In 2017, under the German G20 presidency, the B20 Cross-Thematic Group on Anti-Corruption explicitly recommended the “promotion of key international instruments, supporting the capacity building and training for SMEs” and provided practical and existing use-cases for such initiatives (see recommended [Policy Action 2.3](#)). The subsequent B20 Integrity and Compliance Taskforce under the G20 presidency of Argentina highlighted in its pledge for a private-public partnership for anti-corruption the specific vulnerability and exposure of SMEs when it comes to the risk of corruption related to excessive bureaucracy, especially in public procurement (see [B20Argentina policy paper](#)).

Despite these calls for action by the business community and some laudable local initiatives, we need to keep up the momentum. At *Business at OECD*, we have advocated for many years the importance of having a special focus on the needs of SMEs, including in the important work the OECD is doing to fight bribery and corruption. In our position paper regarding the ongoing Review of the 2009 OECD Anti-Bribery Recommendations, we specifically proposed the inclusion of practical guidance on *how* to put in place an effective program taking into account the different sizes of companies (see [Business at OECD comments](#)).

As Chair of the *Business at OECD* Anti-Corruption Committee, I am therefore very grateful to our long-standing partner ACCA for providing this timely study, which will be of great support for our ongoing dialogue with the OECD on how to create an effective but also tailored approach towards SMEs when it comes to the new version of the impactful OECD Anti Bribery Recommendation. It is now time for action.

Klaus Moosmayer, Ph.D.

Chief Ethics, Risk & Compliance Officer of Novartis
Chair of the Business at OECD Anti-Corruption Committee

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Introduction

According to the World Bank, businesses and individuals pay more than \$3.6 trillion in bribes every year (Johnson 2018). A Transparency International (2017) survey of over 160,000 respondents found that nearly one in four people said they had paid a bribe for public services in the previous 12 months.

Bribery and corruption is as much a threat today as it has ever been, and is not restricted to any sector of society, any region of the world, or any aspect of the business world. Wherever there is gain to be made, or power to exercise, the risk exists that some individuals will seek an unfair advantage to benefit themselves.

Corruption in the political sphere is popularly perceived to be widespread, and regrettably in all too many cases this may be true. Headline-grabbing cases of grand corruption (ie corruption involving those highly placed in government or related organisations), multimillion dollar properties and billions of dollars stashed in offshore accounts have an other-worldly fascination to them. However mundane and familiar one aspect of a grand international crime ring may seem to a domestic audience, it is in the very nature of these cross-border crimes that other elements will seem exotic and unfamiliar. The dislocation is such that the audience believe there is nothing they can do: it is all beyond them and their influence. Headline writers and influential commentators highlight the damage done by 'illicit financial flows', a fluid

term which includes state-level complicity in abuse of post-conflict reconstruction efforts and 'theft by leaders of resource-rich countries of royalties, licence fees and profits' (Vogl 2019).



Bribery and corruption is often instituted by those in public or higher offices entrusted with ensuring a bribery and corruption-free environment.

**Survey respondent,
sub-Saharan Africa**

The damage caused by such behaviour is real and must be tackled. But the mechanisms in place for preventing, detecting and responding to such large-scale, high-level activities are quite specific. The work of bodies such as the Financial Action Task Force (FATF) in promoting the transparency of corporate registers, for example, is of little practical relevance to most SMEs, beyond revised registration and compliance procedures.

The guidance produced to accompany the OECD Anti Bribery Convention, for example, is effective at countering every aspect of corruption and bribery within a large business, especially one with international reach. A combination of 'tone from the top' and ground-up compliance and control mechanisms will produce maximum effect. The aim is to make corrupt behaviour something that the majority of employees would not even contemplate, while providing the tools for detecting the dishonest minority at the earliest opportunity.

And yet bribery, so much a part of the grand corruption phenomenon, is all too often found far closer to home, and with far more insidious effects for small businesses, local communities, and struggling families. A bribe of \$100,000 to a government minister will inevitably come from a wealthy source, and if that source is a large business then the cost will be shared across hundreds or thousands of employees. The direct impact of providing the resources on those funding the crime may be almost imperceptible, however great its effect upon the payee or those at the mercy of their decisions.

For a small business struggling with cash flow, the incremental impact of lost investment opportunities can be amplified over the life of the venture, tipping the balance away from growth.

SME bribery works in the opposite direction. For the government official demanding \$50 to clear goods through customs, it is only the aggregate of many such payments that will make a real difference to their lifestyle. But for a small business struggling with cash flow, the incremental impact of lost investment opportunities can be amplified over the life of the venture, tipping the balance away from growth, and the increased wealth that this would bring to the whole local economy.

The impetus for corruption is all too often reversed: the economics change from a supply-side or cooperative model to a coercive one. The smaller business doesn't offer a bribe to an official because it wants to, but rather because it has to. But when such behaviour becomes the norm, it can escalate to a point where the whole of society is corrupted, and it becomes impossible to do business honestly.



In [my country] the system is endemically corrupted. It is difficult to get anything done without having to 'grease some palms'.

Survey respondent, Caribbean

Rules and regulations are relaxed for those who can afford to pay their way through to get things done.

Survey respondent, sub-Saharan Africa

There is not enough exposure to the existence of this. People see corruption in local councils and think if it's okay for the government, then it's okay for all.

Survey respondent, Europe

It's about [an] eco-environment, where all entities survive together. When this eco-environment is contaminated by bribery and corruption, fair trade is non-existence and the system goes into [a] vicious cycle and can never get out of it. So every entity, no matter [whether] it is a large corporation, or SME, or government body, must take bribery and corruption seriously.

Survey respondent, Oceania

1. The business impact of bribery



Business and society are inextricably interwoven together, and an environment where bribery is tolerated and accepted as an inevitable feature in the conduct of business will find its reflection in wider society. The diversion into private pockets of funds that should be spent on public benefits will have adverse consequences for all in society.

A culture in which a business considers it may have no choice but to pay bribes will be one that facilitates and perpetuates unfairness and inequalities. The distortion of economic decision making that results from such an approach to the power dynamic will embed inefficiencies into the production cycle, stifling innovation and economic growth.

Where a business cannot or will not compete with those paying bribes, or refuses to submit to those who demand them, stakeholders will still suffer. The forgone business will cost investors their return on profits, and employees the income otherwise potentially earned from additional work. If the output has been 'bought' by a richer or less scrupulous rival then the cost will be passed on to its customers. If those demanding the bribe are so greedy that none can pay and no one steps into the gap, then everyone is poorer by the lost productivity.



Bribery and corruption is not only [a] concern for SMEs. It is [a] concern for society as a whole which continuously erode[s] ethical values and norms.

Survey respondent, Asia

It... significantly affects its growth, as policemen and city council workers and other intermediaries keep on taking bribes and to get licences, permits – you must bribe your way up.

Survey respondent, sub-Saharan Africa

It will impact their growth as they [SMEs] do not have excess resources to finance bribery and corruption.

Survey respondent, sub-Saharan Africa

Many SME's never see the light of the day because they were never granted relevant operational licences since they could not engage in bribery and corruption.

Survey respondent, sub-Saharan Africa

Bribery and corruption disrupts the fair market opportunity and competition trajectory, thereby giving opportunity to low-performing SMEs. It also increases cost for SMEs and sometimes virtually increases start-up and operations capital as well as the profitability levels. In fact, bribery and corruption brings about poor service delivery and less regards for quality of services and quality of life in general.

Survey respondent, sub-Saharan Africa

Where businesses choose not to conduct business in a particular country or region because of concerns about bribery or corruption, then that country's economy will suffer the reduced activity.

The diversion of funds into private pockets has an impact on the quality of goods and services delivered by business. In some parts of the world, buildings that collapse during earthquakes are known as 'bribe buildings' because the builders bribed inspectors to ignore low standards (Wharton 2002). Infrastructure failings around the world are openly linked to bribery and corruption (Jones 2018).

Where businesses choose not to conduct business in a particular country or region because of concerns about bribery or corruption, then that country's economy will suffer the reduced activity. The population will miss out on whatever goods or services are not supplied, while the public purse will miss out on whatever taxes and duties might have been due.



Bribery and corruption destroys nation[al] value and business chain.

Survey respondent, Asia

In 2013, ACCA's report identified research that had suggested an increase in corrupt behaviours attributable directly to the global financial crisis (GFC) (Davies and Mirkovic 2013). The issues had two faces.

On the one hand, businesses were under pressure to maintain their trading performance, and so tempted to resort to any methods to preserve short-term trading cash flow, or to massage financial results to assuage creditors' concerns. On the other hand, individuals within business were themselves subject to personal financial pressures, and where the opportunity presented itself might be more inclined to divert business property to relieve personal financial difficulties. ACCA's own 2019 research, reported here, indicates that the proportion of respondents who believe that dishonest misrepresentation by businesses is increasing has gone up since 2013.



In the current economic climate, where many SMEs are struggling, there is a much greater temptation.

Survey respondent, Europe

Whatever the direct cause of corrupt behaviour, and whatever the sector involved, the effect of bribery and corruption is to damage confidence in the integrity of the business sector and to harm the interests of those who are not party to the corrupt practices.



2. What is being done?

The official message at both national and international levels remains clear: bribery and corruption is unacceptable in both public and business spheres. An ethical approach to business conduct should be the norm.

To reinforce that stance, initiatives to enhance both transparency and accountability have been adopted by national and supranational bodies, while non-governmental organisations (NGOs) and activists work to expose corrupt practices wherever they can be identified, with the encouragement of coverage by media outlets.

The OECD's Convention on Combating the Bribery of Public Officials in International Business Transactions sets out a framework that is intended to be adopted in all signatory countries to regulate and criminalise the practice of bribery in the course of business dealings with foreign governments. Alongside the Convention, the OECD has developed guidance to assist all interested parties in meeting the goals of the convention signatories.

