



# **GLOBAL CHALLENGES: WHEN CORRUPTION IS THE OPERATING SYSTEM**

June 27, 2017 | Brussels

## **SPEAKERS:**

**Sarah Chayes**, senior fellow in the Democracy and Rule of Law Program at the Carnegie Endowment for International Peace.

**Fredrik Karlsson**, is the project leader for the Global Challenges Foundation's New Shape Prize competition.

## **MODERATOR:**

**Tomáš Valášek**, director of Carnegie Europe.

*Transcript Not Checked Against Delivery*

**TOMÁŠ VALÁŠEK:** My name is Tomáš Valášek. I'm the Director of Carnegie Europe, and it's my pleasure and privilege to welcome you to today's conversation, discussion, brainstorming, reflection, whatever we call it, we like to keep it informal and not stick to any particular categories, on global challenges, speaking on a specific issue of corruption today.

And I have a particular pleasure to introduce my colleague from the Carnegie family, Sarah Chayes. Sarah is one of those people who probably needs little introduction in a community of people who deal with Eastern Europe, developing world and the issue of corruption. She's somewhere between very well-known and a legend. I'll confess to having liked your book, *Thieves of State*, which is two years ago now, or a year and a half, so much. It was a gift for my wife at Christmas.

Your particular research or your research for the past six months has been on what you describe basically as a novel form of corruption. You write about corruption not as an aberration or an exception from a system but corruption that really is the system or has become the system.

And you really challenge the way we think about the issue because whereas we often think of a solution to corruption as essentially throwing out a few bumps and bad seeds out of the offices and simply letting the inner workings of the democracy do their work, you challenge that and you basically say no, in some instances, and not just a small group of countries, you describe a picture in which 60 countries, literally more than a third of the, or just a little less than a third of the world's community of countries have fallen into the trap of, again, the corruption essentially becoming part of a system in which the governments and the other centres of power, whether it's the economic centres, the businesses and the financial centres work in complete collusion on taking their 10%, 5%, whatever the money is.

What you essentially argue is that what you need is not just a pinprick solution and a removal of the functionary or somewhat pro-judiciary, what you essentially argue is you need basically a complete political upheaval and a political cleansing if you will to address challenges in those countries. I'll let you develop the argument further yourself. I will not steal any more of the content of this excellent report which, if you don't have in front of you, there should be copies on our shelf.

And after speaking to Sarah, I have the pleasure of welcoming also Fredrik Karlsson who will talk to us about the centre's work on global challenges and specifically about a novel way you have found on enticing the public interest and public contributions to helping you intellectually with the work of addressing global governance. And I want to explore to what extent the issue of corruption is something that plays a role in your search for a better arrangement of global governance, to what extent you think global governance may be part of the answer to some of the challenges that Sarah describes.

The order of things is we begin with Sarah, we move onto Fredrik and then I want to open up after for your follow-up questions to a broader conversation. As ever we have until eight so little less than an hour and a half for the conversations. With that, Sarah, the floor is yours.

**SARAH CHAYES:** Good evening to everyone. Indeed 60, something like 60, and I feel like even when we're talking about corruption as something scary and dangerous and bad, the metaphors we tend to use are very often disease metaphors, right; cancer of corruption, epidemic, corrosion. It's almost like the assumption is or the implication is that you have a body politic that is basically sound and that's being eaten away somehow by this nasty thing called corruption. So if you could cure it then the body politic goes out of place.

## *Transcript Not Checked Against Delivery*

The other thing, and I'm speaking, obviously you can hear my accent, as an American, we love, we Americans love to create these great barriers between licit actors and bad guys, be they criminals, be they terrorists; those are bad guys. And the licit actors, we also get into these wonderful arguments about which are worse for your health, the public sector or the private sector? Americans will just tear each other's eyes out about... And what I find so difficult in that context to absorb is the degree to which corrupt systems erase those boundaries.

So this report is about Honduras but it's only about Honduras as an example of a phenomenon. I did an earlier and much shallower one about some countries more in this area that some of you may have been here to talk about. Yes, I see some familiar faces. And it was also about Moldova and Kyrgyzstan. This is a deeper look. You'll see it's still a kind of test drive, it's still an incomplete effort but what you find is that these are kleptocratic networks that blur the boundaries, as Tomas suggested, between public and private sectors.

So you have either members of the same family that overlap entirely between the major public, the main levers of power and the main rent extraction opportunities in the private sector, and then also the criminal sector. We didn't quite cross paths but could have in Afghanistan where I lived for nearly a decade in Kandahar where the President's half-brother was running much of the opium business in Southern Afghanistan. And the President's other brothers were running massive construction companies that were getting a lot of the U.S. contracting.

So it's this, and in the past when I've looked at this, I've tended to focus on the vertical integration of this system, which is also surprising, because we've all been to countries where you get shaken down for bribes on the street and there's a tendency to say that's just petty bribery, that's just petty corruption, let's not worry about it. Whereas what I discovered in Afghanistan, in Nigeria and other places is that people take a cut. If I'm a street level police officer, yes, I can shake you down but I owe you, my precinct captain, a percentage of what I take from you. And in fact a recent study on Nigeria showed that it's obligatory that you don't stay in the police if you're not providing bribes up the line. So that's the vertical integration but this really looks at the horizontal integration.

And what I found is of course different countries, the network will have a different structure and a different degree of internal rivalry and therefore a, I want to say turbulence may be different in different countries. In Honduras what I found was that the public and private sectors are not identical the way they are in, let's say, Azerbaijan.

They're not exactly identical but they're very close. It overlaps very heavily. Here you have, the main private sector network members are relatively culturally homogeneous. They often come from early 20th century immigrants from the Levant and that culture has stayed relatively endogamous, if I can put it that way; they tend to intermarry, they tend to exchange positions on each other's boards of directors and things like that.

Now, they will place individuals into high government office quite often, including the president at least once, foreign ministers, very key places, so you have that degree of separation. In other countries, as I say, it's quite overlapping. In some countries it's quite top-down, Ben Ali, Tunisia, very tightly controlled from the centre, in others, less so; Kyrgyzstan for example, much more turbulent. In some cases, Moldova, the private sector really runs it or Indonesia, which I'm looking at the moment, it's much more, the impulsion is coming from the private sector network members who basically put relatively subservient people into public office.

## *Transcript Not Checked Against Delivery*

And so then the other thing that this really changes in terms of how to think about corruption is instead of seeing corruption as an exchange of money on a punctual basis for a specific discreet action, which is how it's been defined in the United States, very narrowly, quid pro quo, the public sector network members perform a function which is to bend, through repeated actions and decisions, to bend elements of state function or agencies, government agencies or institutions to serve the purposes of the network.

And so that's what this is about; again it's quite schematic. I don't get to an actual network diagram, which I'm dying to do, like maybe the next country where you've got the names of the people in the different spheres, but here, as you'll see in this thing, is in the back of the report. But the point is this is an interwoven network. Blue is public sector, green is private sector, red is criminal sector, and then we break it down.

