



Fighting Corruption One Goal at a Time

By Molly Elgin-Cossart and Alex Zerden September 2015

Center for American Progress



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Introduction and summary

In just a few weeks on September 25, heads of state and government from around the world will gather in New York City at the U.N. summit for the adoption of the post-2015 development agenda.¹ Expected to be the largest gathering of heads of state ever, the summit will set out a voluntary framework known as the Sustainable Development Goals, or SDGs, that will inform global development policy and practice for the next 15 years. The new framework will replace the Millennium Declaration and the Millennium Development Goals, or MDGs—eight goals that the world has used as a roadmap to work toward ending extreme poverty for the past 15 years.²

Crucially, whereas the MDGs, which were launched in 2000, focused mainly on important social aspects of development—poverty, health, and child survival—the new framework is broader and tackles underlying barriers to development. The agreement includes the following specific language to combat illicit financial flows, or IFFs, and corruption, which undermine good governance and development: “by 2030 significantly reduce illicit financial and arms flows, strengthen recovery and return of stolen assets, and combat all forms of organized crime” and “substantially reduce corruption and bribery in all its forms.”³

These objectives, although very general and lacking measurable indicators, seek to halt the proliferation of “global public bads,” injurious behaviors such as corruption, kleptocracy, transnational crime, and terrorism⁴ that cross borders and undermine government accountability, global and local institutions, and international development. Public corruption and bribery, for example, harm citizens by diverting state resources for private gain. The channels for IFFs—such as money laundering, the abuse of shell companies, and unscrupulous intermediaries—enable the proceeds of corruption and bribery to move rapidly across borders and blend with the legal economy. If and when crimes are prosecuted in a foreign or domestic jurisdiction, weak enforcement and coordination prevent the timely recovery and return of stolen assets. Meanwhile, illicit arms, narcotics, and human trafficking thrive by exploiting the same mechanisms and loopholes that facilitate corruption and bribery.

Combating these bads is no easy task. But the international community must get the fight against corruption right. Without cracking down on illicit financial flows, organized crime, corruption, and bribery, attaining progress on broader sustainable development is more expensive and less likely to succeed. While the current language noted above is disappointingly vague and lacks concrete metrics for success, it is nonetheless a good start. In order to succeed, countries will need to translate the agreement into actions that can be implemented and measured against indicators to map progress.⁵ Over the next few months, the Inter-agency Expert Group on Sustainable Development Goal Indicators, or IAEG-SDGs—which is comprised of chief statisticians from countries around the world and includes regional and international agencies as observers—will develop a proposal for indicators that provide standard measures of progress.⁶

However, it will be up to national governments to determine how to make progress on these indicators. This report examines one U.N. member state—the United States—identifies its efforts to date on fighting IFFs and corruption, and suggests actions to ensure that the global fight against corruption is more than mere words. No country can fight this global challenge alone. It will require a global effort to succeed in reducing illicit financial flows and corruption. Thus, the report concludes with recommendations for the United States to take leadership in the global fight against corruption and IFFs.⁷

Illicit financial flows and corruption rob governments and their citizens of revenue; devastate trust in the state and the rule of law; and feed crime, terrorism, and unethical behavior. The U.N. summit for the adoption of the post-2015 development agenda offers the opportunity to take the fight against corruption to the next level by embedding it as a development goal.⁸ Enshrining anti-corruption efforts in high-level discussions and policies would provide a necessary step toward creating a more just and prosperous world.

The Sustainable Development Goals call on nations to “significantly reduce illicit financial and arms flows, strengthen recovery and return of stolen assets, and combat all forms of organized crime” and “substantially reduce corruption and bribery in all its forms.”

Defining the problem

Illicit financial flows and corruption are closely interlinked. They diminish the resources available to states—and ultimately, to people. Wealthy kleptocrats, criminals, or private companies that pocket IFFs frustrate broader economic and social development goals. Money diverted from public coffers into private hands has a negative impact on a country’s economic development. Instead of public investments in health and education, for example, elites use the proceeds of corruption to purchase expensive cars and jewelry, producing significantly less return for society.

