

Financial Disclosure Systems Declarations of Interests, Income, and Assets

A Background Primer

prepared by the Public Accountability Mechanisms (PAM) Initiative
of The World Bank Public Sector and Governance Group¹

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General Principles for the Design and Implementation of Financial Disclosure Systems

Financial disclosure systems require that public officials disclose their income, assets, and financial interests. They are intended for a variety of purposes, most fundamentally to prevent and to detect the abuse of public office for private gain. They also help to build a climate of integrity by providing guidance to officials about the principles and behaviors of ethical conduct in public office, reminding public officials that their behavior is subject to scrutiny, and generating a valuable source of information for financial or corruption investigations. Most financial disclosure regimes are combinations of prevention and detection, incorporating measures aimed at prevention of conflicts of interests and abuse of office, as well as explicit detection of disproportionate increases in wealth (also referred to as illicit enrichment).

Preventative measures are often focused on preventing and remedying conflicts of interest between an official's employment responsibilities and private financial interests. Conflicts of interest refer to a situation in which an individual is in a position to exploit an official capacity for personal benefit, but *has not done so yet*. The presence of a conflict of interest is not an indicator of improper conduct, but rather a warning of its possibility. For this reason, a preventative approach that focuses on conflicts of interest can be collaborative – encouraging participation of both employer and employee in a discussion about appropriate behavior and solutions to potential conflicts, without the immediate threat of sanction. The types of conflicts that might be disclosed in this approach include stockholdings, gifts and hospitality, private firm board membership, performing advisory services, serving as company officer of private firm, non-governmental organization or labor union membership, holding outside employment, holding government contracts, and post-employment endeavors.

Financial disclosure systems can also focus on detecting instances of illicit enrichment, by requiring public officials to disclose the ownership of real estate, moveable assets, cash, amounts and sources of income, and liabilities. This information can then be compared with land and vehicle registries, private firm registries, bank account information, tax databases, and the results of lifestyle checks by independent agencies or civil society. This type of approach can also function as preventative, since the threat of detection serves as a deterrent to behavior that enriches officials at the expense of their public service.

Despite these variations in approach, recent empirical work on financial disclosure policies and practices has illustrated several common factors of success, which are elaborated upon in a new publication by the Public

¹ This note draws on research and analysis by Aisuluu Aitbaeva, Ayompe Ayompe, Clara Barnett, Daniel W. Barnes, Tammar Berger, Ruxandra Burdescu, Afroza Chowdhury, Stuart Gilman, Alexandra Habershon, Nodira Murodkhujaeva, Claudia Oriolo, Teresa Marchiori, Gary J. Reid, and Stephanie E. Trapnell.

Accountability Mechanisms (PAM) Initiative of the Public Sector and Governance Group (PRMPS) and the Stolen Asset Recovery (StAR) Initiative. [Public Office, Private Interests: Accountability through Income and Asset Disclosure](#) outlines the issues in designing and implementing financial disclosure systems and is accompanied by a separate volume with eleven country case studies: [Income and Asset Disclosure Systems: Case Study Illustrations](#). **The main messages of these analytical works center around five key considerations:** scope and coverage of the disclosure requirement; monitoring and facilitation of compliance; verification or monitoring of content; enforcement of sanctions; and public availability of information.

Excessively ambitious scope can compromise the effectiveness and credibility of a financial disclosure regime. Policy decisions about scope and coverage need to be correlated with the objectives of the regime as well as with available institutional resources and capacities. Operational challenges related to management of declarations need also to be considered to avoid overburdening an agency’s resources.

