



## Session Report

*Please know you may design the structure of this report to better suit the session. It's important to capture the key outcomes and solutions proposed for the future.*

**Session Title:** Beyond Authoritarianism and the Oligarchs:  
Kleptocracy in Fledgling Democracies

**Date & Time:** Thursday, 08.12. 2022, 3:30 pm -5:00 pm GMT -5

**Report prepared by:** Annelise Adrian Freshwaters, Senior Program Associate, International Republican Institute

**Moderated by:** Dilrukshi Handunnetti, Executive Director, Center for Investigative Reporting Sri Lanka

### Panelists:

- Mariyam Shiuna - Former President, Maldives Anti-Corruption Commission
- Paul Massaro - Senior Policy Advisor for Counter-corruption and Sanctions, U.S. Commission on Security and Cooperation in Europe
- Lester Ramirez - Director of Governance & Transparency, Association for a More Just Society (Transparency International Honduras)

### Share the thematic focus of the session, it's purpose and corruption risks?

In recent months, the phenomenon of kleptocracy has been featured in global news and international policies as a characteristic of non-democratic authoritarian regimes. Particularly after the invasion of Ukraine, the issue has revolved mainly around Russia and its state-supported Oligarchs, who have amassed large amounts of funds acquired through illegitimate means. There has been inadequate attention given to non-advanced democracies around the world that have been greatly influenced or outright hijacked by Kleptocrats and/or Kleptocratic networks. This session will shed light on the nature of kleptocracy in Central America and South Asia and investigate deficiencies in international policies to effectively counter the

phenomenon.

## Summary of panelists' contributions & discussion points (please be as detailed as possible)

**Dilrukshi Handunnetti, Executive Director, Center for Investigative Reporting Sri Lanka** opened the session wanting to provide context to her position as moderator and expert in anti-corruption. For over two decades, Dilrukshi has worked as an investigative journalist in Sri Lanka on anti-corruption and kleptocracy, and has been targeted for her work. Just as a small example, one investigation into the President of Sri Lanka in 2007 led to over eight years of litigation, and the journalists ended up losing the case. Many of these journalists were personally targeted and had their families threatened. Journalists, and those pursuing anti-corruption reform, often pay the ultimate price, despite knowing the risks and pain that come with pursuing transparency and justice.

**Lester Ramirez - Director of Governance & Transparency, Association for a More Just Society (Transparency International Honduras)** detailed his role leading a CSO to combat corruption in Honduras. To Lester, many in the developing world see corruption differently because corruption is often the rule, while integrity is the exception. In the developing world, there are nuances that must be understood to effectively combat kleptocracy. There are six main factors which enable kleptocracy to flourish: First, historical factors. Legacies of colonization left institutions which aren't necessarily managed well today, and we must re-think these institutional characteristics to control corruption. Second, political factors and power relations, including political party structures, leads to a revolving door of many good people coming into institutions wanting to make change, but caught in a cycle which they must play into in order to participate politically. Nepotism is the third factor, which is part of the social fabric of many countries and businesses and creates a fine line between public and private spheres. Globalization aspects are incredibly important to mention, as they differentiate kleptocracy from grand corruption. Because of our connectedness, geopolitical impacts occur wherever kleptocracy is present and has a wide reach. Many countries enable kleptocracy, acting as transit routes and havens for kleptocrats. Finally, these factors are enabled and exacerbated by both poverty and equality. To Lester, kleptocracy is a systemic and permanent type of corruption that uses political power to amass wealth while oppressing people.

