Fighting Corruption in 2012

Huguette Labelle
Chair of the Board of Directors,
Transparency International

Check against delivery

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**Introduction**

Friends as we met in Berlin last year, there was a sense that the devastating impact of the financial crisis would be abating. We also looked back at the *wave of protest* in many countries triggered by the Arab spring. We hoped that new accountable clean leaders would emerge who would lead their country with the people and for the people. We hoped that strong institutions would emerge and that the people and their rights would be respected.

We witnessed how social media made it possible for people to bypass the authoritarian regimes and connect in a common cause. People demonstrated that they could and would stand up against corrupt leaders. We watched a fundamental transformation in the power of the people.

And here we are, coming together once again to reflect on 2012, discuss our changing context, explore new opportunities to expand our future reach and our impact. But above all, we are here to learn from each other, to renew our friendship and celebrate the work of our Chapters, the contribution of our Individual Members and of our Advisory Council as well as our the achievements of our movement and the Secretariat.

It is with this spirit of friendship and appreciation for each other that I welcome each one of you most warmly to this Annual Meeting. In particular, I would like to welcome on your behalf our newly Accredited Chapters El Salvador, Luxembourg, Mozambique, Slovenia, our new
Chapters in formation Burundi and Ukraine and our new Contact Groups Costa Rica, Greenland, Guyana, Honduras, and of course, Brazil.

This is also a time to remember all our TI friends who passed away last year. Jeremy Pope who was an important intellectual force of our movement from the outset left us this summer. Some of the things he did are still be used by us to this day. Let us remember Jeremy and others who passed away with a minute of silence.

A common feature of 2012 has been that corruption was raised around the world in international and national fora as the worst calamity facing humanity. Surveys continue to show corruption is the most talked about problem in the world. This is exactly what we at TI have been saying for the past twenty years.

I would now like to highlight some of the events and responses of this past year and leave you with some thoughts about our future agenda.

1. An update from 2011 and the challenges we face in 2012

   a) The crisis in the financial sector continues
   It is now four years since the collapse of Lehman Brothers and its devastating fall out.

   This year the integrity failures of the financial sector were once more laid bare by a series of revelations.
We now know that several of the world’s biggest banks are under scrutiny for allegedly colluding to borrow trillions of dollars at lower rates by manipulating the LIBOR system. We know that Bank of America is being sued by the US government for fraud in home loans that caused countless people to lose their homes. The fact that the bank allegedly called this program "the Hustle" tells us a lot about the culture of the financial sector.

While we saw committees formed to discuss the scandals, and settlements reached with the financial institutions, we wondered whether individuals committing these economic crimes could get away with hefty settlements that their company could easily absorb or whether they would face jail terms.

But in the past year, at least a number of culprits have faced jailed terms for insider trading, with both a Deloitte and Touche vice-chair and a former Goldman Sachs director facing sentence to prison this October.

Regardless of the debate we can have over the causes of the financial crisis, it has had a staggering effect on people and families around the world. In the United States alone almost four million homes have been taken back by banks since the crisis began.

b) In Europe, the crisis persists

In the past year, not a week has gone by without the economic crisis dominating the headlines. Despite renewed bailout, recapitalization and restructuring, the impact of the crisis persists with record high
unemployment in a number of countries, social unrest, high debt and stubborn budget deficits and massive debts.

Yet corruption remains a constant thorn in the economy, with tax evasion, collusion on contracts and illicit trade undermining stability and recovery. When Germany, one of the most robust economies in Europe, loses 250 Billion Euro to corruption in 2012, we can understand how corruption remains a major contributing factor to the persistence of this crisis in other more fragile countries.

It will take a long time to restore public trust in the management of public finances, the way that banks are regulated and how services are delivered.

c) Stolen assets and their recovery

We continue to see evidence of the dark side of the financial system, the support it gives the criminals and corrupt of our world. This year, Standard Chartered and HSBC faced charges for laundering money on behalf of Iran and Mexican drug cartels.