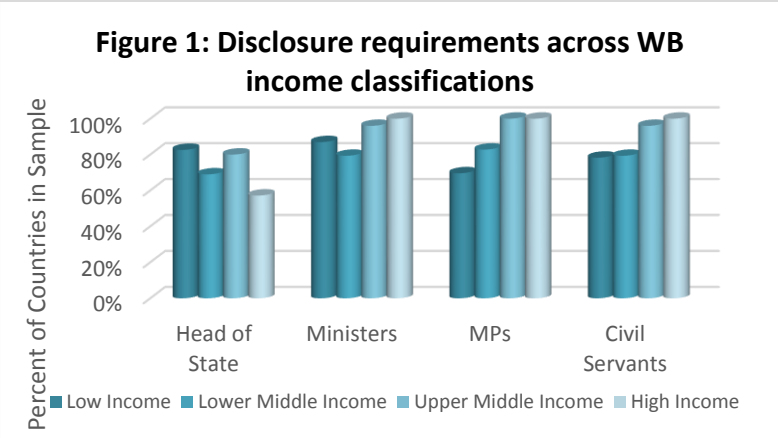
Effective monitoring ensures compliance with filing requirements, not only by reminding officials of deadlines and methods of submission, but also by providing guidance on how to complete the declaration form and what kinds of information are required for disclosure. Combined with **verification or review of the content of declarations**, effective monitoring establishes a credible threat of *detection* of filing violations, including non-filing and false disclosure. **Enforcement of appropriate sanctions** establishes a credible threat of *consequences* for violating filing requirements. It is important that countries craft, and consistently enforce, proportionate sanctions so as to encourage confidence in the fairness of systems of accountability governing public service.

Public availability of financial disclosure information, compliance rates, and enforcement of sanctions encourages an additional degree of scrutiny beyond what is performed by the implementing agency. It can also demonstrate the authorities’ and the filers’ commitment to transparency. However, an engaged civil society is important to fully exploit the benefits of public disclosure.

Findings

A. Financial Disclosure Legal Framework Data²

The data highlight the widespread nature of financial systems, with the majority of the 90 sampled countries (~80%) having some form of financial disclosure framework. However, the data clearly illustrates that there is no single approach to system design and implementation. Context is essential in choosing an approach and an implementation strategy. There is a varied basis for systems across the sampled countries: **Financial disclosure-specific laws or constitutional provisions are the most common arrangements for regulating disclosure requirements**, though anti-corruption laws are also prevalent. Many systems are established with a combination of several different laws.



Heads of state are the least likely to be subject to disclosure requirements, as highlighted in Figure 1³. The likelihood of disclosure requirements also increases as GNI increases, with almost universal coverage in the high

² Additional analysis of legal frameworks is available in [Public Office, Private Interests: Accountability through Income and Asset Disclosure](#)
³ For details on income classification please see <http://data.worldbank.org/about/country-classifications/country-and-lending-groups>.

income category. One pattern identified in the data is that only senior civil servants are required to disclose. This selective disclosure is recommended in the literature to avoid overburdening disclosure systems and to focus upon purpose prioritization such as identifying potential conflicts of interest or detecting illicit enrichment.

