



A joint initiative of the OECD and the European  
Union, principally financed by the EU



# **Assessment of Conflict of Interest Policies and Practices: A Comparative Review**

**Manuel Villoria  
University Rey Juan Carlos, Spain**

**ATELIER SUR LES CONFLITS D'INTÉRÊTS**

**Hotel de la Tour Hassan**

**Rabat, 7- 8 décembre 2012**



A joint initiative of the OECD and the European Union, principally financed by the EU



# Conflicts of interest

This presentation is based on a OECD SIGMA paper which provides an overview of approaches to managing public-sector conflicts of interest in nine EU countries, six of them are old EU members (Great Britain, Germany, France, Italy, Spain and Portugal) and three are new EU members (Latvia, Poland and Hungary).



A joint initiative of the OECD and the European  
Union, principally financed by the EU



# Summary

1. **Corruption**: a definition.
2. **Consequences** of corruption in Europe
3. Corruption and **conflicts of interest**.
4. **Instruments** to prevent and avoid conflict of interest.
5. Conflicts of interest as a **public policy**
6. Broad **commonalities and differences**.
7. Conclusions and policy **recommendations**



A joint initiative of the OECD and the European Union, principally financed by the EU



# CORRUPTION

- Corruption is abuse of power for private interest.
- Abuse of public power is an abuse of public position. A breach of trust.
- It could be with legal breach or with ethical breach.
- The benefit could be direct or indirect.
- Corruption is not only bribery. A policy can be captured without bribery. I.e. through legal donations to the political party in power.



A joint initiative of the OECD and the European Union, principally financed by the EU



# Consequences

- Corruption has negative political, economic and social consequences.
- Politically, it reduces the quality of democracy and governmental performance, and creates negative social capital.
- Economically, corruption impedes development and discourages investment.
- Socially, it promotes economic and psychological inequality and spreads parochial and particularised trust. Particularised trust avoids the generation of generalised and inclusive trust, and generalised trust is essential for social solidarity and fair policy making.



A joint initiative of the OECD and the European Union, principally financed by the EU



**Table 1: Trust in Parliaments, satisfaction with the functioning of democracy and scores in Corruption Perception Index (CPI) in ten EU countries.**

Country	A great deal, quite a lot confidence in Parliament %	Very satisfied, rather satisfied with the way democracy is functioning in our country %	CPI 2005
<b>New EU</b>			
Latvia	26,3	28,2	4,2
Poland	30,1	40,6	3,4
Hungary	32,6	31,6	5,0
Czech Rep.	12,0	36,6	4,3
<b>Old EU</b>			
Great Britain	34,1	44,4	8,6
Germany	34,2	72,8	8,2
France	38,8	45,5	7,5
Spain	45,0	63,2	7,0
Portugal	43,7	72,3	6,5
Italy	33,2	34,6	5,0



A joint initiative of the OECD and the European Union, principally financed by the EU



# Corruption and Conflict of Interest

- “A conflict of interest involves a conflict between the public duty and the private interest of a public official, in which the public official’s private-capacity interest could improperly influence the performance of their official duties and responsibilities”
- Includes not only the situation when there is, **in fact**, an unacceptable conflict between a public official’s interests as a private citizen and their duty as a public official, but also the situations when there is an apparent conflict of interest and when there is potential conflict of interest.



A joint initiative of the OECD and the European Union, principally financed by the EU



# Corruption and Conflict of Interest

- The policies to prevent and combat corruption incorporate very different instruments and strategies. We could organise them in four big groups: structural, prevention, detection and investigation, and penalization.
- But where are the policies of conflict of interest situated in the main framework of the anticorruption policies? Indeed they are in the four groups





A joint initiative of the OECD and the European  
Union, principally financed by the EU



# Instruments to prevent and avoid conflict of interest

- Restrictions on additional ancillary employment.
- Declaration of personal income.
- Declaration of family income.
- Declaration of personal assets.
- Declaration of family assets.
- Declaration of gifts.
- Security and control in the access to inside information (i.e stock exchange).
- Declaration/disclosure of private interests relevant to the management of contracts.
- Declaration/disclosure of private interests relevant to decision making.
- Declaration/disclosure of private interests relevant to participation in preparing or giving policy advice.