The UN Convention against Corruption is wider in scope than the OECD convention, and has measures directed at both private and public sector business dealings. It too identifies the need for all members of society to be involved in combating corruption, and calls on all countries to promote the involvement of civil society and to raise awareness of corruption and what should be done to tackle it.

That specific instrument now sits within the framework of the UN Sustainable Development Goals (UNSDGs), key elements of which align directly with the goals of the convention.

Businesses that wish to engage with a number of elements of corporate social responsibility (CSR) practice will find a policy template in the UN Global Compact.¹ This sets out a number of principles that signatory companies are expected to integrate into their corporate strategies – including a commitment to tackling corruption.

Individual governments have also been taking action. The longest-standing and arguably the most effectively enforced anti-corruption statute is the US Foreign Corrupt Practices Act (FCPA). This Act makes it unlawful for any American individual or business, and any foreign business that is listed in the US, to make a payment to a foreign official for the purposes of obtaining or retaining business. A key aspect of this law is its extraterritorial reach, so that any business that has even a connection with the US (eg a branch office) can find itself being prosecuted in the US courts, especially if the bribe was made in US dollars. The FCPA imposes extensive accounting and

internal control obligations on listed companies, intended to help ensure that they do not make payments that would fall foul of the Act. The criminal penalties meted out by the US authorities both for actual bribery activities and for non-compliance with the control requirements can be substantial, the highest recorded being the US\$853m fine imposed on the Brazilian company Petrobras as part of a 2018 non-prosecution agreement totalling US\$1.78bn (SEC 2018).

The UK Bribery Act 2010 covers offences of bribing another person, accepting bribes and bribing foreign public officials. It also introduced a new 'corporate' offence of failing to prevent acts of bribery being perpetrated by employees, agents or subsidiaries. This corporate offence applies to any business incorporated in the UK, and to any foreign firm that carries on business in the UK. Its scope encompasses bribery activities conducted anywhere in the world. The model set out for detecting, preventing and responding to bribery within businesses has been broadly replicated in a new UK corporate offence of failing to prevent tax evasion, reflecting the increased recognition of the need for a holistic approach to dishonest behaviours in the business world.

¹ Details of the UN Global Compact can be found at <<https://www.unglobalcompact.org/what-is-gc>>, accessed 3 September 2019.

The increasing consciousness among corporate bodies of the importance of business reputation has also served to increase their interest in controlling their exposure to bribery and corruption risks.

A more recent addition to the network of national laws is the French Loi Sapin II (2016), which closely follows the models of the FCPA and UK Bribery Act, introducing extraterritorial effect, a new domestic anti-corruption agency and a procedure for negotiated non-judicial settlements (*convention judiciaire d'intérêt public* (CJIP)), following deferred prosecution agreement principles in the common law tradition.

Increasingly rigorous conditions apply to larger companies, with the largest having to implement a comprehensive programme of compliance measures. As well as a risk-assessment mechanism and procedures for conducting third-party due diligence, businesses need to implement an anti-corruption code for conduct and executive training, alongside internal whistle-blower reporting processes and, finally, a review procedure for assessing the effectiveness of the measures. Failure to implement the measures can see companies liable for fines of up to €1m, while responsible executives can face individual penalties of up to €200,000 and imprisonment.

Company laws and practices are developing in response to changing perceptions of corporate responsibilities. In 2006 the UK Companies Act was amended to require that all decisions made by company directors in the UK are made by reference to a series of specified

environmental factors, which include a requirement to consider 'the desirability of the company maintaining a reputation for high standards of business conduct'. While not displacing the need for directors to consider financial outcomes, the Act did displace the notion of 'shareholder primacy' under UK law, a position gaining credibility elsewhere in the world. Even in the US, for many years a bastion of the doctrine, growing numbers of businesses are making their shareholders aware that the managers' definition of returns to stakeholders is no longer framed in pure 'dollars and cents' terms, through initiatives such as the Business Roundtable Statement of Purpose, adopted in August 2019, which explicitly 'moves away from shareholder primacy' (Business Roundtable 2019).

The stringent provisions of the French, US and UK legislation have significantly increased the level of risk that businesses run, especially when dealing with particular sectors or markets where the incidence of bribery is considered to be high. Both measures compel individual businesses to put in place internal controls to minimise the risk of contravening the legislation. The increasing consciousness among corporate bodies of the importance of business reputation has also served to increase their interest in controlling their exposure to bribery and corruption risks.



Of course it will [be] a concern, on one hand if they operate in a highly corruptible environment they will have to pay bribes to continue in their business, otherwise they will close and have to go into liquidation just to not breach the bribery and corruption laws in some other countries where their parent\holding company is situated.

The problem with the laws for the anti-bribery is [that they are] always concerned with companies not following the anti-bribery laws/anti-corruption laws, they do not concern themselves about the environment where these companies are located.

Take one of the highly corruptible countries...let's say someone has a thriving business idea and start a company and this company booms, it won't be long before the government officials will come to 'take a piece of the cake' under different names. Now imagine this business has strived and opened several subsidiaries in other well-respected countries (NYC, UK, etc...)

They will be faced with two choices, either submit to those 'officials' and pay the bribes to be able to stay afloat and run the risk of being prosecuted by the laws in those foreign countries or not paying the 'officials' and closing down the business and destroying everything.

Survey respondent, Europe



3. How do bribery and corruption affect SMEs?

High-profile instances of bribery and corruption tend to be those that involve the largest sums of money, and as a consequence the largest businesses and highest-ranking public officials. It is no surprise, then, that significant efforts have been made to address the challenges that face public bodies and large corporations.

It is inherent in the nature of public bodies that they should act in the public interest, especially given the huge sums of money at stake. Public procurement accounts for an average of 12% of GDP in OECD countries, and up to 30% in many developing countries (UN Environment nd), accounting for as much as 50% or more of total government expenditure in these economies (Knack et al. 2017). Research has shown that when a corrupted procurement system allows contract allocation to be determined by bribes, rather than fair and open competition, then less productive firms are awarded the contracts (Mironov and Zhuravskaya 2016).

The sheer value and volume of the contracts for large-scale public infrastructure and service provision inevitably involve the largest private sector organisations, and tackling the supply side of bribery is every bit as important as dealing with the demand side. But beyond this, multinational organisations have enormous reach, and

influence not just their customers but their supply chains as well. The environment created by large corporations will influence the economies in which they operate, and developing processes and guidance to ensure that prevention and detection of bribery and corruption are suitably addressed is vital work.

Far less direct attention has been given to the risks facing SMEs, and how those might best be countered. SMEs make up the vast majority of businesses by number around the world, accounting for 99% of all formally registered businesses in those countries where accurate data is available. Even in the US, which has a high limit of 500 employees in its definition of SMEs, 48% of all jobs are accounted for by SMEs, while the range in the EU (with a common SME limit of 250 employees) is from 63% in France to 87% in Greece (SME Finance Forum 2019). Historically, surprisingly little research has focused on the risks posed to the sector. Efforts at understanding how bribery and corruption affect

business, and the development of tools and guidance to combat the threat of bribery and corruption, have mostly focused on larger businesses. Even the development of toolkits such as the Anti-Corruption Toolkit for Small and Medium Sized Companies from the B20AWCG/G20ACTF (2015) can go only so far, and at 80 pages long there is a risk that even this comparatively easy-to-read guide will stretch the resources of SME owners to digest and implement the recommendations properly.

It is vital, therefore, that the efforts made are properly targeted, and address the areas of need as identified both by objective measurement and subjectively by the SMEs' own perceptions. Questions such as the usefulness or desirability of differential regulation need to be addressed, as does SMEs' own awareness of the challenges they face, and the options open to help deal with them.



4. ACCA's research

ACCA has undertaken global surveys in 2013 and 2019 to help increase understanding of the impact of bribery and corruption on SMEs.

The 2019 survey was conducted among ACCA members and via public link; 40% of the 932 respondents worked in businesses in the corporate sector, 8% each in not-for-profit and the public sector and 27% in an accountancy business providing professional services to SMEs. The main findings of this survey are set out over the following pages and compared, where appropriate, with findings from the 2013 survey (exclusively of ACCA members, including members working within SMEs as accountants or general managers (63%) and those in public practice providing professional services to SMEs (29%)). A small number of members working in the public sector (4%) also took part. The survey population included 219 panel responses to ensure a representative sample from major regions.

For the purposes of this research, 'bribery and corruption' is treated as a single issue, in line with the typical approach taken by leading organisations. Given that one objective of the survey was to gauge understanding of the term 'bribery and corruption', participants were not given any formal definition in order to prevent their perceptions being influenced in any way.

5. Global research findings



(I) SME EXPOSURE TO BRIBERY AND CORRUPTION RISK

SMEs encounter bribery and corruption risks, just as large corporates do. Only 19% (2013: 17%) of global survey respondents think that SMEs are not generally likely to come across any risk of bribery and corruption in the course of their business dealings (Figure 5.1). The majority, 67% (up from 62%) believe that they are, although this figure masks significant regional variations. Only in Central America did respondents who claimed that SMEs would not encounter bribery and corruption outnumber those who thought it likely, at 37% to 27%, whereas in sub-Saharan Africa the results were 10% to 86%.

