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## Transcript

# Combating Global Corruption: Shared Standards and Common Practice?

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## **COMBATING GLOBAL CORRUPTION: SHARED STANDARDS AND COMMON PRACTICE?**

### **Angel Gurría:**

Good morning ladies and gentlemen. It is a great pleasure to be at Chatham House to address an issue of critical global importance: the fight against transnational corruption. Global corruption is one of the greatest challenges of our era: it distorts markets, weakens our governments, raises the costs of doing business, promotes inequalities and erodes our sustainable development efforts.

We are talking about one of the biggest systemic threats of the 21st century, and it has to be combated with all our strength and all our intelligence, with the help of effective international agreements, treaties and conventions. Combating corruption has become one of the top priorities for the OECD and I am therefore delighted to open this conference. I thank Chatham House for this opportunity.

### **Nothing like a Big Crisis to Combat Corruption**

Let me start by pointing to a major wake-up call in the fight against corruption: the crisis. One of the most important revelations of this crisis is that there is an urgent need to build a stronger, more transparent and better coordinated regulatory framework for the global economy. All participants in economic transactions need to develop, together, a set of common rules: on tax evasion, public procurement, due diligence, corporate governance, conflict of interest, lobbying, bribery, among others. And we need a joint effort to implement and keep updating these rules through effective and inclusive multilateral cooperation.

The OECD has been intensifying its work to help countries build and implement these new frameworks and rules in a wide spectrum of policy areas, with an arsenal of 'soft laws', benchmarks, studies and peer pressure mechanisms. Let me mention a few examples.

Our work on Base Erosion Profit Shifting (BEPS) is providing governments with new domestic and international tools to fight tax avoidance. Our *Guidelines for Multinational Enterprises* provide voluntary principles and standards for responsible business conduct to 45 signatory countries. Our *Principles for Transparency and Integrity in Lobbying* are helping to improve governance and accountability in an increasingly important activity.

One of the major legacies of this crisis is the erosion of public trust in our governments. According to our *Government at a Glance 2013* study, confidence in national governments in OECD countries now stands at a record low level of 40 per cent. We are also helping countries recover that trust. Our *Principles for Enhancing Integrity in Public Procurement* are helping governments promote transparency, good management, monitoring and accountability in these processes. We are also helping to reduce the risk of capturing of politicians by promoting more stringent and transparent rules for financing of political campaigns.

We also launched a CleanGovBiz initiative, which draws together the OECD's anti-corruption tools, reinforces their implementation, improves coordination among relevant players and monitors progress towards integrity. But let me focus in more depth on one of the fields in which we have developed more expertise and global clout: the fight against international bribery, where the *OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions* has become a global reference.

### **The OECD Ant-Bribery Convention: Evolution (and Revolution!)**

It is very difficult to calculate the exact cost of corruption, but some have estimated that every year close to \$1 trillion dollars pollute our systems and go to waste in bribes, generating a cascade of negative synergies for our economies, but most importantly, for the life prospects of our people.

Not so long ago, this practice was still considered part of doing business. In many countries, bribes were still treated as a tax deductible expense. Fortunately, after years of hard work, the OECD Anti-Bribery Convention was promulgated and entered into force in February of 1999, becoming the first legally-binding international instrument to focus exclusively on active bribery in business transactions.

The convention's rigorous peer review mechanism, the OECD Working Group on Bribery, has been referred to as the 'gold standard' by Transparency International. The group currently counts 41 member countries – the 34 OECD member states plus Argentina, Brazil, Bulgaria, Colombia, Latvia, Russia and South Africa. There are still some key players missing, such as China, India, Indonesia and Saudi Arabia. But we are committed to convince them to join this fight.

Many countries have made radical changes to their laws and institutions to comply with the convention. Governments had to make it a crime for their

nationals and their companies to pay bribes to public officials abroad in order to win business. This has been achieved by all member countries, with one of the most recent examples here in the UK, through the UK Bribery Act, which entered into force in 2011, following rigorous and repeated OECD reviews.

The convention has helped governments to enforce anti-bribery laws and secure convictions. Between 1999 and December 2012, 221 individuals and 90 companies were sanctioned for foreign bribery in 13 countries; the record fine for a foreign bribery case was imposed against Siemens and, to date, the company has incurred around 1.8 billion euros in total sanctions, across four jurisdictions, and criminal proceedings continue; we also know of 320 ongoing investigations into alleged acts of foreign bribery in 24 Parties to the Convention.