Our work on stolen assets, driven ceaselessly by our Vice-Chair Akere Muna and many of you, exposes the moral Achilles heel of the banks that fail to follow “know your client” money laundering prevention rules with high-risk clients and countries with weak or unenforced legislation.
While public services are being cut across the world to balance budgets, the wealthy hold financial assets worth tens of trillions of dollars offshore, according to new data published by Tax Justice Network this year.

In the wake of the Arab Spring, the people of Tunisia, Libya and Egypt want to know why so much of their money can be found in western banks. Some governments are cooperating with their attempts to recover their assets. In other countries, they face the legal hurdles with which we in this movement are sadly familiar.

Several other countries, are still struggling to recover assets stolen by their leaders, their families, friends and cronies. A few weeks ago I joined our Chapter in Senegal to encourage the new President elected this spring to give effect to his commitment to see the recovery of assets presumed to have been stolen by some elements of the previous regime. Meanwhile, TI France and Sherpa are continuing their Biens mal acquis case in front of the French justice system.

d) Bribery for essential services becoming more evident

Through our surveys, and thanks to extensive additional surveys carried by a number of Chapters, we are in a better position to reveal the extent of extortion – because that is what it is - which exists in the provision of essential services. The evidence gathered is most important in exposing this dirty tax on people, in particular the poorest and most vulnerable in our society, when they seek health services, need licenses, want to access water, electricity or schools for their children. The percentage of people having to
pay can be as high as 50% in India to 40% in Uganda and 20% in Greece, where the average bribe costs 1400 euro. The worst thing is that these are not isolated cases, it is common in so many countries.

Many of these essential services require the construction of vital infrastructure, a US$1.7 trillion industry which involves heavy costs and high vulnerability.

Friends, these are some of the challenges the world faces today. You could add many more.

We can see in these stories the cost of impunity. Syria is now on fire, and other countries at the bottom of our corruption indices remain largely failed states with repression of human rights, social chaos and continued poverty.

For many the crisis has been a wake-up call. It must be our duty to see that call does not go unanswered.

2. The Response
Now let me turn to the global response to these challenges.

a) From international institutions
International institutions offer one of the most important chances for a strong response to the crisis.

It was the G20 who, two years ago while we were meeting in Bangkok, agreed to an ambitious plan of action against corruption. Our G20 chapters
and some IMs have been working with the secretariat to press for the realization of the action promised in that plan, with some success.

Included in the decisions of their last summit were: denying entry to corrupt officials, requiring asset declarations by public officials, publication of guides to mutual legal assistance, principles for whistleblower protections and implementation of the OECD Multilateral Convention on Tax Information Exchange. They also said they would work more with civil society. These measures will provide important threads of the cross-border net we need to prevent tax evasion and stop the corrupt using their ill-gotten gain with impunity.

The greatest success of all has been the renewal of the anti-corruption working group for another two years will provide further opportunity to press for deeper commitment to the anti-corruption agenda. We were worried that this would not happen. With its disappearance we would have lost something very important.

The Financial Stability Board has been making it harder for the facilitators of corruption and their clients to use the cloak of secrecy. It has been looking into creating registers of beneficial ownership of companies and trusts. We know that is where people will try to hide some their stolen money.

b) National
In some countries, transparency and whistleblower protection are firmly on the legislative agenda and setting a standard for others to follow.
The United States has adopted a landmark ruling on the section of the **Dodd-Frank Act** dealing with extractive sector disclosure. These robust rules will legally oblige oil, gas and mining companies on stock markets to disclose financial and technical information on a country-per-country and project-by-project basis. They will offer a powerful source of transparency about the way the extractive industry and mineral-rich governments operate. EITI have been at the forefront of this.

By the end of the year, new **EU rules** will at least match the US legislation on extractive industries, and may even extend the mandatory disclosure rules to the telecommunications, banking and construction sectors.

The combination of Dodd-Frank, proposed EU rules, anti-bribery laws in China and the OECD Convention, the **UK Bribery Act** (The act vindicates years of advocacy from our UK Chapter). Multinational companies now face a powerful disincentive to paying bribes to gain contracts.

