The Fight Against the Laundering of Corrupt Money

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Global Organization of Parliamentarians Against Corruption (GOPAC)

Egmont Group Plenary
Doha, Qatar
May 25, 2009
Presentation Overview

- Why fighting corruption is important
- Linkage between corruption and money laundering
- Role of parliamentarians
- What is GOPAC
- How GOPAC and the Egmont Group can work together
Incidence of Corruption

- Pervasive - exists in all countries of the world.
- Petty and ‘big ticket’ corruption.
- Symptom of weakness in the political, social, legal and economic systems of a country.
- Takes a variety of forms including bribery, nepotism, patronage, theft of state assets, evasion of taxes, diversion of revenues and electoral fraud.
Impact of Corruption

- Corruption is divisive and makes a significant contribution to social inequality, political instability and conflict.
- Corruption diverts scarce public resources from very worthwhile projects that would assist in lifting citizens out of poverty.
- Skews economic decision-making in favour of projects where the opportunities for corruption are greatest (e.g. natural resource sector).
- Negatively impacts economic growth because it adds to the economic cost of doing business.
- Reduces the flow of investment, both public and private, into countries where corruption is rife.
- Undermines faith in public institutions and public officials, and encourages people to become cynical about the political process and dis-engage.
- Corruption exported (counterfeit/sub-standard goods).
## The Most Corrupt

### Transparency International’s Report of the Ten most Corrupt Leaders

<table>
<thead>
<tr>
<th>Despot</th>
<th>Country</th>
<th>Estimate of amount embezzled</th>
</tr>
</thead>
<tbody>
<tr>
<td>President Suharto ’67-‘98</td>
<td>Indonesia</td>
<td>$15 billion - $35 billion</td>
</tr>
<tr>
<td>Ferdinand Marcos ’72-’86</td>
<td>Philippines</td>
<td>$5 billion - $10 billion</td>
</tr>
<tr>
<td>Mobuto Sese Seko ’65-‘97</td>
<td>Zaire</td>
<td>$5 billion</td>
</tr>
<tr>
<td>Sani Abacha ’93-’98</td>
<td>Nigeria</td>
<td>$5 billion</td>
</tr>
<tr>
<td>Slobodan Milosevic (’89-2000)</td>
<td>Yugoslavia</td>
<td>$1 billion</td>
</tr>
<tr>
<td>J-C Duvalier ’71-’86</td>
<td>Haiti</td>
<td>$300 - $800 million</td>
</tr>
<tr>
<td>Alberto Fujimori ’90-2000</td>
<td>Peru</td>
<td>$600 million</td>
</tr>
<tr>
<td>Pavlo Lazarenko ’96 - ’97</td>
<td>Ukraine</td>
<td>$114 - $200 million</td>
</tr>
<tr>
<td>Arnoldo Aleman ’97 - ‘2002</td>
<td>Nicaragua</td>
<td>$100 million</td>
</tr>
<tr>
<td>Joseph Estrada ’98 - 2001</td>
<td>Philippines</td>
<td>$78 - $80 million</td>
</tr>
</tbody>
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*Source: Transparency International 2004 Report*
Role of Parliamentarians in Combating Corruption

- Parliament and parliamentarians play an *essential* - and a *leadership* - role in combating corruption.
- Four areas of importance: legislative, financial, oversight and representation.
- Oversight on executive branch (*Ministers, Presidents, etc.*) who hold the main levers of power.
What is GOPAC?

- GOPAC was founded in 2002, at a global conference hosted by the Parliament of Canada.

- GOPAC consists of self-governing regional and country chapters of parliamentarians.

- GOPAC Mission - to reduce corruption by improving the effectiveness of parliaments as institutions of democratic oversight and accountability.
• Helping parliamentarians to improve their capacity to fight corruption.

• Believe in bringing technical experts together with the political will to effect change.

• GOPAC’s membership identified 7 areas of focus: Access to Information; Anti-Money Laundering; International Conventions Against Corruption; Parliamentary Codes of Conduct; Parliamentary Immunity; Parliamentary Oversight; and Resource Revenue Transparency.

• Global Task Forces established.
GOPAC’s Anti-Money Laundering Initiative

- Strong connection between corruption and money laundering
- Estimate of minimum of $20 billion - $40 billion annually corrupt money laundered (20 developing and transitional economies only - Raymond Baker).
- Some corrupt funds laundered domestically but larger amounts end up in IFI’s and offshore banks.
- Working with the IMF, World Bank and others, GOPAC has undertaken a number of regional level workshops to train parliamentarians on AML issues (Africa, Balkans, Latin America, Kyrgyzstan).
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Why is the fight against money laundering so important?

- Global money laundering estimate between $800 billion and $2 trillion annually (IMF 1998).
- Progress in fighting the laundering of money associated with terrorist activities, drug money, and tax evasion.
- Also some progress in recovery of stolen corrupt assets (e.g. StAR initiative).
- Perception that the laundering of corrupt money not receiving enough attention.
- Corruption and money laundering threats to international security (NATO).
Potential areas of cooperation between GOPAC and the Egmont Group

- Politically Exposed Persons (PEP)
  - Work cooperatively to implement the due diligence called for in the United Nations Convention Against Corruption (UNCAC);
  - Prohibit PEPs from engaging in financial transactions offshore.
  - Open channels of information between GOPAC and Egmont for suspicious transactions.
  - Involve parliamentarians in action protocols when PEPs involved in suspicious transactions.
- Demand greater transparency for shell companies/nominees, or ban them completely.
- Work together on ‘know your customer’ initiatives.
- Participate in joint training activities with GOPAC and parliamentarians engaged in the fight against money laundering.