



# Conference Papers

## STATEMENT BY THE HONORABLE DONALD J. JOHNSTON, SECRETARY- GENERAL OF THE OECD

**“Building Integrity in Government: The OECD as part of a Multiple Response”**

**Wednesday, 24 February 1999**

Mr. Vice President, distinguished participants, ladies and gentlemen,

I am honored to help open this important Conference convened by Vice President Gore. He has brought together an impressive gathering: senior politicians -- including some heads of government -- officials, experts on ways to fight corruption and leaders of civil society representing citizens' interest in integrity in government. I am sure that under the leadership of the Vice President, this assembly will develop concrete principles, strategies and commitment for fighting corruption and safeguarding integrity.

Corruption in government undermines democracy and economic well being. I am sure that if this Conference has attracted so many experts, it is because you are convinced of the tremendous harm caused by corruption. It undermines confidence in democratic government (and this is a problem for established democracies as well as new democracies); fosters criminal elements; wastes public resources; slows economic development; distorts trade. I do not need to dwell on this for you.

Fighting corruption is a complex undertaking. Effective action requires a broad-based approach involving all social partners -- government, civil society, enterprises, trade unions and the media -- as well as official policies of prevention, correction and enforcement.

The OECD is helping its Members fight corruption in several different ways. The OECD addresses corruption from both the “demand side,” through work on public service ethics, and the “supply side” by taking action against bribe givers.

On the “demand” side, corruption should be seen as more than individual criminal actions. It results from flawed government systems, faulty legislation and weak public institutions that do not enforce laws, and fail to provide adequate control, oversight, and transparency.

Drawing on their collective experience, OECD is helping its Member governments get their own houses in order. Our members have reflected together on the different tools that governments use to prevent corruption and promote integrity in the public sector. They have developed the concept of an “ethics infrastructure” to help members assess their own strengths and weakness in protecting the integrity of own governments.

As a result, last April, OECD countries adopted the “Recommendation on Improving Ethical Conduct in the Public Service,” which is built upon these principles for managing ethics. This Recommendation has been distributed to the Conference and I hope you will find it a valuable source of information.

On the “supply side” the OECD negotiated the Convention on Combating Bribery of Foreign

Public Officials in International Business Transactions. I am proud to tell you (as did the Vice President) that this Convention entered into force last week on February 15. Twelve of the 34 signatories have ratified the Convention. I am confident that over the coming months they will be joined by the other signatories as well as by new countries wanting to join the Convention. Already 5 non-OECD countries have joined this effort -- Argentina, Brazil, Bulgaria, Chile and the Slovak Republic. Israel recently requested to join.

The United States can take particular pride in the OECD anti-bribery Convention. It was the U.S. that ten years ago asked the OECD to take up the issue of bribery in international business. All OECD countries -- in fact, all countries -- have laws making it a crime to bribe their own officials. At that time, only the United States, through the Foreign Corrupt Practices Act of 1977, had extended this prohibition to bribery of foreign officials.

When the United States brought this issue to the OECD in 1989, there was not much enthusiasm for a multilateral anti-corruption effort. Working with its Members, the OECD gradually built a consensus. In 1994 we achieved a general agreement that each OECD country should combat bribery in international business transactions. In 1997 we achieved a recommendation on more specific measures, and received a mandate to negotiate a binding criminal law treaty. We were asked to finish the negotiation in just 6 months. The fact that we met the deadline testifies to how the commitment of OECD countries to fight corruption had grown.

The countries that sign the Convention agree to make it a crime in their country to bribe foreign officials in order to get business or an undue business advantage. Essentially, the OECD Members, who are the major trading countries, are taking responsibility for upholding the trading system. They are the major competitors in most international markets. Their companies supply much of the large-scale bribery that undermines fair competition in the trading system.

The OECD approach might seem anomalous. It asks each country to be responsible for the conduct of its companies. This can create concerns. Countries and their companies worry that, given the high economic stakes, its neighbor will not match its own effort -- either by putting a weak a statute on the books or by neglecting enforcement.