Developing countries suffer outsized negative impacts, which is why a focus on fighting IFFs and corruption is so central to the post-2015 development agenda and worth special focus.⁹ Crucially, IFFs exacerbate weak and undercapacity institutions, eroding public trust and depleting scarce public resources that could be directed elsewhere. A report from the U.N. Economic Commission for Africa High Level Panel on Illicit Financial Flows identified more than \$50 billion that was lost to the continent annually between 2000 and 2008.¹⁰ The diversion of funds and rise of corruption exacerbate political instability and threaten the fundamental security and resilience of societies.¹¹ Bribes, often channeled through tax havens and major financial centers, fund militia groups in places such as the Democratic Republic of the Congo, Zimbabwe, and Angola and enable corrupt leaders to stay in power even when they face international sanctions.¹²

IFFs reduce foreign exchange reserves, contribute to shortfalls in tax revenues and higher debt burdens, and potentially hinder greater provision of social services. There is broad agreement that curbing IFFs could substantially increase the level of domestic resources available to developing countries for financing the post-2015 development agenda.¹³

There is no internationally agreed-upon definition of illicit financial flows.¹⁴ However, for the purposes of this report, they are defined as resources that are diverted as a result of bribery, corruption, tax evasion, money laundering, terrorism financing, theft of state assets, or “a range of market and regulatory abuses under cover of anonymity.”¹⁵

IFFs are often conflated with related tax issues, and many of the same mechanisms that facilitate tax avoidance—such as complex legal structures, tax havens, and unscrupulous intermediaries—enable other criminals such as money launderers, drug traffickers, evaders of economic sanctions, and terrorist financiers to move their proceeds around the world.¹⁶

While there is broad agreement that the scale of economic and social losses as a result of IFFs and corruption is enormous—credible conservative estimates range in the low trillions of dollars—there has not been a global effort to identify the scale of the problem, thus hindering efforts to halt IFFs and enforce anti-corruption efforts.¹⁷ A global effort to quantify and standardize the methodology used to credibly estimate the impact of IFFs—and corruption as a whole—would highlight the scale of the problem.

The United States should propose and support such an effort, which the United Nations, World Bank, and Organisation for Economic Co-operation and Development, or OECD, could jointly lead. This would help make the case to countries and companies that they should take action and quantify why it is worth the investment. Paired with assessments of the effectiveness of various anti-corruption policies and tools, this base of evidence would help establish a shared understanding of the problem and cost-effective ways to tackle it. It would also provide a sound basis for measuring progress on the objectives in the post-2015 agreement.

Acknowledging the scale and scope of IFFs and corruption problems is the first step to overcoming it. Recent efforts to begin to measure corruption and governance—such as the World Bank’s “Governance Indicators,” the World Economic Forum’s “Executive Opinion Survey,” and Transparency International’s “Corruption Perception Index”—are a promising start.¹⁸ But much more needs to be done. A global effort focused on IFFs and corruption would help strengthen the steps that countries can take, as outlined in the following section.

Taking action on the Sustainable Development Goals

The United States has been a leader in tackling money laundering, foreign corruption, and asset recovery, but it has fallen short in other areas such as beneficial ownership reform, which would bring needed transparency related to the ownership of corporations and other legal entities. The key challenge is whether the United States has the political will to shore up its own work on combating illicit financial flows and corruption while helping other nations with their efforts. The inclusion of explicit objectives on IFFs and corruption in the proposed Sustainable Development Goals is an important opportunity. Three components of those objectives are detailed here, including the United States' current standing in addressing each objective and recommendations for steps the nation can take to significantly reduce illicit financial and arms flows; strengthen efforts to recover stolen assets and combat all forms of organized crime; and substantially reduce corruption and bribery in all its forms.

