

# **Illicit Enrichment:**

**What is it? What is it not? Using Income and  
Asset Declarations to Prevent and Detect It**

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# What is Illicit Enrichment?

- Illicit enrichment is a significant increase in the assets of a public official that he or she cannot reasonably explain in relation to his or her lawful income.
- Why is it important:
  - It is sometimes difficult to get evidence in corruption cases, especially with the powerful or well connected
  - Evidence for IE does not require a link between the persons actions and the benefits
  - Investigations are easier: Life Style Checks in the Philippines
  - Courts find the issues more clear cut
  - Therefore the trial can take less time and therefore reduces the perception of impunity

# What does Illicit Enrichment Look Like?

- Bank Accounts with large balances, often with regular payments
- Houses where the person lives, but it is in the name of a spouse, child or relative who could not have gotten the monies to pay for it as well
- Automobiles that are very expensive – in the public officials name, or they pay for the license of insurance
- Vacation homes (dachas in Russia) where their family alone goes and the owner is unclear or unknown
- Foreign bank accounts in the officials name or more likely the spouse, child or close relative

# What are the problems with Illicit Enrichment?

- The laws are too vague:
  - No de minimus - 300 Euros? Easier to catch low level “fish”
  - Used for political reasons usually to punish the opposition: Loosing candidates are often charged with corruption
  - There is no “prevention” aspect but used only after significant amount of funds have been stolen
  - Cases cannot be used because of the perceived “reversal of the burden of proof” in cases involving monies moved out of the country. (This is especially true for common law countries.)

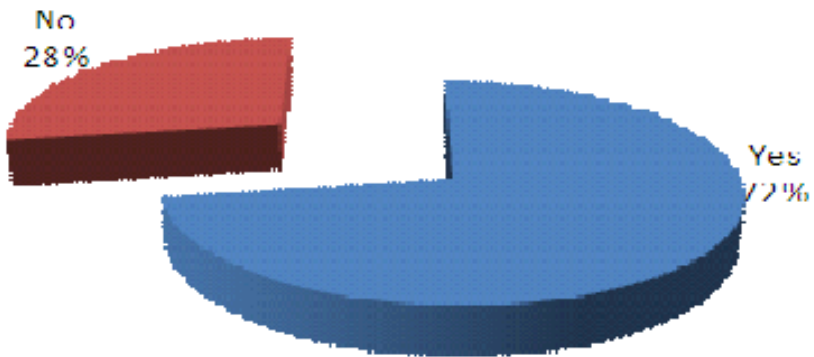
# Income and Asset Declarations

- One tool for preventing and detecting Conflicts of Interest are Income or Asset Declarations
- IADs are also often used to detect and/or prosecute illicit enrichment
- Arguably the strongest tool in the anti-corruption arsenal for preventing, detecting and prosecuting corrupt officials
- World Bank Study on IAD and Conflict of Interest:
  - **“Income and Asset Disclosure: A Guide for Practitioners and Policy Makers” Vol I (Early 2012)**
  - **Volume II (In Depth Case Studies)**

# Data from ACA Study: 30 Authorities

[From study with F. Recanatini, Why Anticorruption Agencies Succeed and Why They Fail, forthcoming]

**Financial Disclosure System to Help Prevent Conflicts of Interest**



**Is there a whistle-blowing legislation?**



**Freedom of information legislation**



**Does your country have conflict of Interest legislation?**



# Objectives of an IAD System: preventing and detecting Illicit Enrichment (IE) & Conflicts of Interest (COI)

## Illicit Enrichment

IE systems capture information about assets to monitor changes in wealth

IAD serves to flag unusual behavior and assist in the **prevention, investigation & prosecution** of underlying **corrupt acts**

## Conflicts of Interest

COI systems work with officials to identify situations that present a risk of actual or perceived conflict of interest

COI systems capture information about sources of income, membership of boards, ownership of shares etc

IAD serves to assist the filer in preventing potential COI.

