

Democracy, Security, Human Rights & Poverty – The Challenges of Global Corruption

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Address by
Frank Vogl

Author of “Waging War on Corruption – Inside the Movement Fighting the Abuse of Power”



New York

The landscape of corruption is a dismal one and so it may surprise you that my new book asserts that there are now grounds for cautious optimism that improvements are possible in many countries. I believe there are solid reasons to expect major improvements in transparency and accountability in government. Too often we see politicians, civil servants and members of the military serving themselves first, rather than the public. This is about to change. Corrupt officials have ever fewer places to hide.

At long last, we may be at a tipping point where the sheer force of mass public pressure in many nations forces profound governance changes. Above all this is because of the skills and the courage of remarkable people who are leading an international anti-corruption movement of unprecedented scale and force. They deserve to be honored. Their work deserves far greater recognition.

When I had completed the draft of my book I e-mailed my friend José Ugaz in Peru to ask him to review the section on Peru and, if he liked the book to endorse it. José, who had been one of the chief prosecutors of former – and now jailed - President Fujimori, responded immediately that he would be delighted to help, but first he was distracted right then and there - a bomb had just been found under his car.



Speaker Frank Vogl¹

I asked my friend Elena Panfilova in Moscow, who runs Transparency International there, to review key parts of the book and endorse it if she liked. She immediately said she would, but Elena is constantly battling crises in a nation where people like here are facing mounting threats and restrictions.

I sat down with Elena once to talk about her life and her work and she recalled that she had been to the shopping mall to buy jeans for her sons and had confronted the government's thugs who had been following her all day and told them to leave her alone. She had gone to her office and furiously typed a letter of protest on her computer to the Minister of the Interior, but she did not send it. Two days later an official from the ministry called her and said he had heard that she had sent a letter of complained. Elena never hits the send button when she writes to the government – she knows they are permanently hacking into her computer.

Across the world there are people like José and Elena who are leading the charge against corruption – against politicians and public officials who break the public's trust and abuse their offices for their personal gain.

Why do so many brilliant and dynamic people risk their lives for this cause?

They are driven by a sense of what is right, by a patriotic conviction to improve life and civilization in their countries, and by the haunting awareness that corruption is never a victimless crime.

Too often it is the very poor who suffer the most. Corruption is a major cause of poverty across the world and a major cause of human rights abuse. In many instances corruption is a fundamental crime against humanity – it is inextricably linked to core issues of human rights.

Nigerian Finance Minister Ngozi Okonjo-Iweala,² who served with distinction at the World

¹ All photographs in this report are © copy right of Kenji Mori and Foreign Policy Association.

² Ngozi Okonjo-Iweala, lecture in June 2007 in Washington DC.

Bank, once told the story of Rose, a twenty-one year-old university student in Nigeria:

“Rose, from a poor rural family, could not purchase the series of class notes sold by her lecturer to students as part of the reading material for her class. The lecturer, who used these moneys to supplement his income, noticed that Rose was not purchasing the notes and penalized her through low grades for her work. When she explained she couldn’t pay she was asked to make up with other favors, which she refused. The failing grade she was given was instrumental in her withdrawal from the university, which put an end to her higher education. An individual and an entire family lost their hope and pathway to escape poverty. When I followed up on this story, I found that it was by no means an isolated case. It was part of a systemic rot that had befallen what had once been a very good tertiary education system in Nigeria.”

Every time an official steals from the public purse, then someone suffers. Every time an official acts as a villain, then there is a victim. There are tens of millions of young people like Rose. There can be no higher calling than to strive to assist people like Rose.

In this regard I am delighted that in our audience this evening is Anabel Cruz from Uruguay, the Chair of the Board of Directors of The Partnership for Transparency Fund (www.PTFund.org), which is working every day to promote citizen action against corruption and help people like Rose. Thanks to Anabel and her and my colleagues inn PTF, scores of civil society groups in the world’s poorest countries have obtained small grants to pursue specific projects that have improved prospects precisely for people like Rose. PTF demonstrates that fighting corruption can yield humanitarian gains.



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Corruption is a constant threat to the vitality of democracy, to the effective workings of the free enterprise system and to our security. Corruption is universal.

Many Americans felt that the \$6 billion dollars spent on last year’s elections contained within it the smell of something decidedly wrong. Senior politicians, from New York State, Illinois and many other parts of our country have been investigated and found guilty of corruption. When we look across the world, therefore, we must be humble.

