



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: Opening Plenary: Uprooting Corruption, defending democratic values

Date & Time: Tuesday, 06.12.2022, 1:00 pm – 2:30 pm GMT -5

Report prepared by: Roberto Kukutschka, Research Expert
Transparency International Secretariat

Moderated by: Reuben Lifuka, Vice-Chair of the Board Transparency International

Panellists:

- Samantha Power - 19th Administrator of USAID
- Maia Sandu - President of the Republic of Moldova
- David Malpass - President, World Bank Group
- Ghada Fathi Wali - Executive Director, United Nations Office on Drugs and Crime (UNODC)
- Sanjay Pradhan - Chief Executive Officer, Open Government Partnership (OGP)
- Achim Steiner - Administrator, United Nations Development Program (UNDP)
- Rhoda Weeks Brown - General Counsel and Director of the Legal Department (in official representation of IMF MD)

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

The opening plenary addressed how years of insufficient action against corruption by governments has led us to a critical juncture: while we continue to grapple with the vast and unprecedented consequences of the pandemic, kleptocratic regimes are endangering the global order.

Corruption fuels these threats, hinders responses and endangers every person's right to live in peace and security. This makes our global movement against corruption more important than ever.

The participants discussed the importance of anti-corruption as part of the solution to some of the most important challenges that the world faces today, from rising authoritarianism and declining levels of trust in government across democracies, to the fight against poverty, inequality and climate change.

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

Samantha Power - 19th Administrator of USAID

Corruption today is more than just enriching oneself at the expense of the public. Corruption has taken advantage of an opaque global financial system to pillage on a grand, international scale with the help of a new industry of enablers and facilitators. It has become a popular strategy, particularly amongst non-democratic regimes, to influence politics and policies to reshape global norms and influence multilateral institutions to serve their interests. Furthermore, *"corruption is no longer just about individual autocrats pilfering their nation's wealth to live large – it is about their building out an entire system of governance – aided by facilitators beyond their borders."*

The speech focused on two main points:

1. the ways in which the United States has adapted its approach to tackle the new manifestations of corruption, and
2. the strategies that governments, civil society and the private sector should embrace to tackle corruption.

Power used the example of former Ukrainian President and Prime Minister Viktor Yanukovich, who in collaboration with his cronies extracted as much as \$37 billion worth of Ukraine's wealth, and led a system of oligarchs that looted the state and stored away their illegal profits in Russia and in Western countries.

The money that Yanukovich and his cronies stole was meant to benefit the people of Ukraine and should have been used for roads and bridges, for medicines at public clinics and teachers at public schools. Instead, it got Yanukovich an opulent mansion in the outskirts of Kiev with "a private golf course, impeccably manicured gardens, and even a small zoo with peacocks and giraffes". It also featured dozens of rare cars, gold-plated sinks and gold chandeliers valued in \$41 million.

"Yanukovich didn't simply try to enrich himself. He used his position to create a system of entrenched corruption in key industries like energy and real estate, capturing the levers of state power for political control – a system known well as kleptocracy."

Powers outside of Ukraine were critical in Yanukovich's corruption schemes. He was

only able to become president only because his presidential campaign was funded by Russian oligarchs. He received \$10 billion in loans from bankers close to Vladimir Putin. In return, Yanukovich oriented Ukraine away from the West and built closer ties with Russia through lucrative gas deals and by accepting an economic bailout from Moscow, instead of the European Union. This was seen as a betrayal of the country's interests and was the spark that lit the Revolution of Dignity.

Ukrainians standing up for democratic values and anti-corruption was a threat to the Kremlin's agenda in the region:

"Putin feels stronger when democracies become weaker and polarized. The weaker the rule of law and the more centralized power is, the easier it is for the Kremlin to cook up a deal to plunder national resources. When Russia funds these efforts, Moscow benefits."

Russia, however, is not the only country using corruption to obtain political favors. China is also known to use corruption as a tool of foreign policy. Its Belt and Road Initiative offers favors in exchange for preferential investment and control, especially in extractive industries and infrastructure: In Malaysia, for instance, when former Prime Minister Razak was caught funneling state money into his personal account, he struck a deal with China. They would attempt to influence investigators to drop the case against him and spy on reporters who helped leak the scandal. In exchange, however, they would benefit from massive rail and pipeline infrastructure projects.

To respond to the new challenges of corruption, particularly in the international arena, the United States is altering its approach and launching the first ever USAID anti-corruption policy. The policy focuses on addressing corruption at the highest levels of government and with consequences that go beyond national borders and fuel kleptocracy.

