

# THE OECD FIGHTS CORRUPTION



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**Angel Gurría**  
Secretary-General  
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A world without corruption is a critical objective for many governments and international organisations. It is rightly so as we are dealing with the most pervasive crime which erodes the very foundations of fair business, good government, and sustainable development.

The impact of corruption goes far beyond the specific misbehaviour of the actors involved. Its repercussions sweep across entire populations. A one million euro bribe can rapidly amount to a one hundred million euro loss in a poor country – through de-railed development plans and incoherent investment decisions. Unfinished roads, crumbling schools and crippled health systems are but a few serious examples which illustrate the impact of this phenomenon.

Addressing this problem is at the heart of the OECD's work. In the last ten years, this organisation has become the leading source of anti-corruption tools and expertise in areas such as international business, taxation, governance, export credits and development aid. Paving the way for an end to bribery in international business transactions, by establishing rigorous laws against this practice in 36 of the world's most developed countries, has been one of its biggest achievements. The OECD has helped countries on every continent to raise the bar in creating and strengthening strategies which would put an end to bribery. It has also developed standards and codes in strategic areas of public and private governance.

But this is not enough – genuine political will to eradicate corruption must come from all sides. Many governments and businesses have already started to react. Some are still thinking about it. Others believe that they can carry on doing business as usual.

The time for complacency is over: every day of inaction is a missed opportunity to create a more prosperous and transparent world. Now is the time for those international commitments made on paper to become concrete action, in order to eliminate corruption. The OECD is ready to play its part and to support the international community in this fight.



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## ► Taking a multidisciplinary approach

Corruption is the primary threat to good governance, sustainable economic development, democratic process and fair business practices. In today's interconnected world, corruption's corrosive effects are experienced not only where corruption is perpetrated, but also reverberate throughout the global economy and society. Countries' ability to address corruption, both domestically and internationally, is impaired by lack of transparency, accountability and integrity in the public and private sectors. Weak criminal legislation and anti-corruption mechanisms, and inadequate international co-operation also thwart efforts to combat corruption.

Various developments present specific challenges in the global context of fighting corruption:

► Increased global economic activity, combined with systemic weaknesses at the country level – including weak government capacity, inadequate remuneration of public sector officials, lack of transparency and accountability,

ineffective law enforcement, and lax financial and company regulations – has increased the incentives and opportunities for corrupt practices.

- Closer co-operation between the public and private sectors – through outsourcing, service privatisation and partnerships – has created new opportunities for corruption in the absence of adjustments to control discretionary power and close loopholes.
- The prospects of very significant increases of aid – forecast at an additional USD 50 billion a year by 2010 – add to the risks of corruption, and may create opportunities for political corruption and weaken the accountability of recipient country governments towards their citizens.

The OECD takes a multidisciplinary approach to fighting corruption. This approach embraces work in fields such as fighting bribery of foreign public officials, fiscal policy, public sector governance and private sector integrity, and development aid and export credits. The OECD has been a key forum for combating corruption over the past 15 years and has played a critical role in setting and promoting anti-corruption standards and principles.

*“Since the entry into force of the OECD Anti-Bribery Convention, there has been a marked increase in the number of investigations and prosecutions.”*

### ► Combating the “supply side” of bribery

The OECD has been addressing corruption first and foremost by developing various instruments targeting “active bribery”, or the “supply side” of corruption – that is, the offering of bribes. It has adopted four important instruments:

- the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (the OECD Anti-Bribery Convention),

- the 1997 Revised Recommendation of the Council on Combating Bribery in International Business Transactions,
- the Agreed Common Elements of Criminal Legislation and Related Action, and
- the 1996 Recommendation of the Council on the Tax Deductibility of Bribes to Foreign Public Officials.

Under these instruments, Parties to the Convention – all 30 OECD member countries and six non-OECD economies – are required to implement a comprehensive set of legal, regulatory and policy measures to prevent, detect, prosecute and sanction bribery of foreign officials. In addition to establishing criminal sanctions and corporate liability for foreign bribery, the Convention requires Parties to confiscate bribes and any profits obtained as a result of bribes. According to the Convention, Parties must also work together to ensure its effective application, for example in gathering and exchanging evidence, or through extradition.

Since the entry into force of the OECD Anti-Bribery Convention, there has been a marked increase in the number of investigations and prosecutions. There have been over 50 investigations and more than 30 convictions of foreign bribery in various Parties to the Convention. Prison sentences

have been handed down in several countries; and individuals and companies found guilty of foreign bribery have been penalised with fines, in some cases of up to EUR 2 million.