Significantly reduce illicit financial and arms flows

Significantly reducing illicit financial flows is necessary to achieve other SDGs since IFFs deprive states of revenue, distort government decision-making, and erode good governance and the rule of law.¹⁹ While IFFs have an outsized impact on developing economies, the United States is not immune. Additionally, the United States plays an important role in stemming the IFFs that originate from, transit through, and domicile in its economy. Specifically, the United States can improve its efforts to reduce IFFs through the financial and real estate industries. Enhanced laws and regulations, such as closing banking regulatory reporting loopholes, as discussed below, can aid in this effort. Furthermore, the United States can continue to support other governments in building their capacity for domestic enforcement against IFFs, especially in countries where corruption and bribery are particularly acute.

Anti-money laundering, or AML, enforcement is the main tool for combating IFFs originating in and transiting through the United States. The United States has some of the most extensive anti-money laundering laws and regulations in the world. Multiple agencies—particularly within the U.S. departments of Justice, Homeland Security, and the Treasury—devote significant resources to enforcing this system. The U.S. Treasury Department published a comprehensive money laundering risk assessment in June that details some of the enforcement efforts and trends over the past decade.²⁰ U.S. anti-money laundering efforts include prosecutions, a complex compliance architecture under the Bank Secrecy Act and the Patriot Act,²¹ border and customs interdiction, setting international standards, and capacity-building programs to assist other countries.

Much of the AML compliance system leverages the resources of the private sector, particularly through regulations on the financial industry, to address potential illicit conduct occurring at their businesses.²² However, serious and systematic issues with financial system oversight and compliance persist.²³ For example, U.S. authorities imposed a then-record \$1.9 billion fine for HSBC's money laundering for Mexican drug cartels, terrorists, and pariah states.²⁴ Despite this, the continued deficiencies in HSBC's anti-money laundering compliance program are serious enough that the U.S. Department of Justice is seeking to keep a third-party monitor's report on them confidential, in part for fear that criminals and terrorists could potentially exploit these weaknesses.²⁵ This protracted scrutiny of HSBC's remediation efforts was the result of a deal that enabled HSBC to avoid prosecution,²⁶ but the decision not to prosecute HSBC or individual employees has led some civil society groups to complain that large banks may perceive that they are "too big to jail," weakening their incentives to implement costly compliance reforms.²⁷ HSBC is not alone: Other large financial institutions remain targets of enforcement actions or continue to receive scrutiny on their remediation efforts. This heightened regulatory and enforcement climate has created its own set of consequences. Specifically, it may have contributed to decisions by major financial institutions to simply pull their businesses out of certain business lines and countries, such as Somalia, directly harming certain populations' ability to access financial services and creating greater risks for economic and political instability.²⁸

In the United States, industry-specific and legislative loopholes in the AML enforcement and regulatory structure impede the government's ability to fully enforce the law in order to prevent bad actors from exploiting the broader U.S. economy for IFFs and other crimes. Action on anonymous companies through enhanced beneficial ownership legislation, as outlined below, is one way to make money laundering more difficult that does not also impede access to financial services for legal activities, such as cross-border remittances.

IFFs thrive when perpetrators can mask the beneficiaries of illicit transactions. Currently, the United States does not require its subnational units, the 50 states, to collect any information on the beneficial owner—that is to say, the natural person or persons who will own or control the entity being formed—when forming a new legal entity such as a corporation, limited liability company, or partnership.²⁹ Nor does it require corporate formation agents, corporate service providers, or attorneys who help form U.S. entities to collect beneficial ownership information. In the United States, about 2 million corporations are formed per year, as many as the rest of the world combined. Yet the United States does less than almost any other jurisdiction to identify the individuals behind those new companies.³⁰

Anonymity creates a comfortable cover for those who are looking to hide their money with ties to organized crime, corruption, and other nefarious activities. According to *The New York Times*, more than half of the sales in the approximately \$8 billion New York City luxury real estate market—residences worth more than \$5 million—go to shell companies each year.³¹ These include companies tied to Russian kleptocrats, corrupt Greek businessmen, and mining magnates convicted of violating the land rights of indigenous tribes.³²