So here congress is completely taken over by the kleptocratic network. In fact the current president was president of congress, passed a whole bunch of laws right before he became president to facilitate the type of activities of the network members. You always need to ensure impunity for your network, so the judiciary is either going to get captured, as in the case of Honduras where, again, in the middle of the night four supreme court justices were fired. It's pretty out there.

But in the case of Egypt for example, the judiciary retains a degree of independence, so then the network has figured out how to work around it. President Sisi is in the process of vastly expanding the jurisdiction of military courts. In the United States we've got a whole segment of our economy that is sent to private justice. So if you sign a cellphone contract in the United States, in the fine print you find out that you no longer have access to the courts if you have a grievance against the cellphone company. You go to private arbitration and it's the cellphone company that appoints the arbitrators.

So you have a privatisation of significant... yes, no kidding. And it's not just cellphones. It came as a shock to me when I found out too. You always need an instrument of force. In the case of Honduras it's quite interesting, the police play that role but President Hernandez is in the process of blurring the lines between elite military and police units. They're sent out on missions together, sometimes they change uniforms, they train together, often by U.S. Special Forces, and things like that.

There is something called the Coalianza which is a commission that selects likely projects for public/private partnerships. So here's another thing; we all hear about how wonderful public/private partnerships are, but in the wrong hands those can precisely serve the overlapping functions that I'm talking about.

Anyway, so you can go through, there's a whole set of these oversight bodies. Environment ministries often get hollowed out, if you will. Any institution that could provide an independent oversight is either worked around or hollowed out or whatever. And because so much rent seeking on the part of these networks is related to land use, because it's either public land, so tourism, high end real estate, high end construction, luxury, those types of sectors, but also natural resources; hydropower even is coming back these days and we can talk about that. But therefore environment ministries need to be undermined.

The private sector in Honduras includes, but I find this again almost everywhere, finance. Serbia may be... I was in Serbia recently talking about this and I heard there that almost all the banks in Serbia are foreign, so that was interesting to me and I don't know, I haven't checked it out but I was like wow, could Serbia be the exception to that one? But the finance sector is a critical one.

*Transcript Not Checked Against Delivery*

Energy, critical, and that even counts where there is, of course where there's hydrocarbons, Nigeria, Angola, Equatorial Guinea, Venezuela, even again sub-nationally and some of the countries that don't usually qualify as very corrupt. Palm oil in Honduras turns out to be a big one, also in Indonesia. A lot of export agriculture, so green beans in Kenya. What you find is subsistence farmers get pushed off the land so that the network can take over the land to do the cash generating work. As I said, construction, high end real estate, that kind of thing. Anyway, there are those other ones.

And then of course, like Afghanistan, I knew the Karzai's very well. I was in Ahmed Wali Karzai's house for a certain period almost every night for dinner, except when the drug dealers came over, then Sarah, like let's deter Sarah from coming over for dinner. And it took me a couple of years actually to catch on to what was going on but... So the narcotics sector, obviously for all of Central America, is a really significant one for Honduras. Interestingly the current president gets some kudos for reducing the virulence of the narcotics trade in Honduras. My hypothesis is that he's from a different region and so he wasn't himself tangled up already in those networks.

And then, and we can talk about this a bit more, but this diagram has these little dots on the outside, and maybe we can pick that up later, but there are external factors working on systems like this. But that's what I mean by this type of an actual integrated system.

**TOMÁŠ VALÁŠEK:** Can I jump into the outside, outlying dots right away?

**SARAH CHAYES:** Yes, sure.

**TOMÁŠ VALÁŠEK:** You have made the point twice in fact that the United States was perhaps an unwitting part of the corruption story in Afghanistan. I should have pointed out in your intro that you of course served as adviser to the Chairman of the Joint Chiefs of Staff and two ISAF commanders, so your Afghanistan experience is rooted in an awful lot of time on the ground. But my question is neither about Afghanistan nor the U.S. alone, for the time being. My question is about the broader issue of enablers, because there's a concept in your report of enablers who, whether through naiveté or through laziness or possibly wilful collusion, make it possible for corruption to reach the pervasive levels that it does. And it struck me that perhaps the way we sometimes think about corruption in this town, in Brussels, is in some way deficient and limited.

We tend to, the stories one reads about corruption in the European press tend to focus on the overseer, whether it's the governance failure and oversight failure on the part of those who distribute money, the European Commission funds not being audited or the auditor refusing to sign off, because it fits in the broader story of European officials not being efficient and a different agenda perhaps. But it seems to me, from reading your report, the lesson I drew is we're missing out on the bigger story which is the effect that poor oversight has on the countries on the receiving end in the sense of enabling what is, in many ways for lack of a word, perverted political economic structure to emerge. And you don't let us off the hook; you are quite tough on the enablers. Can you develop that point more?

**SARAH CHAYES:** Yes, and I learned a lot doing this story and partly because this story, this report, partly, I actually avoided some of the, as you all can imagine, Honduras and the United States have a long and tangled and ugly history; ugly from the perspective of the United States as far as I'm concerned. I wanted to, in some regard, sidestep that because it's really been, it's a rut and people are already, the positions on what they think about that relationship are very hardened and things like that. Because I spend a lot of time here in Europe, I did actually look at European support.

## *Transcript Not Checked Against Delivery*

So let me not let the United States off the hook. The U.S. provides a lot of civilian assistance but the most damaging interaction between the U.S. and Honduras in my view has been on the military side in a variety of ways over time. Both when the El Salvador and Nicaragua wars were going on, poor Honduras is sitting in the middle and it's supposed to be on one side on one war and on the other side on the other... So there's all of that ongoing military assistance, but I stayed away, didn't go too deep into that. The civilian humanitarian assistance, I was really startled by the point of view, by the almost attitude, and in particular development financing which has become a little bit à la mode because we've all decided, as our development, civilian assistance budgets are going down, oh, how do we mobilise more money? It's again a public/private partnership. Let's do development financing.

So I picked on one of my favourite countries in the world, Finland. Do we have any Finns in the room? No? Incredibly wonderful place, wonderful people, I almost regret, but Finnfund had been a donor. What pushed me into this whole effort was the assassination of an unbelievable woman named Berta Caceres. If any of you have ever not heard of her, just look her up when you go home. I would almost, once I got to know more about her, going to Honduras, I found her almost like a Central American Nelson Mandela. I know the comparison is overused but she was an amazing person, an indigenous activist with a very broad view of what mattered.

So, she worked particularly on environmental issues but for her it was part of an almost, as you say, a political economy issue. Anyway, I had wanted to think about how corruption exacerbates environmental destruction. I heard about her assassination and said I need to look at this. So one of the donors for the project over which she was assassinated was Finnfund. So I go to Finland and I talk to the folks at the bank, the foreign ministry and the banks.