**Mariyam Shiuna - Former President, Maldives Anti-Corruption Commission** spoke of how, in recent years, the Maldives has taken the world by surprise due to cases of grand corruption and kleptocracy which have come to light. The Maldives is democratizing. But despite democratic gains, the country has had major setbacks. While working on the Anti-Corruption Commission, Mariyam primarily worked on investigating complaints related to public officials. In one major case, security forces and other sectors all worked together to siphon millions. Between 2014 and 2019, 51 islands were leased through deals with an estimated \$215 million missing from the state sale, which does not include other deals made behind closed doors. A total of \$79 million can be traced through fees to state-owned enterprises and transferred to different individuals. Under a joint investigation, the Anti-Corruption Commission

identified over 300 beneficiaries of the money, which included judges, former MPs, current MPs, senior government officials, politicians, and even heads of independent institutions, including the Anti-Corruption Commission Chair. This reveals the levels of impunity at top levels of government and how the entire system was rigged to serve these people. The investigation is still ongoing, but Mariyam was forced to resign after looking into the involvement of current political figures into the scandal. The Commission is deliberately slow when investigating how politicians have been involved, which is a major weakness. This experience illustrates the lack of genuine political will in the Maldives to investigate this case.

**Paul Massaro - Senior Policy Advisor for Counter-corruption and Sanctions, U.S. Commission on Security and Cooperation in Europe** spoke to recent efforts the US is making to counter kleptocracy. It's good to think about what these efforts mean to most of the world, even if everything on Capitol Hill is centered around Russia and China. Many global financial and political structures were set up based on the notion in 1991 that, when the Soviet Union fell, we would deregulate everything, and democracy would follow. Instead, we're seeing an unprecedented ability to loot. Lawyers, MNCs, and international organizations are wrapped up in the draining of states' money and movement of that money to the developed world. You have to admire the ability of fledgling democracies to survive, even as authoritarian governments try to consolidate in these conditions. In many cases, people will not let them, by doing amazing work like the panelists featured here. If we don't clean up our act, however, these activists are in a losing war. Enablers are one of the biggest issues we face in this space today. They influence our politics negatively and lead to greater authoritarianism in our systems. Confronting this issue from a broad angle is important. The Corporate Transparency Act of 2020 is establishing a US beneficial ownership registry, which is allowing the US to catch up with its own commitments. The Enablers Act would create due diligence requirements, like for banks to ask simple questions about how money was acquired. When no questions are asked, you can't catch corruption. These trip wires are incredibly important. The SHAME Act would make it illegal to accept compensation for lobbying for US adversaries. The foreign lobbying scene in DC is enormous – people go from fighting corruption, to working to dismantle that work.

## Main outcomes of session (include quotes/highlights and interesting questions from the floor)

### Outcomes and Take Aways

- Kleptocrats can evolve in fledgling democracies. Even if they are sentenced or voted out, they may come back during the next election. Generational change is one way to change the democratic culture in the long run.
- It's important to know when an opening event and window of opportunity presents itself and when to take it. Activists in fledgling democracies must be better prepared for when those authoritarian leaders come back, know what to do, and understand how to continue undertaking interventions. Supporting CSOs and media is key to ensuring voices for democracy will persist where authoritarianism returns.
- CSOs, journalists, and others in fledgling democracies taking a stand against

corruption are often targeted and harassed for their work, particularly when trying to root out corruption in current administrations. Supporting them is key to bolstering democracy and doubling down on efforts to root out corruption in these environments.

- US policy has many gaps through which kleptocracy is enabled. However, recent efforts to shed light on the nature of corruption in our globalized world have led to legislation and an overall awareness of the presence and impact of corruption even in developed countries. In the U.S., perceptions of corruption are high, which indicates a need for progress in this area. There has been good progress in past years in the West, but this needs to continue to effectively stymie the kleptocratic tactics used to steal riches and oppress those in fledgling democracies.

### **Interesting Questions**

- Could you speak on fatigue you face in fighting kleptocracy, how that may impact your work?
- How can organized civil society gain access to the judicial system to protect the interest of the plundered country and the interest of its population?
- What are the effective counterstrategies to stop sanction evasion?
- So much of American identity build around doing whatever we want with guarantee of privacy. Foundation of citizens united, right to free speech. Does transparency, regulation you need go counter to American psyche that you're never able to address it?
- Can you speak to experience with foreign assistance from US, other donors- the way it empowers or resists corruption?
- When it comes to fragile, fledgling democracy contexts where people are demanding justice, what kind of recommendations or guidance can we use to inform?

