

**“New Frontiers in Understanding and Addressing Corruption”  
International Anti-Corruption Day (December 9, 2014)  
Carnegie Endowment for International Peace**

**OPENING**

Thank you very much for the kind introduction. It is a pleasure to be here today.

My work at the State Department focuses on putting *people* at the center of our foreign policy. Every day, we engage with *people* – migrants, human rights activists, trafficking survivors – in addition to the governments that represent them. Our focus on *people* is part of why corruption and its corrosive impacts are such a concern to my Under Secretariat and to the whole U.S. government. Fundamentally, corruption is the abuse of the public’s trust – through use of one’s official capacity or office – for private gain. Abuse of public trust happens across the world – including here in the U.S. The question is not whether corruption will sometimes occur—it will. The question is how governments and the people they represent can take bold action against it. For our part, the United States stands with governments that *side with the people* in promoting integrity, openness and accountability in government activities.

Eleven years ago, the UN General Assembly designated today as International Anti-Corruption Day. Anti-corruption efforts have made great progress in a short time – particularly in the establishment of international norms. But we can do more. Today, I’d like to explain why anti-corruption remains a priority – and a national security concern for the U.S. government – and to outline how we can combat corruption in a more tailored, integrated, and effective way.

**THE PROBLEM OF CORRUPTION**

**HUMAN DEVELOPMENT AND HUMAN RIGHTS IMPACT**

We all know corruption is bad. When politicians *steal* public funds rather than *spend* public funds appropriately, schools go without books, patients go without medicine, merchants go without bridges and roads. The African Union estimates that one-quarter of Africa’s GDP is lost every year due to corruption – dramatically increasing levels of poverty in an already heartbreakingly poor region. In just the health sector, World Bank surveys show that in some countries up to 80 per cent of non-salary funds never reach local facilities. Then when crises like Ebola hit, there is so little institutional capability to address it.

Graft frays the fabric of the social contract, undermining attempts by government to assert legitimacy or establish democracy. Corruption is also the glue that holds many authoritarian regimes together, giving rulers spoils to distribute and opportunities to expose “dirt” on cronies if they turn disloyal.

Corruption leaves average citizens vulnerable. When their rights effectively are up for sale, laws to protect people – to halt human trafficking, hate crimes, and gender-based violence – go unenforced. We see this in the Democratic Republic of the Congo, where victims of crime, including sexual violence, have little access to the justice system and, when they do, often find that perpetrators are likely to simply “buy” their way out of prosecution. The U.S. government is supporting mobile courts to make justice more accessible in rural areas, but justice will still be denied if the corruption in the court system persists.

## ECONOMIC IMPACT

The impact of corruption on growth, competition, and innovation is similarly well documented. When companies have to pay bribes to cut through red tape it actually incentivizes the creation of *more* red tape, slowing transaction times and raising business expenses. In fact, the World Economic Forum estimates that around the world, corruption adds an average of up to 10% to the cost of doing business.

Corruption has a particularly harmful effect on the many American companies that play by the rules, supported by robust enforcement here at home. When our businesses go to compete overseas, corruption robs them of a level playing field. If a public procurement decision in Russia is made not on the basis of merit but on the basis of bribery, then our companies will either stay home or lose the bid. That affects our economy and puts pressure on our businesses to cut corners. It also means that the Russian consumer loses out – receiving a substandard product because the contractor spent overhead on a bribe instead of on workmanship. “Shared prosperity,” in its truest form, requires a shared commitment to transparent rule-based economies that work in the best interest of the United States and our partners overseas.

Part of this commitment is about protecting our own financial systems from harboring stolen assets. The proceeds of corruption are often sheltered in banks or shell corporations in Western Europe and the U.S. These ill-gotten gains can be used to prop up unaccountable regimes or finance terrorism. We are working with our partners, especially at the G20, to guarantee that our financial systems are not havens for stolen assets.