So what happens is the foreign ministry gives money to the bank. The bank, with a certain number of requirements, this is development money, it needs to go into development, etc, so there's a set of criteria. The Finnfund often will take some of its money, and in this case they didn't even, it was secret from the people of Finland how much money they put into then an intermediate fund, with other donors, which is called the Central America Mezzanine Infrastructure Fund, CAMIF, to do infrastructure.

Finnfund provides a certain number of guidance to CAMIF but of course it's watered down because there are a number of other donors. So already the Finnish government is now two stages away. CAMIF is managed by straight up money managers who live in Washington, who by the way also manage the money of the Sultan of Brunei. At every stage in the process the development requirements are watered down and the oversight is minimised.

So I went and visited every one of the people down this chain and I would ask what reporting do you require of the people you're giving this money to? Oh, biannual, semi-annual, they have to do... I said mmm, and do you verify anything that, like do you ever check? We don't have any reason to spot check. We trust our clients. So trust was the word that every single, down to Latin America Partners in Washington who say we trust our clients. And it was really stunning to me.

And so a woman was assassinated, she was like the third person who had been assassinated over this project. As I was walking away from the Finnfund people, I said did you think about, what did you learn from this experience? In the end Finnfund has cancelled its participation in this project. FMO from, are there any Dutch in the room? No Dutch in the room?

So FMO is another, and I didn't go to FMO because it was easier to pick on the Finns because they're smaller and... And I got what I needed. So I said did you learn anything from this? And they said yes, we

*Transcript Not Checked Against Delivery*

learned that it's not good enough to have a good project; you have to think about the environment, the context within which this project takes place. I thought, yay, they learned something. They said you really have to know whether there's a powerful NGO that's got lots of friends worldwide who can raise a ruckus. And I said are you kidding me?

So the person who's the bad guy here is the small community, it's not that small but it's a community organisation, because they were able to actually have their voice heard they become the bad guys? So who is it that this investment is actually trying to help if not these people? So that was a pretty, and it's a bit of an anecdotal answer to your question, but more broadly what I found is that these networks, particularly in countries that don't have hydrocarbons or some massive natural resource, what's the best source of rents? External inputs. So they organise themselves to capture the external inputs, be they development funds or frankly European support funds. We can talk about that in a minute too.

But to the point that Nigerians, who are pretty funny people, have come up with an expression for how these networks capture international development money, they talk about GONGOs. A GONGO is a government organised non-governmental organisation. And what's so devastating about this is that what you end up, and so again the argument that we donors or development actors often tell ourselves is, and that's what the Finnfund people say, was I want people to have electricity and if I have to hold my nose and work with some crooked people so that the ordinary population gets electricity, so be it. Except that's not how it actually works. The ordinary people don't get the electricity. So the cost of doing business argument doesn't make sense anymore when we're talking about this because what you're actually doing with that money is reinforcing and enabling this type of a system.

Then you have some of the other obvious enablers or people like Mossack and Fonseca, if any of you read the Panama papers; you actually have service providers. So I gave a talk like this recently to, would you believe, the International Academy of Estate and Trust Lawyers and I was trying to be nice but they, tell us how we can make the argument that blanket transparency of beneficial ownership is a bad idea. I'm like I'm probably not the right person to ask for your argument. But it was interesting to at least be in the room with them and say look... And they were all saying of course none of our clients do anything like that, and I'm saying of course your clients would never, never... And someone said, you know, they might.

**TOMÁŠ VALÁŠEK:** Sarah, I want to move onto Fredrik and the bigger global challenges but not before giving you, in the interest of equal opportunity, a chance to pick on another continent, because you've picked on a Latin American country, on a European country, I want to ask you about your own. The network you described and the mechanism you described, people in political power, very close to people with business power and money, often bearing the same name and colluding to self-serving purposes. Doesn't that hit awfully close to home these days?

**SARAH CHAYES:** Does it ever. So Carnegie Endowment for International Peace, a foreign policy think tank, and I'm like so my boss' name is also Tomas and I'm knocking on his door saying all right, how do I get to work on... I can't work on corruption in Ethiopia, which is the next country, when you've got family members in government who are also still in business, you've got the president who has business operations in at least half a dozen kleptocracies, so when my president is building hotels, therefore engaging in exchanges with, because you don't do luxury real estate in a country like Indonesia or a country like Panama or a country like Philippines that's, they're one of these. So you don't do luxury real estate without either being woven into the network or doing a paid to play. It's one or the other.

That means my president is either receiving, he's either a member of the network or he's receiving what we call emoluments, meaning prohibited items of value from foreign governments, or he's violating the

## *Transcript Not Checked Against Delivery*

Foreign Corrupt Practices Act. Now, I can go down that road a little bit too and say isn't it interesting that the United States prosecutes companies for bribing foreign governments when the United States government bribes foreign governments? But that's a whole other question.

But personally, and then let's look at the overlap. If I were doing one of these, which I might, on the United States, we've got Exxon Mobil runs our foreign ministry, we've got a bank in a place very well known for money laundering who's now our Secretary of Commerce, we've got...

The overlap between rent producing industries and the U.S. government is so significant today that I have a hard time doing my job frankly as a foreign policy person. And some of the other things that I've described, what were the first things to be done by the U.S. president? It was let's roll back regulations on the environmental impacts of hydrocarbon stuff. What else did he decide to do? Let's vitiate the Environmental Protection Agency. I had already done this where I've got SERNA, in Honduras the environmental ministry is called SERNA, saying it's classic that environmental ministries get hollowed out. So has ours. The judiciary, the degree of frontal attack on the judiciary that's, again, presidents have always complained about judges' decisions. That's a little bit different from going after the judiciary as an institution the way this one has.

So let me just say that the parallels are almost sickening. It almost physically makes one feel a little bit ill as a human being, as a citizen of a country that, where before you could say golly, my country makes a lot of bad decisions or this president I don't like or whatever, but you had faith in the structure. Let's leave it at that.

**TOMÁŠ VALÁŠEK:** Well thanks for that candour because while the state of governance, to put it that way in the United States may make your life difficult, I think your ability to look at your own country with a critical eye gives you a lot of credibility then to discuss other countries' difficulties, so thank you for that candour and the openness on the last question in particular.

Fredrik, I want to move onto you and we'll have a chance to come back on many of the issues in the report, and I'm sure there are a million unexplored questions on the role of corruption in effecting and, perhaps not to use the word again, perverting political systems even within the European Union through cohesion funds and I hope we get back to that. But before that, Fredrik, I want to enlarge the debate.

First of all, Fredrik Karlsson, a real pleasure you could step in at the last minute. Many thanks. Many of you have noticed that your colleague, who had an unfortunate foot injury, so Fredrik, thank you for stepping in at the last minute. You are of course the manager or the project leader for the Shape Prize at the Global Challenges Foundation. We wanted to link the two conversations because in some ways we have a habit of putting the analysis of the practical in the same conversation with those who think about the system in a way to explore whether there is a systemic solution to the issues that we discuss on hand.

