

Cleaning Up the Financial System – Global Anti-Corruption Opportunities under the new United States Administration and Congress

Funder Roundtable - Briefing

On 13th January 2021, the Transparency and Accountability Initiative (TAI) funder collaborative hosted a virtual roundtable of funders to discuss opportunities to tackle cross-border corruption under the incoming Biden Administration and new Congress. 10 funder organizations participated.

The objectives of the roundtable were to a) build shared understanding of the most significant prospects for U.S. leadership in fighting global corruption within the first 18 months of the Biden Administration, b) discuss how the funder community can best help realize those opportunities given existing funder strategies and commitments.

Leading civil society actors came together to present a joined-up vision of the advances that can be made through a mix of executive, legislative and diplomatic action. Participants were enthusiastic about the range of opportunities presented. If secured, they will have benefits not just for those concerned about corruption, but those fighting to secure human rights, limit conflict, and stop illegal trafficking. There was recognition of the need for sustained advocacy to pursue specific measures, especially given competing priorities for the U.S. government.

This note outlines how current U.S. laws and policies are facilitating international corruption, details specific and realizable measures that civil society and funders can push for, the current infrastructure to push for these changes, and additional support needed. Please reach out if interested to learn more – see contact details at end of note.

The Problem

Corruption, the abuse of entrusted power for private gain, is at the center of many of the world's seemingly intractable problems. While there are any number of approaches to tackling poverty, human rights abuses, or environmental degradation, there are limits to progress on all these issues without addressing corruption.

At its core, corruption works to siphon scarce resources away from those most in need. Estimates of the annual direct costs of corruption range from \$1 trillion to \$2.6 trillion. The Center for Strategic and International Studies estimates that “private sector corruption alone in developing countries is at least \$500 billion, more than three times the [U.S.] foreign assistance given in 2012.” Suffice it to say that the trillions of dollars lost to corruption undermine any realistic chance for economic and social progress, especially in the Global South.

In addition, the twin crises we currently face —the pandemic and the ensuing economic chaos— amplify the human costs of corruption. Stolen and misdirected funds deprive the sick of lifesaving equipment and medical services, while the loss of economic support destroys local businesses and livelihoods.

A growing body of research supports the proposition that to make any real progress on some of the world's most pressing issues, we can no longer focus anti-corruption efforts exclusively on less economically developed countries with corrupt leaders and local and foreign actors. The ease with which money crosses borders and can be moved, hidden and laundered through the financial system – including the proceeds of corruption - means that the rules governing *global* finance matter more than ever.

The U.S. is at the center of the global financial system. Not only is it the world's largest economy, but it's home to the world's reserve currency. Financial institutions in every region of the world have correspondent banking relationships with U.S. banks. They must, in order to survive. As a result, the U.S. plays an outsized role in determining the prevalence, scope, and impact of corruption in every corner of the world. Weak or loophole-ridden U.S. financial rules make it easier for corrupt leaders in places like Equatorial Guinea, Venezuela, Malaysia, and elsewhere to drain public coffers, enrich themselves and their families, prop up anti-democratic regimes, and destroy any real chance for economic and social gains in those countries. Corrupt leaders in Russia and China benefit from hidden access to the U.S. financial system, helping to solidify their power at home and destabilize security abroad. Furthermore, U.S. representatives to certain multilateral institutions have significant voting rights (e.g. 17% of votes on the IMF board) and soft-power influence (e.g., a host of economic sanctions programs) that can support—or stymie—international progress on these issues.

The Window of Opportunity

The U.S.'s recent withdrawal from engagement in the international community coincided with a rise in authoritarian regimes. Similarly, domestic events have weakened US credibility abroad. However, a new Administration and a new U.S. Congress offer a promise of re-engagement and significant opportunities if we rise to meet the moment.

President-elect Biden has been engaged in foreign affairs for decades as a long-time member (and eventual Chair) of the Senate Foreign Relations Committee and then as Vice President. He has been outspoken about the importance of anti-corruption efforts in promoting human rights and protecting democracy within the United States and abroad, and in creating sustainable economies and protecting national, regional, and global security. His election follows a troubling period of U.S. departure from global leadership and a series of blockbuster scandals reported in the media on how illicit and secret finance fuel corruption around the globe.

In Congress, the passage of a sweeping, bipartisan anti-money laundering law, supported by a large coalition of unlikely allies, at the end of the previous Congress has opened a pathway for anti-corruption advocates to make unprecedented progress in the next several years. New congressional leadership puts allies in power who will be setting the agenda and conducting oversight.

This window may not be open long. U.S. mid-term elections in 2022 could end Democratic party control in Congress and stall momentum for reform.