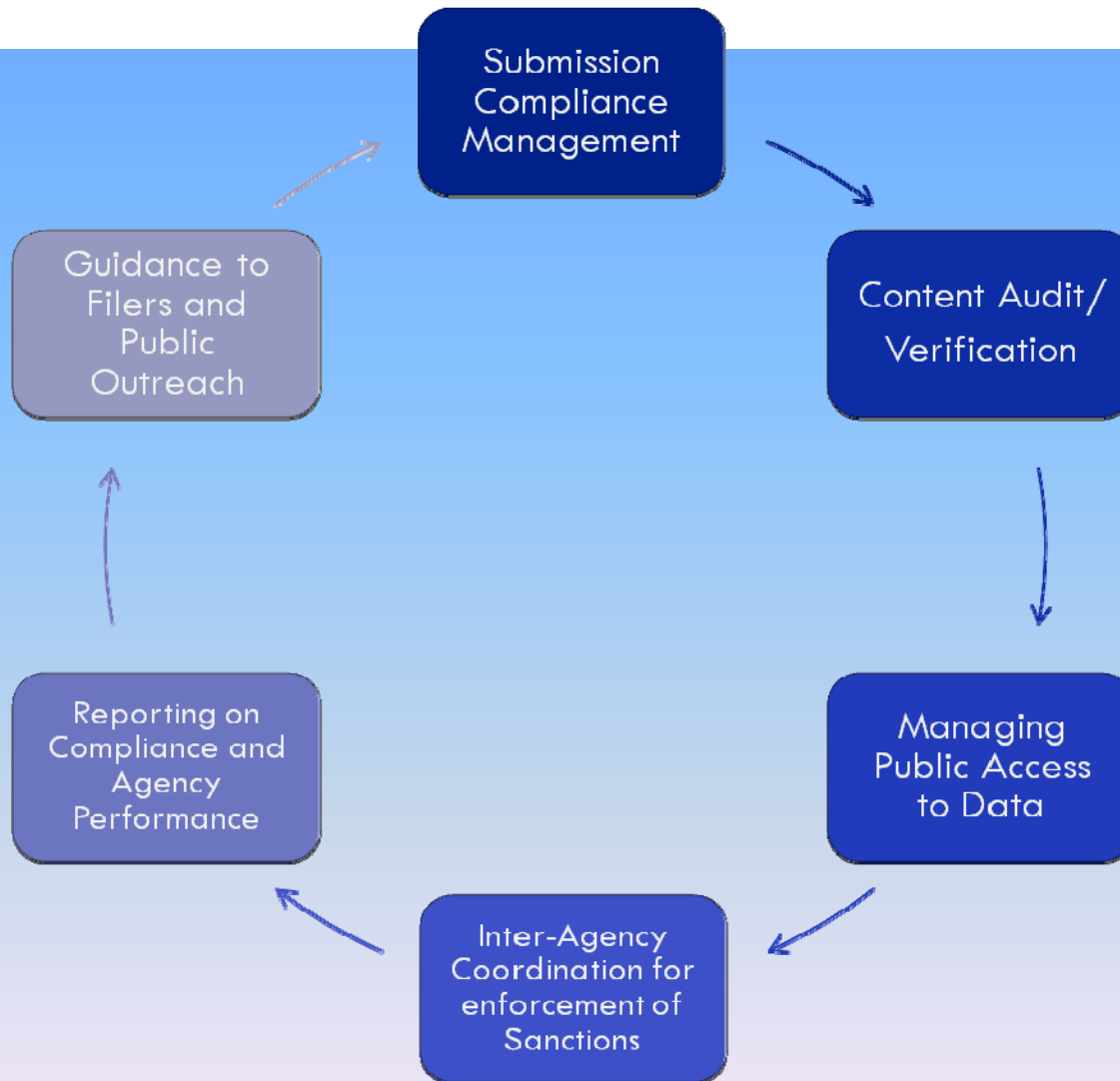
## Dual Objective

Most systems combine elements of both COI and IE

Particular care must be taken not to compromise the advisory role of a COI system when implementing dual objective systems