The United States should close regulatory loopholes that excuse certain industries from U.S. statutory requirements to establish anti-money laundering programs, including the real estate and escrow agents that can handle the proceeds of organized crime, corruption, and bribery.³³ In late August, the U.S. Treasury Department proposed a new rule on registered investment advisors that would require them to implement AML compliance programs, a positive development in closing sector-wide gaps.³⁴

IFFs also harm broader U.S. foreign policy and national security interests. Recent testimony to the bipartisan, Republican-led Congressional Task Force to Investigate Terrorism Financing focused almost exclusively the need for beneficial ownership reform at the federal level.³⁵ In 2013, partly to address congressional concern, the White House released its “G-8 Action Plan for Transparency of Company Ownership and Control”³⁶ as part of a G-8 commitment to increase corporate ownership transparency.³⁷ The plan called for states to collect beneficial ownership information as part of the corporate formation process. In 2014, the G-20 endorsed the implementation of beneficial ownership principles.³⁸ The White House also announced a beneficial ownership legislative proposal as part of President Barack Obama’s fiscal year 2014 budget.³⁹

Despite these high-level commitments and growing support for legislation requiring U.S. states to obtain beneficial ownership information,⁴⁰ there is a real risk that progress could halt or even backslide. Legislation proposing beneficial ownership reforms is stalled in Congress. The White House proposed an alternative to earlier Senate bills that attempted to address the issue of beneficial ownership in its FY 2014 budget, but this alternative has yet to be introduced in Congress.

While U.S. progress has stalled, other countries such as the United Kingdom and Norway have forged ahead by requiring the establishment of public corporate registries that will make corporate beneficial ownership information available to the public.⁴¹

In the absence of progress on legislation, the U.S. Treasury Department has advanced a narrower regulatory proposal.⁴² The proposed rule contains explicit due diligence requirements for financial institutions to identify the beneficial owners of corporations that open accounts.⁴³ But many consider the proposed rule inadequate to the enormity of the task.⁴⁴ For instance, then-Sen. Carl Levin (D-MI) noted that the proposed rule would “weaken current [industry] practices by employing an ineffective and unworkable definition of beneficial ownership.”⁴⁵

Finding compromise on this issue may not be easy, particularly on technical questions. For instance, as a December 2014 Center for American Progress brief suggested, reconciling beneficial ownership thresholds is an important task: The difference between ownership thresholds of 25 percent and 10 percent has profound implications for the ease with which financial services industry and companies can meet certain reporting obligations. Any final rule should balance the burdens placed on industry with reasonable expectations for compliance.⁴⁶

The Obama administration and Congress should continue to engage with the business community, particularly financial institutions, state governments, and civil society to find a workable mechanism for beneficial ownership reporting that meets law enforcement needs while recognizing the burdens placed on industry and state governments. A jointly governed task force of business, civil society, and government representatives could be established to provide recommendations on a workable path forward. Some in the business community have already pointed out that there is a business case for tackling corruption through shell companies⁴⁷ because corruption distorts markets and can disadvantage honest companies that provide better products and services at lower costs. Finding a pragmatic solution that business, the states, and civil society can support would be helpful in breaking the legislative impasse around beneficial ownership.

The administration should work with partners in the G-7 and G-20 to require beneficial ownership disclosures for public procurement contracts, building on existing efforts. Consensus on prioritizing this important issue would send a message to other countries about the need to improve their public contracting systems. With \$9.5 trillion of public money spent each year on government procurement for citizens⁴⁸ and an estimated 20 percent to 25 percent of national procurement budgets lost to corruption annually, procurement reform also has great potential to bolster domestic resources and send a broader market signal.⁴⁹

Strengthen efforts to recover stolen assets and combat all forms of organized crime