When Sarah told me early in the conversation the astonishing figure of 60 countries of the world fitting the description that you've just given us, it struck me this is a global challenge. When you're talking about 60 countries of the world whose political system has been so warped through corruption with the inevitable consequences in terms of lost and foregone economic opportunities, the storing up for potential social explosion, how long can you have this rent seeking arrangement sitting on top of a country before the population revolts? For example you see Tunisia and elsewhere.

So it struck me, listening to Sarah, this is truly a global challenge. I understand your centre defines global challenges somewhat differently, you're looking primarily at the risks, but to what extent does

## *Transcript Not Checked Against Delivery*

corruption figure among the global challenges that you're looking at? To what extent do you see the link between the two issues?

**FREDRIK KARLSSON:** Sure. Thank you very much and thank you, Sarah, for that introduction to your work. It's truly daunting to listen to the way you're describing the problem. With my background working in development cooperation and humanitarian response and now looking at global governance, it's obviously at the centre of some of the challenges we're looking at. And so what we're doing at the Global Challenges Foundation is looking at primarily global catastrophic risks, the low probability but high impact occasions that could have existential level risk, and we're looking at how to tackle those kinds of risks.

**SARAH CHAYES:** Could you just give an example of one because you did mention before, you were talking about the death of, let's say, some very large number... but what could cause such a thing, like what's on your guys' list?

**FREDRIK KARLSSON:** Sure. So there are quite a few common suspects and there are some emerging ones and so on and so forth, but the most obvious one is climate change. We've been working extensively with a couple of centres in Oxford and Cambridge, working on existential risks primarily, and the definition is something that has an impact that could threaten the life of 10% of the global population. That is existential risk. Traditionally these kinds of risks were all low probability but high impact and so they tended to fall out of the scope of attention on the political agenda, and even we are, as humans we are wired not to take these kinds of risk into account. We tend to be more close to home when we look at risks.

Unfortunately today a catastrophic scenario of climate change is no longer very low probability. The pledges at the Paris Agreement, if we actually would implement them all, we would still be on a track towards somewhere fairly beyond a three degrees Celsius warming of the planet. And with quite a few of the risks connected with global warming, being of an exponential rather than a linearly nature, we don't really know what probability of a catastrophic scenario of climate change is.

But some other examples would be severe pandemics, you have natural events like super volcanoes or asteroid hits, these kinds of events that could have the same kind of impact, but we also have things connected to nuclear arms obviously. Increasingly through our work, that started out really about raising awareness about these kind of risks because they tended to fall off the political agenda, increasingly of course climate change has entered the stage and done what we're doing more acute. So we are currently looking a lot at what are the kinds of structures, in terms of global governance, needed to address these risks.

**TOMÁŠ VALÁŠEK:** And you've come up with an interesting way of incentivising others to help you with this search for the structure. Tell us more about the prize.

**FREDRIK KARLSSON:** Yes. So we are not a think tank primarily. We try to be a facilitator of a global dialogue. And so at the centre of that work right now is a prize competition that we call a New Shape that we launched at Chatham House in November and since then been touring the world, and this is part of that, trying to raise awareness about this prize which is essentially about catalysing creative and transformative thinking on global governance.

It's obvious to us and to most people we engage with that there is a clear need for effective global governance to tackle global risks, and that ties very much into what Sarah has been describing. We also need legitimate governance, and so the tension between effective and legitimate global governance

*Transcript Not Checked Against Delivery*

makes it a very, very tricky issue. I think that's obviously why we don't see a more robust global governance; it's really, really difficult to put something in place that would be perceived and actually delivered in a way that would be legitimate.

**TOMÁŠ VALÁŠEK:** Can I push you on the subject, Fredrik, because we had a conversation earlier in my office on global responses to corruption, and Sarah made a point that struck me as true, although you'll have a better insight, which is that it's incredibly difficult to design global governance responses to corruption because by definition global governance solutions are made by the participating countries which must, by definition if it's a global solution, include some of the guilty parties if you will. And of course the turkeys are not going to vote for Christmas. The countries that are guilty are going to seek to water down whatever arrangement is in place, whether it's a treaty, whether it's a convention, whether it's an understanding or an agreement, to the point where they are not going to be criminally prosecuted or, failing that, they are going to ignore attempts at prosecution for what is a violation of an internationally agreed convention. So to be blunt and to be pushy a little bit, is effective global governance an unobtainable goal?

**SARAH CHAYES:** And I would even say even if it's not global governance aimed at the corruption issue, but if you say in order to be part of this club that will be focused on climate change, there are some minimal standards. And so often with multinational organisations, including various European structures, it gets to be once someone is in the club the standards aren't imposed on them. So have you guys thought about how to address those issues?

**FREDRIK KARLSSON:** I would say where we are at the moment is really that we see our task primarily, right now, to pose this challenge to the best and brightest out there, and so what we're trying to do is to, with the prize competition, that is essentially a call to come up with innovative solutions to tackle global risks through global governance. There is a money incentive. There is a \$5 million award to be distributed among a few winners which will be awarded in May in Stockholm next year.

And so what we're hoping to achieve here is a starting gun of sustained dialogue on these issues because we do not sit on the silver bullet here and we realise that this is a genuinely tricky issue. So we certainly need to pull in ideas and thinking from all sectors of society, and I'm really happy to note that among the more than 13,000 registrants in the competition thus far, it closes at the end of September this year, but we already have quite a few inter-sectoral international super teams trying to crack this challenge. And so really this question is at the core of the challenge because what we often say is that there are two basic criteria for the challenge and it's about finding governance solutions that are both effective and legitimate, and there's an obvious tension between those two.

**SARAH CHAYES:** There are a bunch of tensions. Sorry to interrupt like this...

**FREDRIK KARLSSON:** And corruption is at the core.

**SARAH CHAYES:** Right, because there is legitimate to whom? And again I'm sure you heard this as often as I did, for example I kept hearing the Afghans and I'm like okay, what Afghans? Because the Afghan government is not legitimate in the eyes of the Afghan people or it's not appreciated by the Afghan people. So when you say the Afghans, do you mean the... And of course it usually stood for the Afghan government with the implicit western assumption that the Afghan government represents the interests of the Afghan people. So when you talk about legitimacy, you're going to have two, and then President Karzai kept saying you are impinging on our sovereignty, which worked really well on westerners whereas my ordinary Afghan friends are saying what sovereignty? Are you kidding me; this

## *Transcript Not Checked Against Delivery*

guy's on life support from you guys, so sovereignty already doesn't exist. We can't run this country so don't let him twist your nose about sovereignty, that's a bunch of junk.