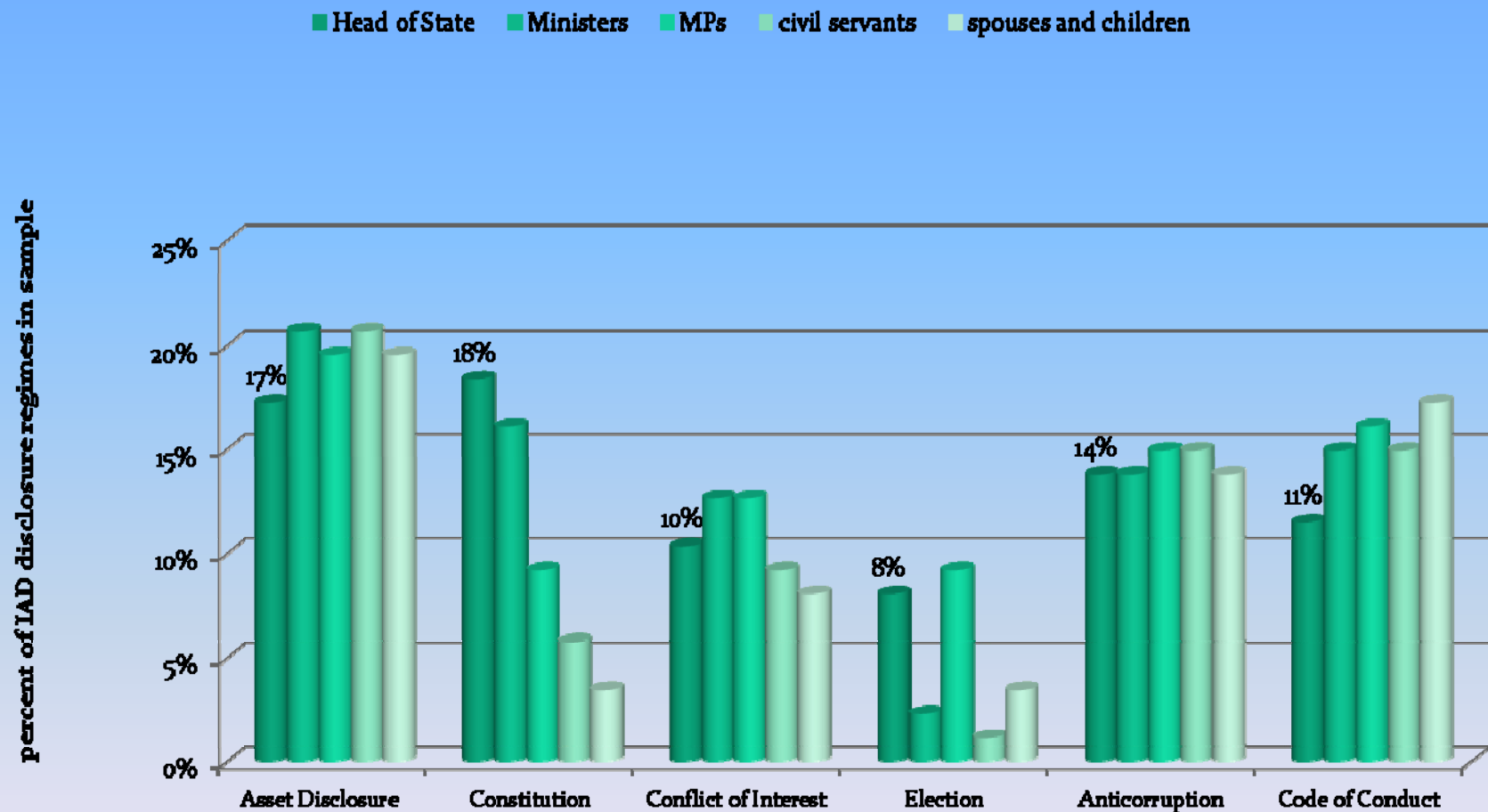
# Core Functions of an IAD Agency



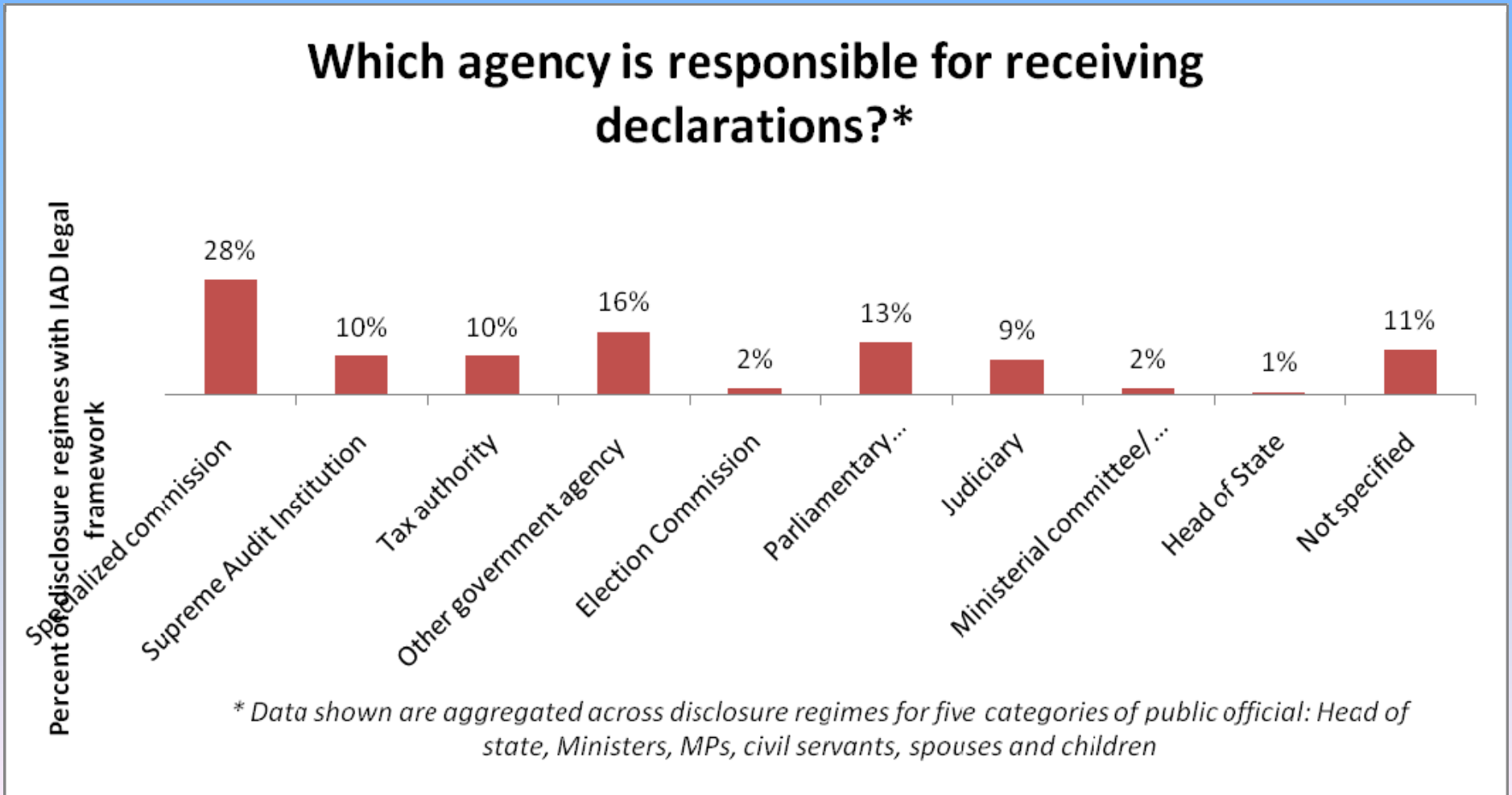


# Types of Col Laws Applied to Different Categories of Filers:

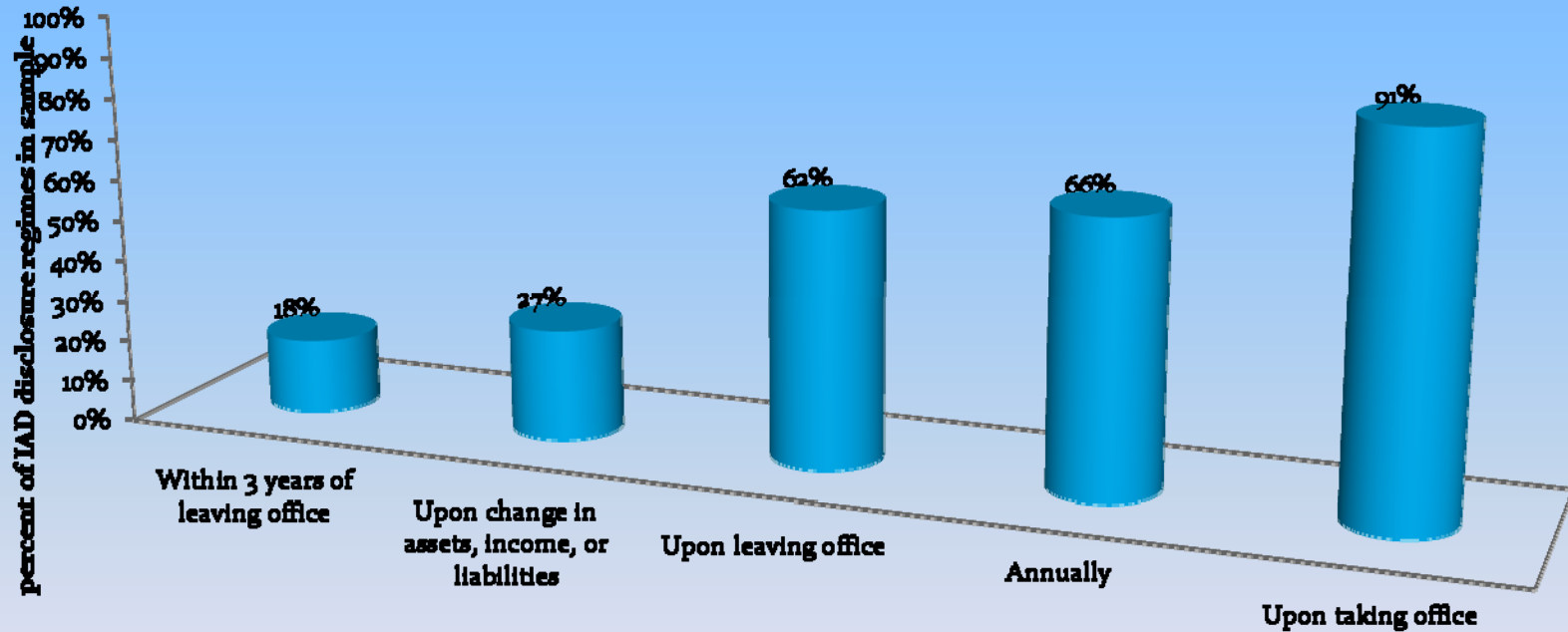
Note Gap Between IAD and Col



# Types of Agency with Responsibility for Managing Declarations



# Frequency of Filing requirement

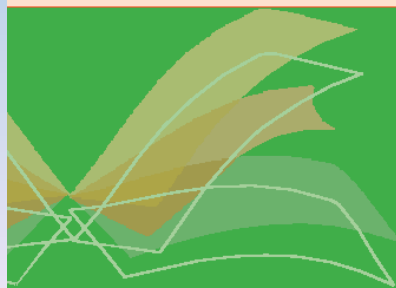


# Information and Communication Technology Use (case study findings)

	Argentina	Croatia	Guatemala	Hong