The Alignment & Approach

A number of constituencies, including human rights and economic justice advocates, environmentalists, national security experts, law enforcement professionals, leaders in the private sector, and faith communities, among many others, came together through the FACT Coalition to advance the most transformative anti-money laundering and anti-corruption law in a generation—the Corporate Transparency Act—which passed the Congress and was signed into law earlier this month. For some, the connection between corruption, illicit finance, and a host of social and economic harms was new. For others, it was a longstanding priority. The campaign, however, forged new and lasting relationships, and confirmed for all that progress on anti-corruption was in fact critical to progress on so many other issues. Not surprisingly, there is strong interest among many of the groups to continue working together.

Not only is there is agreement, broadly, on the importance of combatting global corruption and illicit financial flows, but also on an emerging set of next-step priorities.

Given recent political developments in the U.S., we see opportunities to make real, sustainable progress in three arenas:

1. Rulemakings and executive actions in the new Administration;
2. Legislation in the 117th Congress; and
3. Enforcement of national commitments made in international fora.

Through rulemaking and other executive branch actions, we can ensure that the Corporate Transparency Act is effectively implemented; we can crack down on the ability of corrupt leaders to profit from the U.S. real estate and private equity markets; and we can bolster U.S. enforcement agencies in their fight against corruption and ensure robust use of anti-corruption sanctions programs.

Through legislation, we can move an ambitious anti-corruption agenda that will include (partial list) effectively regulating the lawyers, accountants, lobbyists, and others who serve as “gatekeepers” to the U.S. financial and political systems; building a coordinated infrastructure for combatting corruption abroad; using transparency to attack trade-based money laundering; vastly improving the U.S. government’s anti-money laundering capabilities and strengthening existing sanctions programs.

Through invigorated US diplomacy and engagement in global institutions and policy process, and strong collaboration between US and global civil society organizations and networks, we can secure stronger global policies, new commitments, and, importantly, accountability for existing global commitments to fight corruption. Opportunities abound in 2021, including the prioritization of illicit financial flows by the UK presidency of the G7; the Biden plan for a Summit of Democracy; new opportunities at the International Financial Institutions through linking Covid-19 emergency economic funding to anti-corruption measures.

The Investments

CSO outreach, engagement and coordination. Taking advantage of the opportunity at hand means capitalizing on the relationships built in recent years and leveraging the collective power of a wide variety of stakeholders. Organizing and coordinating to develop and implement an effective strategy will take additional resources to cover the ambitious agenda outlined above.

Policy and legal analysis, and additional research capacity. We will need to further the case for reform and help decisionmakers connect the dots on how our policy solutions address the problems. We will also need to continue to detail the problem with new and current research. In addition, experience tells us that special interests will oppose reform. They will create roadblocks and confusion about why specific policies are ‘impractical.’ We need to ensure a robust expert policy response to provide guidance to our friends and counter opposing proposals to weaken or negate effective reform. Finally, we will need the resources – including technical and legal resources – to ensure strong implementation of recent collective wins, most importantly, the Corporate Transparency Act.

Messaging, public opinion research, and media outreach. Everyone is against ‘corruption’ but it can mean different things to people. We have begun to develop powerful storylines and clearer messaging, but much work is still needed as we expand the types of solutions we are proposing and market to a diverse set of audiences.

Direct lobbying. To move legislation we will need to directly engage with decision makers and their staffs in both Congress and the administration. This is not something all funders can do, but funds

that can be used for lobbying purposes are critical to our eventual success (as demonstrated in passage of the Corporate Transparency Act).

Who is leading the work from an international financial system perspective?

While the effort will involve many organizations and other stakeholders, the groups who joined forces to provide this overview included:

- [The Financial Accountability and Corporate Transparency \(FACT\) Coalition](#) - a non-partisan alliance of more than 100 state, national, and international organizations working toward a fair tax system that addresses the challenges of a global economy and promoting policies to combat the harmful impacts of corrupt financial practices.
- [Global Financial Integrity](#) (GFI) - works to curtail illicit financial flows by producing groundbreaking research, fact-based advocacy, pragmatic policy solutions, engagement with multilateral institutions (FATF, OECD, IMF, World Bank etc) and innovative government advisory services.
- [Human Rights First](#) (HRF) - an independent advocacy and action organization that challenges America to live up to its ideals and presses the U.S. government and private companies to respect human rights and the rule of law.
- [The Sentry](#) - an investigative and policy team that follows the dirty money connected to African war criminals and transnational war profiteers and seeks to shut those benefiting from violence out of the international financial system.
- [Transparency International-US](#) (TI-US) is a global movement working in over 100 countries to end the injustice of corruption through advocacy, campaigning, and research and demanding greater transparency and integrity in all areas of public life.