The OECD Anti-Bribery Convention's rigorous peer review mechanism distinguishes it from other anti-corruption initiatives and conventions. Countries' enforcement of these measures is systematically monitored to ensure that these instruments are being implemented effectively. This international, mutual evaluation and the peer pressure it has generated over the last decade have stimulated and guided governments to take concrete action to promote integrity in the corporate sector, prevent corruption, and investigate and prosecute cases of foreign bribery. The OECD Anti-Bribery Convention has proven to be the most far-reaching, influential international legal instrument in this area.

The OECD will continue to level the playing field for international business by increasing compliance and enforcement of the OECD anti-bribery instruments, promoting higher anti-bribery standards and actively seeking greater engagement of major emerging economies in the fight against bribery.

For more information, visit [www.oecd.org/bribery](http://www.oecd.org/bribery).

### ▶ Fighting bribery through export credits

In supporting the objectives of the OECD Anti-Bribery Convention, the OECD pays close attention to the operations of export credit agencies. These agencies are institutions acting for or on behalf of governments, which support international business by providing insurance, loans and loan guarantees for export sales. Under the Convention and its related instruments, governments are obliged to take action to deter and sanction bribery of foreign public officials in international business transactions, including those supported by official export credits.

Efforts in this area culminated in an *Action Statement on Bribery and Officially Supported Export Credits* in December 2000. The 2000 Action Statement contained the first set of co-ordinated measures to deter bribery in export sales that are financed with officially supported export credits.



In May 2006, OECD countries agreed, through the 2006 Action Statement, to step up their efforts in this area by calling for enhanced scrutiny of transactions where there are apparent risks of bribery – for example, where companies appear on multilateral financial institutions’ debarment lists or if there have been past convictions for violations of anti-foreign bribery laws. Countries monitor the implementation of the Action Statement through an ongoing review process.

For more information, visit [www.oecd.org/ech/xcred/bribery](http://www.oecd.org/ech/xcred/bribery).

### ► Denying tax deductibility of bribes

The 1996 *Recommendation of the OECD Council on the Tax Deductibility of Bribes to Foreign Public Officials* sought to put an end to claiming bribes to foreign public officials as tax deductible expenses. This recommendation has met with particular success as the vast majority of Parties to the *OECD Anti-Bribery Convention* now prohibits the deductibility of bribes to foreign public officials. In many cases, countries have gone one step further and have prohibited the deductibility of all bribes.

The implementation of this recommendation has sent a clear message that bribery will no longer be treated as an ordinary or necessary business expense and that bribery of foreign public

officials is a criminal offence subject to serious penalties. To ensure effective detection, the OECD issued a *Bribery Awareness Handbook for Tax Examiners* in 2003, which is now available in 13 languages. The handbook helps tax authorities identify suspicious payments likely to be bribes so that the denial of deductibility can be enforced and so that bribe payments can be detected and reported to law enforcement authorities. The handbook assists countries in strengthening their internal audit guidelines on bribery awareness and detection.

The OECD promotes implementation of the 1996 *Recommendation on the Tax Deductibility of Bribes to Foreign Public Officials* as well as the *Bribery Awareness Handbook for Tax Examiners* through its extensive network of tax partnerships with non-OECD economies throughout the world.

For more information, visit [www.oecd.org/ctp/nobribes](http://www.oecd.org/ctp/nobribes).

*“Bribery will no longer be treated as an ordinary or necessary business expense. To ensure effective detection of bribe payments, the OECD issued a Bribery Awareness Handbook for Tax Examiners in 2003, which is now available in 13 languages.”*

## ► Strengthening transparency and accountability in the public service

The OECD emphasises promoting good governance in the public service in order to prevent corruption – thereby addressing critical “demand side” aspects of corruption.

The OECD provides a forum to identify good practices and work out standards for developing a sound “Ethics Infrastructure” – the combination of laws, institutions and management mechanisms that help prevent corruption and promote integrity in the public service. OECD countries are committed to review regularly and modernise their integrity policies and practices by adopting the following integrity instruments:

- *the 1998 Recommendation on Improving Ethical Conduct in the Public Service*
- *the 2003 Recommendation on Guidelines for Managing Conflict of Interest in the Public Service.*

Conflict of interest is a primary risk to integrity in the public sector. The *Guidelines for Managing Conflict of Interest in the Public Service* signal countries’ determination to ensure that the integrity of public decision making is not compromised by public officials’ private interests. They set a comprehensive

benchmark for modernising governance structures to identify and manage conflict of interest situations. To help governments apply the Guidelines, a practical Toolkit has been developed to put policy into practice. Since the adoption of the 2003 Recommendation, 23 of the OECD’s 30 member countries have enhanced the standards in their laws and codes of conduct and strengthened implementation measures to prevent conflict of interest. The OECD has recently reviewed arrangements for promoting integrity in lobbying and post-public employment.