Kong SAR	Indonesia	Jordan	Kyrgyz Republic	Mongolia	Rwanda	Slovenia	United States
Form available online	P				P		P	P	P		P
Online submission	P										◇
Database management software used for verification	P				P		☒	P			
Electronic data storage - personal data	P	P	P	P	P	P	P	P	P	P	
Electronic data storage - financial data	P	P	P		P		P	P	P		
Online publication - IAD data	P	P	☒	P	☒		P			P	
Online publication - compliance data	P			P			P	P	P	P	P
Note: ◇ Used in some agencies.											



**PARLIAMENT**  
OF THE REPUBLIC OF SOUTH AFRICA



**Register of  
Members' Interest**

Form for the Disclosure  
of Members' Interest

2008

2008

NAME OF MEMBER \_\_\_\_\_  
Please Print

SIGNATURE OF MEMBER \_\_\_\_\_ DATE \_\_\_\_\_

**PUBLIC DISCLOSURE SECTION**

**1. SHARES AND OTHER FINANCIAL INTERESTS.** See Information sheet Note 1

NUMBER OF SHARES	NATURE	NOMINAL VALUE	NAME OF COMPANY

**2. REMUNERATED EMPLOYMENT OUTSIDE PARLIAMENT.** Must be sanctioned by your Political Party.  
See Information sheet Note 2

