

EMBARGOED UNTIL 6:01 CET/00:01 EST TUESDAY, 25 JANUARY 2022

## CPI 2021: TROUBLE AT THE TOP

Every year, countries at the top of the [Corruption Perceptions Index](#) (CPI) earn bragging rights for lower bribery levels, better safeguards against embezzlement of public funds and greater accountability for government corruption.

But no country gets a perfect score, and corruption in countries at the top of the Index usually takes less flagrant forms. The line between politics and business often remains blurred. Inadequate controls on political finance, opaque lobbying, and the revolving doors between industries and their regulators are all-too-common even in best-performing countries.

As a [measure of public sector corruption](#), the CPI does not capture issues related to financial secrecy and money laundering, or the role of the private sector in allowing the corrupt to safely hide and enjoy the proceeds of their crimes. In an increasingly globalised world, these are the types of problems that often help to keep lower-performing countries at the bottom of the Index. Our latest analysis shows that unchecked transnational corruption also enables human rights violations around the world [\[link to 2021 CPI Global Highlights\]](#).

The consequences hit closer to home, too.

### SLIDING BACKWARDS

The CPI results over the past decade demonstrate that top-scoring countries have little to show for their efforts to protect the integrity of their own public sectors. For some, the 2021 CPI has even captured regression.

**Australia** (CPI score: 73 out of 100) and **Canada** (74) declined significantly over the past decade, having lost 12 and 10 points since 2012, respectively.

The **United States** (67) has dropped a statistically significant 9 points since its score in 2015. For the first time in a decade, the country has also lost its position among the top 25 best-performing countries on the CPI.

Their backsliding offers a cautionary tale about complacency, which is detrimental not only to global anti-corruption efforts but also to top-scoring countries' own affairs.

### TROUBLE AT THE TOP OF THE TOP

In the past year, government leaders in several countries got caught bending the rules. And just like everywhere else, the COVID-19 pandemic has tested top-scoring countries' resistance to corruption.

In **Austria** (74) – where the CPI shows a reversal in previous improvements – [now-former Chancellor Sebastian Kurz](#) became the target of two inquiries. In May, anti-corruption prosecutors [started to investigate](#) whether Kurz lied about a 2019 Ibiza corruption case when testifying to a parliamentary commission. In October, a separate [corruption investigation](#) was

opened to examine allegations that he misused public funds during his time as foreign minister in 2016.

In **Canada** (74), Prime Minister Justin Trudeau and former Minister of Finance Bill Morneau [faced criticism](#) in 2020 over a government contract awarded to a charity with ties to both of their families. Last year, the ethics commissioner [confirmed ethical breaches](#) in the case of Morneau, while Trudeau was cleared of wrongdoing. This is not the first time that the Prime Minister's actions were scrutinised by an ethics commissioner. In 2019, the commissioner said that [Trudeau breached conflict of interest rules](#) by improperly pressuring the attorney general – who later resigned – to drop criminal charges against SNC-Lavalin, in a foreign bribery case that spiralled into a political crisis.

In **Germany** (80) – which has failed to progress up the CPI in the last decade – multiple parliamentarians from former chancellor Angela Merkel's party were [suspected of enriching themselves](#) through government contracts to purchase COVID-19 masks and lobbying on behalf of companies. Unsurprisingly, Transparency International's 2021 [Global Corruption Barometer](#) showed that half of Germans think that companies commonly rely on money or connections to win government contracts.

These cases demonstrate that progress in fighting corruption cannot be taken for granted even in top-scoring countries. Independent checks on power are as essential as ever to ensure that no one gets away with corruption – which at the top of the CPI often manifests itself through shady lobbying or influence-peddling, rather than outright bribery and embezzlement.

## THE 'DIRTY' SIDE OF 'CLEAN' COUNTRIES

As Transparency International has [repeatedly flagged](#), top-scoring countries have proven too weak to meet the challenge of increasingly globalised, networked corruption – which are not measured by the CPI. Despite the growing momentum to end the abuse of anonymous shell companies, corrupt actors around the world are still able to misappropriate public funds and evade justice by concealing their identities behind secretive corporate structures in many high-scoring countries on the Index.

As a result, these seemingly 'clean' countries are enabling or even fuelling cross-border corruption, even if it may originate from other places further down the CPI table.

### A world of secrecy

Last year, the [Pandora Papers investigations](#) showed the scale of the persistent problem.

Journalists' reports showed that high-level officials, oligarchs and billionaires from around the world shielded themselves with anonymity with the help of law firms and company formation agents – acting as corporate service providers – based in **Singapore** (85), **Hong Kong** (76), the **United Arab Emirates** (69) and the **United States** (67).

Investigative reporters discovered, for example, that a corporate service provider based in Dubai opened anonymous shell companies for [politicians and businesspeople from 17 African countries](#), helping move their wealth offshore.

The investigations also showed that foreign business people and politicians facing corruption charges in their own countries exploited the loose **New Zealand** (88) trust structure, [opening 88 trusts](#) to obscure their identities when executing financial transactions.

Funds funnelled anonymously across borders were often used to buy hot property in countries like **Australia** (73) and the **United Kingdom** (78), where real estate ownership – especially via opaque offshore companies – continues to be marred by secrecy.

Following the release of the Pandora Papers, Transparency International [strengthened its call](#) for public, central registers of company owners in all countries – a [known antidote](#) to the problem. Such a register is [now in place](#) in the **Netherlands** (82), but legal entities have been given a generous deadline of March 2022 to submit information on their real owners.

To further increase the country's resistance to dirty money, the Netherlands also needs to clamp down on its trust sector, which is known to have been [abused by corrupt elites from abroad](#), and [increase enforcement](#) against Dutch companies implicated in foreign bribery.