But you're going to get governments saying this isn't legitimate because my interests are, whereas the populations of the same country may have a different . . . And then, I was just listening to your list, so with the exception of the asteroid, pandemic, let's look at Ebola; to what extent was the damage that Ebola wreaked on West Africa, how much was it amplified by the corrupt pillaging of the health system? So it's not just that corrupt governments didn't bother to have a health system; it was they actively pillaged the health systems because that's where there was a lot of money. The same thing happened in Honduras where the whole public health sector, that was a gigantic scandal that almost made the government wobble when people realized the health sector was being pillaged to the point that people were dying because the medicine was fake medicine.

So pandemic, it's intimately affected by corruption. Nuclear, right, so AQ Khan, anyone heard of him, the Pakistani guy who basically gave nuclear technology to...? That was not an individual Pakistani. That was again a government kleptocratic system.

Global warming, again let's go back to the United States. So first thing that happens is Exxon Mobil owns a big piece of the U.S. government. I get it. The guy is no longer the CEO of Exxon Mobil. I'm talking about our foreign minister, Rex Tillerson. The guy walked into Exxon Mobil at the age of 23. He walked out 41 years later having been the CEO during some very questionable activities by that company to become U.S. foreign minister. I don't believe, for me it's not an issue anymore of whether he personally has a personal conflict of interest. The guy doesn't know anybody else's interest except Exxon Mobil's interest. Therefore what happens? We pull out of Paris, Keystone XL happens, Dakota Access Pipeline happens, Stream Protection Rule... I mean it was an unbelievable thing to live through, was the first couple of months of just assault on environmental protections and environmental, you know, that happened within...

So global warming, because gas and oil are such an incredible source of rents, or climate change, sorry, it's an immediate issue. The issue of, as I said, what, I'm not sure if I said it here, what blew me away in Honduras, there isn't any gas and oil. So what do you have? You have palm oil. So you have massive deforestation, not quite as bad as Indonesia but deforestation. You have green energy. What I discovered doing this work was solar is owned by the network. Now, that doesn't quite get us to climate change but there are other types of environmental damage.

**FREDRIK KARLSSON:** No, but I think that that example should make us very wary about the implementation of the climate finances. If that can happen on a small scale, what happens when we have hundreds of billions being pledged in pretty new and diverse and under-regulated channels?

**TOMÁŠ VALÁŠEK:** It also strikes me, really quickly Fredrik, that the framework that Sarah used in her book, officer of the key, the facts, problems and contributing factors, apply neatly to the key problems, catastrophic risks you have identified with corruption being, in a sense, the enabler. That Sarah talked about. Perhaps also the way to think about the solutions part which you deliberately leave out to the latter part of the project, you have chosen, and I've noticed and listened carefully when you describe the catastrophic risks, corruption was not a part of it. But it's pretty clear from the conversation already it will probably be the enabling contributing factor to a number of things; perhaps something to take into account in a solution.

*Transcript Not Checked Against Delivery*

Sarah, can I ask you to hold your horses. I'm conscious of the time. It's 35 minutes to eight and we did promise to lead this into a conversation. We have named quite a few countries, including Honduras and Finland and others, so I want to give others a chance to come back and push back against you as well.

**SARAH CHAYES:** No, no, no, I want confessions. Come on, guys.

**TOMÁŠ VALÁŠEK:** This is a chance for the audience to ask questions. Before I do so, let me explain the simple rules of the game. We should have microphones around the room; we do, so please wait for the microphone to reach you. As ever, identify yourself; please tell us who you are. I know many of you, by no means all. Try to keep the questions short and succinct so we can take as many of them as possible, and we'll take them in groups of three. Fredrik, did you have any last points?

**FREDRIK KARLSSON:** Just one last point; obviously at the very core of global governance is obviously institutions and it's rather state-centric, but we also see an emergence of a more distributed governance with civil society, with the corporate sector, and with new information technology and so on there are other ways of addressing some of these risks that we should keep in mind in this discussion as well.

**TOMÁŠ VALÁŠEK:** And when I look at the participants list we actually have a pretty good cross-section of all of those you mentioned, civil society and business as well, so I suspect some of those issues may come up. I already see a first question, the gentlemen in the dark suit at the back. As ever, please try and get my attention.

**CHARLES AYALA:** Thank you for a fantastic presentation, Sarah. I'm Charles Ayala. I'm a researcher doing a PhD. My question is this: did you find that the same type of situation exists when it comes to humanitarian assistance.

**SARAH CHAYES:** I didn't...

**TOMÁŠ VALÁŠEK:** Sarah, can you hold your horses.

**SARAH CHAYES:** Oh, you want to take three. Sorry.

**TOMÁŠ VALÁŠEK:** We'll take three and there are two more questions I have seen right here and then at the back.

**PAUL FLAHERTY:** Thanks for the presentation. My name is Paul Flaherty. Given your points about members of the family in the same public, private and criminal sectors, I'm longing to see your analysis of 19th Century London. But to turn Tomáš' statistic around, can I ask why do you think that corruption is so rife in only 30% of the community of nations and can you name three main things that keep the other 70% incorrupt or less corrupt?

**TOMÁŠ VALÁŠEK:** Thank you for that, and I saw one question in the back.

**OSAMA DIAB:** Thank you so much for the presentation, Sarah. It's always a pleasure to listen to your presentations.

**SARAH CHAYES:** Everything I ever learned, not quite everything but a lot of it.

**TOMÁŠ VALÁŠEK:** Can you introduce yourself please?

*Transcript Not Checked Against Delivery*

**OSAMA DIAB:** Yes, my name is Osama Diab. I'm an anti-corruption researcher from Egypt. Sarah, you spoke about judiciary and going around the judiciary and you gave actually Egypt as an example. It's not exactly a question but I would like to add also a few themes of corruption, when you have a relatively independent judiciary or sometimes independent pockets within the judiciary, from the Egyptian experience during the present term of Sisi.

So some of the tricks he did to, and we call this, we try to describe this overall phenomenon as neutralising the judiciary, so like when you have an independent judiciary you try to neutralise it. And in the case of Egypt, this happened through three ways or at least three ways. So, contracts basically between investors and the state, which in many cases were sometimes between the same person, so like a minister in his capacity as a minister would make a contract to give himself land in his capacity as a real estate investor or a real estate developer, and we had this case. And third parties, like third party NGOs or citizens were allowed to go to administrative court and appeal this contract or say there is something wrong with this contract. Now this has been suspended by Sisi when he had the legislative power and he prevented any third parties from basically appealing any contract signed by the state. So technically on the state and the investor have the right to go to the court, which obviously they will never do.

So NGOs like mine can no longer go to the court and say the state signed the contract that has a suspicion of corruption or anything like that. And also reconciliation, which happened I guess in Tunisia and in Egypt, so basically it gives the executive, so even if an investor or a politician was accused of corruption, it basically gives the executive the power to override these court decisions and basically reconcile with the investor.

**TOMÁŠ VALÁŠEK:** Can you lead that to a question because I want to be fair to the rest of the audience and give them a chance to ask as well?

