

# MANAGING CONFLICT OF INTEREST— AN ADVISORY

## National Corruption Free Week (9-17 December 2010)

### What is a conflict of interests?

Conflict of interests is a situation in which an individual, due to his position in an organization, can exploit or take advantage of this position for his/her personal interests or gains. Personal or private interests or gains could be for those members of his/her family or those with whom she/he maintains living arrangements or a relationship approximating a family relationship or close friends. Declaring conflict of interests is integral to model code of conduct. Conflict of interests can be actual, perceived or potential.

An actual conflict of interests exists when there is a direct conflict between a public official's current duties and responsibilities and her/his private interests. A simple example would be, a head of a public agency hiring his vehicle or apartment to the agency.

A perceived or an apparent conflict of interests exists when it is perceived or it appears that a public official's private interests could improperly influence the performance or decision of the public official. A simple example would be, a public official who owns shares in a company and sits as a member of the board of that company making decisions in the operation of the company.

A potential conflict of interests could arise when a public official's private interests would be in conflict with her/his official duties in future. A simple example would be, a procurement officer setting up a supply business or a teacher planning to give private tuition.

### When does conflict of interests arise or occur?

- During self-dealing or decisions where public and private interests collide;
- Even for non-pecuniary interests such as family, personal or other relationship including friendship and enmity;
- In personal relationships between superiors and subordinates and amongst them;
- In outside employment where the interests of one job contradicts the other;
- In giving gifts and advantages to friends and acquaintances who have business relationships or official responsibilities among them; and
- In political affiliation of civil servants serving the government of the day.

### What are the consequences of conflict of interests?

- It diverts resources (logistics, manpower and money) from the real task;
- It destroys morale and reputation of organizations and individuals, undermining public trust;
- It polarizes individuals and groups, creates differences, obstructing cooperative action; and
- It decreases efficiency, effectiveness and productivity.

### Why is managing conflict of interests important?

- It is an important corruption prevention strategy;
- It increases efficiency, transparency and accountability of the system and individuals;
- It fosters public confidence in the integrity of public officials and public institutions; and
- It protects public officials from unfair accusations and other problems.

### How can conflict of interests be managed?

Conflict of interests cannot be always avoided or prohibited. Hence unavoidable conflict of interests needs to be identified, disclosed and effectively managed. Conflict of interests is best managed through the following procedural steps:

- Identify the different types of conflict of interests that arise in the organization;
- Develop appropriate conflict of interests policy, management strategies and responses;
- Educate staff, managers and senior executives and disseminate the policy across the organization;
- Lead the organization through example, especially by the senior management;
- Communicate the organization's commitment to its policy and procedures for managing conflict of interests to all stakeholders, including contractors, clients, sponsors and communities;
- Enforce the policy under the fair competition principles or uniform application policies; and
- Review the policies regularly and adjust where necessary to keep up with the changing environment and circumstances.

### Organizations and individuals have responsibilities for managing conflict of interests.

#### Organizations should:

- Provide clear and realistic description of what circumstances and relations are likely to lead to conflict of interests for those in the organization;
- Ensure staff and managers know what is required of them in relation to identifying and declaring conflict of interests (when, in what situations, how);
- Develop appropriate strategies for managing conflict of interests;
- Develop formal procedures to allow staff and managers to disclose their conflict of interests in transparent manner; and
- Provide staff and managers relevant and effective training to manage conflict of interests appropriately.

#### Individuals should:

- Be aware of potential conflict of interests that may affect them;
- Avoid where possible any obvious conflict of interests they encounter; and
- Promptly identify and disclose any actual, perceived or potential conflict of interests that may affect their performance.

Citizens have a right to expect that all public officials will perform their duties in a fair and unbiased way, and that the decisions they make are not affected by self-interests, private affiliations, or the likelihood of personal gain or loss. Every citizen is equal before the law and should receive fair and impartial treatment.

Note: The advisory has been abridged from OECD, ([www.oecd.org/gov/ethics](http://www.oecd.org/gov/ethics)), Transparency International ([www.transparency.org](http://www.transparency.org)) ICAC, NSW ([www.icac.nsw.gov.au](http://www.icac.nsw.gov.au))



*Let us pledge to Refrain, Resist and Report Corruption*

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