A joint initiative of the OECD and the European Union, principally financed by the EU



# Instruments to prevent and avoid conflict of interest

- Public disclosure of declarations of income and assets.
- Restrictions and control of post-employment business or NGO activities.
- Restrictions and control of gifts and other forms of benefits.
- Restrictions and control of outside concurrent appointments (For example, a NGO, a political organization, a government owned corporation...).
- Recusal (routine withdrawal from public duties when public officials realize that to participate in a meeting or to make a decision would place them in a position of conflict).
- Personal and family restrictions on property titles of private companies.
- Divestment either by sale or by the establishment of a trust or a blind management agreement



A joint initiative of the OECD and the European  
Union, principally financed by the EU



# Conflicts of interest as a public policy

- The higher the level of corruption the easier it is to build a coalition. However, the reverse is that the higher the level of corruption the more difficult is to promulgate “trap-free” rules and, doubtless, makes the implementation more difficult of the measures taken, as the regulation of these measures are explicitly designed to fail (“regulations with wanted loopholes” or “traps”).
- Anti-corruption policies generate diffuse benefits, but concentrated costs. Their outcomes are difficult to foresee and assess and will be visible only in the long run.



A joint initiative of the OECD and the European Union, principally financed by the EU



# Broad commonalities and differences

- ***Restrictions on additional employment.*** In all the countries studied political appointees and civil servants have restrictions on additional ancillary employment. But local elected officials can have certain other employments if they opt for a part-time job in the local government (small municipalities).



A joint initiative of the OECD and the European Union, principally financed by the EU



# Broad commonalities and differences

- ***Declaration of personal income.*** This kind of declaration is not necessary in France, Germany and Great Britain, but in these last two countries members of Parliament must declare certain type of payments when the amount is significant. Latvia officials must declare their income, not only the political appointees and elected, but also the civil servants. In Poland, Portugal and Spain local elected must declare their income annually.
- ***Declaration of family income.*** Only in Poland must local elected officials and political appointees' spouses declare their income. In Spain declaration is voluntary for political appointees' spouses. In all the other countries is not obligatory.



A joint initiative of the OECD and the European Union, principally financed by the EU



# Broad commonalities and differences

- *Declaration of personal assets.* In Germany and Great Britain declaration of assets is not obligatory, although Members of British Parliament should declare assets if it is worth more than 59,000 pounds, and in Germany civil servants must make a formal statement recognising that they do not have high debt levels before being appointed. In Latvia, Poland, Portugal and Spain local elected officials must declare their assets and this declaration is public.



A joint initiative of the OECD and the European Union, principally financed by the EU



# Broad commonalities and differences

- ***Declaration of family assets.*** In Poland local elected officials and political appointees' spouses must declare their assets too. In Hungary, the families who live with the political appointees and senior officials must declare also their assets. In all the other countries is not obligatory.



A joint initiative of the OECD and the European Union, principally financed by the EU



# Broad commonalities and differences

- ***Declaration of private interests relevant to the management of contracts, and to decision making or voting.*** A formal declaration is needed in countries like Germany, Latvia, Portugal (including information of the three years prior to the appointment) and Spain (including two years prior and post employment interests) for political appointees and local elected. In Great Britain, a formal declaration of interest should be made by public officials (included local elected officials) every time there is an interest which might reasonably be thought by others to influence her or his actions. British public officials should include family interests and interests from closely associated persons in their disclosure.





A joint initiative of the OECD and the European Union, principally financed by the EU



# Broad commonalities and differences

- ***Declaration of gifts.*** In Latvia it is mandatory for all the public officials (included elected and members of Parliament). In Poland only for local elected officials and political appointees.
- ***Security and control in the access to inside information.*** Civil servants must keep in secret confidential information in all the countries, but in Poland, Hungary, France and Spain there are rules and sanctions clearly stated about that.



A joint initiative of the OECD and the European Union, principally financed by the EU



# Broad commonalities and differences

- ***Restrictions and control of post-employment business or NGO activities.*** In Portugal and Spain, during the two years after (Spain), or three years after (Portugal) the date they left the public post, political appointees and local elected may not undertake an appointment on a commercial or private company outsiders which is or was involved in a contractual, regulatory or direct relationship with their employing organization. In France there is a very detailed regulation on post-employment for civil servants, and in Great Britain civil servants must report approaches from offering jobs, including NGO,s.