It has become relatively easy to trace how corruption erodes democracy and eats away at prosperity. We now have tools to assess these impacts: the World Bank and UN measure corruption’s impact on development, the U.S. State Department’s annual Human Rights Reports and NGOs like Transparency International document corruption’s impact on freedom and accountability, and institutions like the OECD quantify corruption’s impact on business. But corruption has other impacts, perhaps more difficult to measure but no less insidious.

## SECURITY IMPACT

It turns out that corruption is even more dangerous than we thought.

Corruption alienates and angers citizens, which can cause them to lose faith in the state, or, worse, fuel insurgencies and violent extremism. In Afghanistan, the Taliban continues to exploit public discontent with corruption to garner support. In Iraq, disillusionment with the government – including its corruption – creates fertile ground for ISIL to exploit. Just last week, Iraqi Prime Minister al-Abadi discovered that 50,000 “ghost soldiers” were listed on the government payroll, costing Iraqis approximately \$380 million a year. Citizens feel betrayed by these scams, indirectly because their taxes and resources are enriching nominal “public servants” but also directly because they do not receive the security and protection they need.

Take the example of Nigeria, where corruption has hollowed out the national military, leaving soldiers underfed, underpaid, and unable to defend citizens against internal threats such as Boko Haram. The cost is grave: In 2014 alone, Boko Haram killed more than 4,000 people and displaced some 1.5 million. Boko Haram has declared an Islamic Caliphate in northeast Nigeria and taken the reins of governance in some communities. We are actively working with partners at the local, federal, and regional levels who are serious about confronting this threat and preventing atrocities. But that work is much harder to do because of corruption’s corrosive effects on the military.

Transparency International has found that *many* countries have weak controls over defense procurement, risking similarly debilitating outcomes.

The challenge of corruption cuts deeply across the security sector. Countless police turn the other way at checkpoints, and customs officials turn the other way at borders – all in exchange for bribes. This paves the way for drug cartels, terrorists, and other security threats. In the wake of the Westgate attack in Kenya, police arrested and detained suspected Al Shabab terrorists. But according to Human Rights Watch, suspects could quickly buy their release for a bribe of approximately \$100. In this way, corruption can enable local threats that have grave, cross border implications for others around the globe. Corruption also complicates post-conflict peacebuilding, as those who profited from the war economy are best placed to win political power and, through corruption, continue serving their narrow interest groups.

Ukraine provides another illustration of how corruption can both *increase* instability risks and cripple the state's ability to *respond* to those risks. The Maidan Movement was driven in part by resentment of a kleptocratic regime parading around in democratic trappings. Corruption had drained service delivery, scared off investment, and crippled the justice system. Businesses and even foreign countries had for years bought and bribed their way into political influence over Ukrainian legislative and procurement decisions. And as public frustration boiled, Russian interference escalated. Security institutions that were needed to fend off Russian aggression struggled to mount an adequate defense. They had been weakened by years of graft, rendering them ineffective.

Nigeria and Ukraine are not just cautionary tales – they are wakeup calls for the international community. From the Balkans to the Black Sea to the Bay of Bengal, corruption leaves nations and people vulnerable to direct internal threats or to manipulation from the outside. We are aware of these threats, and our embassies in two dozen countries in central and eastern Europe are currently drafting action plans for supporting and cooperating on anti-corruption reform in their host country.

Corruption is not just an affront to American values, then; it is a threat to American interests. Left unaddressed, corruption in distant lands can cut to the heart of our national security. Yet we are just starting to grapple with the seriousness of corruption's destabilizing impact. I don't know of any security-focused organizations that are systematically charting these impacts over time, a symptom of how invisible and invidious a foe corruption remains.

## **PREVENTING AND RESPONDING TO CORRUPTION**

Addressing corruption is tough, but we are using a range of tools – and often working with other states and international institutions – to encourage and assist anti-corruption activity. At the State Department, our Bureau of International Narcotics and Law Enforcement works on corruption along with our bureaus that handle economics, energy, and human rights, and together State collaborates with USAID, Treasury, the Department of Justice, Interior, and Commerce – each of which brings specialized tools to the table.