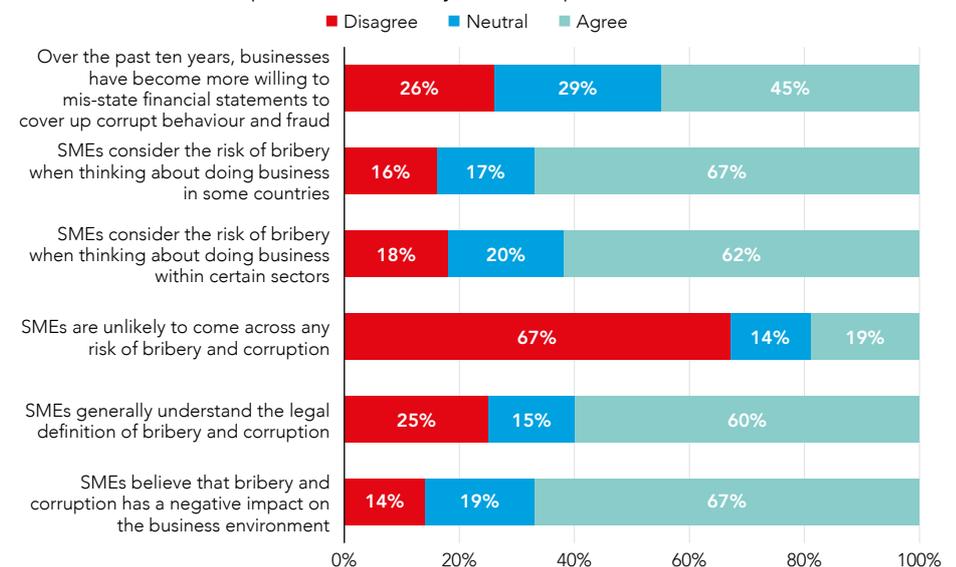
In 2013, respondents were asked whether the impact of the global financial crisis, and the resulting pressures on businesses had affected them. Almost one-third (31%) of global survey respondents thought businesses had been more willing to misstate financial statements to cover up for corrupt behaviour and fraud since the onset of the GFC. In 2019, in order to track whether long-term sentiment was on an upward or downward trend, respondents were asked whether businesses had become more willing over the previous 10 years to mis-state financial statements in order to cover up fraud. The proportion of respondents agreeing was 45%, a noticeable increase.

Despite the expectation that SMEs might encounter fraud, and that deception to cover it up is increasing, a concern arising from the previous survey findings was that many SMEs appeared not to be taking appropriate steps to mitigate their exposure to bribery and corruption risks. Survey participants were asked for their views on whether SMEs routinely consider the risk of bribery when considering doing business, and fewer than half thought this was the case in 2013. Only 45% of survey participants globally believed SMEs consider bribery risk when considering doing business within certain sectors,

and only 38% thought they do so when considering doing business internationally. The 2019 response, however, showed a far greater awareness of the risks, with certain countries (67%) or sectors (62%) expected to prompt concerns. Results were broadly consistent around the globe, although European businesses were less concerned about sector risk, with only 55% considering it to be a relevant factor, and 22% not considering it an issue.

This increased awareness of the risks should be welcomed provided it is accompanied by a better knowledge of how to tackle

FIGURE 5.1: SMEs' experience of bribery and corruption issues



64%
of respondents globally see bribery and corruption as having a negative impact on the business environment

them – although if the heightened awareness reflects only expectation or worse yet, a normalisation of corrupt behaviours, then steps should be taken to equip businesses to respond effectively.

In order to target their efforts successfully, businesses will need to understand where the risk is most likely to arise (Figure 5.2). More than 50% of respondents who expressed an opinion claimed that bribery was likely to arise in all the scenarios presented, dealing with public sector officials being regarded by 57% as the area where bribery and corruption might be most likely to become evident, a slight decline on the global figure of 61% from the 2013 survey, although this may be accounted for by regional variations in sample size, as the risk of bribery and corruption in public sector dealings is perceived as extremely high in

sub-Saharan Africa, at 91%, compared with ‘just’ 37% in Europe.

In assessing whether businesses are likely to take steps against bribery and corruption, it will be important to understand whether they would have any motivation to act against it. The extent to which corruption is seen to harm the business environment will give an indication of the likelihood that SMEs will support and implement measures aimed at reducing it.

Globally, SMEs overwhelmingly see bribery and corruption as having a negative impact on the business environment, with 64% of the survey population agreeing with the proposition, and 18% disagreeing. Concern was highest in North America (77%) and Oceania (76%), while respondents in Asia, South America and sub-Saharan Africa the most likely to dispute a negative impact (Figure 5.3).

FIGURE 5.2: If bribery and corruption is an issue for SMEs in your market, how likely are they to see this in the following situations? Global responses

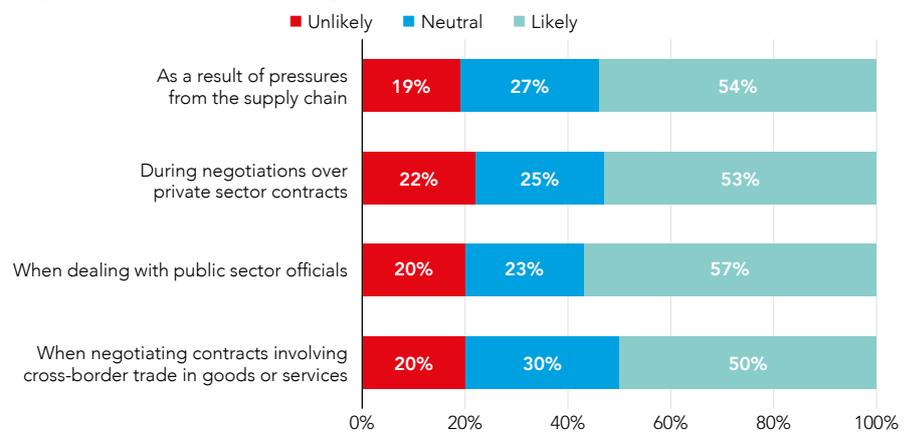
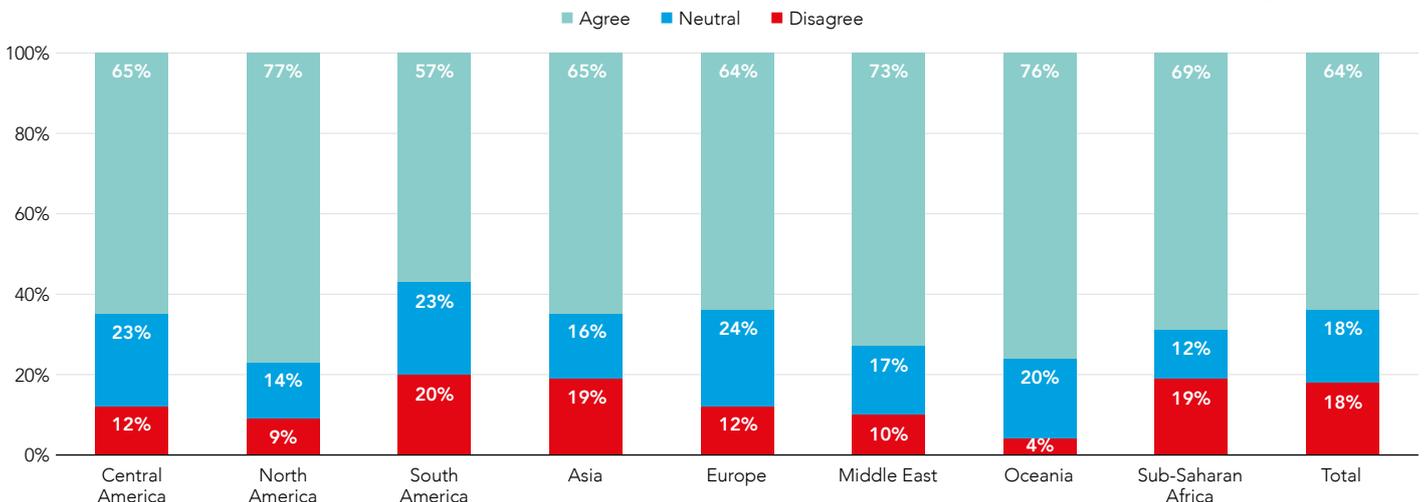


FIGURE 5.3: The extent to which SMEs believe that bribery and corruption issues impair the business environment. By-region responses



Tips and gratuities are not generally considered to fall within the definition of bribery, but what of the case where a regular customer consistently over-tips and the starts to demand special treatment?

(II) SMES' UNDERSTANDING OF BRIBERY AND CORRUPTION ISSUES

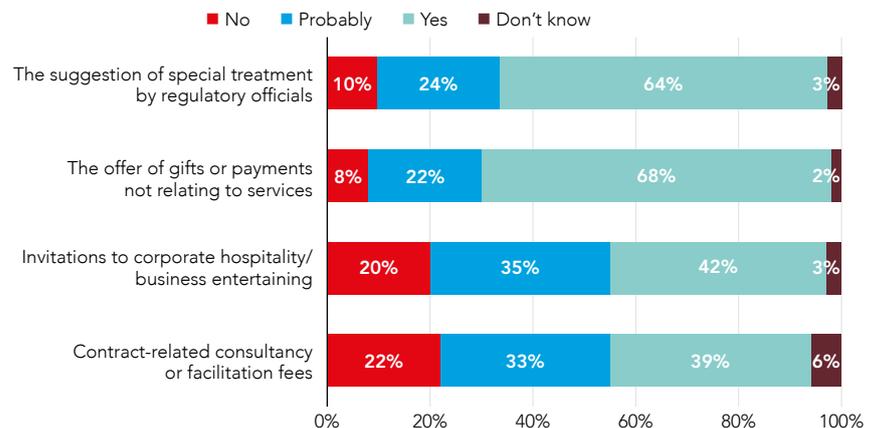
SMEs may know they are exposed to bribery and corruption risks, but can they reliably spot them? In many instances, corrupt payments are hidden behind the veneer of acceptable business expenses. A business expanding into a new and unfamiliar market might quite legitimately, and indeed sensibly, appoint a local agent or intermediary to guide it through local regulation and business customs, yet such arrangements can also mask the bribery of public officials or be used to channel illicit payments. A meal after a meeting may be no more than common politeness, but how lavish could it be before reaching the tipping point where undue influence is apparent? Tips and gratuities are not generally considered to fall within the definition of bribery, but what of the case where a regular customer consistently over-tips and the starts to demand special treatment?

