

Reflecting on 2011: The global context and Transparency International

Huguette Labelle

Chair of the Board of Directors,

Transparency International

Check against delivery

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Introduction and welcome

Welcome to our AMM 2011

Friends, one year ago in Bangkok, we met Natalia Magnitskya, the mother of our posthumous Integrity Award winner Sergei Magnitsky. Natalia said she would not rest until the Kremlin admitted the truth about how her son had died in prison. Just a few months ago, thanks to the efforts of Natalia, to the Russia chapter and to others of great courage and tenacity, the Kremlin admitted that Sergei had of course not died of natural causes, as it had suggested, but that he had been brutally murdered by prison guards.

Sergei and Natalia spoke truth to power, and amazingly, the truth emerged. Over the last year people in many countries have overcome fear and spoken truth to power. Many more of them are in the room today. I must add here that as I travel around the world and see the work that our chapters are doing, I leave with an extra dose of energy and ready to work harder for the cause that is ours.

As the world watched the seismic events unfold in Tunisia and Egypt, across the Middle East, and in massive rallies in Iran, Belarus, and India, there was a profound lesson: the indignity, the lack of respect, the abuse of human rights imposed on ordinary people by corrupt authoritarian regimes is intolerable. People are waking up to corruption in a way we could not have imagined in Bangkok last year.

In this new age of social media and connectivity between peoples, there is an opportunity for vast populations to stand up and, with one voice, say no to corruption.

My friends, this has been a year of many anti-corruption landmarks and breakthroughs. Never before have we come together at a time when our cause has been so central in so many countries. That adds excitement to the wonderful opportunities that our annual meetings bring – as we greet old friends, make new friends, listen to each other and then, finally, depart wiser and all the more inspired to fight still harder for what we all believe.

So I greet all of you and underscore that I believe our movement has never been so strong, nor so absolutely vital. Welcome to you all.

This year, the combination of greed, secrecy, collusion and corruption has resulted in massive costly economic and human damage.

To open our meeting I would like to sketch a few of the very diverse events of recent times, and set the stage for our discussions.

1. Financial crisis and its consequences

Three years ago, the world's economy was taken to the very edge of a major depression because of massive failures of risk management in leading banks and financial institutions and terribly ineffective government regulators of banks.

What was very evident to all of us here at TI was that the financial system was also a consequence of governments and businesses operating without transparency and accountability, and of state capture.

Although we cannot count the cost of corrupt activity that takes place off-books, we can count the human cost of corruption, the unemployment, poverty and financial insecurity not seen for decades.

The financial crisis has:

- Pushed 64 million extra people into extreme poverty
- Left 25 million more people without jobs
- Caused the deaths of 50,000 more children in Sub-Saharan Africa in 2009
- And reduced the value of pension funds by US \$3.4 trillion in 2008.

We know that hundreds of thousands of people in the United States bought houses on financial terms that they did not understand and that were sold to them by all manner of unfair practices and that so many of these people have, as a result of the crisis, lost their homes. But not a single head of the major companies that sold those mortgages has been charged with criminal wrongdoing, not one.

Here in Europe, we are seeing another chapter in the global financial crisis. Banks are once again on the brink and governments face national debts that dwarf national income. Despite this damage, no country embroiled in this financial debacles has seen a single very prominent banker, or leader of finance, faced any serious criminal charges of corruption – not one.

However, there are a number of cases in courts related to collusion of traders and unfair advantages for banks trading hedge funds. We know that Goldman Sachs already paid \$550 million last year over accusations

that it had misled investors. These are just the tip of the iceberg, the progress of these and other court actions will be crucial to re-establishing integrity as a primary factor in the way the economy works.

We know European and American countries have distributed massive stimulus packages, more than US \$1 trillion in 2008 alone, and spent more than US \$6 trillion to bring aid and financial guarantees to European and American banks.

We know that this has triggered a new cycle of increased debt:

- Greece, Portugal, and Ireland alone have borrowed US \$500 billion to manage their combined debt of over US\$1 trillion.

This, accompanied by the need for budget cuts and sale of state assets - US \$ 85 billion in Greece, Portugal and Ireland - is putting countries on the brink of another age of austerity.

We know the risks of corruption here. Whether engaging in stimulus, bail-out or privatization, it is important that money being distributed is not diverted for personal enrichment.

What we also know, is that as the financial and economic crisis continues, there remain enormous vulnerabilities to future crises – many of the non-bank financial empires, such as those of the hedge funds, are no better regulated today than they were three years ago.

While we all understand the incredibly disruptive force of illicit money, little has been done to end global money laundering – the handmaiden of corruption. Meanwhile, the tools at the disposal of the facilitators of corruption are increasingly sophisticated.

- Some tax havens have more registered companies and trusts per capita than industrial states: the Cayman Islands has a population of 50,000, yet banks registered there held over \$1.7 trillion in assets at the end of 2008, more than Italy, Portugal, and Spain combined.