Tonight, I want to first of all provide you with a sense of just how much progress has been made in waging war on corruption and then I want to highlight just a few of the crucial challenges that demand greater attention by all who seek to build a better world.

My book is dedicated to the remarkable people who created and who work today for Transparency International (www.transparency.org) and for the Partnership for Transparency Fund. Their achievements and their determination is worthy of your support.

In 1990, I met with an old friend from the World Bank, Peter Eigen, who was at the time the Bank’s Kenya-based director for eastern Africa. He was distraught that so much foreign aid funding that should alleviate poverty, was just enriching corrupt elites – funds that should be used to building sanitation systems, hospitals and schools, was building personal bank accounts in Switzerland for crooked government leaders.

Peter spoke to a range of friends and in early 1993 – yes exactly 20 years ago – a few of us established Transparency International with headquarters in Berlin, Germany. We elected Peter the chairman and my friend Kamal Hosain of Bangladesh and I were the first vice chairmen. We had no cash, no staff and no offices.

The Economist magazine ran a cartoon of Don Quixote and Sancho Panza tilting at windmills. We would tell people about our idea and they would politely say how nice and implied that we were idealistic, hopeless dreamers. I have been a volunteer for TI ever since – it has been my night job, my weekend job and often much more.

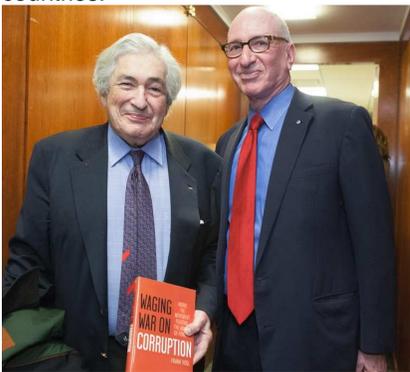
TI’s focus has been on every aspect of advocacy, but we soon realized that we needed an organization to explicitly assist civil society organizations in poor countries with specific anti-corruption projects they may have to relieve the huge burden of corrupt practices from the backs of the poor. So in the late 1990s, a few of us established the Partnership for Transparency Fund as a U.S. 501c3 organization, based in Washington DC and since then it has funded more than 200 projects that have improved the lives of hundreds of thousands of people.

The 20 year perspective

Transparency International was born as the Berlin Wall came down, the Cold War ended and intense debates were launched in many parts of the world over how to build democracy, how to ensure human rights and basic freedoms, and how to reduce poverty. We opened our doors and discovered that people in scores of countries not only were deeply frustrated about their corrupt and illegitimate governments, but they wanted to join us.

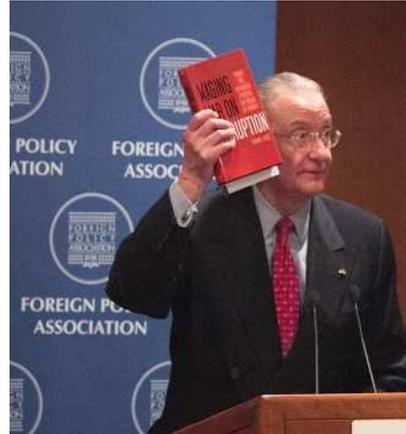
Now, within the context of fighting corruption, please consider a few key developments in the roughly 20 years from the fall of the Berlin Wall to the rise of the Arab Spring:

- 20 years ago there was no international civil society movement dedicated to fighting corruption. Today TI has 100 national chapters, 150 staff at our headquarters and tens of thousands of supporters. There are now scores of anti-corruption civil society groups in scores of countries.
- 20 years ago there were very few academics specializing in this field, now 5,000 people subscribe to TI's research network. We have a tremendous bank of knowledge now of what works in fighting corruption – PTF alone has developed an exceptional set of insights and learning experiences.
- 20 years ago none of the leading development aid agencies recognized the corruption issue or did anything about it. TI campaigned for change, as did others. And then, **in the mid-1990s, thanks to a remarkable leader who I am honored to greet here this evening, James Wolfensohn, the landscape changed.** As president of the World Bank he first ensured that this institution changes its policies and made good governance a top priority, then he convinced other agencies to follow suit and then his determined efforts were to have a wider and formidable impact on official attitudes in many countries.



Former World Bank President James Wolfensohn with Frank Vogl

- 20 years ago there was not a single anti-corruption international convention, today, there are regional conventions; there is the OECD Anti-Bribery Convention and the United Nations Convention against Corruption. The Group of 20 at its last two summits released “Anti-Corruption Action Plans.”