Preventing corruption requires more than designing and implementing core integrity and anti-corruption standards. Success also depends on the creation of a supportive environment in the public administration in which transparency and accountability play an essential role. Administrative simplification, regulatory reform, e-government, accounting and control in public finance and public employment are essential components of a long-term strategy for addressing corruption by promoting a culture of integrity and increasing resistance to corruption, particularly in risk areas.

*“Since the adoption of the 2003 Recommendation on managing conflict of interest in the public service, 23 of the OECD’s 30 member countries have enhanced the standards in their laws and codes of conduct, and strengthened implementation measures to prevent conflict of interest.”*

One such risk area is public procurement. The OECD is currently developing an operational guide to help government agencies prevent and detect corruption in the public procurement process through improved transparency and accountability. Parties to the *OECD Anti-Bribery Convention* will review the conditions for participating in public bids and the sanctions related to fraudulent public procurement to formulate more effective preventive measures.

Another important risk area is customs and border procedures. Transparency and accountability of public officials involved in the import, export and transit process are among the central elements of World Trade Organization negotiations on trade facilitation. The OECD has been actively involved in identifying good governance approaches for facilitating the movement of goods in international trade and minimising the opportunities for corrupt behaviour.

The OECD has also developed an Assessment Framework as a practical tool to guide public organisations in assessing their policies to promote integrity in the public service.

For more information, visit [www.oecd.org/governance](http://www.oecd.org/governance).

### ► Promoting responsible business conduct

The OECD has developed a code of conduct for international business which is part of a broader package of instruments on international investment. The *OECD Guidelines for Multinational Enterprises* cover all areas of business ethics, including information disclosure, transparency and the fight against corruption. Thus, the Guidelines' recommendations complement and reinforce the requirements set out in the OECD anti-bribery instruments.

The governments adhering to the *OECD Guidelines for Multinational Enterprises* represent countries that are home to most multinational enterprises and the source of most trade and investment. While observance of the Guidelines is voluntary for companies, the 39 adhering governments commit to promote them actively.

Guidelines implementation includes a mediation facility – involving government-backed dialogue with individual companies – which has been used 96 times since its creation in 2000 to discuss concrete problems, including in the areas of transparency, political involvement, contracting with governments and bribery. Because of their broad coverage and flexible implementation procedures, the *OECD Guidelines*

*“Implementation of the OECD Guidelines for Multinational Enterprises includes a mediation facility – involving government-backed dialogue with individual companies – which has been used 96 times since its creation in 2000.”*

for Multinational Enterprises are an important element of OECD efforts to combat corruption.

For more information, visit [www.oecd.org/daf/investment/guidelines](http://www.oecd.org/daf/investment/guidelines).

### ► Improving governance through development assistance

Corruption directly impedes progress towards the common poverty reduction objectives of both donor agencies and aid recipient countries, including the Millennium Development Goals. Fighting corruption, promoting transparency and improving integrity are integral to the OECD's development co-operation policies.

OECD donors first introduced anti-corruption provisions in their work in procurement agreements funded through bilateral development aid, following the 1996 *Recommendation on Anti-Corruption Proposals for Aid-Funded Procurement*. In 2003, donors set out to work together closely to ensure that they collectively support country-led anti-corruption strategies and to ensure that aid programmes themselves do not foster corruption, as detailed in the Development Assistance Committee's *Principles for Donor Action in Anti-Corruption*.

In these principles, donors resolve to harmonise their efforts to support developing countries' anti-corruption work and to address the supply side of corruption. Goals set out in the principles include strengthening civil society in aid recipient countries and their capacity to demand reform and transparency in the fight against corruption, and progress in donor countries on issues such as money laundering and recuperating assets lost through corruption. Donors are also working to assess corruption jointly in aid recipient countries and to formulate a code of conduct for donor agencies to prevent, detect, and respond to corruption.

The *Paris Declaration on Aid Effectiveness*, endorsed in 2005, goes beyond previous agreements among donors and defines a clear, practical plan to help improve the quality and positive impact of development aid. Within this framework donors have committed to giving even greater support to developing countries' anti-corruption efforts, aligning with country-led initiatives and promoting local ownership of anti-corruption reforms. Specific areas of focus are developing countries' programmes to strengthen procurement systems and

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financial management systems. An overarching theme in donors' work to fight corruption is policy coherence – ensuring that policies to achieve one aim, like recovery of assets diverted from development goals, are not undermined by other policies, such as banking secrecy. The ratification and implementation of international agreements like the United Nations Convention against Corruption are part of coherent donor approaches.

There is now a clearer understanding of how donor countries are part of the problem of corruption and that OECD governments have a distinct responsibility to help prevent and address corruption.

For more information, visit [www.oecd.org/dac](http://www.oecd.org/dac).