Figure 2: Disclosure of Income & Assets

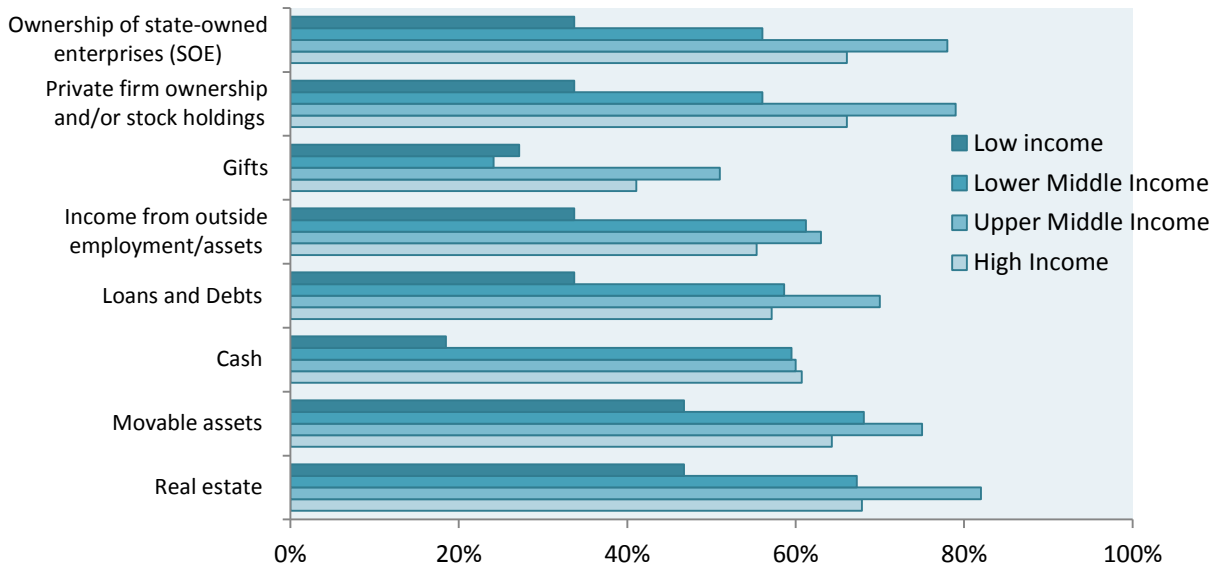
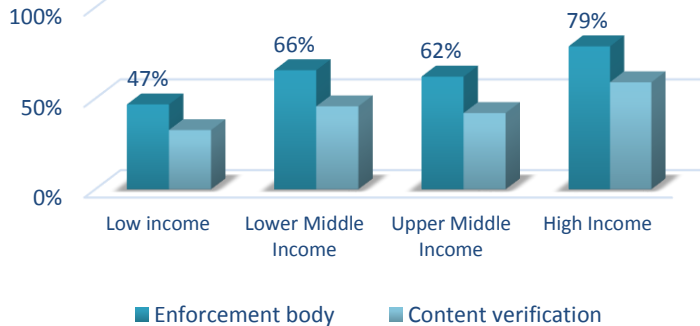


Figure 2 demonstrates the **prevalence of financial disclosure systems that require officials to disclose income, liabilities, and assets**, with countries in higher income classifications being more likely to do so. By contrast, less than 30% of countries require the disclosure of private sector business activities, such as holding government contracts, board memberships, advisory roles, or other outside employment.

Figure 3: Enforcement agency vs Content verification

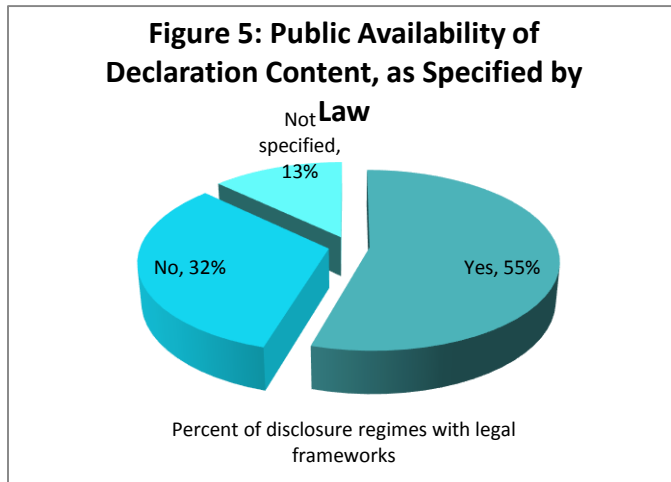
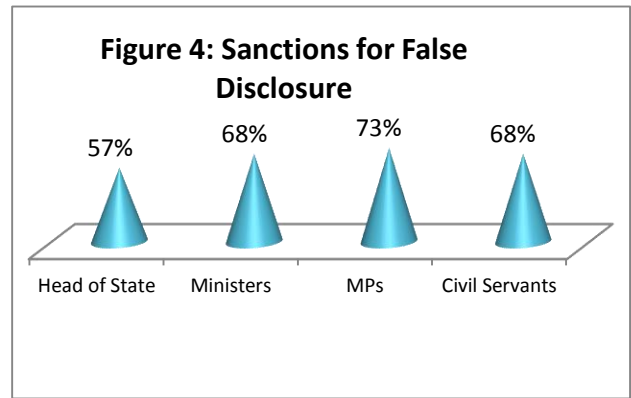


