

## 18 Officials' asset declaration laws: do they prevent corruption?

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Requiring public officials to declare their wealth and assets is widely considered an effective measure to prevent corruption. It has been included as an article of agreement in the United Nations, the African Union, and the Inter-American conventions against corruption. But how effectively can officials' asset declaration laws reduce corruption? Are there any features in the laws' design and implementation that act as stronger antidotes to corruption than others?

To address these questions, we examined various countries' asset declaration laws to find common aspects within such laws. Using a method similar to that of Transparency International's National Integrity Systems Survey, we then constructed a list of seven different aspects of such laws: (1) the date of implementation and whether there is a constitutional mandate; (2) the coverage, or who must file a declaration (for example, only the highest level officials, or both high- and low-level officials); (3) the filing frequency; (4) the specificity of the declaration's content (for example, must the declaration include the value of the assets, assets held outside the country?); (5) the details of the declaration's processing (for example, is there a separate body which receives and verifies the declaration's contents; does the law describe the verification process?); (6) the punishment for breach; and (7) whether or not there is public access to declarations. Next, we collected the laws from 16 different countries and systematically analysed the laws according to the seven common aspects listed above.

This project was initiated both to evaluate current laws designed to reduce corruption, and as a tool for governments designing or improving their own laws. In order to facilitate this process, the World Bank has created a website which contains a database of the laws used in this study and tools for comparing the different aspects of these countries' laws.<sup>2</sup> To highlight the most significant aspects of these laws and their effectiveness in reducing corruption, we performed a series of statistical tests to measure the association between the possession of these countries' laws and their perceived level of corruption. These results are presented below. In all cases, Transparency International's 2004 Corruption Perceptions Index (CPI) was used as the measure of corruption inside each country. To perform the statistical tests, we divided the countries into quartiles based on their CPI scores. Accordingly, countries with the highest scores are in the *least corrupt* quartile and countries with the lowest scores are in the *most corrupt* quartile.

## Findings

1. *Is there an association between the inclusion of asset declaration laws within the constitution and reduced corruption?* No. In six of the examined countries, officials' asset declarations followed from constitutional directives. But these countries had lower average CPI scores, implying higher perceived corruption, than countries that did not have asset declaration within their constitutions (2.69 versus 3.39). Additionally, four of those six countries' laws did not require full transparency concerning officials' wealth, as they did not include directions on how the public could access officials' asset statements. Thus, although a constitutional provision is intended to signal the high value placed by a nation on its officials' integrity, our analysis finds that this intention does not necessarily translate into reduced corruption.

2. *Is there an association between the level of corruption and the amount of time that the law has been in effect?* Yes. Countries with a longer tradition of officials' asset declaration laws had significantly lower corruption than countries with newer laws. Among the countries examined, the quartile with the oldest laws (where the average age of the law was 17 years) had average CPI scores of 5.2, which was nearly three times higher than the average CPI (1.8) of the quartile of countries with newest laws (where the age was 1.7 years). (See Figure 18.1.)

3. *Is there an association between the level of corruption and which level of officials must declare their assets?* No. In 7 of the 16 countries examined, asset disclosure was required of all public officials. The average CPI scores for this group of countries was not significantly

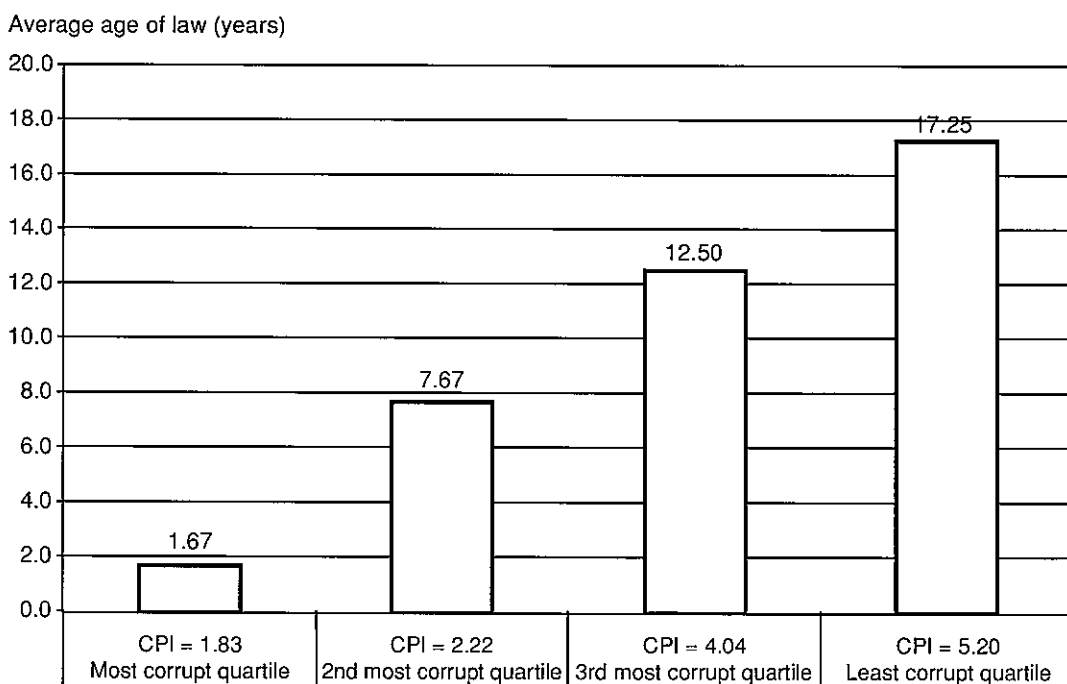


Figure 18.1: It takes time for officials' wealth declaration law to demonstrate results

lower than countries that had adopted a more top-down approach. In the latter group of countries, the list of officials that are required to submit asset statements started at the very top of the executive pyramid, and extended downwards to the senior or middle level. This could imply that corruption reduction at top executive levels has a powerful demonstrative effect on other officials and that transparent behaviour at the top can deter administrative corruption. Additionally or alternatively, it could imply that petty administrative corruption affects CPI ratings less than grand corruption. Thus our findings suggest that instead of simply requiring all officials to submit declarations, a pragmatic recognition of internal enforcement capacity and the selection of who should declare wealth could be more useful.