The key issue is the level playing field. If you read the Convention, you will see that it sets a standard for the national laws to make it a crime to bribe a foreign official. The Convention also contains a commitment to engage in systematic monitoring of each country's performance. In practice we have now agreed to monitor performance in two phases. Starting immediately, the OECD will examine all the national laws to implement the Convention to make sure they are up to standard. After that, the Parties to the Convention will investigate how each country is enforcing these laws.

For my part, the OECD and its member governments have a responsibility to extend the reach or anti-corruption efforts to transactions within the private sector.

The OECD Convention goes very far to protect international public procurement from corruption. It covers bribes not only to persons who have a public office, but also to anyone who performs a service for the government or who works in a public enterprise. But does it make sense to stop there?

In fact, the almost global appreciation of the value of market principles will mean that the part of the international market that is not covered by the OECD Convention, will grow! Everywhere, major state owned enterprises are being privatized . . . utilities, airlines, ports, airports and so on. It seems absurd that bribes offered to officials of a state owned airline is caught by the Convention while those to officials of a privatized airline are not! That will be the case until the principles are extended. That is why I assert that our work at the OECD in this area has made an important beginning, but only a beginning.

Honesty in commercial transactions is essential to making the market system work. It is fundamental to engendering and maintaining public support for the global market system. And the health of the global market is critical for the wealth creation process that has brought us so far so fast with great promise for the world of the 21st century. That honesty which we have sought to establish within our nation states now must reach beyond as an important and logical consequence of globalization.

I intend to pursue this issue within the OECD while inviting non members to join as soon as possible. We must widen the net to cover more international corruption practices.

Finally, the OECD, naturally, has a responsibility to look beyond its borders. For a start, the OECD Development Assistance Committee has endorsed a strategy to combat corruption in bilateral aid-funded procurement. And all DAC Members are using or require anti-corruption provisions in aid-funded procurement contracts. The OECD Development Center -- which held a conference in Washington this week on the role of the private sector in fighting corruption -- conducts research on how to adjust strategies to the needs of developing countries.

Fortunately, the OECD and its Member governments are not alone -- far from it. An international response and new partnerships to fight corruption are taking form.

Sharing this platform with me this morning are representatives of the United Nations and Transparency International -- significantly, an international citizens organization. I am sure the Conference will also have the opportunity to consider the activities of the IMF, the World Bank, the Organization of American States and others.

The OECD is working with these and many other organizations, in particular to share experience beyond OECD.

-- Our SIGMA program -- a joint initiative of the OECD and the European Union -- advises governments in Central and Eastern Europe on how to raise integrity in state institutions through improved laws and regulations, better audit functions, and more transparent public procurement.

-- With the support of the USAID, the OECD has created an Anti-Corruption Network for these countries and the former Soviet Union. The Network will provide support for national anti-corruption strategies and encourage co-operation among national and international institutions.

-- In Asia, the OECD, with the Asian Development Bank and the United Nations Development Programme (UNDP) is creating a forum for exchanging experience on ways to improve integrity and transparency in government and to mobilise civil society and business to join these efforts.

I would also like to signal the important activities of the private sector in the fight against bribery. It is business firms that face extortion and the hard choice of whether to enter the bribery competition. Organizations like the International Chamber of Commerce are helping them to develop their individual responses and helping to shape OECD's policies and recommendations.

I draw attention to these multiple efforts because I think that in the fight against corruption, we need many partnerships and many leaders.

I am often asked by journalists: Isn't the OECD Anti-bribery Convention rather naive? How can it work in corrupt countries where you have to bribe to do any business at all?

I think this question contains a fallacy. The various "corruption indexes" tell us that some

countries are perceived as more corrupt than others -- and probably they do have more corrupt officials. But, to my mind, there are no "corrupt countries." Even in the countries at the top (or bottom) of the Transparency International index there are many honest officials, businesses and citizens and institutions mobilized to fight corruption.

Fighting corruption requires leadership and partnership. We can thank the United States and Vice President Gore for their leadership in convening this conference and offering us the opportunity to work together, learn together and commit together to fight corruption. The word "together" is important. Because fighting corruption requires many leaders. In national and local governments, in parliaments and city councils, in the judiciary and security forces and among citizens in every community. It also requires partnership. No single effort will do the job.

Many leaders are here for this Conference. I hope that the work of the OECD and of this Conference will help you and the other leaders around the world who are determined to tight corruption.

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