William R. Rhodes, former Citigroup Senior Vice Chairman, introduces Frank Vogl and his new book.

- And two decades ago there was not a single development agency that was willing to discuss the corruption issue publicly. Today, it is a major topic on the global agenda of all aid agencies. Moreover, unlike times past, there are now a host of important public-private-NGO partnerships working to strengthen anti-corruption, from the Extractive Industries Transparency Initiative, to the United Nations Global Compact, to initiatives under the auspices of the World Economic Forum.
- 20 years ago, there was not a single head of a government that I can recall who was ousted and then imprisoned because of corruption and few politicians anywhere saw great risk in looting their national treasuries. Today, as we recently saw in Brazil, politicians are no longer so safe. Moreover, the U.S. Justice Department has pursued a record number of prosecutions of corporate foreign bribery in the last 12 months, while public prosecutors in many countries are cooperating at the international level to support increasing numbers of major investigations into corporate bribe-paying and money laundering. The rallying call of “no impunity” is spreading across the globe.

- 20 years ago we did not have the Internet and mass e-mail and social media and the tools to disseminate anti-corruption news. Today, the scale of reporting about corruption is large; the

distribution of news about corruption is wider than ever across the globe through the Internet; and, the expertise of investigative reporters is high – Global Witness in the UK, ProPublica here are making enormous contributions.

• **And most importantly, as the Arab Spring showed, there is rising mass public engagement in more and more countries, from the town squares of Egypt, to the parks that see vast public rallies in India, and to Occupy Wall Street. TI has 55 national chapters that run Advocacy and Legal Advice Centers – ALACs - and they receive thousands of complaints about corruption from ordinary people and are developing mechanisms to support these cases. The *ipaidabribe.com* website received over one million visits last year. The scale of public awareness and of mass public activism against corruption has never been as great as it is right now.**

To be sure, we often see progress and then we see backsliding; we see developments that really raise our hopes, only for those hopes to be dashed as new government leaders emerge as just as corrupt as the ones they replaced.

Right now, for example, the situation in Kenya after elections earlier this week are fraught with danger. This is a country where a few years ago with the election of a new government we had hoped that decades of corrupt rule would end. We were wrong. To understand what has developed here and the complexity of fighting corruption may I recommend a remarkable book by author Michela Wrong, *“It’s Our Turn to Eat – the Story of a Kenyan Whistleblower.”*

But, ladies and gentlemen, do not discount all the achievements of the last two decades. See those achievements for what they really are: the putting in place of essential building blocks that, taken together, set a powerful base for far greater success in the anti-corruption battles that together – yes together - we must wage.

Daily, as you read reports of individual scandals, you just see the individual photos and you may be depressed. But, I encourage you to see the full movie and recognize that substantial progress has been attained.

Two decades ago we could look at the mountain from afar and dream. Today, we have reached base camp. We are living the dream. Yes, we have still an Everest of corruption to surmount, but do not underestimate the momentum that is now so

widespread, and the determination of so many to continue the fight for justice.

Meeting the Challenges

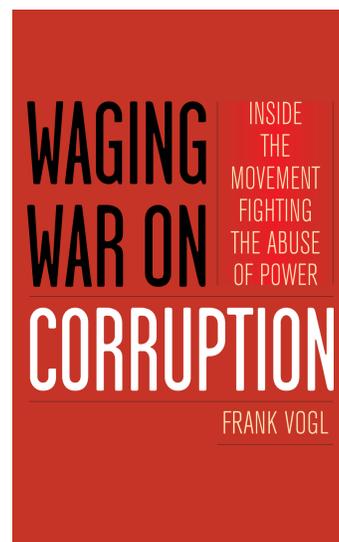
In many respects we know for the most part what the solutions are to many of the critical outstanding corruption challenges. We have new laws and conventions. The research is excellent. The corporate toolkits and compliance training manuals abound. The “Action Plans” from recent Group of 20 summits spell-out what needs to be done.

On most issues, the challenge now is to transform knowledge into action. Fundamentally, this means convincing governments to implement the action plans and the laws and the conventions that they have publicly accepted. It means convincing corporations to live by their ethics codes.

Progress on most fronts will come through a combination of rising mass public pressure as grass roots movements strengthen, and it will come from determined public prosecutors enforcing the law.