While prevention—as outlined in the above actions on beneficial ownership and anti-money laundering—is the preferable means to stop illicit activity and corruption, it is also important to right already committed wrongs by returning the proceeds of corruption to their country of origin. For example, when Sani Abacha, Nigeria’s former military ruler, died in office, Swiss and other foreign bank officials returned more than \$1 billion that he had plundered and hidden in foreign accounts to the government of Nigeria.⁵⁰

A credible mechanism for seizing and returning stolen assets can also deter corrupt officials who hide funds in jurisdictions other than their home country. Asset recovery is the legal, diplomatic, and investigatory process to return extra-territorial assets to their original jurisdiction. While there is no internationally agreed-upon definition of organized crime, it is distinguishable from other forms of criminal activity based on its durable hierarchy and enterprise structure, the employment of systematic violence and corruption, and the extension of activities into the legal economy.⁵¹ These two concepts are distinct and require different approaches and resources for the United States government to combat. Asset recovery is a more recent and narrowly focused challenge compared to combating the many forms of organized crime and is the focus of this section.

Advances in financial systems, communications technology, and transportation—combined with differences in legal systems, the high costs of coordinating investigations, a lack of international cooperation, and bank secrecy—have enabled corrupt officials to hide their illicit proceeds overseas. But in recent decades, countries have shown increased willingness to cooperatively tackle this problem, for instance by devoting an entire chapter of the 2003 U.N. Convention against Corruption to stolen assets.⁵²

The United States is pioneering highly effective mechanisms for the return of stolen assets. For example, the U.S. Department of Justice, or DOJ, Kleptocracy Asset Recovery Initiative has proven to be a successful mechanism to identify and return the proceeds of corruption to their country of origin.⁵³ The initiative began in 2010 and is led by the DOJ's Asset Forfeiture and Money Laundering Section, or AFMLS.⁵⁴ A dedicated team of prosecutors and investigators develops cases by identifying assets such as money and real estate and then seizing them for ultimate return to their country of origin.

To assist other countries in establishing similar asset recovery and investigative programs, the DOJ, U.S. State Department, and U.S. Department of Homeland Security have jointly compiled a practical guide for their foreign counterparts.⁵⁵ This public document is available to governments around the world to help them understand the mechanisms for cooperation and information sharing with the U.S. government—such as mutual legal assistance, financial records, evidence gathering, and how to apply to seize assets located in the United States. In April 2014, then-U.S. Attorney General Eric Holder announced the creation of a dedicated kleptocracy squad within the Federal Bureau of Investigation, or FBI, to further support the capabilities of AFMLS and foreign partners who request assistance.⁵⁶

The United States has also supported multilateral asset recovery efforts such as the Stolen Asset Recovery Initiative, or StAR, a World Bank-U.N. Office on Drugs and Crime partnership.⁵⁷ StAR has made substantial progress in consolidating available data and information on issues involving shell corporations and corruption prosecutions.⁵⁸ This public database allows anyone to research legal proceedings in their country or other jurisdictions.

Two recent documents—the 2011 White House “Strategy to Combat Transnational Organized Crime,” or TOC,⁵⁹ and a bipartisan 2013 U.S. Senate report titled “The Buck Stops Here”⁶⁰—represent important steps forward in acknowledging the role that the United States plays in the organized crime ecosystem. To build on this important work, the United States should implement the legislative reforms identified in the Senate report, among others, that would reduce the ability to launder funds from organized criminal activities.⁶¹ This relates specifically to enacting beneficial ownership legislation and enhancing penalties for money laundering.

Substantially reduce corruption and bribery in all its forms

Corruption and bribery represent two interrelated harms that contribute to illicit financial flows and harm citizens by diverting state resources for private gain. The most widely used definition of corruption is the abuse of public office for private gain,⁶² although some object that the emphasis on the public sector ignores the role of the private sector.⁶³ Corruption is an act that benefits both sides of a transaction—the giver and the receiver—and involves the abuse of power held in a state institution or private entity.⁶⁴ Bribery is a subset of corruption that focuses on the provision of something of value to a government official for a specific service.