We are acutely aware that within the complex global financial landscape, corrupt authoritarian leaders hold vast amounts in western banks, own valuable properties in our cities, in our newspapers and even our sports clubs, and have shares in western companies and their subsidiaries, often as equity holders.

- We will probably find that this goes for much of the wealth of Ben Ali, Mubarak and Qaddafi. We already know that at least US \$40 billion of their assets have been frozen by western financial centres.

Yet it took the collapse of the regimes in Egypt and Tunisia before western authorities froze their bank accounts.

- Why were their accounts not frozen a long time ago?
- Why are so many corrupt leaders still allowed to deposit vast fortunes that belong to their citizens in western banks?

Clearly, too little has been done as well to ensure far more extensive and rapid repatriation of stolen assets.

Despite the myriad social costs of financial secrecy, despite the obvious need for smarter, properly enforced regulation, there has already been a concerted effort to push back on regulation and maintain the same laissez-faire approach that got us into this mess:

- There is opposition to absolutely crucial plans to force the world's top banks to hold up to 2.5 per cent in extra capital, so that they can face any future credit crunch.
- In 2010, the financial sector saw fit to back up these arguments by spending US\$ 475 million on lobbying Washington DC.

At the end of 2010, our research tools warned us that corruption and opacity threaten all countries. The Global Corruption Barometer showed that confidence and trust in countries in the eye of the financial storm was low, with two thirds of Europeans and North Americans saying corruption had increased in the last three years.

The TI movement has been increasingly alert and active to many of these facets at a time when the global economy is in deep difficulty. We must spare no effort to continue to campaign for accountability and transparency in the financial system. We must do more as activists to ensure that the money launderers are exposed, that stolen assets are repatriated and those who perpetrate corruption in finance be brought to justice.

2. Illicit trade

Now, let me turn to a very different but no less disturbing issue – illicit trade. Corruption plays a role in every aspect of illicit trade. Bribes are paid to officials across the world so that organized crime can overcome legal barriers, circumvent justice and cause enormous suffering to innocent people.

Corruption today is complicit in the most terrible and shameful activities that are visible on our planet today. Human trafficking, organized crime, drug smuggling, and arms dealing are all part of a thriving illicit trade that operates through secrecy and corrupting public institutions. If allowed to continue, more and more citizens will find their security reduced and their governments weakened.

These forces are growing because the profits of crime and corruption can be moved around the globe almost with impunity. The reach and scale of illicit trade is formidable – current estimates suggest the illicit financial flows related to all aspects of illicit trade exceed \$1.3 trillion.

The most horrific element of illicit trade is human trafficking, and we know that millions of people, including children, are victims every year. Why are they trafficked? Why are the traffickers not brought to justice? Part of the answers lies in the ability of gangsters to purchase impunity by corrupting public officials.

That said, the fight against impunity has scored some victories this year. In French courtrooms, the case against three other African heads of state to recover stolen assets is finally proceeding:. For example, the president of Equatorial Guinea, whose fortune is estimated at \$600 million.

3. G20

In three weeks time the leaders of the Group of 20 leading economies meet at their Summit in France, so let me now turn briefly to them.

During our last meeting last November, we saw an unprecedented commitment by the G20 to support major advances in the areas that we have been calling for change for many years. The G-20 Anti-corruption Action Plan was specific in its goals, such as implementing the UN Convention against Corruption. Still, we were naturally cautious – we continue to want to see firm action meet the fine rhetoric of world leaders.

The G20 meeting in the near future will build on the first Action Plan and we have been pressing hard for forceful action: from effective whistleblower protection and enforcement of anti-bribery laws, to practical measures on money laundering and tax evasion.

Several G20 countries have taken positive steps. While there were additional factors behind this progress, the G20 has no doubt had some impact on the decisions of the UK, Russia, China, India and Indonesia to adopt new anti-bribery legislation or measures. China has also issued a white paper on corruption, while India ratified UNCAC, and is said to be close to criminalising foreign bribery.

The work of the G20 goes well beyond the countries involved. It is to be hoped that encouraging the leading economies to take strong anti-corruption and pro-transparency measures will affect other countries. The G20 is therefore one of our best hopes for creating a positive contagion effect, to counteract the negative contagion created by the financial crisis.

4. People uprisings

I have talked about finances and economics, about illicit trade and the G20 initiatives, but nothing has had greater impact on our work over the last year than the loud and clear voices of ordinary people.

These events remind us of the aspiration in our movement's new strategy to make our movement more inclusive, reaching out to vast audiences, so that their voices can be heard loud and clear in the ranks of those who oppose corruption.

And all of us were, I am sure, inspired by the events of what has broadly been called the Arab Spring. In recent months,

- In Tunisia, hundreds of indictments for corruption have been filed, and the former ministers for defence and interior are on trial.
- This August, Egyptian citizens gathered on the streets to watch their former ruler of thirty years stand trial for corruption and repression of protests. Senior businessmen and ministers have been tried for corruption, fined and jailed in absentia, such as industry minister accused of wasting tens of millions of state funds.

