



The Fight Against the Laundering of Corrupt Money

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**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

Despot	Country	Estimate of amount embezzled
• President Suharto '67-'98	Indonesia	\$15 billion - \$35 billion
• Ferdinand Marcos '72-'86	Philippines	\$5 billion - \$10 billion
• Mobuto Sese Seko '65-'97	Zaire	\$5 billion
• Sani Abacha '93-'98	Nigeria	\$5 billion
• Slobodan Milosevic ('89-2000)	Yugoslavia	\$1 billion
• J-C Duvalier '71-'86	Haiti	\$300 - \$800 million
• Alberto Fujimori '90-2000	Peru	\$600 million
• Pavlo Lazarenko '96 - '97	Ukraine	\$114 - \$200 million
• Arnoldo Aleman '97 - '2002	Nicaragua	\$100 million
• Joseph Estrada '98 - 2001	Philippines	\$78 - \$80 million
• 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.*



GOPAC: Parliamentarians Fighting Corruption

- 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.