A joint initiative of the OECD and the European Union, principally financed by the EU



# Broad commonalities and differences

- ***Restrictions and control of gifts and other form of benefits.*** Great Britain has a very strict policy against gifts, for example, political appointees only can retain gifts when their value is less than 140 pounds. In Poland there is a very strict control of gifts for local elected officials. In other countries gifts shouldn't be accepted when they can affect independence.
- ***Restrictions and control of outside concurrent appointments (For example, a NGO or Party).*** In Latvia, Poland, Great Britain, France, Germany and Spain political appointees and local elected have restrictions on concurrent appointments in NGO,s. Concurrent appointments in political parties have to be accepted for local elected officials.



A joint initiative of the OECD and the European Union, principally financed by the EU



# Broad commonalities and differences

- ***Recusal (routine withdrawal).*** All persons which act on behalf of the administration must be excluded of the release of an administrative act or an administrative contract when they have private interest on the decision.
- ***Personal and family restrictions on property titles of private companies.*** In Latvia, Great Britain, France, Spain and Portugal all public officials have restrictions on property titles of private companies when these companies contract with the public sector or when the public officials have to regulate, control or contract them.



A joint initiative of the OECD and the European Union, principally financed by the EU



# Broad commonalities and differences

- ***Detection***
- 4. 1. ***Whistleblower protection?*** Hungary, Great Britain and Germany have developed a system of whistleblower (people who report wrongdoing in the public sector) protection. The other countries do not have it.
- ***Independent Body?*** The institutional instruments to detect and investigate conflicts of interest are different in each country. There are no commonalities, except in the difficulties to have a real independent body. The Latvian Corruption Protection and Combat Bureau enjoys a certain degree of independence, and has broad powers of investigation and prosecution. But the only really independent body is the Constitutional Court in Portugal. That's impossible in federal country.



A joint initiative of the OECD and the European Union, principally financed by the EU



# Broad commonalities and differences

- *Investigation*
- 5.1. *Who?* Criminal investigation is made by public prosecutors in all the countries studied. In Portugal the Central Directorate on Investigation of Economic and Financial Crime and Corruption, which is part of the judicial power, plays also a role in criminal investigations. In Spain there is a special Anticorruption Attorney's Office, which is charge of the investigation of relevant corruption crimes. This Office was created in 1995 by consensus among the leading Spanish political parties.



A joint initiative of the OECD and the European Union, principally financed by the EU



# Broad commonalities and differences

- Nevertheless, there is administrative investigation in all of the countries too. Administrative investigation is usually done by the body/authority in charge of detection. In Latvia the Corruption Protection and Combat Bureau investigates corruption cases and violations of the conflicts of interest regulations. It can investigate bank accounts or business transactions and has access to the Tax Agency databases. In Hungary the “Assets Declaration Register and Control Bureau” is the body in charge of investigation once the authorities have sent to it the case detected. It can investigate bank accounts or business transactions and has access to the Tax Agency databases.



A joint initiative of the OECD and the European Union, principally financed by the EU



# Broad commonalities and differences

- *Prosecution*
- *Judicial or administrative.* There are both kind of prosecution in all the countries studied. Judicial prosecution proceeds when there is a crime. And administrative prosecution when there is a disciplinary fault.
- *Sanctions*
- 1. *Penal.* There are crimes related to “conflicts of interest inadequately managed” in most of the countries.





A joint initiative of the OECD and the European Union, principally financed by the EU



# Broad commonalities and differences

- In Latvia, violations of the conflicts of interest rules are sanctioned with up to five years in prison if there is substantial harm to the public interest.
- In Great Britain there are criminal sanctions attached to non-disclosure of interest by members of the Scottish Parliament, Welsh Assembly and Northern Ireland Assembly, and continue to apply for a transitional period to non-disclosure of pecuniary interests by members of local authorities and failure to withdraw from the local authority's deliberations.