**OSAMA DIAB:** Yes, and also arbitration and BITs, bilateral investment treaties, so if Sarah could comment on that very quickly if she's done research on basically how bilateral investment treaties and international arbitration overrides national judiciary as a way of neutralising, even when you have an independent judiciary. And sorry for taking too...

**TOMÁŠ VALÁŠEK:** No worries. Three excellent questions, I've already registered at least two additional ones as you tried to get my attention, but let's come back to the panel for now. So the last question, what are the mechanisms for overriding the judiciary, what makes the other, Paul's question, why are the other two-thirds of the world not corrupt when corruption is such a good, lucrative business, and humanitarian aid, is it also corrupt or not?

**SARAH CHAYES:** So let me take it in the order in which they were asked. Humanitarian assistance, it's a great question; I haven't looked at it very carefully because I haven't yet done a deep dive on a country that gets it. But there's a bunch of books, not in this type of a context but if you look at "Crisis Caravans," have you ever read that one, or "The Road to Hell," which is quite an old book about Somalia?

Part of the problem is we get attached to our halos, and so again you have this sense that people are starving or people are dying and... So when I got into this business in Afghanistan, the counterpoint was always security. Yes, later about your corruption stuff, Sarah, first we have to bring security. It turns out that everybody's primary objective trumps corruption. But people will die if we don't pay off or whatever. Again, let's think about Ebola. So of course once Ebola has broken out, you need to deal with the outbreak but I'd be very interested to see what follow-up there's been about the health system and

## *Transcript Not Checked Against Delivery*

the corruption that allowed for the type of health system that created the humanitarian crisis. So my sense is, my instinct is it's just as bad.

I'm not saying only a third of the countries are corrupt. I'm saying only a third of the countries are kleptocracies, and even then it's probably conservative. It actually is probably a bit more but, as I say, I would put the United States on the continuum. I think Iceland, before the crash of 2008, is a pretty interesting example too, or Ireland.

So I could wax a little bit philosophical about this. I actually think what's going on these days is the eclipsing by money of other values by which we measure our social value and social standing, and this happens on and off in I think human history. I think the late 19th century or early, as you suggested, early 20th century may have been another time. We're living in one of those periods where how you measure your worth tends to be money, regardless of where it comes from.

I spent two and a half weeks in Nigeria asking people, has the meaning of money, social meaning of money changed in your lifetime? Oh my God, the answers I got, but among them, everyone said yes, but among the answers that were really interesting was it used to matter where your money came from and now we are celebrating people who are looting the public treasury. And humans are competitive animals, we're hierarchical, we're, you know, so once it becomes a competition about money, the sky's the limit, right? There's no more...

So where I see there being less of a kleptocracy is where first of all the institutions and the social value of checks and balances and distribution of power and things like that remain quite strong, but also where the cultural, where the mores around money have remained a little bit more in place. So I think those are things to look at and I think as we think about how to remedy, which is different from your remedy, but we have to go beyond the technical governmental get money out of politics or...

Some of those things need to happen, but we also have to think about how do we build a vision for ourselves, be it the European Union; I mean what vision do we put out there that elevates non-monetary values, that remunerates them, so how do we start remunerating people who are doing socially unpleasant things, like caring professions and stuff like that, and how do we remunerate people who have chosen not to have money at the centre of their action to a point where they can live decently? How do we elevate other values and then build a vision around those other values that becomes attractive?

**TOMÁŠ VALÁŠEK:** Judiciary, what other tricks of the trade...

**SARAH CHAYES:** Yes, well with bilateral trade treaties and I haven't actually studied that a lot, but I think it's a great example. And again, often the U.S. is at the front end of this sphere where, again, U.S. corporations love to privatise justice, so okay, let's have a trade treaty where justice is privatised and the judicial function in the other country is overridden. That's not a way to reduce the amount of corruption in the world.

**TOMÁŠ VALÁŠEK:** On the second question, I find your answer interesting because essentially what you argued is that you need to remove the temptation of money, money as a temptation and therefore remove the incentive. You give a slightly different response in a Carnegie podcast, to give a bit of free advertising to the Carnegie podcast, in a question to Tom Carver you essentially argue that we must accept that the temptation will always be there, that it is a part of human nature, the part that is corrupt and always desires the nicer suit and the fancier tie. And you have to build your political system in a way that disincentives or makes it very difficult, if not impossible, for the corrupt instincts to prevail and

*Transcript Not Checked Against Delivery*

then rewards the other human instincts, the charity, the need for harmony and coexistence. I don't know whether you want to develop it now quickly or whether you want to refer again people to the Carnegie podcast. It's your choice.

**SARAH CHAYES:** Well, I actually didn't say that you remove the temptation. I think what I said is money has to be put back in its box, if you will. So it will be tempting but let's not have it the only measure by which we mark our social value, and that's where the incentive structure stuff can actually help. Some of it is teaching and some of it... But you're exactly right; of course there needs to be, it needs to come out of politics to the extent to which it's currently in politics in a number of countries.

The other, I think, really important thing is looking at, are we punishing corruption after the fact or are we establishing some mores, and even some rules, so again I used the word, emoluments; it's a very interesting thing. In the United States constitution there's a rule - again, it's in the constitution - that government officials may not accept items of value from foreign governments.

Now, the point that's so interesting about that is it's not saying a gift from a foreign government is necessarily corrupt. It could genuinely be an act of kindness. I mean you're a king of France; you wouldn't receive a foreign visitor without offering something to... But the point is let's ban those practices which tend to lead toward corruption. The problem with punishing it after the fact is then you get into definitions. What's corruption?

So that's where, and recently again, sorry to keep using these American examples but they're interesting examples; last summer we had a governor who was convicted for corruption, they actually found the quid pro quo, so there was a businessman who gave him \$180,000 worth of stuff of various kinds, loans, gifts of various kinds, and he in response made some meetings for this businessman with people. As governor he called people, you need to meet this guy. Often the meetings were in the governor's palace. So there was a quid pro quo. The Supreme Court ruled last summer eight to zero that this didn't count as corruption because the things that the governor did didn't qualify as official acts. An official act, the Supreme Court decided, was like voting or signing a law or...

Okay, when you're in the situation where you have to define things after the fact, or you punish them after the fact, you open yourself up into definition. So that's what I'm aiming at is how you then create... So the French are now considering the law for moralising political life; a very interesting name of a law, but I found that pretty interesting that a new president of France, after a campaign that's been marred by corruption issues, not of the type we're talking about but issues, he actually, the first thing he does is... So it's some of these upstream issues.

**TOMÁŠ VALÁŠEK:** Good. I want to bring in more questions, although I noted that all of your suggested solutions were national. Perhaps Fredrik will have a point on a global governance solution or perhaps you'll tell us that's for later. I want to take a question from each part of the room, beginning with the gentleman in the grey suit.