The United States is a global leader in combatting corruption and bribery in all its forms. The country is a state party to the U.N. Convention against Corruption, or UNCAC, and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.⁶⁵

Domestically, the United States has pioneered foreign bribery prosecutions under the Foreign Corrupt Practices Act, or FCPA, of 1977.⁶⁶ Among other provisions, the FCPA seeks to eliminate bribery of foreign government officials for commercial gain. It has proven to be a powerful weapon to combat foreign corruption as companies and their leaderships have understood the business risks posed by corruption.⁶⁷ Both the U.S. Securities and Exchange Commission, or SEC, and the U.S. Department of Justice have authority to enforce the FCPA. Even if the DOJ chooses not to prosecute suspected perpetrators, the SEC can proceed with fines for inaccurate books and records or fraudulent transactions—actions that act as powerful deterrents and tools for transparency.⁶⁸ Internal investigations and voluntary self-reporting by businesses about potential FCPA violations further expand the statute's capabilities. Additionally, the DOJ dispatches dozens of prosecutors around the world to develop local capabilities in areas such as anti-bribery and corruption.⁶⁹

The DOJ has hired a new compliance counsel specialist who will be responsible for evaluating the effectiveness of FCPA compliance programs. As the DOJ develops norms and standards around effective compliance, those standards can serve as a benchmark for other countries.⁷⁰ The compliance counsel will aim to target FCPA compliance more effectively, identifying systematic noncompliance from rogue individuals, providing guidance for appropriate precautions given a company's risk profile, and establishing standards for monitoring and other measures for noncompliant businesses. Clarifying these issues can help other countries improve the effectiveness and efficiency of their compliance efforts.⁷¹

The United States continues to lead in shaping norms and global standards in the anti-corruption field, and the U.S. financial system is an enormous asset to leverage in taking a more active leadership role in anti-corruption activities. The United States is the world's largest financial system, and the dollar is the global reserve currency, giving the U.S. financial system unparalleled global reach. This dominant position enables the United States to take on a leadership role because its policies and practices affect those of other countries. For example, the 2010 Foreign Account Tax Compliance Act, or FATCA, requires U.S. financial institutions to withhold a portion of certain payments made to foreign financial institutions that do not agree to identify and report information on U.S. account holders.⁷² Designed to curb offshore tax evasion, more than 100 jurisdictions have signed up for intergovernmental agreements to implement FATCA. FATCA has put significant pressure on Switzerland to end banking secrecy and opened the doors for a new global standard on the automatic exchange of tax information that all G-20 and OECD countries have endorsed.⁷³

Anti-corruption efforts rely upon international partners, and a serious trust deficit impedes greater progress. Many developing countries suspect that anti-corruption investigations are driven by political agendas, and authorities are often fearful of sharing information when conducting investigations because they are concerned that the information might leak. Many countries have limited capacity and resent the additional burdens of compliance, so assistance with capacity building—for example, building databases and registries—would be one way to establish longer-term relationships and build trust.⁷⁴ The United States would benefit from proactive engagement that fosters good working relationships with law enforcement authorities and prosecutors among a broader range of partners. In particular, the United States should work through regional and multilateral bodies, as it has begun to do through the Asia-Pacific Economic Cooperation forum's anti-corruption network.⁷⁵

The SEC should aim to improve its engagement with foreign counterparts that lack resources and/or enforcement capacity, sharing its knowledge and tools and building relationships with other jurisdictions that can better enable cooperation in investigations and enforcement. In addition to working with other countries, the United States, with the Commerce and State departments in the lead, should engage with the business community, including through the U.N. Global Compact, to strengthen norms and principles of anti-corruption and good governance.

Through the U.S. Treasury Department, the United States should seek to strengthen the political profile and technical capabilities of the Financial Action Task Force, or FATF, to build on its anti-terrorism-financing and money-laundering expertise and strengthen its work on related corruption issues. The Treasury Department can also work with the U.S. State Department, promote FATF's list of high-risk and noncooperative jurisdictions more broadly, and work with countries to help them graduate from the list through concerted action.

