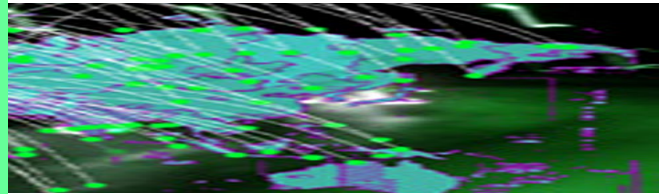


CONFLICT OF INTEREST



Political and public service leaders continue to be challenged by the issue of conflict of interest. This widespread ethical offence has serious implications for the public's perception of good governance. Involvement in conflict of interest is especially damaging to the electoral fortunes of elected officials. Beyond perceptions and political fortunes, conflicts of interest result in poor quality of service delivery and misuse of state funds. These inefficient have tangible effects in poor quality roads and school buildings and up to absence of infrastructure. Conflicts of interest also affect the private sector in constraining proper development of competitive industries and discouraging investment.

What is Conflict of Interest?

A *conflict of interest* is a situation in which someone in a position of public trust has competing professional or personal interests or incentives for action in a particular situation. The OECD defines conflict of interest as “a conflict between the public duty and private interests of public officials, in which public officials have private-capacity interests which could improperly influence the performance of their official duties and responsibilities.” Conflict of interest is often considered to be a form of the broader notion of *corruption*.

Current Causes of Concern

While conflict of interest is a perennial concern, conflict-of-interest scandals have drawn increased attention of late. Historically, relations between government and business have been an abundant and enduring source of conflict-of-interest offences. Recently, this problem-area has been exacerbated by the increasingly closer relationships between public officials and business people that result from such government reforms as contracting out, public-private partnerships and privatization. There has also been increased movement of employees between the public and private sectors. In addition, public servants have sometimes been encouraged to interact more closely and frequently with citizens, including business people, so as to provide better service. These reforms, and others, have expanded the opportunities for public officials to become involved in conflicts of interest.

Real, Apparent, and Potential Conflicts

Real conflicts of interest, as defined above, must be distinguished from *apparent* and *potential* conflicts. Officials can be in a conflict-of-interest “situation” without necessarily being involved in wrongdoing. An *apparent* conflict of interest refers to a situation wherein well-informed people could reasonably believe that a real conflict exists. For example, a public official who gives contracts to a business that employs one of that official's relatives may only appear to be involved in a real conflict. Apparent conflicts can be as damaging to the public's perception of government integrity as a real conflict. A *potential* conflict of interest refers to a situation that might develop into a real conflict. For example, an official with shares in oil companies who exercises regulatory authority over the energy industry is in a potential conflict. Public officials must take action to avoid or remove themselves from circumstances that have the strong appearance of, or the potential to develop into, real conflicts.

Varieties of Conflict of Interest

Among the many forms of conflict of interest are these:

- *Self-dealing*: Public officials benefit by using their official capacity to deal with themselves in a private capacity — for example, by giving a contract to a firm that they own
- *Accepting benefits*: Public officials accept a benefit from a person with whom they conduct official business — for example, a gift from a contractor.
- *Influence peddling*: Public officials solicit a benefit in return for granting preferential treatment to a person with whom they conduct official business



- *Using government property*: Public officials use government facilities or equipment for private purposes.
- *Using confidential information*: Public officials profit by using government information that is not available to the general public
- *Outside employment* (or “moonlighting”): Public officials work for additional remuneration at jobs outside government. Conflicts arise when, for example, officials do not devote appropriate time and energy to their government job because of the demands of their outside employment
- *Post-employment*: Public officials use information or contacts acquired while in government to benefit themselves, or others, after they leave government

While conflicts of interest are prevalent in both developed and developing countries, certain types of conflict such as accepting benefits and influence peddling are especially common in developing countries.

Post-employment conflicts of interest are especially notable because they have recently grown in importance for several of the reasons noted above. Moreover, they are distinct from other types of conflict because they occur primarily after public officials have left the government, making these conflicts more difficult to control. Post-employment offences can, however, begin while officials are still in government. Officials can, for example, give preferential treatment to a business firm in the hope, or with a promise, that the firm will hire that official when he or she leaves the government.

Preventing and Punishing Conflicts of Interest

Each country needs to give careful consideration to the effectiveness of its conflict-of-interest regime or infrastructure — that is, to the measures and mechanisms that it has to prevent and manage conflict-of-interest issues. The means by which conflicts of interest can be discouraged and penalized are similar to those for other ethical offences. They include [ethics rules and codes](#), [ethics training and education](#), and ethical leadership. In many countries, restrictions, prohibitions and penalties for conflict of interest are set out in legislation. Furthermore, in many countries, distinct ethics offices have been created to deal solely or primarily with conflict-of-interest problems.

Various measures have been devised specifically to prevent conflict-of-interest problems. These measures include the requirements that officials disclose all of their assets so that it will be clear to others if the officials are in a conflict situation, that officials divest themselves of problematic assets, or that they place these assets in some kind of trust.

Readings

See the Leadership for Results Info-Note “Codes of Ethics.”

Kemaghan, Kenneth, and John W. Langford. *The Responsible Public Servant*. Montreal and Toronto: Institute for Research on Public Policy, and Institute of Public Administration of Canada, 1990.

Organisation for Economic Co-operation and Development. *Managing Conflict of Interest in the Public Service: OECD Guidelines and Overview*. Paris: OECD, 2Q03.

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