Filing is almost always required upon taking office. However, filing upon a change in assets, income or liabilities, as well as filing within 3 years of leaving office are only occasionally required; the administrative demands of such additional requirements may be a deciding factor for many countries. A country income-level pattern also emerges, with the lower the income level of the country, the higher the occurrence of no filing requirement at all.⁴

Figure 3 demonstrates that enforcement bodies are more likely to be specified as GNI rises, and in cases where an enforcement body was specified, **a specialized commission was the most popular.** These commissions tend to have independent budgets, and in some cases independent policing powers and investigative capacities, which can help ensure greater effectiveness of the financial disclosure system. Verification of the content of disclosures is required in far fewer countries as shown in Figure 3, and the prevalence of verification also rises with GNI.

⁴ 0% of High Income countries had no filing requirements, in contrast to 10% of Upper Middle Income, 13% of Lower Middle Income and 22% of Low Income.

Effective monitoring establishes a credible threat of *detection* of filing violations, including non-filing and false disclosure. **Figure 4 demonstrates that a high percentage of countries penalize false disclosure** with either fines, administrative sanctions, or prison time. However, less than 60% of countries do so for Heads of state, indicating that the highest level of public official may be exempt from punishment. Enforcement of appropriate sanctions establishes a credible threat of consequences for violating filing requirements.



As indicated by Figure 5, **legal requirements to make data publicly available were in place in just over 50% of countries sampled.** However, seen across income level, there is a wide disparity among the sample. While 83% of high income countries have these requirements, this **percentage declines rapidly with each successive income level**, to 24% of low income countries. Furthermore, of those that do require public availability, a large group of sampled countries **fail to specify either where or when disclosure data may be accessed and made available**

B. Financial Disclosure Implementation Data

Table 1: Data Management Systems

	Argentina	Croatia	Guatemala	Hong Kong	Indonesia	Jordan	Kyrgyz Republic	Macao	Mongolia	Rwanda	Slovenia	United States
Form available online	✓	⊖	⊖	⊖	✓	⊖	✓	⊖	✓	✓	⊖	✓
Online submission	✓	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖
Database management software used for verification	✓	⊖	⊖	⊖	✓	⊖	⊖	⊖	✓	⊖	⊖	⊖
Electronic data storage - personal data	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	⊖
Electronic data storage - financial data	✓	✓	✓	⊖	✓	⊖	✓	⊖	✓	✓	⊖	⊖
Online publication – IAD data	✓	✓	⊖	✓	⊖	⊖	✓	⊖	⊖	⊖	✓	⊖
Online publication - compliance data	✓	⊖	⊖	✓	⊖	⊖	✓	⊖	✓	✓	✓	✓

⊖ Used in some agencies

The aim of collecting data on implementation efforts is to evaluate the extent to which these systems are actually used and to provide information on the practices and impact of financial disclosure systems. Specifically, implementation indicators should capture procedural rules, organizational capacities, governance system performance, and immediate impacts. Using the PAM implementation indicators as a foundation, detailed case studies were conducted of systems in twelve countries through in-depth interviews with practitioners, academics, and representatives of civil society. Several key trends emerged from the analysis, of which two are highlighted below:

Data Management was identified as playing a **transformative role** in improving not just the efficiency but the efficacy of disclosure systems. The move to electronic systems in particular has been shown to have contributed to increased compliance rates and public requests for information. Table 1 highlights the **widespread use**, among case study countries, of **electronic data storage**, however the availability of declaration forms online and use of electronic submission is far less common. While verification of disclosures has been identified as important in the general literature, in practice **systematic**

verification occurred in a minority of cases. Understaffed implementation agencies and limited resources were identified as key obstacles. However, verification upon complaint and the public availability of data was in place in at least half of the country studies.

For additional in-practice data, along with further accompanying analysis, please see [Public Office, Private Interests: Accountability through Income and Asset Disclosure](#). In-depth case studies are available in the accompanying volume, [Income and Asset Disclosure Systems: Case Study Illustrations](#).