A joint initiative of the OECD and the European Union, principally financed by the EU



# Broad commonalities and differences

- France has a special crime called “unlawful interest seeking”, and the sanction could be up to five years in prison and fines of 75.000 euros. And it is also a crime to breach the post-employment restrictions on private companies and to obtain a pecuniary benefit from it; the sanction is up to two years in prison and fines of 30.000 euros.
- In Poland, local public officials can be sanctioned with up to three years in prison for false declaration of interests.
- In Germany there is a crime related to conflicts of interest called “accepting of advantage”. The regulation of § 331 Criminal Code covers all kind of advantages.



A joint initiative of the OECD and the European Union, principally financed by the EU



# Broad commonalities and differences

- ***Disciplinary***
- 2.1 ***Suspension of salary.*** These administrative sanctions are provided for civil servants in most of the countries.
- 2.2 ***Dismissal.*** Dismissal is the most serious administrative sanction for violations of conflict of interest regulations in all the countries studied. In particular, dismissal of civil servants and local elected is provided in the regulations of most of the countries.
- 3. ***Administrative.*** The administrative sanctions found in the regulations are: Fines, moral sanctions (i.e. to publish the violation in the Parliament Official Gazette or the Official Bulletin of the State), reports to the Parliament, prohibition to hold public office for up to 10 years and restitution of quantities illegally taken.



A joint initiative of the OECD and the European Union, principally financed by the EU



# Conclusions and policy recommendations

- **Include the conflict of interest policies in a broad strategy to prevent and combat corruption.**
- **Enact good administrative and criminal law frameworks .**
- **A professional civil service and an independent judiciary should be included in these frameworks .**
- **Establish general and clear ethical standards in public life.**
- **Establish a systematic corruption risk assessment in the most problematic bodies**



A joint initiative of the OECD and the European Union, principally financed by the EU



# Conclusions and policy recommendations

- **Carefully regulate recusal and withdrawal in public decision-making.**
- **Regulate and manage well mandatory declarations:**
- Income declaration: Declaration of income is not absolutely necessary if there are declaration of assets and declaration of interests, but it could be helpful in controlling political appointees and locally elected officials



A joint initiative of the OECD and the European  
Union, principally financed by the EU



# Conclusions and policy recommendations

- Asset declaration: Declaration of assets can be very helpful in detecting and controlling conflicts of interest of locally elected officials, members of parliament and political appointees.
- Family income declaration: Declaration of family income and assets is a measure that is too strict and probably difficult to sustain constitutionally.
- Declaration of gifts: It is better to have clear and strong restrictions on gifts and benefits than to oblige their declaration.



A joint initiative of the OECD and the European Union, principally financed by the EU



# Conclusions and policy recommendations

- Declaration and registration of personal interests: Declaration and registration of personal interests constitute another cornerstone of a good conflict of interest policy.
- Publicity of declarations: Declarations of interests and assets of elected officials and political appointees should be open to public scrutiny, while at the same time respecting security rules and the protection of privacy.



A joint initiative of the OECD and the European  
Union, principally financed by the EU



# Conclusions and policy recommendations

- **Limit holding jobs outside the administration**, but be careful with local elected in small municipalities.
- **Limit employment possibilities after leaving office**: It is necessary to restrict and control post-employment business or NGO activities, because public officials are expected to refrain from taking improper advantage of a public office or official position which they have previously held, including privileged information, when seeking employment or appointment after leaving public office.





A joint initiative of the OECD and the European Union, principally financed by the EU



# Conclusions and policy recommendations

- **Limit external activities while in public office.**  
External, concurrent appointments in NGOs or trade unions – even if they are not paid – could cast doubts about the impartiality of public officials. Appointments in political parties cannot be limited for local elected.
- **Punish the use of inside information**
- **Restrict owning shares in private companies**  
The Italian case shows us the importance of personal and family restrictions on property titles of private companies. A public official should not own private companies that are under his control or subject to his decisions. Public officials should not own private companies that contract or have partnerships with the public sector.



A joint initiative of the OECD and the European  
Union, principally financed by the EU



# Conclusions and policy recommendations

- **Establish a workable detection and investigation system, including an independent specialised body.**
- **Penal and administrative sanctions should be compatible and complementary:** When it has been proven that a violation of law has occurred, it is necessary to have a system of sanctions, with no exceptions.