Business Corruption

Let me start with business corruption. In 1977, as a direct consequence of Watergate, President Carter signed the Foreign Corrupt Practices Act, which makes it a crime for a U.S. corporation to bribe a foreign government official. Twenty years later, the U.S. law went global, when the leading trading countries all signed the Anti-Bribery Convention of the Organization for Economic Cooperation and Development. Until that time, for example, German companies could have their foreign bribes deducted from their taxes. No longer. Forty countries have signed the OECD pact.



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To be sure, the U.S. Chamber of Commerce seeks now to water-down the FCPA, claiming it is too harsh on U.S. corporations. I wish some people of influence would remind the Chamber that as evidence came to light in the 1970s of enormous foreign bribe-paying by U.S. corporations, such as the bribery of the prime minister of Japan by the Lockheed Corporation, so the outrage from leaders on the right of the political spectrum was palpable. They knew that free enterprise can not be sustained if bribery is rampant; they knew that markets operate best when there is full transparency; they knew that American business would do far better in a competitive world where bribes are banned, than in one where bribes are allowed.

In recent years, there has been an unprecedented level of cooperation between investigators and prosecutors in Europe and in the U.S. and the result has been a rising level of FCPA cases being brought by the Department of justice and the Securities and Exchange Commission. Corporations are rapidly appreciating that in today's information age where e-mails can be the smoking guns of prosecutions, there are ever fewer places to hide.

But, we have yet to determine how to ensure that punishments are effective and equate with the crimes that are perpetrated. For example, *The New York Times* ran two series of articles describing large-scale alleged bribery by Wal-Mart of public officials in Mexico. U.S. authorities are investigating. Wal-Mart has annual sales in excess of \$444 billion a year and pre-tax profits above an annual \$24 billion – what level of fine is really can be a deterrent to this corporate giant?

I believe the time has come to get tougher. To ensure there are fewer negotiated settlements with corporations; to prosecute more executives who paid bribes in violation of the U.S. law; and to see that the victims are never forgotten. Fines should go to those in poor countries who have been cheated – the fines should support new schools and hospitals and other social services.



William Rhodes, Frank Vogl and FPA President Noel Lateef

A final word on corporate bribe-paying. Many executives in many corporations operate in countries where bribery is widespread and they feel great pressure to join the system to secure deals. There are many things corporations can do to refuse to pay bribes. But, at the end of the day, it is essential that CEOs stand up and give clear direction.

Many years ago I sat on the board of the ethics resource Center and I happened to mention corruption and Bangladesh. The ERC chairman back then, Ray Gilmartin, the head of Merck, banged the table, interrupted me, and said, "We do not do business in Bangladesh because this would force us to act counter to our ethical standards."

There comes a time when a firm must say no – corporate leaders must be clear at such times and demonstrate that they walk the ethics talk.

SECURITY Natural Resources

Now let me turn to a cluster of corruption challenges under the broad heading of security and discuss the extractive industries, money laundering, and strategic policies.

Many of the world's richest natural resource countries are the homes of vast poor populations. From Nigeria to Indonesia, from Angola to Gabon, we have seen how the enormous flow of funds from multinational corporations to these countries have been siphoned off into the personal bank accounts of national leaders and their cronies and their families. We are talking about tens of billions of dollars of theft and hundreds of millions of very poor people as a result. This must stop.

The path ahead lies in strengthening transparency of just who gets the cash and where it comes from. For decades major Western corporations in the oil, gas and mining sectors have forged secret agreements with the governments of resource rich countries. They have done so with the full backing and encouragement of their own governments. And the practices that the British, French, Italians and Americans, for example, pursued for decades vis-à-vis host governments in Africa are ones that are now being largely copied by China as its energy security concerns lead it to vigorously pursue deals with some of the most corrupt regimes on the planet, for example in Sudan.

Recently, there was a remarkable development – the sort that adds to my optimism. Thanks in very large measure to the Revenue Watch Institute here in New York, to a coalition of hundreds of NGOs under the umbrella of the Publish-What-You Pay movement, to George Soros, to Senator Richard Lugar and others in Congress, and to the Obama Administration, the U.S. Dodd-Frank Financial Reform

Law includes a section on revenue transparency. It explicitly calls on the SEC to enforce rules that will make all U.S. and U.S. publicly listed oil, gas and mining companies disclose on an annual basis their full payments to foreign governments. This comes into effect in 2014. The European Parliament is likely to pass a similar law.

Transparency alone will not end corruption, but it will provide vital information to pursue those governments that are so brazenly stealing public resources. The new measure is a very important step forward.

