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**UNITED NATIONS YOUTH AND STUDENT ASSOCIATION OF AUSTRIA**

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**Abstract**

**United Nations Industrial Development Organization (UNIDO)**  
Simulating a Meeting of the Industrial Development Board

**"Corruption Prevention to Foster  
Small and Medium Sized Enterprise Development"**

## **Introduction**

The United Nations Industrial Development Organization debates the issue of corruption prevention to foster small and medium sized enterprise development. We will focus on the following topics:

- the work of the expert group on corruption
- project development and assessment missions
- a joint “service concept” of the UNIDO and the UNODC to support smaller businesses in that respect

In the end of the discussion we want to put forth a resolution containing adequate propositions for the international community on preventing corruption in order to promote the development of small and medium sized enterprises.

## **United Nations Industrial Development Organization**

UNIDO was established in 1966 and became a specialized agency of the United Nations in 1985. It therefore also has its own constitution, its own member states, its own policymaking organs, its own executive head and its own regular budget. UNIDO also disposes of voluntary contributions to finance developmental activities.

UNIDO is the only organization within the UN system promoting the creation of wealth and tackling poverty alleviation through manufacturing. It mainly focuses on three interdependent thematic priorities:

- Poverty Reduction through Productive Activities
- Trade Capacity-Building
- Energy and Environment

A main focus within the field of trade capacity building is on the development of the small and medium enterprise sector which is the key generator of wealth in most developing countries.

## **Corruption**

Corruption is a complex social, political and economic phenomenon which affects all countries worldwide. It undermines democratic institutions, it retards economic development and it contributes to government instability. Economic growth is stunted by corruption as outside direct investment is discouraged and small businesses within the country often don't find an opportunity to overcome the “start-up costs” required because of corruption. After the World Bank Institute, more than \$ 1 trillion dollars (US\$ 1,000 billion) are paid in bribes every year. The cost of corrupt activities is therefore equal to a full 3 percent of the world's gross domestic product.

## **Small and Medium Sized Enterprises**

Out of the 75 million companies existing across the globe, around 90 percent are small and medium sized enterprises (SMEs). The importance of SMEs for long-term economic stability and the development of an efficient market economic are obvious. Corruption is a major obstacle to SME development.

## **The Work of the Expert Group on Corruption**

In March 2006, an Expert Group Meeting was organized in Vienna. The aim is to discuss the problems smaller businesses face in generally corrupt environments as wells as to try to find possible measures to support those businesses. The view is that SMEs are the first to be negatively affected by corruption. Joint action and collective measures therefore have promising views in that field.

## **Project development and assessment missions**

UNIDO and UNODC jointly conducted a series of project development and assessment missions to Croatia, Indonesia and Malawi trying to get a more in-depth knowledge concerning the problems small companies

face when dealing with corruption. Now, these missions are completed and another publication focusing on tools and measures to support SMEs in their fight against corruption is in preparation. The necessity of further missions needs to be thought over.

#### **A joint “service concept” of the UNIDO and the UNODC**

At the very moment, both UNIDO and UNODC are developing a joint “service concept” which shall support smaller businesses in their fight against corruption. UNIDO and UNODC are looking for potential pilot countries to carry out such project.