While all will be involved and supportive of one another's work on other issues and areas, Table A below provides an overview of who is focused on which issues.

Funding Challenge

The participating funders all confirmed interest in this window for reform to combat illicit flows. There was strong appreciation for the clear set of prioritized reform demands and the constructive coordination among civil society partners to pursue that agenda.

A mix of private, bilateral and multilateral funding entities joined the call and that variety will prove essential given the constraints faced by different funders.

All have strained budgets in the current context. A few funders indicated they can directly fund programming to pursue this agenda in the U.S. – extending existing funding relationships with some of those civil society groups referenced in this note. Of those, only a small subset is able to support “C4” funding that can be used to cover lobbying activities.

For some donors, it is not feasible to fund U.S. based groups currently, but it is possible to fund complementary work in other jurisdictions similarly designed to close loopholes. All indicated willingness to consider non-financial support, such as direct outreach to the Biden administration,

hosting convenings, financing participation in international forums (such as the potential Democracy Summit), or making public statements backing specific reforms.

However, there was collective recognition that more funding will be needed to mobilize civil society, think tanks, media in support of the set of opportunities laid out in this note. The short window for Congressional action creates immediate urgency to address this funding gap.

One suggestion raised was to build stronger linkages to those funders who support anti-corruption programming from a U.S. domestic perspective. Also, participants emphasized that these opportunities will be “wins” for multiple agendas from conflict mitigation to tackling wildlife trafficking. Accordingly, it will be helpful to make connections to funders supporting the range of causes undermined by flaws in the finance system that enable dirty money to flow.

TAI offered to help facilitate funder coordination on this front. Any funders interested in following up on the opportunities outlined above, or simply wishing to know more, are invited to **contact Michael Jarvis, TAI’s Executive Director** (Email: mjarvis@transparency-initiative.org)

TABLE A: MAPPING ORGANIZATIONS AND PRIORITIES

This chart identifies top priorities for each organization – where they expect to play a leading or primary role. A leading or primary role means groups will be involved in all aspects of the effort including, where appropriate, outreach to allies, policy analysis, research, message development and direct lobbying.

CSO	Administrative Action	Congressional Action	US Delegations to Intl Fora
FACT Coalition	<ul style="list-style-type: none"> • Anti-money Laundering Act implementation, including: coordinating coalition engagement on rulemaking; legal analysis and planning; outreach to allies to engage rulemaking; public communications. • Supporting role on GTO expansion • Supporting role on Investment Advisor Gatekeeper Rules 	<ul style="list-style-type: none"> • Appropriations for FinCEN • Congressional oversight of Treasury / push for Congressional input into Treasury CTA rulemaking • Support for anti-corruption action fund - CROOK Act – not lead 	<ul style="list-style-type: none"> • Lead civil society coordination with State INL • G7 – engagement w US and allies through CSO coalitions (supportive / not leading) • Supportive role engaging US Treasury/State on IMF/WB opportunities. • Supportive role on Summit for Democracy agenda setting / coordinate with allies globally on deliverables
GFI	<ul style="list-style-type: none"> • Anti-Money Laundering Act rules/implementation • GTO expansion • Investment advisor gatekeeper rules • Reimagining FinCEN 	<ul style="list-style-type: none"> • Reimagining FinCEN • Trade-based money laundering framework 	<ul style="list-style-type: none"> • G7 Trade Integrity provisions • G20 Trade Integrity provisions • UNGASS Trade Integrity provisions • Summit of the Americas Trade Integrity provisions • Summit for Democracy Trade Integrity provisions • Re-engagement with OGP
HRF	<ul style="list-style-type: none"> • Global Magnitsky -- sanctions implementation 	<ul style="list-style-type: none"> • Global Magnitsky Act – Reauthorization 	<ul style="list-style-type: none"> • Summit for Democracy – deliverables, agenda setting
Sentry	<ul style="list-style-type: none"> • Sanctions (including Global Magnitsky) oversight and implementation • Strengthening an expanding FinCEN 	<ul style="list-style-type: none"> • Global Magnitsky Act – Reauthorization 	<ul style="list-style-type: none"> • Monitoring and pushing FATF and the regional AML bodies
TI US	<ul style="list-style-type: none"> • Anti-money Laundering Act rulemaking/implementation • GTO expansion and permanence • Investment advisor gatekeeper rules 	<ul style="list-style-type: none"> • Demand-side of bribery law • Anti-corruption action fund (CROOK Act) • Asylum/support for foreign whistleblowers facing harm 	<ul style="list-style-type: none"> • G20 – Anti-corruption commitments, accountability and tracking • Summit for Democracy – agenda setting • Summit for the Americas -- Anti-corruption commitments, accountability and tracking