Money Laundering

Another aspect of the security challenge relates to the health of our international financial system. Here the scale of money laundering is a real threat. Moreover, money laundering is essential to organized crime and to terrorist networks. The more we can curb this practice so the more we can enhance our security.

I am cautiously optimistic about progress here. To start with, US authorities are making a rising priority of investigating money laundering and getting tough with banks that break the rules. The most recent case, involving a \$1.9 billion fine for HSBC for laundering Mexican drug cartel cash is a warning to the industry.

Moreover, as G20 "Action Plans" have detailed, we know a great deal about the money laundering system works and what needs to be done to place pressure on governments and banks to disclose the true beneficial ownership of accounts, to be ruthless in enforcing "know your customer" rules at banks and in closing-down the offshore unregulated banking havens.

The key is the political will of the governments that control the major banking centers. We are seeing a rising determination by the U.S. authorities, but we still see insufficient support by the authorities, for example, in the UK, France and Switzerland.



Frank Vogl with members of the FPA staff

As an aside, let me just note that I do not believe we will really get out of the woods of the Eurozone crisis until Cyprus ends the willingness of some of its institutions to be major money laundering agents; and, until the Greek and Italian authorities get tough with tax evasion.

More generally, there needs to be a sharper public appreciation of the enormous damage that money laundering does to the fabric of our financial system, to the health of our financial institutions and to our security. Money laundering is the essential tool of organized crime and terrorist networks, without which they could not operate.



Geo-Politics, Security & Corruption

So, let me now turn to geo-politics and security.

To a world where Pakistani scientists were bribed to provide nuclear secrets to North Korea and Libya and Iran. To a world where very small bribes paid at Moscow airport a few years ago by Chechen terrorists enabled them to smuggle bombs onto two commercial airliners and 200 people were killed. To a world where illicit trade in diamonds finances huge arms deals that support horrendous civil wars in Africa.

Ladies and gentlemen, no issue on the corruption agenda is more complicated to solve than that related to security. I do not have the answers. The research here is sparse. But I want to fuel the debate and stimulate a constructive discussion.

Permit me to focus on one key element that most concerns all of us here and that is our own US geo-political strategies. How do we ensure effective working relationships with the governments of Pakistan, Iraq, Afghanistan and Egypt, for example, in order to enable our military and our intelligence services to operate?

Tens of billions of dollars of American taxpayer money has been lost without trace over the last decade in these countries. Right now, according to John Sopko, the special inspector general for Afghanistan reconstruction, the U.S. is spending

about \$28 million a day on reconstruction projects, which has amounted to close to \$100 billion over the past decade. This is far beyond the absorptive capacity of the country and much of the funds go unaudited with projects in parts of the country that are not sufficiently safe for Mr. Sopko to send inspectors. We have very little to show for this massive aid program in a country perceived to be on a par with North Korea and Somalia as the most corrupt country in the world.

Time and again our diplomats and our military turn a blind eye to the theft of our cash because they view this as a price that needs to be paid to enable us to pursue key security objectives. But, this Cold War thinking is wrong.



Taking questions at the FPA

We live in an age of transparency. The peoples of Egypt increasingly viewed the US as conspiring with the corrupt Mubarak regime against their interests, just as the people of Tunisia saw the French conspiring with the old Ben Ali regime. The people took to the streets to oust these illegitimate leaders and the standing of the U.S. and France respectively in these countries is low.

In Afghanistan, we are seen as the co-conspirators with the corrupt regime led by President Hamid Karzai regime. What does this portend for our future influence in a country where we have lost so many young and brave Americans and so much treasure?

In Pakistan, opposition politicians hold huge rallies to decry their corrupt government and to explicitly blame the U.S. for its support of the regime. Our willingness to push vast amounts of unmonitored foreign aid into the hands of desperately corrupt regimes is a policy that will increasingly backfire.

We need to find alternative courses to both secure the cooperation on security grounds of the governments of difficult countries, while convincing their citizens that we genuinely have their interests at heart. There urgently needs to be a public discussion of this matter – one that was not even touched upon recently as the U.S. Senate confirmation hearings

were held for Secretary of State Kerry and Secretary of Defense Hagel.

Justice

My journey over the last two decades across the roads of corruption fighting has shown me that at its core this is a battle about human dignity and self respect. Peoples of all kinds demonstrate in the squares of Arab cities and the parks of south Asia and the streets of Africa and Latin America for honest governments. They are angry about the daily humiliations forced upon them by low level policemen and nurses and teachers seeking to extort bribes. They are angry about the corrupt leaders who permit this massive corruption and who steal from the public purse on a grand scale.