**PARTICIPANT:** Thank you. I came from Pakistan administered Kashmir and my question to you, madam, is do you think that politics is providing any kind of shelter to the corruption in the third world or developing countries? Thank you.

**TOMÁŠ VALÁŠEK:** I suspect the answer is yes but you'll get a chance to give us a fuller answer. I saw this gentleman here in the first row first and then I'll go back and I'll come back in the next round.

*Transcript Not Checked Against Delivery*

**PARTICIPANT:** My short question is how come this whole corruption, again medical epidemic or, what are the drivers? You went a bit back in your philosophical considerations, touching upon the marketisation of everything and the monetisation of public goods, of even civic attributes like voting, but all right, what is the source of that? What are the drivers? We know about those two brothers with the short name with the K and... How come they are able to impose their way of operating on a democratic system of great tradition, constitutional foundations etc, etc? How does this happen?

**TOMÁŠ VALÁŠEK:** Let me take a third one in the corner there.

**JIMENA REYES:** Hi, I'm Jimena Reyes, Director for the Americans at the International Federation for Human Rights. First let me thank you for this report. It's going to be so very useful for the work of documentation we do. We have worked with communities in Bajo Aguan and in Cuyamel. So I have two small questions; one, once you have published the report, have you had any discussion with the Honduras authorities, and if so what was their reaction to the report?

And then second, I'm wondering about, and it would be a way also to mention another country that hasn't been mentioned yet, China, one of the documentations we have done in a neighbouring country is on the canal of Nicaragua and the construction, what role, if any, has China in Honduras? Thank you.

**TOMÁŠ VALÁŠEK:** Great, so that's really four questions from three speakers. So geopolitics, does it play a role in corruption, what are the drivers, how come the evil instincts have dominated over the more benign ones? That's really a question to human nature. What was the Honduras reaction and China?

**SARAH CHAYES:** I'd like to go to you though first with the international. What is so interesting is the degree to which international, either nations acting on a country but also multilateral organisations, could or could not influence this. So there has been OECD anti-bribery convention and things like that and yet this other problem of once there's a club, and even EITI, if you guys have heard of that, it's the Extractive Industry Transparency Initiative? And Azerbaijan, they finally got kicked out but they were a member in good standing. And so there is a kind of global incentive structure operating on countries.

Do you have just thoughts, as you've been thinking about, even if it's in a different context, global governance, of how do you align the international community, if you will? Do you have any thoughts about that, or let's imagine what might help influence the incentive structure?

**FREDRIK KARLSSON:** I think it's all about the kinds of incentives. Last time we were able to see a real shift, I mean a real shift in global governance was after World War 2. That's when much of the current institutions were set up, and it was because there was this immense incentive of never again, right? And so now we see them becoming increasingly obsolete and since the new U.S. administration it's more obvious than ever, and with China stepping in, as it seems, to be willing to take a more active role in both the classical or traditional global governance institutions but also setting up new ones.

We are seeing a period I think where we can see groups taking initiatives and moving forward at different speeds, something that is a popular discussion here in Europe I know, the possibility of grouping together and moving forward even though everyone is not onboard, and I think that's going to be something we will have to see. And I think the CO2 might be the new World War 2.

**SARAH CHAYES:** Interesting. Geopolitics is a great question because, and as I've worked... Oh, the other thing I wanted to say is part of the reason I designed this thing is wouldn't it be great if, as we're thinking about carbon, whatever, the climate, transfer of money, wouldn't it be great to have, and this is

## *Transcript Not Checked Against Delivery*

still a schematic version of it, but to have this type of analysis available, and I did it this way because I did work for the Chairman of Joint Chiefs of Staff and I know what the folder looks like when people are going into cabinet meetings. We would send him into a meeting, he had the whole background folder but we'd send him with an eight by five.

So what I was trying to think about is how do you concentrate this information in a form that if there was a conversation around the table about a transfer of a significant amount of money on climate that you start to understand where is it being transferred to? And so I've suggested to a number of government officials of different governments, do something like this and every time your cabinet is thinking about one of its main partners, at least everyone in the room should have one of these in their folder. And I'm told, oh, that would be too sensitive. Doing the analysis would be too sensitive.

Anyway, geopolitics, part of the point is, and initially what I thought I would do with these is talk about political tradeoffs, which is sort of like geopolitics. So in this, and they're invisible from where you're sitting, but there are some very faint circles which, what I've decided to call instead of political tradeoffs is enabling conditions, so geostrategic concerns can be enabling conditions.

So let's take Ukraine. We're all scared of Russia, Russia and Russia's military, physical threat against Ukraine is the biggest thing that we care about, that's geostrategic, therefore let's forget about the reconstitution of the network under Poroshenko because poor Ukraine is up against Russia. There's a geostrategic...

In the case of Honduras, we've got, for example we've got the U.S. demand for narcotics. That's not geostrategic but it's an enabling condition that absolutely plays into this thing. But you also have U.S. concern about migrants. So what we say is okay, President Hernandez, close the border for us and we'll turn a blind eye on... I mean it's not explicit like that but it's sort of like that. And of course what we don't, often the tradeoffs are in fact fuelled by the very corruption that we choose not... So, in other words what is sending people on the roads north from Honduras? It's a lot of the effects of the corruption that I'm talking about.

So what you do is in order to achieve your geostrategic or immediate objective, it's very self-defeating; you turn a blind eye to the underlying cause of that very thing. It's the same thing I discovered in Afghanistan where people would say bring security and we'll deal with corruption later. I'm like people are joining the Taliban because of the corruption of their government. That's why they're joining the Taliban. So you may get the government to help you kill one Talib but the government's corruption is creating ten for every...

So geostrategic considerations, and in the case of Honduras a big one was at the time Chavez. So we were all concerned, the U.S. was concerned about the previous president or two back president of Honduras' supposed relationship to Hugo Chavez which was probably more tenuous than we... but that's where that kind of thing played.

Drivers of the pandemic, again, as I said, I think part of it is a transformed, what I was getting at is a transformed attitude to money which has happened starting in about the 1980s. I think Thatcher and Reagan had something to do with it. They rehabilitated money as something that it was okay and polite to want to get as much of as you could. I think the collapse of communism played into it also. As corrupt as that system was itself, and as abusive as it was, it put a cap on how much stuff somebody at the top of the system could actually acquire and display as his or her own and it also required the delivery of at least some public goods.

## *Transcript Not Checked Against Delivery*

So what you start to see in some of the countries that have reacted very strongly against the kleptocratic thing is that you have a slowing down of the downward distribution of public goods, like in Tunisia where you had a pretty socialist government but the public goods were pretty good. And then under Ben Ali they started... So I think that's part of it. And then you've got all the technical facilitators, so you've got capital controls are all released, money can run around all over the place, you've got secrecy jurisdictions and all that kind of thing where it suddenly becomes much...