### **The go-betweens**

Corporate service providers, real estate agents and banks are meant to keep the gates of the global financial system shut to illicit cash. But as scandal after scandal shows, they [enable cross-border corruption](#). And yet they typically escape regulation, supervision and accountability.

This is a clear problem in **Switzerland** (84), where the parliament this year [missed an opportunity](#) to fix a major loophole. Gatekeepers such as notaries and lawyers [continue to operate without anti-money laundering obligations](#) when setting up and managing shell companies.

In 2021, the Financial Market Supervisory Authority [concluded its year-long investigation](#) into anti-money laundering failings at the Swiss bank Julius Baer, noting that proving individual responsibility for bank managers remained a challenge. Later in the year, the bank [admitted its role](#) in the laundering of US\$36 million in bribes in the 2015 FIFA corruption case.

In **Ireland** (74), [legislation passed in 2021](#) aims to upgrade the country's anti-money laundering framework through "a renewed focus on gatekeepers". More is needed for Ireland to [curb many of the incentives](#) that facilitate laundering the proceeds of corruption within its borders.

The country has previously [sheltered suspicious cash](#) from Uzbekistan's (28) oppressive former ruling elite, while the FinCEN Files investigations exposed the role of Irish [intermediaries](#) in enabling transnational financial crime.

Meanwhile, the Danske Bank money-laundering saga, which exposed the bank's role in the Azerbaijani and Russian laundromats, [continues to haunt Estonia](#) (74) and **Denmark** (88). Inquiries and investigations in [other jurisdictions](#) have laid bare the failure of supervisory authorities in these countries to [hold banks accountable](#).

At the beginning of 2022, more than two years after [Swedbank's role in the affair](#) was exposed, **Sweden's** (85) prosecution authority [indicted the bank's CEO](#).

## **IMPACT ON HUMAN RIGHTS WORLDWIDE**

With the release of the 2021 CPI, Transparency International also examined how transnational corruption enables human rights abuses [[link to forthcoming research analysis](#)].

We found that a failure to address transnational corruption makes it much harder for societies in countries with high levels of corruption to hold power to account, trapping them in a vicious cycle of corruption and oppression.

The Pandora Papers scandal is only the most recent example of how – by failing to combat money laundering and bring transparency to investment transactions in their markets – many top-scoring countries allow corrupt leaders around the world to shore up their illicit wealth. This money helps unscrupulous leaders to maintain their illicit networks and reward cronies, emboldening them to falsify elections, undermine institutions and rule by fear.

Various actors in the top-scoring countries are all too eager to help authoritarian and kleptocratic regimes clean not just their money, but also their reputations.

### **Corrupt back-scratching at work**

The heavy-handed response to protests in Kazakhstan (37) this month made international headlines, echoing events of the [Zhanaozen massacre](#) from 10 years ago.

Nursultan Nazarbayev, the country's president at that time, had an image problem. He turned to the UK's former prime minister Tony Blair – whose firm was advising "[Kazakhstan's leadership on good governance](#)". A [leaked letter](#) reportedly shows that Blair provided Nazarbayev with talking points and advice on ways to handle critical questions about Zhanaozen when challenged by a western audience. In the subsequent months, the government [blamed the opposition for Zhanaozen massacre](#), jailing an opposition leader for allegedly orchestrating the events and closing his party. In his five years as Nazarbayev's advisor, [Blair defended Kazakhstan's regime](#) on various occasions.

Human rights defenders are [still seeking justice](#) for Zhanaozen.

## **CROSS-BORDER CRIMES IN NEED OF CROSS-BORDER JUSTICE**

By their very design, transnational corruption schemes help the corrupt evade accountability. Corporate secrecy and limited cross-border exchange of information make it very difficult even for the most motivated prosecutors, at home or abroad, to find traces of corruption.

That is where large leaks of financial data such as the Pandora Papers come in. Investigative journalists help to piece the puzzle together and enable authorities to act – at times only after being nudged by civil society organisations.

This year, the anti-corruption community celebrated a landmark victory in **France** (71) where [courts definitively convicted](#) the infamous Vice President Teodorin Obiang of **Equatorial Guinea** (17) for corruption-related offenses. The historic ruling concluded 14 years of legal proceedings initiated by Transparency International France and Sherpa. Swift and responsible return of the seized assets remains the next urgent priority – both in France, which has adopted a new law creating an asset return mechanism, and internationally.

In recent years, the emergence of mechanisms such as the Global Magnitsky Act in the US and 'unexplained wealth orders' in the UK have offered a pathway for legal accountability.

But challenges persist. Last year, the UK National Crime Agency (NCA) targeted lavish properties owned by the daughter and grandson of the same former Kazakh president Nursultan Nazarbayev. However, a successful legal challenge against the NCA's application to use these powers has [severely hindered the investigation](#).

And as the 2021 OpenLux investigations showed, secretive financial vehicles such as [investment funds](#) based in **Luxembourg** (81) [remain available](#) to individuals wishing to evade corruption and human rights sanctions.

## **A TO-DO LIST FOR 2022**

Backsliding at the top of the CPI table is more than a symptom of the global crisis of corruption; top-scoring countries' willingness to accept the status quo is also perpetuating this crisis.

This year, Financial Action Task Force (FATF) members, many of whom are leaders on the CPI, have an opportunity to help [end the era of corporate secrecy abuse](#). Action by intergovernmental organisations such as FATF is especially important to achieve progress in countries where public scrutiny is limited and civil society space is restricted, such as Hong Kong, Singapore and the UAE.

The Summit for Democracy, which similarly brings together many of the CPI's top-scorers, [offers a significant chance](#) to rein in unsupervised professional enablers once and for all.

Only after they stop enabling cross-border corruption – and associated human rights abuses – can top-scoring countries claim real progress.