### Co-operation with non-OECD economies

The OECD is an international leader in forging alliances and building networks that encompass transition economies, developing countries, and emerging markets from all regions of the world. Global relations with non-OECD economies to promote the OECD anti-bribery and integrity instruments have been developed in three regions of the world. In Central and Eastern Europe, the Caucasus and Central Asia, progress in fighting corruption is being made in the framework of both the *Anti-Corruption Network for Transition Economies and Support for Improvement in Governance and Management (SIGMA)*, a joint initiative of the OECD and the European

Union. Countries' efforts to combat corruption in the Asia-Pacific region are promoted and supported by the *Asian Development Bank/OECD Anti-Corruption Initiative for Asia-Pacific*. More recently, the OECD launched a structured policy dialogue with Middle East and North African (MENA) countries on issues related to corruption and public and private sector integrity. Within the framework of the *MENA OECD Initiative on Governance and Investment for Development*, MENA countries launched a Working Group on Civil Service and Integrity and a Task Force on Business Integrity and Bribery in 2005.

## ► Reaching out globally to curb corruption

Through its relations with non-OECD economies around the world, the OECD has provided assistance over a range of anti-bribery and public integrity-related issues important to the twin goals of improving public governance and supporting the development of anti-corruption systems in non-OECD economies. These dialogues, which have involved not only governments but also civil society and the private sector, have provided a blueprint for future action to strengthen anti-corruption and public governance systems in the economies and regions concerned.

Co-operation with other international and intergovernmental partners also includes recent input into a Joint Project Group, with the Financial Action Task Force on Money Laundering and the Asia-Pacific Group on Money Laundering, to explore the complex links between corruption, money laundering and terrorist financing.

Efforts by other international organisations and communities such as the World Bank, the Council of Europe, the Organization of American States, and the United Nations – most recently with the entry into force of the United Nations Convention against Corruption (UNCAC) – have reinforced OECD anti-corruption efforts by promoting a comprehensive

combination of binding rules and prevention mechanisms for addressing corruption. The OECD is committed to promoting the implementation of the UNCAC and to helping governments reach the goals and standards it sets, with a particular focus on how the UNCAC and the OECD Anti-Bribery Convention complement each other.

Civil society and private sector perspectives also contribute to the OECD's approach to promoting integrity and fighting corruption. Established relations and fruitful exchange with trade unions, business communities, and non-governmental organisations are an important part of the broad policy dialogue that underlies the OECD's anti-corruption work.

## ► Partners within the OECD

Six specialised groups work together in the OECD's anti-corruption efforts. These groups are

- the Committee on Fiscal Affairs
- the Development Assistance Committee
- the Investment Committee
- the Public Governance Committee
- the Working Group on Bribery
- the Working Party on Export Credits and Credit Guarantees

## ▶ Key documents

To order copies of these documents and publications, please send a message to [anti-corruption.contact@oecd.org](mailto:anti-corruption.contact@oecd.org).

### International legally-binding instrument

OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997)

### Other international legal instruments

- ▶ Recommendation of the Council on the Tax Deductibility of Bribes to Foreign Public Officials (1996)
- ▶ Revised Recommendation of the Council on Combating Bribery in International Business Transactions and Agreed Common Elements of Criminal Legislation and Related Action (1997)
- ▶ Recommendation of the Council on Improving Ethical Conduct in the Public Service (1998)
- ▶ OECD Guidelines for Multinational Enterprises (2000)
- ▶ Recommendation of the Council on Guidelines for Managing Conflict of Interest in the Public Service (2003)

### Country reports

- ▶ Country reports and Mid-Term Study of the Implementation of the OECD Anti-Bribery Convention (2006)
- ▶ Fighting Corruption in Transition Economies: A Country Report Series (2005)

### Guidelines and tools

- ▶ OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones (2006)
- ▶ Public Sector Integrity: A Framework for Assessment (2005)
- ▶ Managing Conflict of Interest in the Public Sector: A Toolkit (2005)
- ▶ Managing Conflict of Interest in the Public Service: OECD Guidelines and Country Experiences (2003)
- ▶ OECD Bribery Awareness Handbook for Tax Examiners (2003)

## Declarations and statements

- ▶ 2006 Action Statement on Bribery and Officially Supported Export Credits
- ▶ Paris Declaration on Aid Effectiveness (2005)

## Publications

- ▶ Anti-Corruption Policies in Asia and the Pacific: Progress in Legal and Institutional Reform in 25 Countries (2006)
- ▶ Knowledge-Commitment-Action against Corruption in Asia-Pacific: Proceedings of the 5th Regional Anti-Corruption Conference (2006)
- ▶ Curbing Corruption in Tsunami Relief Operations (2005)
- ▶ Fighting Corruption and Promoting Integrity in Public Procurement (2005)



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