Survey respondents were asked whether they would expect SMEs to be able to differentiate between (legally actionable) bribery and corruption and certain other specified (legal) scenarios. The situation is complicated by the differences in the law between different jurisdictions, whereby certain payments are regarded as legally permissible in one country but would not be in another. Participants have greatest confidence in SMEs' ability in relation to the offer of business-related gifts or unsolicited payments – 68% (2013: 71%) believing SMEs could differentiate between those that are permitted and bribery and corruption. Similarly, 64% (63%) of respondents globally expect SMEs to be able to differentiate between bribery and corruption and legally obtained preferential treatment by regulatory officials. However, a minority expect SMEs to be able to differentiate bribery and corruption from the provision of an acceptable level of corporate hospitality 42% (55%) and from contract-related consultancy and facilitation fees 39% (53%). See Figure 5.4.

44%

of respondents globally expect SMEs to be able to differentiate bribery and corruption from the provision of reasonable levels of corporate hospitality

FIGURE 5.4: Which of the following would SMEs to distinguish from unacceptable bribery and corruption?



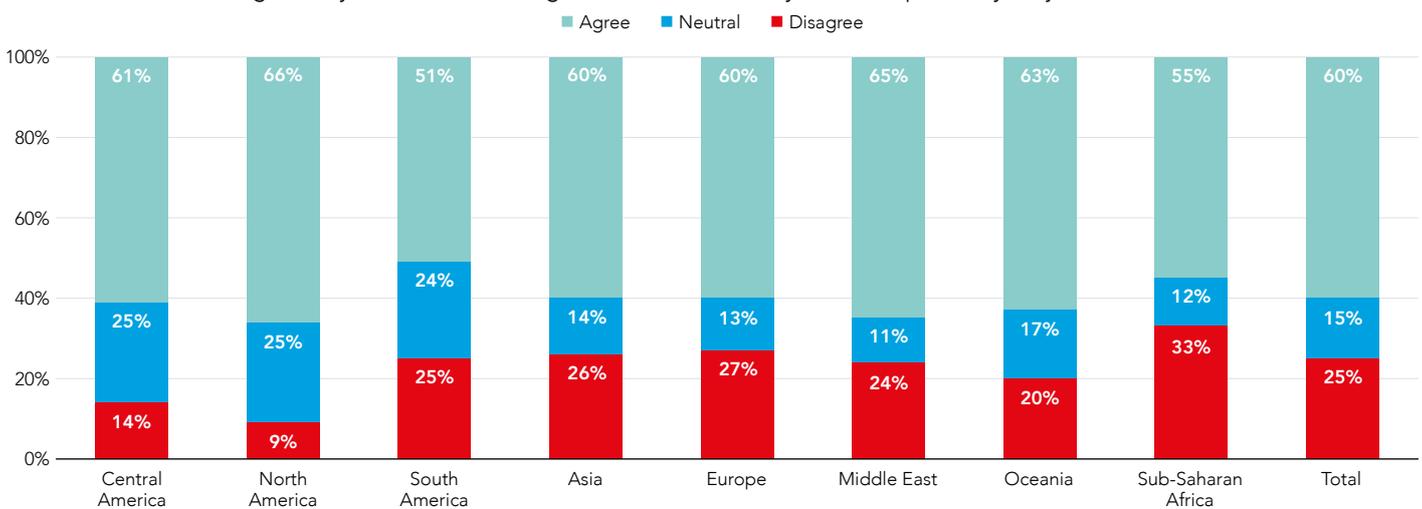
25%
of survey participants do not think SMEs understand the legal definition of bribery and corruption in their jurisdiction

However, around more than one in five respondents do not think SMEs could differentiate between bribery and corruption and legally permissible contract-related consultancy and facilitation fees (22%) or the provision of reasonable levels of corporate hospitality (20%). Many others are uncertain, 34% only able to say that SMEs could 'probably' recognise where these two scenarios cross the line into bribery and corruption.

There is tension here, though: as shown in Figure 5.5, 60% of survey participants agree or strongly agree that SMEs generally understand the legal definition of bribery and corruption in their jurisdiction. One in four (25%) do not think they understand it.

When looking at results across the regions (Figure 5.5), respondents in North America and the Middle East have most confidence in SMEs' understanding of the legal definitions: 66% and 65% respectively think they generally do so. The greatest scepticism arises in sub-Saharan Africa, where almost one-third (33%) of survey respondents do not think that SMEs generally understand the legal definition of bribery and corruption. This was the region where the greatest number of respondents distinguished bribery and corruption from legally permissible contract-related consultancy or facilitation fees (51%) or legally obtained special treatment by regulatory officials (73%), and was above average in all other measures on that question.

FIGURE 5.5: Do SMEs generally understand the legal definition of bribery and corruption in your jurisdiction?



41%
of respondents globally believe the risk of sanctions deters SMEs from doing business with some sectors or markets

(III) LEGAL FRAMEWORKS

Considerable variation exists in the impact that the risk of sanctions under anti-bribery laws has on SMEs’ willingness to do business within some sectors or jurisdictions. In aggregate, a large proportion of survey respondents (41%) believe the risk of sanctions deters SMEs, while a similar proportion (37%) think it does not (Figure 5.6).

The overall figures mask a considerable variation, with the regions falling broadly into three bands – Europe, Asia and sub-Saharan Africa, with the lowest

proportion of SMEs deterred from doing business by the risk of sanctions, at 30%. Oceania, Middle East and North America all fall in the 46–50% band, with South America and Central America seeing the greatest impact on SME activity, at 75% and 76% respectively (see Figure 5.7).

The region where businesses are most likely to be deterred from doing business because of concerns about the legal implications is, however, the region with the lowest perceived understanding of the law on anti-bribery and corruption, at just 52% – South America. If difficulty in understanding the law is hindering

FIGURE 5.6: Do you think that the risk of penalties under anti-bribery laws deters SMEs from doing business with some sectors or markets? Global responses

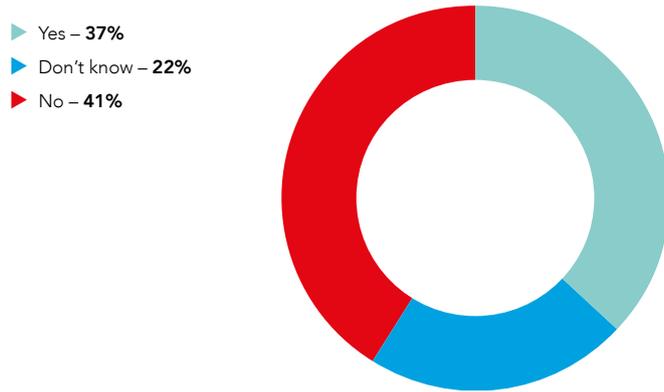
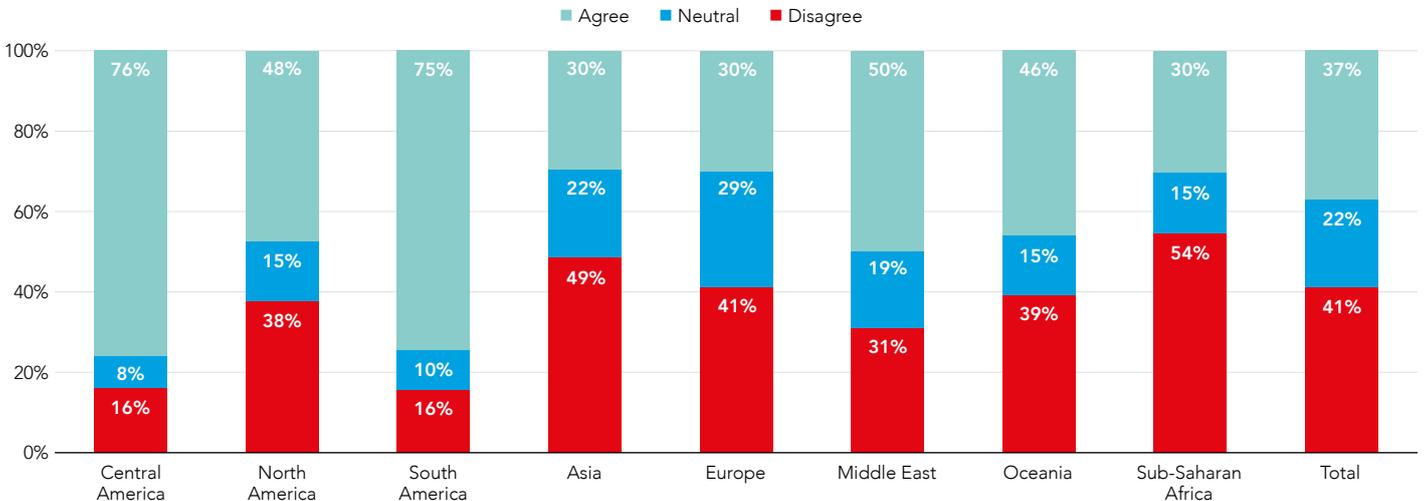


FIGURE 5.7: Do you think that the risk of penalties under anti-bribery laws deters SMEs from doing business with some sectors or markets? By-region responses



Over half of all respondents globally do not think anti-bribery laws should incorporate a modified regime for SMEs.

business, could there be an argument for introducing a modified regime for SMEs with less strict compliance obligations than those that apply to large companies and public bodies? Survey participants were asked for their views. Over half of all respondents globally do not think anti-bribery laws should incorporate a modified regime for SMEs. Nonetheless, a sizeable minority do advocate a simpler regime (42%), with just 7% unsure (Figure 5.8).

From a regional perspective (Figure 5.9), the strongest support for a modified regime for SMEs comes from Central America, where nearly two-thirds (65%) of

respondents think that anti-bribery laws should incorporate a modified regime for SMEs. This clearly reflects participants' concerns about the impact of sanctions on SMEs: as already noted, participants in Central America are most likely to think that the risk of sanctions under bribery laws deters SMEs from doing business with some sectors or jurisdictions. There is a similar result for South America, with 53% of respondents calling for a simplified regime for SMEs.