- We leverage international conventions, pressing governments to implement the commitments they have made to combatting corruption.
- We include anti-corruption provisions in free trade agreements and apply financial sanctions to protect U.S. markets from the stability and liability risks of harboring the proceeds of corruption.

- We enforce the Foreign Corrupt Practices Act, which since 2009 has generated around \$3 billion in penalties and convictions against more than 50 individuals, including high-level executives. At the State Department, we use our visa sanction authority in a nonpolitical manner to deny entry to corrupt leaders. Recently, we denied visas to six Hungarian officials and their cronies due to their corruption. This action also bolstered public concern, and on November 9<sup>th</sup>, the streets of Budapest filled with 10,000 protesters who called for the resignation of corrupt public officials.
- We provide at least \$600 million dollars a year to build the capacity of foreign governments to combat corruption, largely through strengthening law enforcement mechanisms.
- We support independent civil society organizations so that they can press their governments to prevent and combat corruption. For instance, in the Czech Republic, 20 NGOs active in combatting corruption recently banded together to form an anti-corruption coalition, supported in part by a grant from the U.S. Embassy.
- The United States is co-chairing the G-20 Anti-Corruption Working Group with Turkey, driving a “race to the top” on issues like beneficial ownership, which would require companies to identify the actual person who owns or controls them, in line with the President’s recent proposed legislation on beneficial ownership.
- We are also proud to have launched the Open Government Partnership in September 2011, bringing global civil society and governments from 65 countries together to strengthen the *vertical* relationships of accountability between governments and their citizenry at home. Two-thirds of these countries have included commitments to anti-corruption or whistleblower protection in the latest round of OGP National Action Plans, each of which were developed through a consultative process between governments and civil society.
- And we are helping prevent corruption in the oil, gas, and mining sectors by supporting the Extractive Industries Transparency Initiative and implementing our own commitments domestically.

Our efforts have impact.

- We have provided the International Commission against Impunity in Guatemala with nearly \$26 million dollars since 2008 to help increase accountability, transparency, and efficiency in the justice system. As a result of the Commission’s efforts, both the Director and Deputy Director of the Guatemalan Penitentiary System were arrested three months ago for receiving bribes in return for prisoner transfers, and later were charged with money laundering and corruption. We strongly support a continued mandate for the Commission, and welcome the government’s support of this effort to date.
- In Nigeria and Sierra Leone, we are supporting civil society and government leaders to participate in civic code-a-thon events that have generated new open government tools, such as an infographic in Nigeria that clearly explained the proposed federal budget.
- And in the country of Georgia, the government is following through on its OGP commitments to combat corruption by making political party financing transparent and developing an online system for government procurement.

But given the complexity and entrenchment of corruption in many countries, the United States must become more focused, more creative, and more collaborative as we work to enhance our anti-corruption impact.

First, we are striving to become more *focused*. In the past year, the United States government has come together to determine where we should be better prioritizing our anti-corruption resources toward countries where corruption poses a risk to U.S. interests and where we are likely to have

impact. Applying this prioritized approach will require *integrating* a range of tools targeted at a range of actors – a comprehensive “soup-to-nuts” approach that hits enough nodes of corruption to generate real momentum for action. For instance, in areas of Central America, one can’t just address police corruption without looking at corruption in other elements of the justice system such as judges and prisons and even politics. Otherwise, “islands of integrity” built up in the police force will quickly be washed out by the tide of corruption in other parts of the ecosystem. Applying a comprehensive approach to focus countries means continuing to mainstream consideration of corruption into our development and security programming so that all of our efforts are mutually reinforcing, as laid out in USAID’s 2005 Anticorruption Strategy. In Mozambique, USAID’s health program is increasing access to clean water – and simultaneously building up civil society by putting *community groups* in charge of governing the wells. Of course, there is no *guarantee* that the community groups won’t become corrupt, but residents are more equipped to hold local leaders accountable, and as the groups become more empowered they can better hold government accountable. We will continue pressing for anti-corruption synergies across our operations, including expanding consideration of corruption in our security partnerships.