So again, back to the Afghanistan example, I'm at Wali Karzai, this younger half brother of President Karzai whom I knew very well; you went past his house and you would see a row of shoes outside because all his people went to him for stuff, including money. So he had to distribute some back downwards. But in the old days before capital, when there were capital controls, almost all of the surplus that was being absorbed by elites was somehow going back into the old country. You didn't get the money flowing outward to the extent that it now is into secrecy havens and stuff like that.

Honduran authorities, I have not... There's one in the room here so I think maybe he should have an opportunity to speak if he'd like to, but for the moment I have not gotten any direct interaction from Honduran authorities. I have from Dinant. So I got a very long letter from Dinant about how everything I had to say about Bajo Aguan is wrong and stuff like that, which I stand by my story.

And China, in Honduras it's not very significant. It's quite interesting. But I did, the report focuses on one particular river which is a gorgeous river that's being dammed and that is a Chinese project. But China definitely plays in this very significantly in other countries where China is very much quid pro quo, right, and so they don't have any issues with this stuff. What's interesting, just a Honduran anecdote on China that was fascinating is the very dam, over which Berta Caceres was assassinated, was initially a Chinese project.

Sinohydro, which is the Chinese big hydroelectric dam company, went in there, started working and immediately saw that the level of public opposition was so great that they didn't want anything to do with it. So they pulled out, and that's what's shocking is even China pulled out of that particular project because of the local disapproval whereas FMO and Finnfund did not until this lady got assassinated.

**TOMÁŠ VALÁŠEK:** Good. I promised one more round of questions. We can do that if they are short and succinct. I see two hands right here in the front row.

**SILKE GOUBIN:** Thank you. Hello, I'm Silke Goubin from the University of Leuven, Centre of Citizenship and Democracy. You've been talking a lot about states now, systems, institutions, and what I was wondering is let's go a bit back to those people that these institutions are supposed to govern, its citizens. Do you think that citizens of kleptocracies have different perceptions of legitimacy of these institutions and have different levels of action, do they have actions with regards to countries that have corruption but are not entirely corrupt, well like your distinction that you made?

**TOMÁŠ VALÁŠEK:** Just for clarification, when you speak of institutions you mean their own national institutions or international...

**SILKE GOUBIN:** Yes, their national institutions.

**TOMÁŠ VALÁŠEK:** Good question. And there was a question right here.

**ROBERT VANDEMEULEBROUCK:** Yes, Robert Vandemeulebrouck, former Belgian diplomat. Civil society, a great barrier against kleptocratic regimes, but I wonder, having lived for years in the Gulf

*Transcript Not Checked Against Delivery*

area and also in Africa, whether there are countries and kleptocratic regimes that are not beyond salvation. I'm thinking even in a democratic country like Nigeria, there are elections but U.S.\$20 billion disappeared from the oil funds some years ago. How do you tackle these countries? Is there any remedy; is there any point to start such an action? Thank you.

**TOMÁŠ VALÁŠEK:** All right, last chance for any questions or responses. I see none, so let me throw it back to Fredrik and to, perhaps beginning with Fredrik.

**FREDRIK KARLSSON:** Sure, on the point of civil society, in an area of what we know is a significantly shrinking space for civil society in many African countries, for example, to really operate, it's rather depressing to look to civil society as the counterweight to corruption. But what I've seen from continental governance at the African level is that global governance or continental governance can be an alternative space for civil society to act when it's not possible within the realm of the national level. And so I do think it's important to really create those kinds of platforms for interaction and for accountability when we rethink global governance because it is working.

It's not working really well but it is telling to be in Addis Ababa and what you're able to talk about outside the compounds of the African Union and what you are actually able to address when you just go into the gates and have meetings within the African Union, a lot of problems with the African Union. I know that. It's not perfect at all but it is a space for civil society to engage.

**TOMÁŠ VALÁŠEK:** Sarah, any last words?

**SARAH CHAYES:** So a couple, on different views of the legitimacy of institutions, I may not have fully understood your question but what I've found fascinating, having looked at this in countries that you'd think, how many westerners have told me well Afghans, they don't really want to be governed anyway, the whole problem here is that...? On the contrary, I would have Afghans giving me chapter and verse about what they expected their police to do, what they expected their courts to do, and they were up in arms.

So in a way there's a disappointment factor that often gets overlooked. People expect a thief to rob you but they don't expect the police to rob you. And I can't tell you how many times I've heard people say the very people whose job it is to protect us are the ones who are victimising us. And so they don't, the legitimacy is not, who they find illegitimate is the people, not the institutions.

Now, this is even true when they are participating in corruption, because they have to on some level. And that's where again the civil society answers have to be about how you help people to, almost collective action. But taking us to civil society, there have been a remarkable number of anti-corruption uprising, like let's set aside the Arab Spring and Maidan which were true revolutions, let's not forget Burkinabe in Burkina Faso which really was a very similar, really remarkable insurrection. Then you've got Guatemala, Honduras, Brazil, Moldova, Malaysia, Lebanon, Romania; we haven't even gotten into Europe and it's after 8 o'clock, oh my God, Romania and, you know. It's really amazing.

And governments have fallen; a lot of them have fallen but you know what? These networks are incredibly resilient, and so that goes to the question of is it even possible? At least what I have to say is the first level of civil society response, it's not good enough because what it's doing is toppling, even at the best it's toppling governments. These networks can amputate a part, even their own heads in order to survive. So civil society is going to have to get a lot more sophisticated about okay, how do you actually dismantle the network or how do you put in place the protective mechanisms to prevent what comes afterwards from playing exactly the same role?

## *Transcript Not Checked Against Delivery*

And I feel like Tunisia, although Egypt is more spectacular I feel that Tunisia is also a restoration, frankly. And the other thing I loved about your question is that it allows us to, I think, finish on another novel thing about this development; it's non-ideological. This is not democracy versus communism. It's not democracy versus autocracy. We're not up against an ideology here. Democracies can become kleptocracies, and I feel like mine at the moment is uncomfortably close to it and we're not used to that.

We're used to a clash of ideologies. We're also used to an enemy fighting us physically. It's not physical, the kind of kleptocrats here, and I feel like it is spreading and in some cases I think it's being deliberately spread - there's a really interesting body of work about whether Putin is actually doing this deliberately, trying to insert it deliberately - but that means cyber war isn't about the electricity grid coming down. The danger here... so let's go back to your catastrophic danger; I feel like the spread of kleptocracy is a catastrophic threat but it doesn't take a form that we're used to seeing our threats taking, and so we have been taken by surprise and let's leave it at that.

**TOMÁŠ VALÁŠEK:** Wonderful. Well many thanks to Fredrik for sharing the ideas on how to improve global governance or at least a process, if not the solutions, and for introducing the prize. Many thanks to Sarah for introducing the concept of her book and then warning us of a new kind of kleptocracy that we underestimate at our own risk, and above all many thanks to you for coming and for participating in a debate.

There's a chance to ask follow-on questions in a one-on-one but for now please join me in thanking the speakers.