Public Accountability Mechanisms Initiative

The Public Accountability Mechanisms (PAM) Initiative provides assessments of countries' **in-law** and **in-practice** efforts to enhance the transparency of public administration and the accountability of public officials. Several transparency and accountability mechanisms are studied: *Immunity Protections*, *Financial Disclosure (income, assets and conflicts of interest)*, *Conflict of Interest Restrictions*, and *Freedom of Information*.

To-date, **PAM has released in-law (legal framework) data** on Immunity Protections (2013), Financial Disclosure (2012), Conflict of Interest restrictions (2012), Freedom of Information (2010), and Income and Asset Disclosure (2008). **PAM has also created in-practice (implementation) indicators** for Financial Disclosure (including interests, income, and assets) and Freedom of Information. The aim is for governments and practitioners around the world to implement and utilize these indicators in the evaluation of their own systems.

The PAM website is a highly useful resource for practitioners, providing data (quantitative and qualitative), analytical publications, and a library of laws. The PAM team is available for consultation and has specialists in political accountability, anti-corruption and social development, along with a wide range of country expertise. For more information, please visit our website: <http://www.agidata.org/pam>

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Annex I. Methodology

A. Legal Framework Indicators (in-law)

The Public Accountability Mechanisms (PAM) initiative compiles data on the legal frameworks for transparency and accountability systems across 90 countries. To ensure the reliability of the data, a rigorous and systematic approach is applied to data collection and analysis. Technical experts from the countries studied are contacted for guidance on the identification of relevant laws, decrees, codes of conduct, and court decisions. Experienced consultants then produce summaries of the legal provisions collected from primary source documents, in the original language where possible.

Following the preliminary analysis performed by consultants, the data is sent to technical in-country experts for feedback on accuracy and relevance. The contributors are intended to have either in-depth legal knowledge of the mechanism being examined in a specific country or expertise in a related field. To minimize both reliability and validity problems, data is also sent to World Bank country offices for internal review. In-law indicators regarding financial disclosure fall into seven broad categories: (1) Legal framework, (2) Coverage of public officials, (3) Disclosure content, (4) Filing frequency requirements, (5) Sanctions for non-compliance, (6) Monitoring and oversight, and (7) Public access to declaration content.

A. Implementation Indicators (in-practice)

Implementation indicators are fact-based assessments of implementation processes, including rules, capacities, and performance. Productivity is a subset of performance: measurement of the *efficiency* of organizations and individuals assigned particular implementation responsibilities. This type of data assists in the determination of resource needs and the relationship between resources and the design of the system or its performance goals. Categories for productivity indicators are spending, procedural efficiency, and staffing efficiency. Immediate impact indicators capture changes in behavior, policy and/or overall performance that a reform action is targeting. These are specific intermediate outcomes that can be measured and linked back to reform efforts in some demonstrable way. Categories for immediate impact indicators are filing compliance, disclosure integrity, government commitment, and public engagement.

Implementation indicators can serve a variety of purposes for both policymakers and practitioners: roadmap for implementation, basis for monitoring and evaluation, and impetus for reform discussions. In fact, the ultimate aim is for governments to utilize these indicators in the implementation and evaluation of their own systems. For additional information about the application of implementation indicators in various contexts, please see “Financial Disclosure Systems (Interests, Income, Assets): Roadmap for Implementation/Performance Assessment” at <http://www.agidata.org/pam>.

Annex II: Additional Resources

[Actionable Governance Indicators](#). World Bank website.

Burdescu, Ruxandra, and Gary J. Reid, Stephanie E. Trapnell, and Daniel W. Barnes, “[Income and Asset Disclosure Systems: Establishing Good Governance through Accountability](#),” World Bank, Economic Premise No. 17, June 2010.

Burdescu, Ruxandra, and Gary J. Reid, Stephanie E. Trapnell, Daniel W. Barnes, Modest Kwapinski, and Tammar Berger. “[Salient Issues in Income and Asset Disclosure Systems: Lessons Learned from the Field in Preventing Conflict of Interest and Combating Illicit Enrichment](#)”, World Bank, PREM Note No. 151, June 2010

[Income and Asset Disclosure Systems: Case Study Illustrations](#). World Bank and United Nations Office on Drugs and Crime (UNODC). Washington, DC. 2013.

