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ANTI-CORRUPTION
CONFERENCE

**MOBILISING PEOPLE:
CONNECTING AGENTS OF CHANGE**

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Short Plenary Report: Dirty Money: A stolen future. How to restore people's trust?

Date & Time: Nov 9, 2011, 12:00-13:30

Report prepared by: Dieter Zinnbauer, Transparency International

Speakers:

[Anna Bossman](#), Director of the Integrity and Anti-Corruption Department (IACD) of the African Development Bank (AfDB)

Gijs De Vries, Member of European Court of Auditors, Chair of the INTOSAI Working Group on Disaster-related Aid

Nicholas Shaxon, Author, journalist, and an Associate Fellow of Chatham House

[Patrick Alley](#), Co-founder and Director of Global Witness

[Raymond Baker](#), Director of Global Financial Integrity

[Therese Lee](#), Global Ethics & Compliance Counsel at Google Inc.

[William Bourdon](#), Lawyer, and founder of Sherpa

José Eduardo Cardoso, Minister of Justice, Brazil

Moderated by

Moderated by: *In this case there is no moderator !*

Stella Dawson, Editor, Governance and Anti-Corruption at Thomson Reuters Foundation

Main Outcomes (200 words, narrative form)

The range and diversity of the presentations delivered by the participants demonstrate impressively that the fight against corruption is being intensified at many levels. Analytically and on the advocacy side, there is increasing light being shed on the shadow banking networks and locations that facilitate illicit money flows. Suggesting that responsibilities do not fall only on the usual suspects of offshore banking centres, but that established banking centres in industrialised countries are equally and given to their financial weight even more consequentially part of the problem.

The examples of Brazil shows that some governments are stepping up cooperation between different agencies and levels of government to make the detection of illicit financial flows easier (Brazil), while Ghana is laying the foundations for its legal and institutional framework to protect its newly discovered oil wealth from the resource curse.

Audit agencies can and in many instances begin to assume a more active role in helping to detect and prevent the siphoning off of public funds.

Across the board a professional, watchful civil society was considered an essential ally in strengthening the fight against illicit flows, more coordination and integration of efforts both at national and international level is also important and so is capacity building, setting aside sufficient resources and the plugging of loopholes that allow for impunity.

Summary of Presentations (200 words per panellist)

Raymond Baker

- For every 1 USD in aid, about 10 USD are drained from the country
- Anecdote about purchase of Nigerian manufacturing company in the 1960s that was about to collapse because old owners drained it through mispricing and self-dealing. Turn around was possible when these practices were abolished by new owners
- Roughly 1 trillion USD a year flows out of DCs (conservative estimate)
- Goal is to curtail these flows, not to try to stop them altogether (latter would require heavy handed measures)
- Overarching answer: transparency in 3 key areas: 1. disclosure of beneficial ownership; 2. automatic exchange of tax information 3. Country by country reporting

Nicholas Shaxon

- Presented Financial Secrecy Index results: established financial centres (UK, US, Switzerland, many other OECD countries among most secret locations)
- Britain is directly and indirectly responsible for half of all important offshore jurisdictions: British network of tax havens, serves as feeder network, money is captured by the different nodes of this web and fed to City of London
- Conclusion: solutions must start with city of London

Anna Bossman

- Ghana to avoid resource curse and prevent illicit flows by focusing on the sources, where revenue is created; very difficult to trace and recoup illicit flows when they leave the official system
- Consultations with civil society and development banks confirmed: urgent need for civil society to participate in discussion
- Strong demand for
 - independent mechanism to manage oil revenues
 - publishing of revenues

- keeping funds and flows separate for better trace-ability
- limited confidentiality clauses
- Bill passed in 2011 provides robust framework for managing oil revenues
- Important to explore what mechanisms can be created to build capacity and transfer know how to local partners related to community empowerment mechanisms

José Eduardo Cardoso (the audio translation frequently failed so this is a somewhat incomplete account)