4. *Is there an association between the level of corruption and the threat of prosecution for those who do not follow the laws?* Yes. Perceived corruption was lower in countries whose declaration laws also permitted the government or anti-corruption body to prosecute the offending official. In the least corrupt quartile, all countries' asset declaration laws also provided for prosecution for offenders. In the second lowest quartile, three-quarters of the countries' laws had prosecution provisions. Only half the countries in the bottom two quartiles had prosecution provisions in their asset declaration laws.

5. *Is there an association between lower corruption levels and verification mechanisms within the various laws?* Yes. In this respect, two practices were observed. In some countries, every official's submission was verified by the recipient body; in others, the declaration was stored untouched, to be retrieved only if corruption allegations were received against the official. Countries that verified officials' statements have significantly lower corruption than countries that do not verify declaration content. The average CPI of the verifiers (3.72) was higher than that of the do-nothings (2.48).

6. *Is there an association between lower corruption and public access to asset disclosure laws?* Yes. Some countries' laws required that asset disclosures be placed in the public domain, either through website posting, or by informing where and when these documents were available for public inspection. In others, only a designated organisation of government could view the officials' declarations. Countries that gave public access to officials' asset declaration had significantly lower corruption (average CPI = 3.61) than the other group that restricted public access (average CPI = 2.46).

Our analysis further demonstrated that the combination of content verification and public access to the declarations demonstrated an even greater association of reduced corruption. Where full verification and public access to declarations is allowed, the average CPI score (4.13) is double that of countries that neither verify statements' contents nor allow public access to them (2.07). Countries that either verify or allow public access have perceived corruption levels in between these two extremes (with average CPI scores of 3.4 and 2.5 respectively). (See Figure 18.2.)

## Conclusion

These preliminary results were supported by regression analyses with the variables described above, along with other country characteristics. Since the conclusion of these preliminary analyses, we have expanded our dataset to include 42 countries. Our

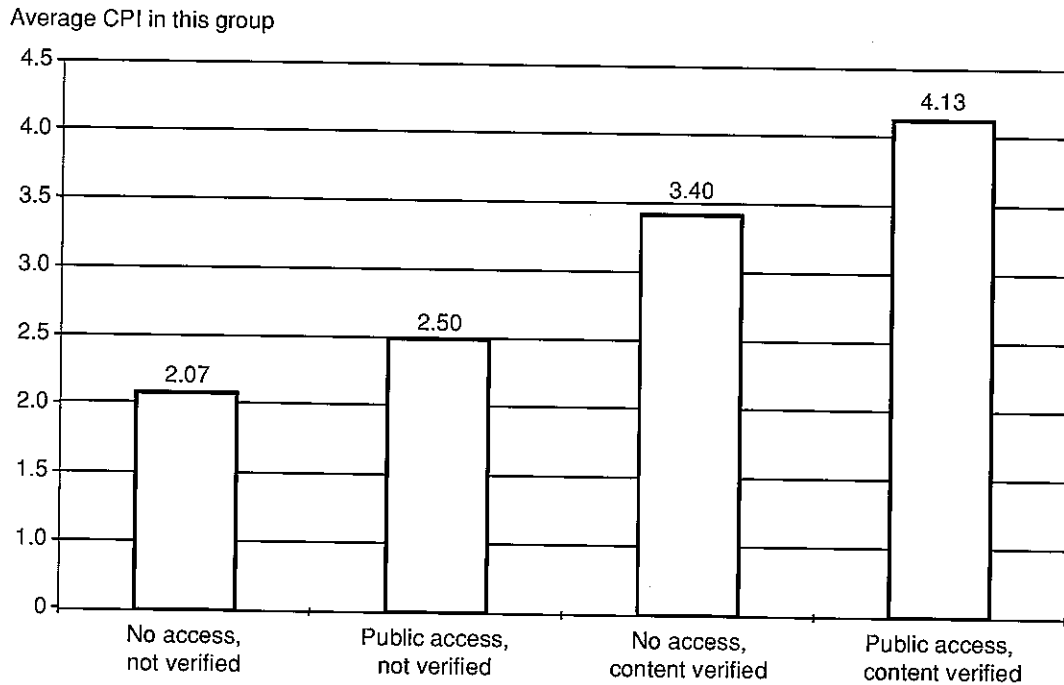


Figure 18.2: Effectiveness of content verification and public access in officials' asset declaration laws

initial analysis of this expanded dataset corroborates our findings from the original dataset. In addition, we are currently examining the different aspects of conflict of interest laws and their ability to reduce corruption. The expanded database for asset declaration laws and a new database for conflict of interest laws will be available at the above-mentioned World Bank website.

#### Notes

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2. See <http://www1.worldbank.org/publicsector/civilservice/assets.htm>