However, if the desire for more accountable public institutions is not satisfied, the result may be further instability. Corruption creates grievances that can drive people to despair and to demonstration, but without a single leader around which popular anger can coalesce, the risk is that this energy becomes chaotic and violent.

We have also seen a change in the way world leaders speak of development. Major world players have recognised that stable economic growth will not guarantee political stability if the fruits of that growth are not shared equitably, and that there needs to be a new capacity for governments to listen to people and include civil society in their programmes:

- In April Robert Zoellick took an unprecedented line for the World Bank in highlighting the role of civil society in improving governance
- European Commission President Barroso unveiled a new EC strategy for the region prioritising civil society and making institutions accountable.
- President Obama gave a speech quoting the protestors and speaking of how corruption held back young people, business innovation and progress and the need to work with activists who promote transparency in government.

Let us hope that next week's elections in Tunisia, with the participation of over 100 registered political parties, continue the relatively peaceful revolution.

a) The Indian summer

Countries that want to fight corruption need strong, independent anti-corruption institutions. In many countries, the road to establishing such institutions has been a long one. In India, there are signs that anti-corruption activists are reaching an end to this stage of the journey.

- A new law will create an anti-corruption body with greater power to investigate and prosecute corruption.
- The debate around this bill has generated large amounts of public interest and high emotion. Whatever ones feelings around the nature of the bill, it is heartening to see the corruption debate top the government agenda.

The protests show that governments cannot tackle corruption with symbolic gestures, they need to show a consistent and continuous commitment to transparency and integrity if they are to win over public trust.

- Anti-corruption protestors, led by former Integrity Award winner Anna Hazare, were able to mobilise tens of thousands of demonstrators because many Indians had lost faith in government efforts to fight corruption. Three quarters think corruption has increased in last three years, only a quarter think that their government's efforts to fight corruption have been effective. Our chapter has been constantly engaged in promoting improvements of governance in the country.

5. The role of social media

a) People power

Throughout the world, there are increasing demands for accountability and transparency and fairer societies. Information technology has a unique and powerful role in this. In 2011 we saw how social media empowered citizens to demand change, from Cairo and Tunis to Jakarta and Delhi.

Social media was the secret weapon of change in the Arab Spring:

- The number of Facebook users in the Arab region between January and April jumped to more than 27 million.
- The number of messages from Egypt on Twitter went from 2,300 to 230,000 in the week leading to the resignation of President Hosni Mubarak.
- Social media did not achieve change, it helped people to achieve change: by providing a new space for debate that bypassed traditional media through which governments attempted to silence protest.
- When state television would not report police violence, videos were posted and shared online.

The role of technology in building fairer societies and fighting corruption is not limited to mobilising dramatic protests: it is also being used to monitor corruption in daily life:

- The Indian website “I paid a bribe .com” must be the online corruption success story of 2011. 15,000 Indian people have posted personal stories of graft for all to see, from the 6 dollar bribe for a passport to the 800 dollar kickback of registering a home.
- So popular was it that it was soon replicated in China and Estonia, where hundreds of people are using a website called Bribespot.

2011 marked the dawn of digital activism and citizen journalism. From now on, the dynamics of policy and change will be increasingly decided in the digital world as much as by elites.

b) E government

Social media can also be a tool for governments to improve service delivery and engage citizens in planning and programme development, especially at the local level.

Citizens can use applications like online maps to report offices where they experience corruption and monitor elections. eGovernment allows disclosure of government processes such as procurement or electronic payments in areas vulnerable to bribery such as payments for customs, for licenses or for fines.

- This July Kenya became the first African country to release government data to the public through a single online platform with information on funds allocated for local areas, school enrollment rates or access to water.
- In Brazil, online data on budget execution and revenue collection of the federal government is updated on a daily basis.

Conclusion

My friends, I could continue to survey a world where in 2011 so much has happened on the issues that our movement is deeply engaged with. But, I want to hear from you and I want us to have a robust discussion.

We will now proceed to a further discussion of some of these issues.

Before I pass over to my friends Akere, Daniel and Azeddine, allow me to add a few more words in conclusion.

I believe that the events that started in Tunisia and Egypt last January have already had, and will continue to have, a transformative impact on global public opinion.

As people wake up to corruption, I believe our lesson should be that if peace and social justice are to prevail, the values that we stand for are as relevant as ever in 2011.

We need to reach out to people in all our countries who share these values and wish to join a great cause for human dignity.

A cause that through modern technology can reach more people than ever before.

A cause that can serve to bring sunlight to the dark corridors of government, make business more accountability so that dramatically more people can stand up and, with one voice, say no to corruption.

Together, I believe we can make this happen.

Thank you.