Second, we are working to find *creative* new approaches, tailored to the local context, to complement our emphasis on strengthening anti-corruption law enforcement. Part of that is asking how we can help *prevent* corrupt acts, rather than just prosecute them. What would make a DMV employee decide *not* to demand “a little extra” in exchange for a driver’s license? *It might be streamlining the process of getting a license, so there are fewer discretionary transactions to be tampered with in the first place.* Estonia has pioneered this model, developing e-governance tools that made government operations more transparent and accountable to civil society, business the media and, most importantly, Estonian citizens. *It might be ensuring that DMV employees are adequately compensated from the beginning.* If they can make ends meet from their salaries, they are less likely to demand a bribe. *And it might be boosting transparency,* so that everyone knows the difference between the DMV’s standard fee and a bribe when they walk in the door. In Nepal, a wiki platform supported by the NGO the Accountability Lab crowd-sources information on topics like how to get a birth certificate or driver’s license to help ensure that Nepalis can demand proper procedures from the start, and that government employees know they will be held accountable if they break the rules. Websites like I\_Paid\_A\_Bribe.com go one step further – enabling citizens in India to shed light on first-hand experiences of corruption to help track graft at local agencies. Simple, transparent, procedures have a dual benefit – they make government more efficient and take away opportunities for corruption.

Third, we are working to deepen our *partnerships*, inside and outside government. Tackling corruption demands support from civil society as well as multilateral partners simply because the problem is so complex and the solutions so long term. Therefore even as we work to boost anti-corruption programming funds at State and USAID, we are exploring how to increase collaboration with the private sector and multilateral development banks to expand our impact. Also, in the coming year we plan to launch “Anti-Corruption University” – an initiative that will involve exchanges between our diplomats and universities and NGOs around the world. Because ultimately, no one nation can do it alone.

Stepping back, we have a robust toolkit that we are striving to apply more and more strategically. Even so, the biggest factor in the success or failure of our efforts remains the extent to which local power brokers choose to *support* increased accountability or *block* it. In the end, it’s about political will.

Recently Vice President Biden asked the question, why did Plan Colombia work? His answer was that it was not just because the United States invested \$9 billion dollars in it – it was because *Colombia* invested \$36 billion dollars in it. It was that local commitment to change and the political leadership to see it through.

Political will means that those brought up on anti-corruption charges are the biggest *violators*, not just the biggest *political rivals*. The integrity of law enforcement in countries like China will depend on protecting anti-corruption tools from being politicized.

The central role of political will to the anti-corruption fight explains why it is so critical to identify and support political openings when they emerge. New leaders elected on a platform of anti-corruption reform can change the tide if they good on their commitments: President Ghani in Aghanistan, President Jokowi in Indonesia, Prime Minister Modi in India. We are working to cultivate the agility so that we can accelerate partnership with reform-minded leaders when these strategic windows of opportunity open up. It will require flexible pots of money, so that we can surge support based on changes on the ground, not just based on three-year budget cycles. It also means linking our political analysis with our programmatic support, so that we can anticipate and respond to opportunities quickly.

## **CONCLUSION**

Since the establishment of International Anti-Corruption Day in 2003, many international fora have emerged and many commitments have been made. The UN Convention Against Corruption now encompasses 173 countries. Regional bodies like the African Union have affirmed the UN's standards in conventions of their own. In the Americas, the OAS' peer review mechanism for the world's first anti-corruption convention, the Inter American Convention Against Corruption, is now well regarded and respected. Indeed, we have achieved near-universal consensus on the *norms* for how governments should control corruption. That is an important step. But it is easy to become self-congratulatory about laws and words. The problem before us is addressing the *implementation gap* in applying these conventions. We need to increase the political will for reform and seize openings when they present themselves. The impact of corruption on our own national security and the security of civilians around the world calls us to act.

Let's see if we can all join in a focused, creative, and collaborative approach to combating corruption. There is an adage from Liberia about collective action against corruption that sums it up well: "One straw of a broom can easily snap when trying to clean up the dirt; but when all the straws of the broom work together, we can clean the house."