The Transforming the Fight Against Corruption Initiative is designed to block corrupt actors from siphoning off their nation's wealth and help shield our partner countries from corrupt internal and foreign influence by

1. reducing opportunities of corruption,
2. raising the cost of engaging in corruption, and
3. recognizing and incentivizing good behavior.

Power also emphasized the importance of dealing with corruption in an open and transparent manner even under the most difficult circumstances and even in life-and-death humanitarian emergency circumstances.

Despite the tireless efforts of activists, journalists, private sector and governments to innovate and ramp up the fight against corruption, corruption also evolves:

"Corrupt actors thrive when we stick to our siloes instead of building bridges – across sectors, across geographies, across stakeholders."

Citizens everywhere – from Iraq to Armenia and even Russia and China – have

protested in recent years against the actions of autocrats and oligarchs. People have turned out in record numbers to elect candidates running on anti-corruption platforms – candidates like President Abinader, President Hichilema in Zambia, and of President Sandu in Moldova.

Maia Sandu - President of the Republic of Moldova

Fighting corruption is fundamental to strengthen democracies. It is also a prerequisite for progress, innovation, economic growth and to achieve the UN's Sustainable Development Goals.

“Democracies undertake determined efforts to root out corruption, create room for progress, opportunities and prosperity. Authoritarian regimes, on the other hand, are built on corruption even though they often claim that democracies are too weak to fight it.”

Fighting corruption, however, is not an easy task and it might not be an easy decision for a politician, because existing networks of corruption will attempt to mobilize immense resources to keep the status quo and fight back. In the case of Moldova this kept the country in a grey zone of lawlessness and lack of progress for many years.

The cost of corruption for Moldova was massive. Almost 12% of countries GDP was lost to corruption in just a few months. Around the same time, Moldova's parliament and other institutions colluded to launder dirty money from Russia. This undermined Moldova's national security and democracy.

Now, however, Moldova's democracy is becoming stronger, but the country is paying a high price for this, particularly for refusing geopolitical deals from Russia and for favoring a democratic pro-European future and a free society. Despite the progress made in the past few years, corrupt groups in the country are still using the money they stole from the public to stop reforms and undermine progress.

It is important that politicians...

“...have the guts to tackle corruption head on and across the board.”

If strong democracies are serious about working and help strengthen weaker ones, they need to revise their rules around asset restitution and invest more in law enforcement to send strong messages that corruption is unacceptable and that there will be no place to hide ill-gotten gains.

“Democracies must make sure that hard earned public funds benefit the public, not criminals. In a globalized world this will benefit everyone.”

President Sadu also recognized the important role of civil society and journalists in the fight against corruption. She stressed that “...in the darkest times of state capture in Moldova activists and journalists bravely continued to show the damaging

effects of corruption.”

David Malpass - President, World Bank Group

Corruption is a huge challenge for project implementation.

- Need to find ways to tackle the non-transparency of contracts. Non-disclosure clauses in contracts are a signal that something might be corrupt.
- Provide data for evidence-based reforms.

Ghada Fathi Waly - Executive Director, United Nations Office on Drugs and Crime (UNODC)

We cannot afford to continue doing business as usual: we need a renewed commitment in international cooperation and in the implementation of the United Nations Convention Against Corruption.”

There is a big gap between commitments and implementation. We need to look at the results of the previous period of evaluation and

- redouble efforts to improve whistleblowing protection and transparency in public contracting / public procurement.
- re-gain people’s trust, especially amidst growing social discontent we must ensure clean elections and transparent spending.
- build better collaboration, between private sector, civil society, journalists, and think tanks and academics.

These three areas are intertwined and important to achieve real progress in the fight against corruption.

Sanjay Pradhan - Chief Executive Officer, Open Government Partnership (OGP)

Corruption remains an enduring challenge, but it now presents an unprecedented threat to democracy.

Priority 1: open-up corrupt institutions and allow citizens to look into them and disclose more data and information.

“There is a need to make open contracts a new global norm.”

Democracy needs to go beyond the ballot box, through increased citizen participation and the protection of public space.

Priority 2: tackle external threats from kleptocrats undermining democracy. New global norm to end anonymous companies. More countries need to deny safe haven for kleptocrats. When governments co-create with governments, reforms are more

Priority 3: Empower and support local coalitions

Achim Steiner - Administrator, United Nations Development Program (UNDP)

We have come a long way in understanding how corrosive corruption is.

Corruption thrives in troubled times. We have built solid foundations, but we need to continue advancing the fight against corruption. We are in a much stronger place now than 20 years ago: it is not an ad-hoc circumstance, it is a characteristic of some governance systems.