The strongest opposition against any modified regime for SMEs appears to come from sub-Saharan Africa (where

FIGURE 5.8: Do you think that anti-bribery laws should have a more relaxed approach for SMEs than for large companies and public bodies? Global responses

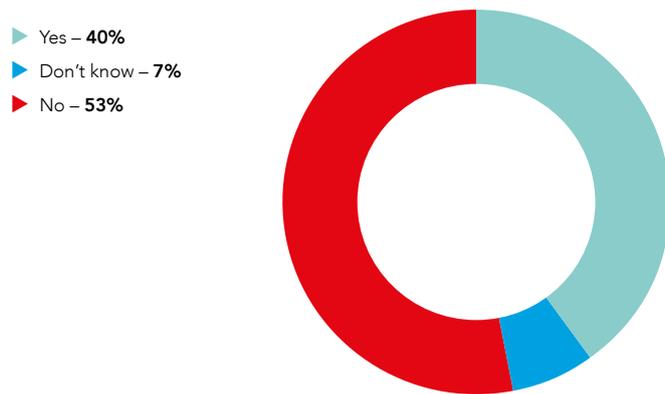
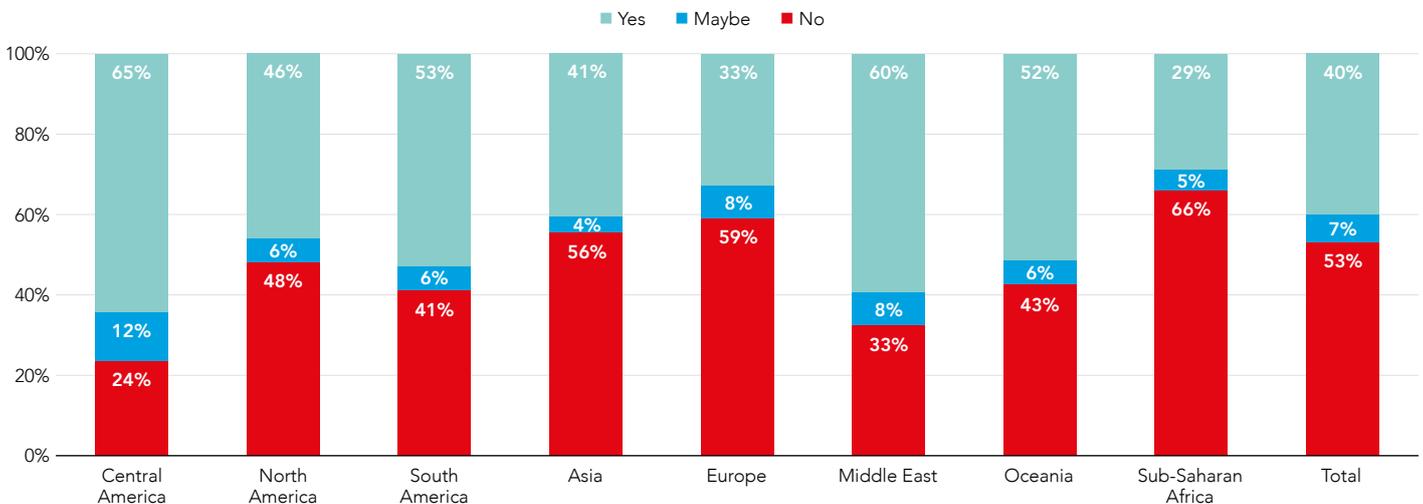


FIGURE 5.9: Do you think that anti-bribery laws should have a more relaxed approach for SMEs than for large companies and public bodies? By-region responses



47%
of respondents globally think the rules preventing the suggestion or payment of facilitation fees should be relaxed for SMEs

66% of respondents oppose the idea), Europe (where 59% oppose it) and the Asia (56% oppose). Again, these findings are consistent with those reported above, whereby survey respondents in those three regions formed the group of respondents who were least likely (30%) to think SMEs are deterred from doing business by the risk of sanctions under anti-bribery laws.

Any modification to the anti-bribery laws to accommodate SMEs could take a number of forms. Survey respondents who support the introduction of a

modified regime were asked for their opinion on one possibility – the relaxation for SMEs of rules prohibiting the solicitation or payment of facilitation payments, in those jurisdictions that consider this a form of bribery. A 47% of respondents support such an idea, while 42% oppose it (Figure 5.10).

Again, however, the picture varies across the globe, with Europe being the only region firmly opposed to such a relaxation, at 50% against with just 35% in favour, almost exactly the mirror image of the rest of the world, at 55% ‘yes’ to 37% ‘no’.

FIGURE 5.10: Do you think that the rules preventing the suggestion or payment of facilitation fees should be relaxed for SMEs? Global responses

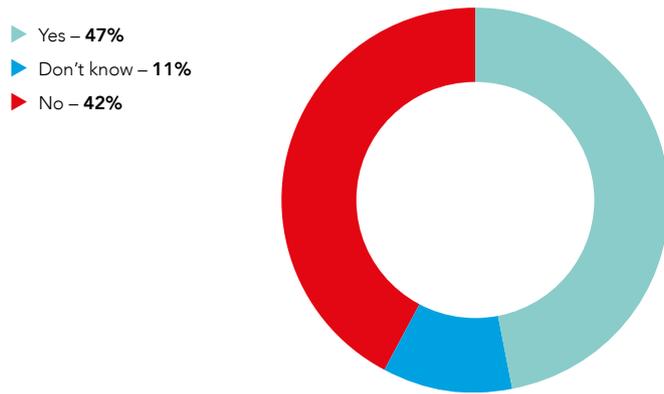
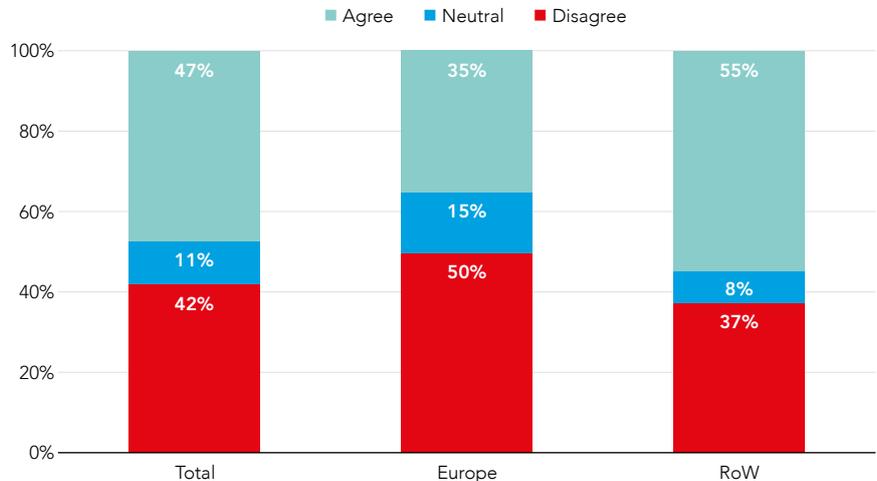


FIGURE 5.11: Do you think that the rules preventing the suggestion or payment of facilitation fees should be relaxed for SMEs? Regional responses



20%
of respondents globally think they would turn to their accountant for advice if they encountered bribery and corruption

(IV) ADVICE AND GUIDANCE

SMEs that encounter bribery and corruption in some form are likely to need advice and support, which could come from a number of sources. Not surprisingly, given the legal frameworks surrounding bribery and corruption issues, many survey respondents (34%) believe that SMEs are most likely to turn to their lawyer for help, while 20% think they would turn to their accountant, with the remaining respondents split quite evenly between those favouring a business organisation or trade/professional association; members of their peer group, such as other business people and professionals; or a confidential advisory service. In the final grouping of other options, the police registered just 4% (Figure 5.12).

Although accountants are not seen by most respondents as the first source of advice when bribery and corruption

issues arise for SMEs, they are considered to have a role in helping SMEs protect themselves from bribery and corruption risks. Three-quarters of survey respondents globally believe that SMEs would welcome advice from their accountants in relation to the policies and practices they need to have in place to deal with possible cases of bribery and corruption (Figure 5.13).

This would represent an expansion of the core services offered by most accountancy firms, and could require additional investment in skills training. It does, however, suggest that there is an opportunity for accountancy firms to strengthen further their position as the trusted business adviser to SMEs, offering the kind of business-focused, practical advice that can help clients address the risks they face when trading both in domestic and international markets.

FIGURE 5.12: Whom would SMEs be most likely to ask for advice if they encountered bribery and corruption? Global responses

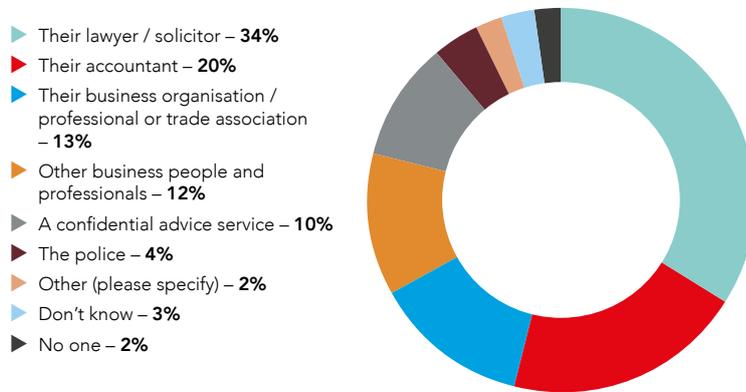
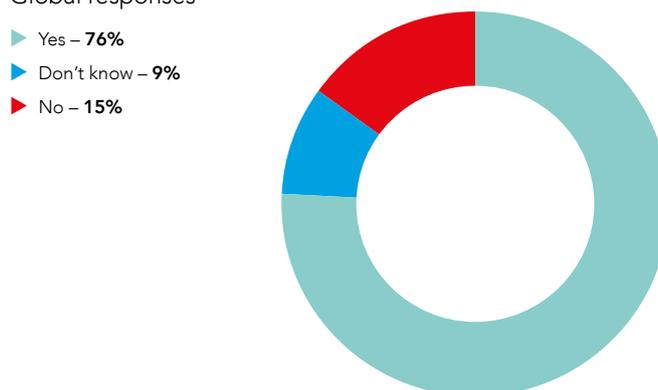