Today there are six other multilateral anti-corruption conventions. And there is an increasing number of mechanisms in place to facilitate cooperation among law enforcement authorities, including the biannual informal meetings of law enforcement authorities at the OECD. Anti-bribery has now become a key priority for a number of international institutions. Now there is even a dedicated G20 Anti-Bribery Working Group. These are very important achievements.

### **However, There is Still a Long Road Ahead**

In spite of this remarkable progress, many challenges still persist. Over half the Working Group on Bribery member countries have yet to successfully prosecute a foreign bribery case. And a number of emerging economies have not yet criminalised foreign bribery in spite of the various international obligations to which they have subscribed.

Our own countries do not always appear to be totally coherent. Political leaders may be tempted to defend their national companies even when such companies are suspected or even found guilty of corruption. Recent cases show state owned or state controlled enterprises can indulge in improper behaviour as much as privately owned companies. And law enforcement authorities do not always share information to assist their counterparts in international investigations.

Businesses also need to take a closer look in the mirror. The overwhelming majority of cases concluded to date have involved systemic corruption across international operations of major Multinational Enterprises (MNEs). This lies at the heart of the unprecedented crisis of trust that our countries are facing.

Corporations need to stop bribing public officials to recover public trust and legitimacy, but most importantly, to allow markets to work; governments provide good public services; and economies to increase their competitiveness. But how do we achieve all this?

### **The Way Forward: Advancing in Several Fronts**

We need to move ahead in several fronts. First and foremost, all major economic players must be part of the effort. It is imperative that all G20 countries become Parties to the OECD Anti-Bribery Convention. We also need to be consistent in terms of enforcement; and for that to happen, law enforcement authorities need to have sufficient independence and financial and human resources.

In addition, the playing field must be levelled both on the supply side and the demand side of transnational corruption. Cases in which a company and/or an individual are punished for having bribed a foreign public official must be accompanied by the investigation and prosecution of the foreign public official in question.

We also must become more sophisticated in our analysis of the drivers and methods of corruption. Professionals like lawyers, accountants and auditors need to be much more aware of the risks they face when advising in international business transactions. Ratings agencies should include corruption risks in their analysis of companies (as far as I know only one has done so - Fitch).

Official development assistance and export credit agencies should also minimise the risks of corruption. Investment funds and sovereign wealth funds should also take 'gross corruption' risks into account. NGOs should also keep the pressure.

Last but not least, international organizations need to establish a common vision and a common agenda on the way forward. The OECD will keep working hard to strengthen and broaden its work on anti-corruption. We will keep bringing the stakeholders together to inclusive multilateral events, such as the second OECD Annual Integrity Week which will take place in Paris in mid-March and to which you are all invited.

I therefore take the opportunity of being here, at this platform for the improvement of the world, Chatham House, to invite the leaders of the 41 member countries of the OECD Working Group on Bribery to lead by example and to commit to full implementation and enforcement of the convention. I

also take this chance to announce that in 2014, on the occasion of the 15th anniversary of the convention, I will seek the endorsement of our ministers of a high level political statement to strengthen our anti-corruption efforts.

Ladies and gentlemen:

Our decisions, our agreements, our treaties and conventions, but most of all, our actions, can reduce the living space for bribery and dishonesty. We can eradicate corruption. But for that we need a collective response, a multilateral effort, and a multidisciplinary programme. The OECD is working on these lines, but we need your help to succeed. Remember the words of Albert Einstein: *“The world will not be destroyed by those who do evil, but by those who watch them without doing anything”*.

Thank you for your attention.

<sup>1</sup> OECD, “Government at a Glance 2013”, p.9

<sup>2</sup> According to the World Bank’s estimations. See CleanGovBiz Brochure.

<sup>3</sup> The OECD Anti-Bribery Convention entered into force on 15 February 1999.

<sup>4</sup> According to data provided by LEG and DAF.

<sup>5</sup> See OECD Working Group on Bribery, 2012 enforcement data: [www.oecd.org/daf/anti-bribery/WorkingGrouponBribery\\_2012EnforcementData.pdf](http://www.oecd.org/daf/anti-bribery/WorkingGrouponBribery_2012EnforcementData.pdf).

<sup>6</sup> Adopted by the African Union, the Council of Europe, the League of Arab States, the Organisation of American States, and the United Nations.

<sup>7</sup> Fitch. See: <http://es.reuters.com/article/idUKTRE6504MX20100601>.