- Imperative to strengthen anti-money laundering efforts, given the increasing sophistication of organized crime
- More cooperation both at country level (across agencies and across different levels of governments) as well as at international level is very important
- Brazil put in place in 2003 milestone national strategy to fight corruption and money laundering
- Key to success was to get all agencies to come together and collaborate even if there were internal resistances
- Brazil has also intensified international cooperation efforts working through embassies department of justice as central authority responsible for the negotiation of agreements and central interlocutor for the recovery of assets
- In essence: have made significant progress, but there is a long way ahead

Guy de Vries

- Crucial role of audit institutions, they are an underused resource in the fight against corruption
- Audit institutions can help in two ways: a) help detect fraud and corruption (e.g. in Indonesia it helped recover millions and uncovered more than 300 cases) and b) it can help prevent corruption (e.g. in Netherlands audit commission ranked ministries according to corruption defense systems and found that ministries of health, agriculture, finance and defence had major shortcomings; second example: assessment of conflict of interest management in key EU agencies also found shortcomings, there were hardly any policies to prevent conflicts of interests among staff)
- Challenges: restricted remit of audit institutions (e.g. in DRC it oversees only 17% of budget); insufficient fines for detected offenders
- Way forward: auditors must become more publicly engaged, they need more training, capacity development and donors should prioritize that and donors should speak out for and support agencies when they are at risk of being undermined

William Boyden

- Sherp filed a complaint against three African heads of states
- What looked impossible, all of sudden came true: legal victory and luxury assets in France were confiscated
- No need of scientific proof: sufficient to point out discrepancy between official income and displayed wealth to generate sufficient suspicion of wrongdoing and initiate investigation
- Spurious use of immunity by Equatorial Guinea to thwart enforcement, at the same time legal action launched against civil society groups
- international community needs to support new generation of activists, some of my friends were tortured in Congo Brazzaville, we need to create an international shield to protect against this
- better coordination between judicial systems is essential: UN, Brussels, London etc. billions of dollars have been lost after Arab spring, because of delay in judicial action
- it is not acceptable that banking systems refuses to be regulated
- Grand corruption has to be considered as international crime

Patrick Alley:

- 3 examples of our investigations into natural resource related corruption (DRC selling mining companies to shell companies incurring great losses for the public; Equatorial Guinea acting as go between for fishy transaction between oil companies; UK corporate registry not doing sufficient checks and validations on companies that register with them)
- Many commercial service providers happy to help set up companies without knowing ultimate beneficiaries
- Business executives' image not dented by their companies having been implicated in money laundering cases (e.g. example of British bank)

Theresa Lee

- Progress on compliance front:
 - China passed law against foreign bribery
 - US, UK stepped up enforcement of FCPA et al.
- Global corporations can be a very important change agent in the fight against corruption: tech companies are pushing down anti-bribery certifications to their partners, do ac training
- rising industry standards on compliance best practices, robust vendor industry developing
- knowing beneficial ownership of partners is very important: need to know who we are doing business with;
- see a lot of platforms, tools emerging to help companies track behavior etc.
- there is a lot of space for civil society to get involved: our decisions are data driven; and if civil society reporting tools can help us better understand particular corruption risks or integrity performance at subnational level it can be very useful for our business decisions

Recommendations, follow-up Actions (200 words narrative form)

- interesting convergence of interest on beneficial ownership disclosure (advocates, policy-makers and industry rep (Google) agreed on this, so perhaps there is a great opportunity for action
- Brazilian justice minister called for international fund to support AC work and wants civil society to help develop certification standards
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Highlights (200 words please include interesting quotes)

None of this is rocket science it is very much a matter of political will (Raymond Baker on curbing illicit flows)

when there is political will there is a legal way, nothing is possible without strong political will (William Boyden on his successful initiative to bring cases against predatory African dictators in French courts)

knowing beneficial ownership of partners is very important: need to know who we are doing business with (Theresa Lee of Google)

Key Insights Recommended to be included in the IACC Declaration

- Political will, international cooperation, civil society involvement are essential
- Shared responsibilities between developing and industrialised countries

Dieter Zinnbauer