FIGURE 5.13: Would SMEs welcome advice from their accountants on the policies and practices they need to establish to deal with possible cases of bribery and corruption? Global responses



73%
of respondents globally think an SME with strong anti-bribery values will gain enhanced consumer confidence in their business

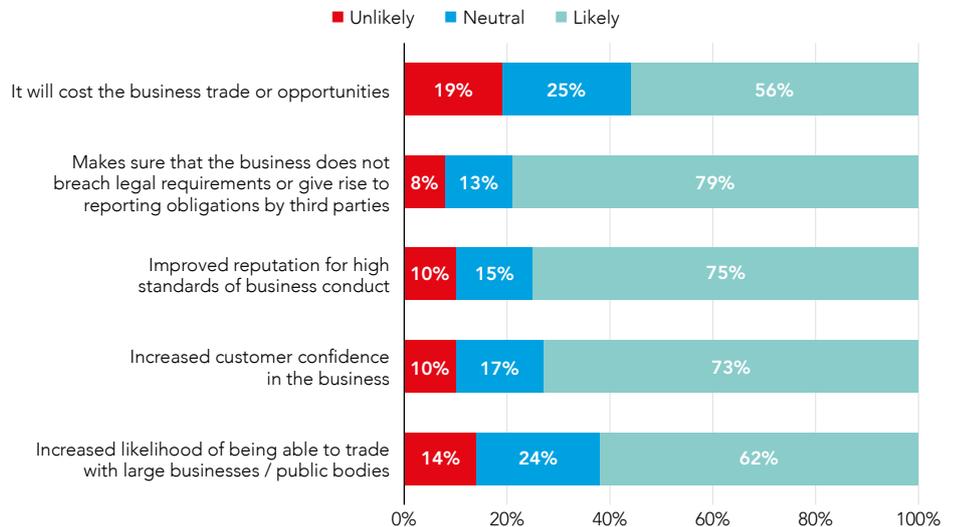
By helping their SME clients to improve policies and procedures designed to reduce bribery and corruption risks, accountants could help those clients gain a number of benefits. Three-quarters (75%) of survey respondents think it likely that SMEs demonstrating strong anti-bribery credentials will enhance their reputation for high standards of business conduct; 79% believe such SMEs would be less likely to breach legal requirements or be required to comply with third-party reporting obligations; and 73% think such SMEs will gain enhanced consumer confidence in their business.

Globally, 62% of survey respondents believe SMEs that demonstrate strong anti-bribery credentials will be more likely to be able to trade with large businesses and public bodies. This reflects that fact that global enterprises are increasingly concerned about their supply chain exposure to a range of risks associated with CSR, including bribery and corruption issues.

Nonetheless, there could be a price to pay in return. Over half the respondents (56%) believe that strong anti-bribery credentials would cost an SME business. From general comments made by participants during the survey, it is clear many feel that if SMEs refuse to make facilitation payments or fail to act in other ways perceived to be the norm in certain jurisdictions, they will not win some contracts (Figure 5.14). Some see this as a short-term cost on the way to building a stronger business; others fear that if businesses fail to comply with local expectations (for example, by not making facilitation payments), they put themselves at risk of failure.

A strong message emerging from the survey findings is that SMEs need more guidance to help them address bribery and corruption risks. Fewer than one in three respondents globally (29%) think sufficient guidance is available. The majority (59%) do not think there is currently sufficient guidance to help SMEs

FIGURE 5.14: How likely is it that an SME with strong anti-bribery values and practices will see the following outcomes?



59%
of respondents globally do not think there is sufficient guidance to help SMEs in identifying and dealing with bribery and corruption

in identifying and dealing with bribery and corruption (Figure 5.15).

Only in North America, where twice as many respondents believe there to be adequate guidance than do not (by 60% to 30%), did a majority feel comfortable with the current levels of guidance provision. In Asia the ratio was over 3:1 in the opposite direction (22% 'adequate' to 67% 'inadequate'), making it the region least well provided for.

Sub-Saharan Africa, Europe and the Middle East all sit around the 2:1 ratio of dissatisfied to satisfied, clearly indicating that despite all the efforts made since the last survey, there is still much to be done. Comparable figures for sub-Saharan Africa show a movement since 2013 from

71% to 64% believing guidance to be insufficient, while the proportion believing it to be sufficient has risen from 22.5% to 31%. While this is encouraging, it is less encouraging to see that figures for the UK have moved in the opposite direction, with satisfied respondents falling from 27% to 19%, while those with concerns have risen from 49% to 66%, with a similar trend for results across the rest of the Europe including Eastern and Central Europe (Figure 5.16).

The concern may be as much about quality as quantity, and driven by a rising awareness of the threat, but nevertheless demonstrates an appetite for clear and effective guidance which regulators, professional bodies and other interested parties should strive to fill.

FIGURE 5.15: Do you think SMEs have enough guidance/advice to help them identify and deal with bribery and corruption? Global responses

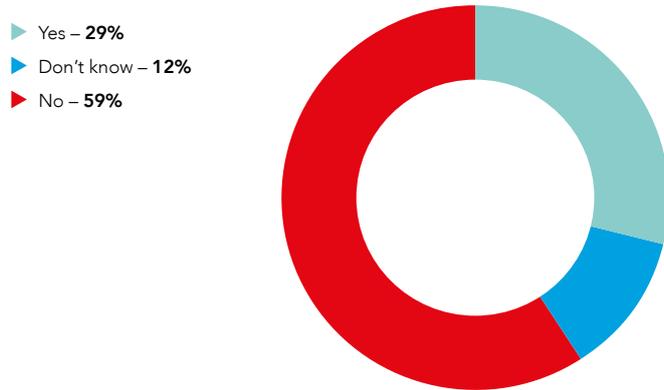
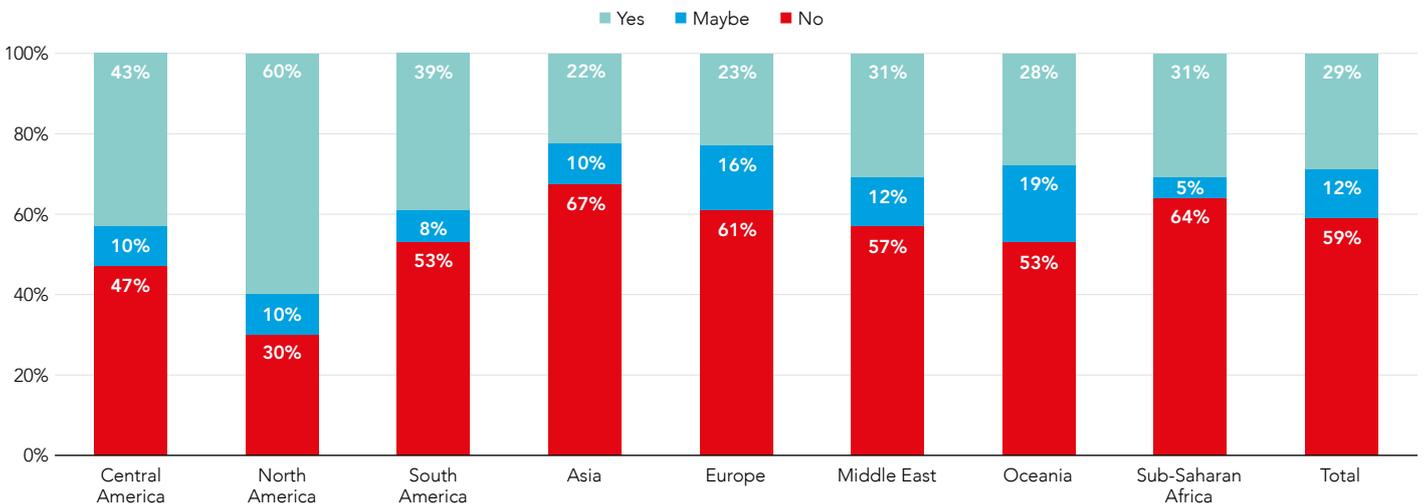


FIGURE 5.16: Do you think SMEs have enough guidance/advice to help them identify and deal with bribery and corruption? By-region responses



The results show most importance being placed on the creation of an environment where concerns about possible bribery and corruption can come to light.

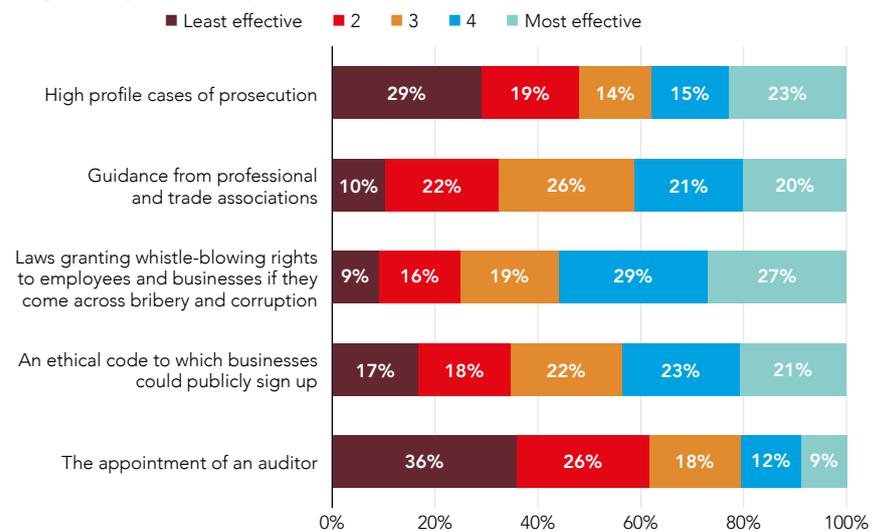
(V) COMBATING BRIBERY AND CORRUPTION

If bribery and corruption risk is an issue for the SME community, what actions could be taken to reduce that risk or help SMEs address it? Survey participants were asked to rate the effectiveness of a number of options on a scale from one to five. The results show most importance being placed on the creation of an environment where concerns about possible bribery and corruption can come to light. Almost two-thirds (65%) place a high effectiveness rating on laws granting whistle-blowing rights to employees and businesses where they encounter instances of bribery and corruption (Figure 5.17).