Facing inward, the United States can make progress on its domestic efforts to reduce corruption and bribery. The DOJ maintains a Public Integrity Section to combat corruption by public officials.⁷⁶ Similar mechanisms exist at the state and local levels. Furthermore, Congress enacted legislation in 1978 and 1988 to establish permanent, independent, and nonpartisan offices of inspectors general, or IGs, in more than 70 federal agencies.⁷⁷ These offices provide an important mechanism for government oversight in preventing and detecting waste, fraud, and abuse. However, the IGs are experiencing difficulties in fulfilling their mandates.⁷⁸

Conclusion:

An opportunity for U.S. leadership

The Sustainable Development Goals offer an opportunity for the United States to lead on the global effort to combat illicit financial flows and corruption. Stemming this global public bad has the potential to generate great global public good. When heads of state and government meet in New York in September, it is important to secure high-level global commitments to fight corruption. The United States can lead on this effort by taking important and relatively modest steps at home and abroad to fight corruption and helping shape global norms.

Crucially, the United States should propose and support a global effort to quantify IFFs and standardize the methodology used to credibly estimate of the impact of IFFs in order to highlight the scale of the problem. A joint U.N., World Bank, and OECD effort to define IFFs and set out a global assessment of the impact and linkages across borders—building on efforts by the OECD and the International Monetary Fund, as well as civil society groups—would be a much-welcomed boon to defining and tackling the problem of illicit financial flows. Whether through this effort or separately, a credible compilation of anti-corruption approaches detailing what works and what does not would greatly help governments and businesses take the most effective and efficient steps forward in curbing corruption.

The United States needs to uphold its existing G-8 and G-20 commitments to prevent the formation and perpetuation of U.S. corporations and other legal entities with hidden owners through enhanced federal beneficial ownership legislation. A World Bank report highlights Delaware as the second-most popular location for shell companies involved in major corruption scandals after the British Virgin Islands.⁷⁹ A shift in U.S. policy on this issue would lead to global change, much in the way that Foreign Account Tax Compliance Act has led to a global crackdown on banking secrecy. Legislation to identify ownership information of anonymous shell companies in order to facilitate investigation by competent authorities—law enforcement, prosecutorial authorities, supervisory authorities, tax authorities, and financial intelligence units—is an important step.⁸⁰

In addition to legislation, the Obama administration could work with partners in the G-7 and G-20 to require beneficial ownership information for public procurement processes, leading by example with more transparent spending of government funds. As part of the effort to strengthen beneficial ownership legislation, the United States should form a joint task force comprised of government, business, legal, and civil society experts to help to reach agreement on outstanding technical issues. At the same time, the United States can improve its own efforts through implementing the legislative reforms proposed by the 2013 U.S. Senate report to increase penalties for money laundering and support enhanced beneficial ownership requirements.⁸¹

In order to improve global efforts to seize and return stolen assets, the United States can build on its record of accomplishments and devote additional resources to helping other countries with their investigations and prosecutions of stolen assets and sharing its knowledge, tools, and best practices with partners abroad. In turn, this would strengthen the nation's own efforts. The United States should focus efforts through multilateral and plurilateral initiatives, such as the Stolen Asset Recovery Initiative led by the World Bank and the U.N. Office on Drugs and Crime.

In fighting corruption across the globe, the United States can set standards that are both clearer and more targeted and pave the way for global action. Some of these efforts are already underway through the DOJ's new compliance counsel. The United States can also improve enforcement and advocate for more rigorous implementation of existing global efforts, such as the U.N. Convention against Corruption.