NAME OF EMPLOYER	TYPE OF BUSINESS

Signature of Whip \_\_\_\_\_ Party \_\_\_\_\_ Date \_\_\_\_\_

Name of Whip \_\_\_\_\_

**3. DIRECTORSHIPS AND PARTNERSHIPS.** See Information sheet Note 3

DIRECTORSHIP/PARTNERSHIP IN ANY CORPORATE BODY	TYPE OF BUSINESS ACTIVITY

**4. CONSULTANCIES OR RETAINERSHIPS** See Information sheet Note 4

NAME OF ORGANISATION	TYPE OF BUSINESS ACTIVITY	VALUE OF ANY BENEFITS DERIVED

**5. SPONSORSHIPS** See information sheet Note 5

SOURCE OF SPONSORSHIP	DESCRIPTION OF ASSISTANCE/ SPONSORSHIP	EXTENT

**6. GIFTS AND HOSPITALITY** See Information sheet Note 6

DESCRIPTION	VALUE	SOURCE

**7. BENEFITS** See Information sheet Note 7

SOURCE	DESCRIPTION OF BENEFIT

**8. TRAVEL** See Information sheet Note 8

SPONSOR	DESCRIPTION OF JOURNEY

**9. LAND AND PROPERTY** See information sheet Note 9

DESCRIPTION OF PROPERTY	LOCATION- AREA	EXTENT OF THE PROPERTY

**10. PENSIONS** See Information sheet Note 10

SOURCE	PUBLIC/PRIVATE



**PART B**

**CONFIDENTIAL SECTION**

2008

MEMBER'S NAME \_\_\_\_\_

**1. SHARES AND OTHER FINANCIAL INTERESTS – Immediate Family**

See Information sheet Note 1

NUMBER OF SHARES	NATURE	NOMINAL VALUE	NAME OF COMPANY

**2. REMUNERATED EMPLOYMENT OUTSIDE PARLIAMENT - Member**

See Information sheet Note 2

NAME OF EMPLOYER	EXTENT OF REMUNERATION

**3. REMUNERATION : DIRECTORSHIPS AND PARTNERSHIPS - Member**

See Information sheet Note 3

DIRECTORSHIP/PARTNERSHIP IN ANY CORPORATE BODY	EXTENT OF REMUNERATION

**3. DIRECTORSHIPS AND PARTNERSHIPS – Immediate Family**

See Information sheet Note 3

NAME OF ORGANISATION	TYPE OF BUSINESS ACTIVITY	VALUE OF ANY BENEFITS DERIVED

**4. CONSULTANCIES OR RETAINERSHIPS - Immediate Family**

See Information sheet Note 4

NAME OF ORGANISATION	TYPE OF BUSINESS ACTIVITY	VALUE OF ANY BENEFITS DERIVED

**5. SPONSORSHIPS – Immediate Family**

See Information sheet Note 5

SOURCE OF SPONSORSHIP	DESCRIPTION OF ASSISTANCE / SPONSORSHIP	EXTENT OF SPONSORSHIP