A majority also see benefits from the development of guidance from professional and trade associations, 41% expecting this to be among the most highly effective measures, alongside the existence of an ethical code to which businesses could publicly sign up (44%). This is consistent with the earlier finding that the majority (61%) of respondents do not think there is currently sufficient guidance to help SMEs in identifying and dealing with bribery and corruption.

One clear shift from the 2013 survey results is in attitudes to high-profile prosecutions. Although changes in methodology prevent a direct comparison, 76% of respondents to the previous survey said that creating an environment where it is clear that illegal activity will not be tolerated would be highly effective, the highest proportion for any of the measures. Only 2% rated such measures as being ineffective. Yet in 2019, 29% claimed that high-profile prosecutions would be the least effective measure, second only to appointment of an auditor. The conclusion in 2013 was that high-profile prosecutions would send a strong message that laws will be acted upon, encouraging more businesses to take the adoption and application of their anti-bribery policies and procedures seriously. The declining confidence in the effectiveness of such measures is disappointing, perhaps reflecting a resignation on the part of respondents that although many such high-profile prosecutions have taken place, bribery and corruption still seems rife. It may, however, also reflect a growing awareness of non-trial resolution mechanisms such as the French Judicial Public Interest Agreement (CJIP) and the deferred prosecution agreement arrangements available under other key domestic anti-bribery laws.

FIGURE 5.17: Perceived effectiveness of various measures to support SMEs in addressing bribery and corruption risks



64%
of respondents globally think bribery and corruption in general is a concern for SMEs

(VI) CAUSE FOR CONCERN

So is bribery and corruption, in general, a cause of concern to SMEs? Nearly two-thirds of survey respondents globally (64%) think that it is, while just over one-quarter disagree (Figure 5.18).

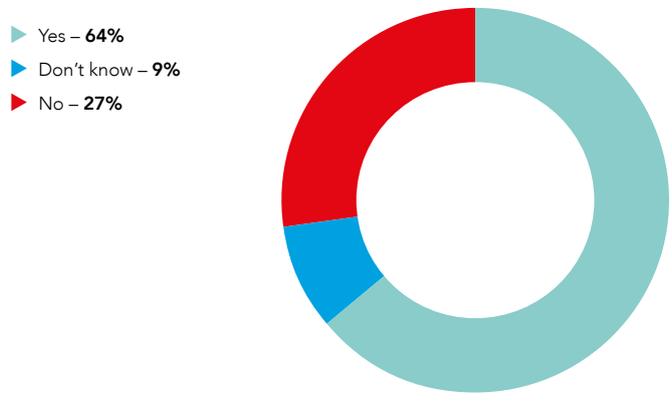
While the total appears to have shifted dramatically from 2013, when just 43% of respondents believed bribery and corruption to be a concern, while 33% did not, we need to consider whether this movement may be attributed to the relative blend of regional results.

Regional analysis of the survey responses reveals a dramatic divergence of views. In the developed market of the UK, just 32% of survey participants think that, in general, bribery and corruption amounts to a cause of concern to SMEs. In contrast, the vast majority of participants in sub-Saharan Africa (83%) are concerned about this, as are 75% of respondents in Asia. In each

case, the nearest equivalent analysis for 2013 showed less concern, with respective figures of 22%, 77% and 61%, suggesting that the rise is consistent across all regions.

In fact, Europe and Oceania are the only regions in 2019 showing fewer than three-quarters of respondents concerned by bribery and corruption in the SME sector, with the level of worry greatest in Central America, with just 6% considering bribery and corruption not to be a concern, against 84% concerned. The regions where a majority of participants believe SMEs need more guidance in dealing with bribery and corruption all show high levels of concern at the phenomenon. Similarly, the majority of respondents in sub-Saharan Africa and the Asia are opposed to anti-bribery laws incorporating a modified regime for SMEs – a response that is consistent with high levels of concern about the impact of bribery and corruption.

FIGURE 5.18: Is bribery and corruption in general a concern for SMEs? Global responses



Respondents compared bribery and corruption to a disease or a rot that, if unchallenged, spreads through the business community damaging individual enterprises and ultimately national economies.

Nonetheless, these patterns do not apply in Central America (which, at 65%, had the highest proportion in favour of a more relaxed regime for SMEs, and the second highest satisfaction levels with availability of guidance) or Europe, which is opposed to a modified regime yet shows the lowest levels of concern globally (albeit rising) (Figure 5.19).

Those participants who do believe bribery and corruption to be a cause of concern to SMEs were asked to explain why. Unprompted, respondents compared bribery and corruption to a disease or a rot that, if unchallenged, spreads through the business community damaging individual enterprises and ultimately national economies.

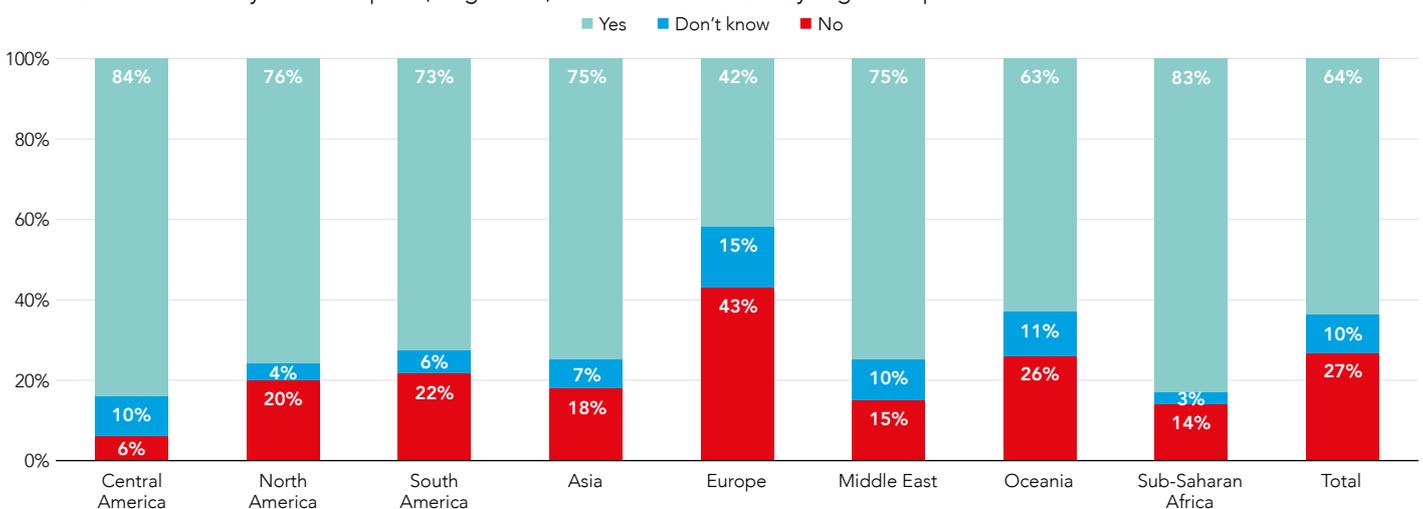
A number of specific themes emerge, and have remained consistent since the 2013 survey. Many respondents note that bribery and corruption:

- is anti-competitive, creating an unfair difference between businesses (large and small, and those that pay bribes and those that do not)
- increases business costs (whether through the need to pay bribes or through the burden of complying with anti-corruption regulations)

- leads to suboptimal resource allocation
- jeopardises SMEs' future viability, as they are less able to compete and are more vulnerable to the impact of legal action
- threatens to damage business reputation
- makes it harder to attract investment
- affects employee morale and wastes management time
- slows down decision-making by public officials and business transactions
- can damage a nation's economic growth.

Many survey respondents highlighted the widespread nature of bribery and corruption, commenting that it is rife in their market or in overseas jurisdictions, or when seeking to win public contracts. It is thus hard for SMEs to avoid situations where the potential for bribes exists, or where they are an expected part of business life. At the same time, survey participants frequently note that SMEs may have weaker internal controls, fewer resources for addressing bribery and corruption risks, or less general awareness of bribery and corruption issues.

FIGURE 5.19: Is bribery and corruption, in general, a concern for SMEs? By-region responses





6. What can SMEs and policymakers learn?

Many SMEs may take the view that their risk of encountering bribery in the course of their activities will be small; for that reason they may believe that they need not spend time, effort and resources in assembling any proactive plans to mitigate that risk.

Even so, ACCA's survey finds strong support for the proposition that the risk is present at the SME level and should be addressed and managed by smaller firms: over 67% of respondents disagreed with the statement that SMEs are not generally likely to come across the risk of bribery during the course of their business dealings. The survey also suggests a high level of acceptance of the idea that, even at the SME level, anti-bribery and corruption (ABC) programmes are likely to have practical benefits: 75% believe that the adoption of such programmes would enhance the firm's reputation for high standards of business conduct, 79% that it would help ensure that the firm does not break the law, and 73% that it is likely to enhance consumer confidence.

While the materiality of acts of bribery may not be as great at the SME level as it can be for larger organisations, there are good reasons for arguing that ABC practices can be as relevant to the SME sector as they are to any other.

Firstly, SMEs will often form part of the supply chains of larger companies and public sector bodies. Those entities will often have internal ABC policies and

practices that they require any business they transact with to satisfy. If an SME does not have an active and demonstrable commitment to ABC, or is not able to comply with the specific standards expected by a potential trading partner, it will reduce its prospects of doing business with that other entity. Accordingly, adopting a commitment to fair and transparent business conduct stands to enhance a company's viability as a trading partner (as well as helping the larger company to ensure compliance throughout its own supply chain).