All of these efforts would be bolstered by signals that the United States is taking steps to get its own house in order by tackling domestic corruption—for example, strengthening the ability of inspectors general to carry out their mandates—and helping other countries so that the fight against corruption becomes a truly multilateral effort. This could include strengthening current multilateral and regional efforts—such as Financial Action Task Force or Asia-Pacific Economic Cooperation anti-corruption efforts—as well as building capacity on a bilateral basis with a broader array of partners. Prioritizing relationships through assistance and capacity building to other countries in order to improve their anti-corruption enforcement and prosecution capabilities should be a primary instead of a secondary goal of U.S. efforts. Greater alignment between the various international- and domestic-focused institutions working on illicit flows and corruption—as the United Kingdom has begun to do with the formation of a new crime unit devoted to investigating corruption within U.K. borders that affects developing countries⁸²—is another important way to improve and streamline U.S. efforts.

Illicit financial flows and corruption severely limit development and economic growth efforts; undercut trust in the state and the rule of law; and contribute to the rise of crime and terrorism. The adoption of the post-2015 development agenda will provide an opportunity to draw greater attention to these issues and embed the fight against corruption at a higher level. If the global community agrees to take action to curb IFFs and corruption, efforts within the United States can be pushed further. Countries must seize this moment of global consensus in the fight against corruption to take concrete actions at home and abroad. The United States should take advantage of this chance to strengthen its corruption fighting efforts and collaborate with other countries to make the world a safer, more just, and more prosperous place.

About the authors

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- 8 U.N. Sustainable Development Knowledge Platform, "United Nations Sustainable Development Summit 2015."
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- 10 U.N. Economic Commission for Africa, "IFF Background," available at <http://www.uneca.org/pages/iff-background> (last accessed September 2015). See also, U.N. Economic Commission for Africa, "Illicit Financial Flows: Report of the High Level Panel on Illicit Financial Flows from Africa" (2015), available at http://www.uneca.org/sites/default/files/PublicationFiles/iff_main_report_26feb_en.pdf.
- 11 For more on how corruption feeds instability and insecurity, see Sarah Chayes, *Thieves of State* (New York: W. W. Norton & Company, 2015).
- 12 Tom Burgis, *The Looting Machine* (New York: PublicAffairs, 2015).
- 13 Joint Development Committee, "From Billions to Trillions: Transforming Development Finance" (2015), available at [http://siteresources.worldbank.org/DEV-COMMINT/Documentation/23659446/DC2015-0002\(E\)FinancingforDevelopment.pdf](http://siteresources.worldbank.org/DEV-COMMINT/Documentation/23659446/DC2015-0002(E)FinancingforDevelopment.pdf); The World Bank, "Financing for Development Post-2015" (2013), available at <https://www.worldbank.org/content/dam/Worldbank/document/Poverty%20documents/WB-PREM%20financing-for-development-pub-10-11-13web.pdf>. While some advocates tend to equate illicit financial flows to an equal amount of money that could be spent on essential services, such as education or health, the actual relationship is less direct. If the flows remained in the country where they originated, a proportion of the funds would be taxed as government revenue, which would then be allocated according to the government's preferences and policies. Therefore, the actual money directed toward providing basic services would be a proportion of the taxable component of the total flows, and the amount directed toward basic needs would vary country by country.
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Our Mission

The Center for American Progress is an independent, nonpartisan policy institute that is dedicated to improving the lives of all Americans, through bold, progressive ideas, as well as strong leadership and concerted action. Our aim is not just to change the conversation, but to change the country.

Our Values

As progressives, we believe America should be a land of boundless opportunity, where people can climb the ladder of economic mobility. We believe we owe it to future generations to protect the planet and promote peace and shared global prosperity.

And we believe an effective government can earn the trust of the American people, champion the common good over narrow self-interest, and harness the strength of our diversity.

Our Approach

We develop new policy ideas, challenge the media to cover the issues that truly matter, and shape the national debate. With policy teams in major issue areas, American Progress can think creatively at the cross-section of traditional boundaries to develop ideas for policymakers that lead to real change. By employing an extensive communications and outreach effort that we adapt to a rapidly changing media landscape, we move our ideas aggressively in the national policy debate.