**6. GIFTS AND HOSPITALITY – Immediate Family**

See Information sheet Note 6

DESCRIPTION	VALUE	SOURCE

**7. VALUE - Benefits Member**

See Information sheet Note 7

SOURCE	DESCRIPTION OF BENEFIT	VALUE

**7.1 BENEFITS – Immediate Family**

See Information sheet Note 7

SOURCE	DESCRIPTION OF BENEFIT	VALUE

**8. CONFIDENTIAL TRAVEL - Member Only**

See Information sheet Note 8

SPONSOR	DESCRIPTION OF JOURNEY

**8.1 TRAVEL - Immediate Family**

See Information sheet Note 8

SPONSOR	DESCRIPTION OF JOURNEY

**9.1 LAND AND PROPERTY - Immediate Family**

See Information sheet Note 9

DESCRIPTION OF PROPERTY	LOCATION-AREA	EXTENT OF THE PROPERTY

**10. VALUE OF PENSIONS – Member Only**

See Information sheet Note 10

SOURCE	PUBLIC/ PRIVATE	VALUE

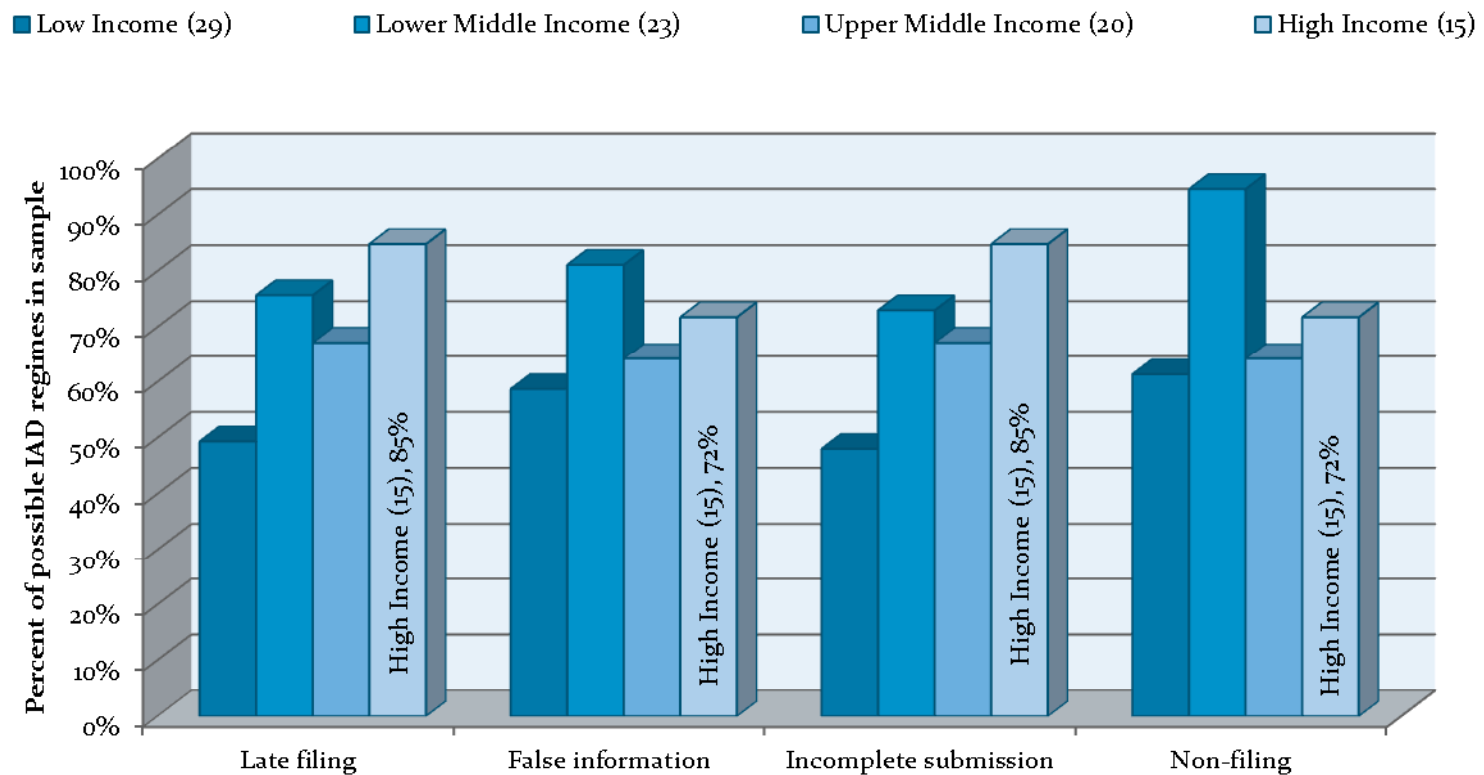
# Approach to Verification: Case Study

	Argentina	Croatia	Guatemala	Hong Kong SAR	Indonesia	Jordan	Kyrgyz Republic	Mongolia	Rwanda	Slovenia	United States
Does the agency analyze declarations for conflicts of interest?	Yes	No	No	Yes	No	No	No	No	No	Yes	Yes
Does the agency systematically verify declarations for accuracy?	Yes	No	Yes	No	Yes	No	No	No	Yes	Yes	No
Method of selection for verification: Targeted or random	Targeted	—	Targeted	—	Targeted	—	—	—	Targeted / Random	Random	—
Declarations are verified for accuracy upon complaint	Yes	Yes	No	No	Yes	Yes	No	Yes	No	Yes	No
Total percentage of declarations that are systematically verified for accuracy (2008 / 2009)	7%	0%	0%	0%	1-5%	0%	0%	2%	6%	33%	0%
Ratio of total number of declarations to number of declarations automatically verified for accuracy	$\frac{36,000}{2,520}$	$\frac{1,800}{0}$	—	—	$\frac{116,456}{1,000-6,000}$	—	—	$\frac{52,800}{1,056}$	$\frac{4,900}{294}$	$\frac{6,300}{2,079}$	—
Does the system provide an opportunity for civil society to access declaration content?	Yes	Yes	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes

# Purpose and Methods of Verification in a Sample of IAD Systems (case study countries)

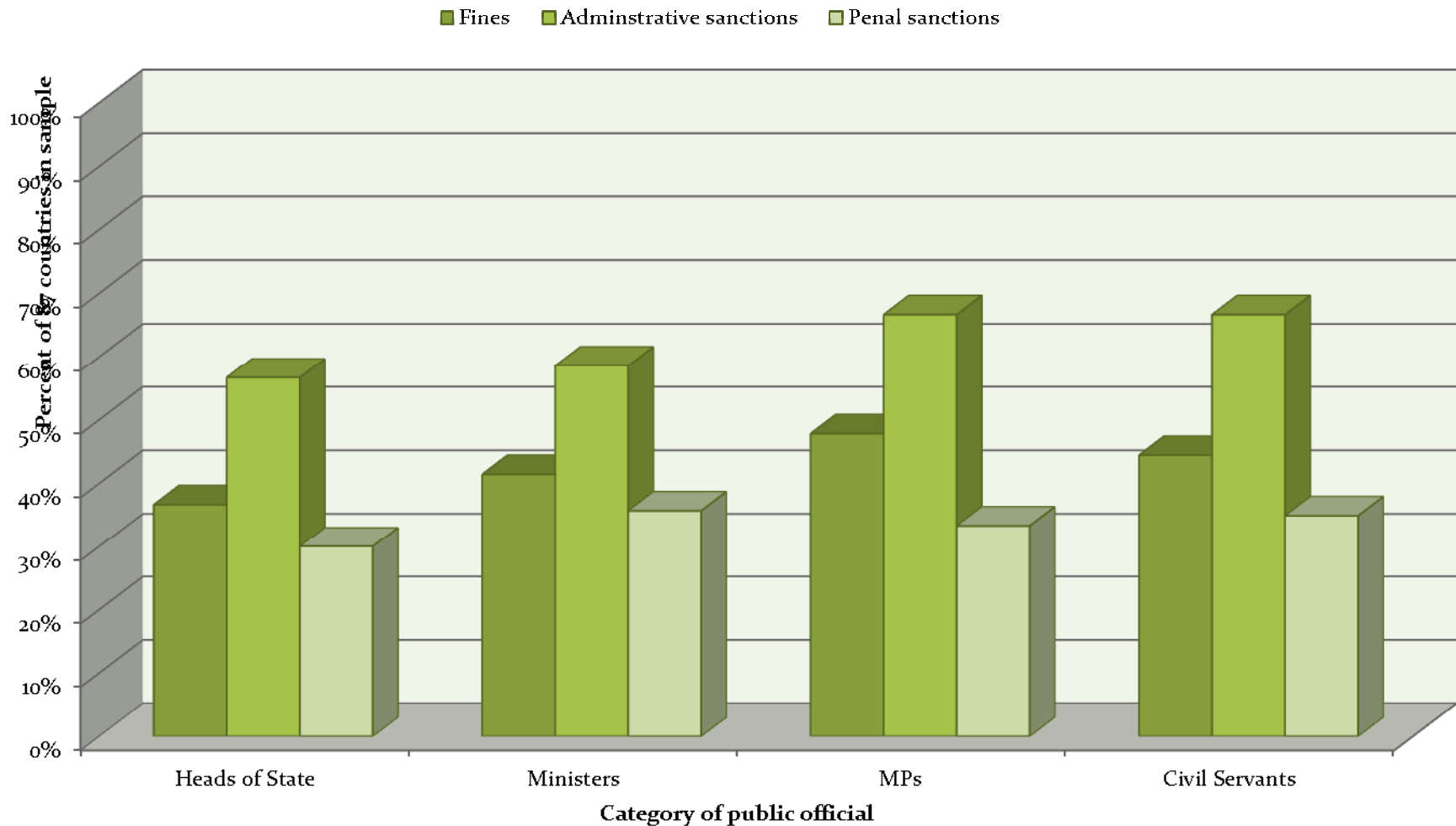
	Argentina	Croatia	Guatemala	Hong Kong SAR	Indonesia	Jordan	Kyrgyz Republic	Mongolia	Rwanda	Slovenia	United States
Check for incompatibilities of function	P	?	?	P	?	?	?	?	P	P	P
Check for internal consistency within one declaration	P	?	?	?	P	?	?	P	P	P	?
Compare over time two or more declarations from the same filer	P	?	?	?	P	?	?	P	P	?	?
Cross-check declarations with external records (vehicle and land registries, tax authority, etc.)	P	?	P	?	P	?	?	P	P	P	?
Conduct lifestyle checks	?	?	?	?	?	?	?	P	P	?	?
Use public access and allegations/complaints to trigger an investigation	P	P	?	?	P	?	?	?	?	?	?

# Sanctions Stipulated by Law for Filing Violations (87 countries)



# Sanctions Stipulated for Non-filing by Category of Public Official (87 Nations)

Sanctions stipulated for non-filing by category of public official



# Sanctions for IAD violations

A violation of the IAD requirement should result in sanctions. These should be:

## Proportional

A range of sanctions (administrative and criminal) should be applicable and proportional to the offense

## Enforceable

Sanctions should be enforceable and consistently enforced  
A range of serious administrative sanctions may be preferable in countries where the courts are slow or unwilling to prosecute corruption cases

## Visible

Data on the enforcement of sanctions should be communicated to filers and to the public



- Greater than the march of a vast army is an idea whose time has come.

Victor Hugo



# Coverage of IAD Frameworks by WB Country Income Classification