Secondly, while SMEs make up the great majority of trading businesses in all countries, the comparatively limited resources and trading options of many SMEs can make them more vulnerable to exploitation by those who are prepared to offer or take bribes. Hence, for there to be a properly coordinated approach to combating bribery, effective action is required at the SME level to ensure that smaller businesses have the commitment and the support to be able to resist. Having a clear statement of policy and a strong cultural commitment to ABC practices will help to increase a smaller firm's ability to exhibit that resistance.

Thirdly, and perhaps of most direct significance to individual businesses, the introduction of far-reaching legislation such as the UK's Bribery Act, French Loi Sapin II and the US FCPA, which carry severe penalties for non-compliance, has made it essential that businesses of all types and sizes take this issue seriously. They must take effective action to ensure that they do not fall foul of the criminal law, with the long-term risks to business reputation that that can carry.

A concern shared by many SMEs, however, is that they cannot justify the cost and administrative burden of adopting formal ABC policies and practices – arrangements that can involve paying for specialist external expertise. This is a legitimate concern, and spreading effective ABC preventative measures in the SME sector must depend on recognising that the steps appropriate for SMEs are likely to be different in scale from those suited to large corporates or public bodies. It would be inappropriate, and in some areas simply impossible, to expect SMEs to adopt the same breadth and depth of ABC controls, and to invest comparable amounts of money, when their exposure to risk is, objectively,

A further consideration for those drafting guidance is that bribery and corruption are very much ethical issues, and as such influenced by the culture surrounding the individuals who make the relevant decisions.

modest or small. Furthermore, SMEs are not a homogeneous group – an SME can be anything from a small, owner-managed personal services business (often referred to as a micro business) to a complex and material business with non-executive directors, significant numbers of outside shareholders and ambitions to continue to grow.

This need for proportionality has been recognised in the official guidance issued to businesses by the UK government on the implementation of the requirements of the Bribery Act 2010 – with special focus on the internal control arrangements that all affected businesses are required to put in place. This guidance emphasises that what constitute ‘adequate’ ABC controls cannot be determined on a uniform basis. It will depend, in any particular case, on a number of factors, including the size of the business and the risks that it faces.

Guidance of this kind puts the onus for determining what is likely to be effective in mitigating exposure to bribery and corruption on the company itself. But in order to form a view on what is likely to be effective, the company should first carry out a review of the extent and types of bribery and corruption risk that it faces, a combination of variables likely to be different for each individual business. This approach recognises that it would be reasonable for a small entity that trades only domestically, in a low-risk line of business and with a small or defined group of suppliers and customers, to adopt ABC controls that are substantially different in nature and scale from those appropriate in the case of a multinational enterprise trading in a high-risk sector, such as construction or armaments, or

trading with high-risk countries (as evidenced by the corruption indices published by the World Bank² and Transparency International (2017)). In countries where ABC requirements are not imposed by law or regulation, this approach will still be appropriate.

A further consideration for those drafting guidance is that bribery and corruption are very much ethical issues, and as such influenced by the culture surrounding the individuals who make the relevant decisions. Global multinational enterprises (MNEs) each have thriving internal cultures, sometimes homogeneous and sometimes fractured. Ethical guidance that seeks to instil ABC values and practices at a cultural level within such an institution can have a significant impact, not just on the business itself but also on the supply chains and societies within which it operates.

But however relevant policies for board governance, or guidelines on the size of an internal compliance department and the appropriate reporting lines for its members might be for a business with a six-figure headcount, they are of no practical use for smaller enterprises. At the very smallest level, of micro businesses with 1–10 employees, the culture that influences the decision making and ethical framework of the owner will not be a formal written policy (which they would have chosen) nor pressure from employees (whom they will have appointed). The culture that influences their decision making will be their supply chain and their social networks. Changing that culture will have an impact on their decision making, but will not necessarily be something that can be influenced by the business.

² See <<https://databank.worldbank.org/source/worldwide-governance-indicators/preview/on>>, accessed 7 September 2019

Anti-bribery guidance for SMEs needs to be short and accessible. Very few entrepreneurs will have the time (or in many cases inclination) to read 80 pages of guidance, however well written or valuable.

Similarly, best practice for whistle-blowing procedures in a two-person business will bear little relation to that for a multi-divisional enterprise with existing reporting lines and hierarchies of responsibility. Knowledge of external sources of support is likely to be far more relevant for SMEs than attempting to replicate structured solutions designed for a totally different environment.

Finally, it is essential to recognise that SME decision makers are typically short of time, and will play many roles in their business. Management time in SMEs is disproportionately valuable. The founders of an SME will typically be expert in their chosen activity; their key skill is doing their business, rather than running a business. Time spent on administrative or compliance activities is time not spent doing the very thing that makes their money.

The long-term implications for SMEs, as opposed to larger entities, can be compounded by the way that knowledge of how to bring ABC policies into the business is introduced. A larger business may employ a specialist, or simply buy in external services, which will be funded out of profits already made on business already done. There may be implications

for future growth, to the extent that cash available for reinvestment is reduced, but that is a decision over which the business has control and will be of relatively little importance. For a smaller business, the use of management time is an opportunity cost that translates directly into forgone sales and forgone profit, and with it growth opportunities.

Anti-bribery guidance for SMEs needs to be short and accessible. Very few entrepreneurs will have the time (or in many cases inclination) to read 80 pages of guidance, however well written or valuable. If the key messages can be conveyed in two pages they should be. Online resources may be a particularly valuable way to engage interest. Nested layers of specific information allow users to focus on the area they need. Careful design can emphasise key messages and draw otherwise disengaged users into a deeper exploration of the topic than they might have considered with 'linear format' written guidance. Just as technology is being embraced by criminals in commission of offences, so regulators and enforcement agencies should embrace every aspect of helpful technological change in the battle to detect, prevent and respond to them.



Corruption in our country [is] like cancer not only for SME[s] but also to the other business. If corruption-free situation...[comes about], our country will become comfortable. We have plenty of resources in our country but government official and businessman always self-centred [and do] not think [about] the other party, poor people. I wish my country corruption and bribery free and everybody knows their right and obligation.

Survey respondent, sub-Saharan Africa

A close-up, profile photograph of a woman with dark hair, looking thoughtfully to the left. She is holding a dark pen to her chin with her right hand. The lighting is soft and directional, highlighting her facial features. The background is blurred, suggesting an indoor setting with a window.

Conclusions

The global economy is in a state of flux, as political and technological change recasts the environment for future growth. As we move from the post-GFC era of focusing on economic survival towards building more sustainable business environments, eradicating bribery and corruption must remain high on the policy agendas of national governments and international institutions alike. The position of SMEs needs to become central to these efforts.

The long-term harm done to the whole economy is recognised by many in the business world, and the official government messages that bribery and corruption must not be tolerated should be repeated loud and often.

The role of accountants and auditors is under constant scrutiny, with concerns being raised about the role of professional advisers in both committing and detecting corrupt practices. Implementing electronic payment mechanisms for taxes and permit applications can significantly reduce the scope for corruption. Developments in technology offer the opportunity for auditors to complete their work more effectively, but at the same time the business practices and structures on which they work are changing far faster than regulators can adapt. The commitment to ethical behaviour which all qualified and regulated accountants are bound by must be emphasised, reinforced and supported. A sufficiently skilled and sceptical profession forms the essential front line in the battle against corrupt behaviour, flexible and able to adapt to the changing delivery mechanisms of the unchanged underlying self-interest that drives the criminal behaviour.

A common theme in many countries is for governments to reduce the administrative burden on smaller businesses by reducing the level of financial disclosure that is required, and by reducing the need for audit. There is a clear risk to transparency and accountability from such moves, as the information available to the public becomes sparser and less reliable.

At the same time, governments themselves frequently have access to far more information than ever before. The automatic exchange of tax information, facilitated by digital transfer of data, is reducing the scope for businesses to disguise their operations, although the extent to which regulators and law enforcement have access to the information shared between tax authorities is itself subject to further regulation. Nonetheless, there is an increasing recognition in policy spheres that corrupt and criminal behaviours in one area will be coupled with other undesirable actions by the same controlling individuals. The alignment of anti money laundering regulations, tax transparency requirements and company registration practices with a common aim of stamping out economic crime should become a specific feature of policy development.

The results of ACCA's survey provide encouraging evidence that SMEs are recognising not only the ethical case for, but also the business benefits of, a

principled commitment to ABC policies and practices. As well as the strong support shown for the role of ABC programmes in enhancing a firm's market reputation, 53% of respondents argue against relaxation of ABC laws for the SME. Many respondents volunteered statements recognising the value to society of an ethical business environment.

It is essential, though, that sufficient support and guidance is in place to help SMEs build on that commitment. Globally, 59% of respondents still argue that there is insufficient guidance for the sector, and the importance of education was another recurring theme in respondents' comments. In many jurisdictions there is a sense of resignation that bribery is so endemic that SMEs have no alternative but to engage in it.

As regards official action to make a difference, the development of whistle-blowing laws, whereby employees and businesses themselves are able to channel their knowledge or suspicions about internal acts of bribery to designated authorities, is judged the most effective mechanism for influencing behaviour and deterring wrongdoers. These measures pose particular challenges for SMEs, and will involve a greater degree of publicly funded infrastructure and response to ensure that they are fully effective.

The offering and acceptance of bribes is a clear expression of the self-interest of those involved, putting their own benefit ahead of that of others, who will be disadvantaged by their corruption. Whatever the rules, guidelines or safeguards in place, corruption is ultimately a conscious decision by at least one of the individuals who bear personal responsibility. The long-term harm done to the whole economy is recognised by many in the business world, and the official government messages that bribery and corruption must not be tolerated should be repeated loud and often. But in order to restore trust in business, the commitment of all involved to fair and ethical dealing must be transparent and evident. Express commitment to ABC practices, and adoption of appropriate policies and processes in SMEs' daily dealings, will not only reduce the incidence of bribery and corruption, but also reduce their attractiveness and by extension increase the trust in business.



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