The question always remains how well, and how quickly, all of these will be enforced and will there be systems to make them work.

This year commitments to fighting corruption have again ranked at the top of new governments’ agendas. Our collective message to all of them is "Act on your commitment early if you want the trust of your citizens. Act before the corruptors paralyze you and those who would support you".

Your response is making a difference every day in pushing for missing laws and regulations, stronger institutions, cleaner business and more transparent,
accountable delivery of public services and increasingly, working with the citizens of your country.

Brazil, where we are today have been able to sustain the usual push back.

c) The people’s response
This year the protests that began in Tunisia in December 2010 have continued in a number of countries. Social media has been their ally.

At times people have put their life at risk, and paid a high price for their bravery. The question many are asking themselves is how long the current chaos will last.

On the other hand, I have seen how local communities, with the help of our Chapters, come together to identify corruption issues and offer solutions to local authorities. I have seen how some of these communities trusted our Chapters who supported their efforts. I have also seen how young people have become integrity fighters under our Chapters’ guidance. Both our chapters and our secretariat have been collaborating with the education sector to ensure graduates develop greater moral fibre through ethics education.

3. Pushing back –
  a) Today, the space for civil society is under attack

From limits on the scope of operations, to cumbersome registration procedures and closing tax exemptions to blocking funding from abroad and
even singling out legitimate organizations with overseas funding as treasonous, “agents of foreign influence”.

To those of you living with daily attacks on your reputation, I want you to know we are with you. Some of you wonder about your safety, and your family’s safety. Some of you face subtle intimidation. Let me say it again: We are with you.

b) The Lobbyists are also hard at work
Lobbyists in the US, in Brussels, and in many of our countries, are attempting to weaken new rules designed to increase corporate transparency. For example, several major corporations joined the US Chamber of Commerce in a public campaign to roll back FCPA enforcement.

We will continue to fight for compulsory lobbyist registration and transparency in campaign finance.

4. Looking Forward
My friends, 2013 will bring additional opportunities for our agenda.

We will push the commitments made at the Rio +20 summit to keep climate change work free of corruption’s menace.

We will work at making anti-corruption and governance defining parts of efforts to fight poverty in the post-Millennium Development Goals agenda.
We will not relieve the pressure on the G20, its anti-corruption working group, the financial stability board and the OECD, since the importance of cleaning up the financial sector and dealing with money laundering and illicit trade is far from being limited to the G20 countries.

We will play our part in the Open Government Partnership, continue our engagement with the UN, the World Bank and engage more with the IMF.

We need to work together to deal with the toxic combination of immunity of elected people and statutes of limitation that create this impunity are added to the cemetery for bad policies.

Today events are moving so quickly, and our agenda has to be agile to respond to them in real time. Our work on conventions, integrity in the public and private sector, in the judiciary and with people is more relevant than ever to the problems the world faces. And if we are to make helping people real, then we urgently need to adapt our agenda to the local level, building on some of the great achievements of chapters. I hold high hopes for the adaptation of our research tools to the local government integrity system that will be piloted in different regions next year.

**Conclusion**

Friends,

There are more parts of the world on fire today, than we have had for the last 65 years. Culture set against culture. People set against people. The pull of greed and the lust for power is incredibly strong.
But, as Kamal Hussein often reminds us, there are more good people than rogues in this world.

Despair will paralyze us, but hope will give us the energy we need to take us through the next stretch.

Peter it is now almost twenty years since you and your fellow co-founders Kamal Hussein, Frank Vogl, Laurence Cockroft, Fritz Heimann, Peter Conze, Michael Hershman, Gerry Parfit, Roy Stacy and late Jeremy Pope started it all. Two of them have published wonderful books about how far we have come and how far we must still go. Peter, I wonder where you thought we would be twenty years from the day you created Transparency International?

Today, our brand is strong, our accomplishments speak for themselves and our will to enter this next phase of our movement’s history remains as strong as ever.

Thank you