Messick, Richard. [Income and Assets Declarations: Global Impact on Corruption](#), Conference on Evidence-Based Anti-Corruption Policy organized by Thailand’s National Anti-Corruption Commission (Bangkok, Thailand June 5–6) 2009.

[Public Accountability Mechanisms](#). World Bank website.

[Public Office, Private Interests: Accountability through Income and Asset Disclosure](#), World Bank and United Nations Office on Drugs and Crime (UNODC). Washington, DC. 2012.

Reid, Gary J., “[Actionable Governance Indicators: Concepts and Measurement](#)”, mimeo. World Bank. Washington, DC. 2008.

Trapnell, Stephanie E. “[Actionable Governance Indicators: Turning Measurement into Reform](#).” *Hague Journal on the Rule of Law*. 2011. 3 (02): 317 – 348.

Annex III: Selected Features of Financial Disclosure Frameworks across a sample of 90 countries (2012)

	Public Officials obligated to disclose	Disclosure items						Sanctions Stipulated for False Information	Sanctions stipulated for Non-Filing	Enforcement body is specified	Verification of declaration content is specified	Public availability
		Real Estate	Movable Assets	Liabilities	Stockholdings	Gifts	Post-employment					
<i>H=Head of State, M=Ministers, MP=Members of Parliament, CS=Civil Servants, S=Spouses & Children</i>												
Albania	All	•	•	•	•	•	•	All	All	•	•	All
Angola	All				•	•			M			
Argentina	All	•	•	•	•			All	All	•	•	H, M, MP, CS
Armenia	All	•	•	•	•		•	All	All	•		H, M, MP, CS
Azerbaijan	All	•	•	•	•	•	•		All	•	•	
Bangladesh	MP, CS	•	•	•	•	•		MP		•		
Benin	H, M											
Bolivia	All	•	•	•				All		•	•	All
Bosnia & Herzegovina	All	•	•	•	•	•	•	M,MP,CS		•		All
Botswana	All											
Brazil	All	•	•	•	•	•	•	All	All	•	•	H, M, MP, CS
Bulgaria	All	•	•	•	•			All	All	•	•	All
Burkina Faso	H, M, CS										•	
Burundi	All	•	•		•					•		
Cambodia												
Congo, Democratic Republic	All	•	•		•			H,M				
Congo, Republic	H, M, MP							H,M,MP				
Croatia	All	•	•	•	•	•	•	All	All	•	•	All
Czech Republic	M, MP, CS, S	•	•	•	•	•		M,MP,CS	M,MP,CS	•	•	M, MP, CS, S
Dominican Republic	H, M, MP, CS	•	•	•				All				H, M, MP, CS
Estonia	H, M, MP, CS	•	•	•	•			All	All	•	•	H, M, MP
Ethiopia	All	•	•	•		•	•	All	All	•	•	H, M, MP, CS
Fiji												
France	H, M, MP, CS	•	•	•				H,MP		•	•	H
Gambia	H, M, MP, CS	•	•		•			CS	All			
Georgia	All	•	•		•	•		All	All	•	•	All
Germany	M, MP, CS				•	•	•	MP,CS	MP	•		MP
Ghana	H, M, MP, CS	•	•	•				All	All	•		
Guinea												
Guyana	H, M, MP, S	•	•	•	•	•		All	All	•	•	
Honduras	All	•	•	•	•			All	All	•	•	
India	M, MP, CS, S	•	•	•	•	•		MP,CS		•		MP, S
Indonesia	All	•	•	•	•	•		All	All	•	•	All