## **Key recommendations for the future and concrete follow-up actions**

### **Recommendations**

- One key way of combating corruption is to be preventative when designing programs. Kleptocracy is linked to clientelist networks, so understanding this well and designing programs to incorporate ways to prevent the flow of state money into the hands of these networks is important.
- Governments want to reform justice, but to do so, we must strengthen community ties. We should work on family relationships, power dynamics, and gender roles to construct more of a rule of law we can understand.
- For the future, we must invest in youth and digital activism. That's both the present and future. We must bring youth to the forefront of these issues. There's a lot of risk involved in this work. As we get older, we don't want to take those risks. How we behave as activists can change with age. Now, we must give youth the opportunity to do digital activism to make the changes older generations cannot.
- In many fledgling democracies, political will to fight corruption changes with

change in administrations. Independent anti-corruption entities in these countries need to be bolstered with structural support and empowered to investigate corruption no matter who comes into power. Journalists can use policies to hold people accountable, but this must be allowed to occur across the board and not to specific people.

- It's important to remember that in fledgling democracies, kleptocrats reinvent themselves. You can sentence people, but they can still contest it the next election. Even if you vote them out, they can come back again. We need generational change, since we're in this for the long haul. We're working to change democratic culture, so we must look in the long run rather than short.
- It's important to know when a window of opportunity is there, and when to take it. Civil society must be prepared when that authoritarian leader comes back, know what to do, and how we can continue undertaking interventions. It's important to ensure that we continue to support CSOs and media, as they will be your voice when authoritarian leaders come back to power.
- There are a vast number of legal gaps the West needs to fill to prevent kleptocracy. Humility in the developed world is needed to acknowledge that there is corruption in the US – former secretaries of state, members of congress are working for corrupt regimes both laundering and white washing reputations.
- A paradigm shift is needed to build an economy based on the rule of law because the prioritization of short-term economic gains has ruled here for too long. We take for granted that democracy will just continue. Freedom is fragile. We've recognized the problem, but at this point, it's about building coalitions. We have the blueprint to fix our issues, and just need to implement it. People want to keep their payday, but in the end, they can't overcome the coalitions we're able to build to stop them. The resulting snowball effect is extraordinary – it leads to not just new laws in place, but new norms.

### **What can be done to create opportunities for scaling up the solutions discussed in the session? And by whom?**

- Coalitions are an important part of the solution. Forming coalitions can help stop the kind of enabling which occurs in white collar environments, to where norms can shift. Soon, it will be totally unacceptable for New York law firms to aid kleptocrats. We're not there yet, and it will take time, but through reform and coalition building, we can get there.
- It's important to ensure that CSOs and journalists are supported, since they will continue to be your voice when authoritarian leaders come back to power in fledgling democracies. Their work sheds light on problems and demands justice – supporting them is necessary for continuing the building of democracy in these contexts.

### **Is there a specific call to action to key stakeholders, such as governments, businesses, funders, civil society, young people, journalists or any other stakeholder that should be noted? Please specify if relevant.**



*“In the short term, we must invest in youth and digital activism. That’s both the present and future. There’s a small group of people here under 30 years old – we must bring youth to the forefront of these issues. There’s a lot of risk involved in this work. As we get older, we don’t want to take those risks. How we behave as activists can change with age. Now, we must give youth the opportunity to do digital activism to make the changes older generations cannot.”* - **Lester Ramirez, Director of Governance & Transparency, Association for a More Just Society (Transparency International Honduras)**

*“It’s important to remember that in fledgling democracies, kleptocrats reinvent themselves. You can sentence people, but they can still contest it the next election. Even if you vote them out, they can come back again. We need generational change, since we’re in this for the long haul. We’re working to change democratic culture, so we must look in the long run rather than short. It’s important to know when a window of opportunity is there, and when to take it. We must be prepared when that authoritarian leader comes back, know what to do, and how we can continue undertaking interventions. It’s important to ensure that we continue to support CSOs and media, as they will be your voice when authoritarian leaders come back to power.”* - **Mariyam Shiuna, Former President, Maldives Anti-Corruption Commission**

### **Rapporteur’s name and date submitted**

**Annelise Adrian Freshwaters, 08.12.2022**