Never before have the public demonstrations been so large and the public anger been so demonstrative. Thousands of citizens in over 50 countries are reporting corruption cases to Transparency International's Advocacy and Legal Advice Centers. More and more young people are developing new information technologies to expose corruption and injustice and engage broad publics. *Ipaidabribe.com* is an Indian web idea that has now been replicated in a number of countries and wins enormous public participation.

As the public presses ever more successfully, so corrupt regimes strive to hit back. In 2001, I had the honor of presenting the Transparency International annual Integrity Award to Sri Lankan investigative reporter Lasantha Wickramatunga. In January 2009, he was gunned down in the middle of the street on his way to work. He, and many other activists and journalists in the anti-corruption arena have been murdered.

The increasingly vocal protests against governmental crimes in Russia has placed activists for human rights, for press freedom and against corruption in great danger. Late last year the government introduced law that expands the reasons for arresting a person for treason and they mandated that any organization, such as TI-Russia, that receives any money from abroad must publicly declare that it is a foreign agent.

Four years ago, a Russian lawyer in his-thirties, called Sergei Magnitzky, represented an American investor in Moscow and claimed that Russian authorities had made totally false tax evasion charges against this American and stolen \$230 million from his fund. Magnitzky rang the alarm on Kremlin theft and corruption and he was arrested and one year later he was killed in prison. He had never been charged with a crime or faced a trial. He was murdered by prison guards and prison doctors.

The US Congress recently passed and the president signed what has become known as the "Magnitzky Act," honoring this brave man and imposing travel restrictions on suspect Russians seeking to visit the US. Alarmed by this action and determined to send a message to foreign governments and to domestic civil society leaders as well, the Russian public prosecutor recently initiated the trial of Sergei Magnitzky – yes, a dead man is being put on trial. They seek to hound this brave corruption fighter beyond the grave.

But, ladies and gentlemen, despite the repression, the civil society heroes multiply in number from one country to the next, from Emilia in Moscow to Integrity Watch Afghanistan, from Mary Jane Ncube who runs TI-Zimbabwe and faces constant threats from the police, to my friend J.C. Weliamuna at TI in Sri Lanka, who no longer dares to travel with his family and has armed bodyguards.

You might still conclude that I am a dreamer, but I believe that the momentum for justice in more

countries than ever before today is sustainable. When people ask me how they can participate I say learn about the issues and buy my book; I say donate to PTF; and I say come together with all of us in civil society to form a still stronger partnership.

On December 10, 2011, three African women received the Nobel Peace Prize: Ellen Johnson-Sirleaf and Leymah Gbowee, from Liberia, and Tawakkol Karman, from Yemen. Their richly deserved award was for their valor in promoting freedom and justice. In presenting the prize the chair of the Norwegian Nobel Committee, Thorbjørn Jagland, concluded his speech in Oslo with a quotation from the American author and civil rights advocate James Baldwin, who wrote, "The people that once walked in darkness are no longer prepared to do so."

Mr. Jagland added, "Make a note of that!— all those who wish to be on the right side of history."

Thank you.



Frank Vogl

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Frank Vogl --- President, Vogl Communications, Inc in Washington DC. He is the co-founder and Vice Chair, the Partnership for Transparency Fund in Washington DC, and the co-founder and former Vice Chairman of Transparency International (TI), Member of the TI Advisory Council and Advisor to the TI Managing Director.

Frank was born in the UK, educated at the University of Leeds, and has been resident in the US since 1974. He is both a citizen of the UK and the US. He started his career in journalism with Reuters in 1967 (first in London and then in Brussels) and joined The Times (UK) in 1970 (first in Frankfurt and then in Washington). Frank served as the World Bank's Director of Information & Public Affairs from 1981, until establishing a communications firm with his wife, Emily Vogl, in 1990. He co-founded Transparency International in 1993 and the Partnership for Transparency Fund in 1999 and today serves TI as Advisor to the Managing Director, while serving the PTF as its vice chair. He is a member of the International Council of the New Israel Fund; and, an advisory council member of the United Nations Association of the Greater Washington Metropolitan Area. He writes and lectures extensively, with earlier books concerned with the German economy in the 1970s and with emerging markets in the 1990s.



Learn more about PTF's work at www.PTFund.org