“We will come a long way if we understand that the fight against corruption needs to focus on citizen engagement and strengthening the rule of law.”

There is a need to link the battle against corruption to different sectors, new markets and new players.

There is a significant win-win in understanding how we can deploy technology to fight corruption. We are able to empower national police and customs services that simply was unimaginable years ago. It is also a good opportunity to strengthen media and civil society by allowing them to monitor the activities of their governments.

Citizens are an army of millions and must become an integral part of the battle against corruption.

Rhoda Weeks Brown - General Counsel and Director of the Legal Department (in official representation of IMF MD)

IMF focused on the economic dimension of corruption.

In some ways that makes corruption a very profound issue for the organization because the world is in a state of shock after COVID, the war in Ukraine and a number of natural disasters caused by climate change. We also face a more fragmented world: Food shortages, inflation, etc.

In these challenging circumstances, we cannot afford the massive negative consequences that come from corruption and bad governance.

Countries with strong institutions and anti-corruption frameworks will be better placed to respond to the current challenges. Fighting corruption is critical for economic recovery, poverty reduction and sustainable development.

The IMF policy on governance, which was adopted in 1997, but the systematic work on corruptions started in 2018, with the realization that corruption was an important obstacle keeping the organization from achieving its commitments. IMF no longer uses synonyms for corruption.

Poor governance and corruption have significant direct and indirect social and economic costs. Research estimates that tax revenues alone lost globally to corruption amount to a trillion dollars. The 2018 framework recognizes that it is important to address corruption directly, but it is not only about criminal laws and prosecution, but it is also important to look at fiscal governance issues (PFM), central bank governance, AML/CFT and the Rule of Law.

IMF reviewing its 2018 policy to check what can be improved. Civil society and media

is critical for IMF and has helped the IMF get to where they are now.

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

- *“Putin feels stronger when democracies become weaker and polarized. The weaker the rule of law and the more centralized power is, the easier it is for the Kremlin to cook up a deal to plunder national resources. When Russia funds these efforts, Moscow benefits.”* **Samantha Power – 19th Administrator of USAID**
- *“Corruption is no longer just about individual autocrats pilfering their nation’s wealth to live large – it is about their building out an entire system of governance – aided by facilitators beyond their borders”-* **Samantha Power – Administrator USAID**
- *“Democracies must make sure that hard earned public funds benefit the public, not criminals. In a globalized world this will benefit everyone.”* **Maia Sandu- President of the Republic of Moldova**
- *“Democracies undertake determined efforts to root out corruption, create room for progress, opportunities and prosperity. Authoritarian regimes, on the other hand, are built on corruption even though they often claim that democracies are too weak to fight it.”* **Maia Sandu- President of the Republic of Moldova**
- *“We must have the guts to tackle corruption head on and across the board.”* **Maia Sandu- President of the Republic of Moldova**
- *We cannot afford to continue doing business as usual: we need a renewed commitment in international cooperation and in the implementation of the United Nations Convention Against Corruption”* **Ghada Fathi Waly - Executive Director, United Nations Office on Drugs and Crime (UNODC)**
- *“In these challenging circumstances, we cannot afford the massive negative consequences that come from corruption and bad governance.”* **Rhoda Weeks Brown- General Counsel and Director of the Legal Department (in official representation of IMF MD)**
- *“Countries with strong institutions and anti-corruption frameworks will be better placed to respond to the current challenges. Fighting corruption is critical for economic recovery, poverty reduction and sustainable growth.”* **Rhoda Weeks Brown- General Counsel and Director of the Legal Department (in official representation of IMF MD)**

Key recommendations for the future and concrete follow-up actions

- There is a need to link the battle against corruption to different sectors, new markets and new players

- There is a big gap between commitments and implementation. We need to look at the results of the previous period of evaluation and
 - redouble efforts to improve whistleblowing protection and transparency in public contracting / public procurement.
 - re-gain people’s trust, especially amidst growing social discontent we must ensure clean elections and transparent spending.
 - build better collaboration, between private sector, civil society, journalists, and think tanks and academics.
- The fight against corruption needs to focus on citizen engagement and strengthening the rule of law.
- There is a need to keep supporting media and civil society to help in the fight against corruption. The protection of civic space is also a way to ensure that democracy prevails.
- More transparency and data is also needed to keep an eye on corruption. A global norm on open contracts could be a way forward.
- There is a significant win-win in understanding how we can deploy technology to fight corruption.
- Need for more work and engagement at the local level through local coalitions.

Rapporteur’s name and date submitted

Roberto Kukutschka, 07.12.2022