Italy	M, MP, CS, S	.	.	.	.	.	.	.	M,MP,CS		.		M, MP, S
Japan	M, MP, CS, S	.	.	.	.	.	.	.	CS	CS	.		MP, CS
Jordan	M, MP, CS, S	.	.	.	.	.	.	.	M,MP,CS	M,MP,CS	.		
Kazakhstan	M, MP, CS, S	.	.	.	.	.	.	.	M,MP,CS	M,MP,CS	.		M, MP, CS, S
Kenya	All	.	.	.	.	.	.	.	All	All	.		
Kyrgyz Republic	All	.	.	.	.	.	.	.	CS	All	.	.	All
Lao PDR	All												
Latvia	H, M, MP, CS	.	.	.	.	.	.	.	All	All	.		H, M, MP, CS
Lithuania	All	.	.	.	.	.	.	.	M,MP,CS	M,MP,CS	.	.	All
Macedonia FYR	All	.	.	.	.	.	.	.	All	All	.	.	All
Madagascar	All	.	.	.	.	.	.	.	All	All	.		
Malawi	All												
Mali	H, M												
Mauritania	H, M, MP, CS												
Mauritius	M, MP, S	.	.	.	.	.	.	.	M,MP	M,MP			M, MP, S
Mexico	All	.	.	.	.	.	.	.		All	.		
Moldova	All	.	.	.	.	.	.	.	All	All	.	.	All
Mongolia	All	.	.	.	.	.	.	.	All	All	.	.	All
Montenegro	All	.	.	.	.	.	.	.	H,M,MP	H,M,MP	.	.	All
Morocco	M, MP, CS, S	.	.	.	.	.	.	.			.	.
Mozambique	All	.	.	.	.	.	.	.	All	H,M,MP	.	.	
Namibia	MP, CS, S	.	.	.	.	.	.	.	MP	MP	.		MP
Nepal	All								All		.	.	
Niger	H, M										.		H, M
Nigeria	All	.	.	.	.	.	.	.	All	All	.	.	All
Norway	M, MP, CS				.	.	.	.	M,CS		.		MP
Pakistan	MP, CS, S	.	.	.	.	.	.	.	MP,CS	MP,CS	.		MP, S
Palau	All	.	.	.	.	.	.	.	All	All	.	.	All
Papua New Guinea	M, MP, CS, S	.	.	.	.	.	.	.	M,MP,CS	M,MP,CS	.	.	
Philippines	All	.	.	.	.	.	.	.	All	All			All
Poland	All	.	.	.	.	.	.	.	MP	H,MP,CS	.	.	M, MP, S
Romania	All	.	.	.	.	.	.	.		All			H, M, MP, CS
Russia	All	.	.	.	.	.	.	.	CS	CS		.	All
Senegal	H												
Serbia	All	.	.	.	.	.	.	.	All	All	.	.	All
Sierra Leone	All	.	.	.	.	.	.	.	All	All	.	.	
Slovak Republic	All	.	.	.	.	.	.	.	All	All	.	.	All
Slovenia	H, M, MP, CS	.	.	.	.	.	.	.	All	All	.	.	H, M, MP, CS
Solomon Islands	M, MP, CS, S	.	.	.	.	.	.	.	M,MP,CS	M,MP,CS	.	.	
South Africa	All	.	.	.	.	.	.	.	MP	MP,CS	.		H, M, MP, CS
Sri Lanka	All	.	.	.	.	.	.	.	All	All			All
Taiwan	All	.	.	.	.	.	.	.	All	All	.	.	All
Tajikistan	All	.	.	.	.	.	.	.	All	All	.		
Tanzania	All	.	.	.	.	.	.	.	All	All	.	.	All
Timor Leste													
Tonga	CS										.		

Tunisia	M, MP, CS, S	•	•	•	•	•	•	M,CS	M,CS			
Turkey	All	•	•	•	•			All	All	•		
Uganda	All	•	•	•		•	•	All	All	•	•	All
Ukraine	All	•	•	•	•	•		All	All			H, M, MP, CS
United Kingdom	M, MP, CS, S	•			•	•	•	MP,CS	M,MP,CS	•	•	M, MP, S
United States	All	•	•	•	•	•	•	All	All	•		All
Uruguay	All	•	•		•			All	All	•		
Uzbekistan												
Vanuatu	All	•	•	•	•			All	All			All
Vietnam	All	•	•					All	All	•	•	
Zambia	H, M, MP, CS, S	•	•	•	•			H,M,MP	H,M,MP	•	•	H,M,MP
Zimbabwe	M, CS											