

Committing to Combat Kleptocracy: A Guide for OGP Members

This report is part of a series by OGP and NDI analyzing the anti-kleptocracy measures that can be taken in the countries where ill-gotten gains are stashed, spent or invested.

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Source countries refer to the location where kleptocrats and their associated corrupt clients misappropriate money and other resources. Normally, this will be the country where the kleptocrat rules or resides.

Host countries refer to where that kleptocratic wealth is being kept as it transits to other countries or where it is ultimately invested for long-term safekeeping. Locations with high levels of the rule of law, large and robust economies, and substantial real estate sectors are especially sought after for long-term safekeeping kleptocratic wealth, such as the U.S., U.K., Canada and throughout the European Union.

Introduction

Kleptocracy, which means “rule by thieves,” describes an especially pernicious, predatory type of corruption whereby the institutions of the state are deformed to serve regime elites to steal as much as they can from their own citizens and often from the international community as well. In the process, impunity reigns for a few, laws are selectively enforced, citizen security suffers, human rights are upheld in the breach, and breathtaking levels of graft can take place by those lucky few who sit atop the right social networks.

Kleptocracies not only undermine good governance in the “source countries” from where the resources are stolen, but they also accomplish many of the same functions in the “host countries” in which kleptocrats prefer to stash their cash, resources and families – especially countries with reputations for strong rule-of-law institutions. Authoritarian regimes use their kleptocratic networks along with other antidemocratic tools to achieve their strategic objectives, including by challenging democratic values, deepening social divisions and undermining democratic guardian institutions like the media, election monitoring and law enforcement.

This leads to the warping of host countries’ real estate markets and investment funds, contributes to asset stripping in industrialized heartlands and exacerbates political polarization and backsliding in their quality of governance. Kleptocracies can also use strategic corruption to influence the domestic and foreign policies of host countries, and their associated lobbying and campaign finance can lead citizens to feel that their governments are available to the highest bidder, even if that bidder is a rapacious foreign dictator.

This report defines how kleptocratic wealth can undermine democratic governance in host countries. It then provides actionable policy recommendations for model Open Government Partnership (OGP) commitments that host countries can adopt to mitigate the harms these kleptocracies can do to their governance, economies and national security.

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What Are Corruption and Kleptocracy?

While there is no universal definition of corruption, one of the most common is that defined by the anti-corruption advocacy group Transparency International as “the abuse of entrusted power for private gain.”¹ Corruption includes a broad spectrum of everything from petty corruption, which is defined as corruption “by officials in their interactions with ordinary citizens who are often trying to access basic goods or services in places like hospitals, schools, police departments, and other agencies,”² to grand corruption in which “the abuse of high-level power that benefits the few at the expense of the many, and causes serious and widespread harm to individuals and society.”³

There is also no one universal definition of kleptocracy beyond that of “rule by thieves,” but the United States Agency for International Development (USAID) defines kleptocracy as “government controlled by officials who use political power to appropriate the wealth of their nation.”⁴ Kleptocracies consist of a tightly integrated hierarchy of corrupt networks of elites in politics, business, cultural, social and criminal institutions headed by a godfather-like figures who engages in unchecked domestic plunder. Those in power then use part of this wealth to further consolidate their power, leading to ever-increasing levels of predatory governance. There is near-total impunity for those at the top for even the most gross misconduct, but the rule of law is applied more selectively to the rest of the population. Repression – including violence – is also substantial to prevent the population from successfully rising against its predatory elites. Government intervention in the economy is considerable, and there are large outflows of corrupt monies; often, those monies are used in part to influence the domestic and political affairs of other countries.⁵ Finally, corruption in a kleptocracy is systemic, deeply networked and self-reinforcing.⁶ In non-kleptocracies, grand corruption scandals may shock the conscience but remain a deviation from the norms and expectations of the state; in a kleptocracy, such grand corruption is not an aberration but is instead the unifying purpose and core function of the state.⁷

Both corruption and kleptocracy involve a very wide variety of activities, including bribery, extortion, nepotism, favoritism, cronyism, judicial fraud, accounting fraud, electoral fraud, public service fraud, embezzlement, influence peddling and conflicts of interest⁸ – though this is hardly an exhaustive list.

Petty corruption levels can vary in a kleptocracy. In some kleptocracies with strong central authorities, petty corruption will not be tolerated – only the highest elites will be allowed to take part in grand corruption schemes, while lower-level civil servants may be severely punished for engaging in petty corruption. Indeed, some kleptocracies receive good scores on corruption-related indices because basic daily functions like getting a driver’s license are relatively easy and bribe-free. But in other cases,

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the ability for low-level bureaucrats to supplement their (often meager) pay with bribes is a form of “corrupt crowdfunding,” helping to maintain the patronage networks that keep the kleptocracy in place and enabling superiors to selectively punish civil servants for corruption if they are deemed disloyal.⁹

Must activities be illegal to be considered part of corruption or kleptocracy? This is a controversial issue. In many cases, laws in kleptocracies will have loopholes through which the ruling regime can facilitate tax breaks, contracts, jobs and other benefits that are predatory on their citizens. Elites even sometimes legalize corruption outright. In other cases, kleptocratic regimes will simply ignore existing laws.

Anonymity is often considered the “getaway car” of various corrupt and kleptocratic practices, so more open government institutions are vital antidotes to the ability of kleptocracy to take root. More open governance leads to greater transparency, yielding stronger political systems and healthier economies. As a result, governments are seen as delivering to their people rather than as parasites squirreling wealth to overseas bolt-holes. Greater transparency also improves the ability of citizens to hold their own governments to account, strengthening the social contract.

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Kleptocracy’s Enablers

Scholar and journalist Oliver Bullough notes that kleptocracy requires what he terms “the dark side of globalization” to “steal, obscure, then spend,” usually via multiple jurisdictions. “Officials can steal money in Nigeria, obscure their ownership of that money in Switzerland and spend it in London.”¹⁰ The flow of kleptocratic wealth worldwide – including through OGP member states – involves a vast cast of enabling characters willing to facilitate kleptocracy for a fee. In the process, the host countries’ economies, politics and national security are undermined.

Transnational kleptocracy cannot long survive without so-called enablers. Rarely are kleptocrats capable of laundering the proceeds of their cash, moving it from where they stole it to where they want to spend or save it. They thus require a cast of professionals who will engage in these activities and receive a fee for their trouble. These are the “front men” (and women) who can funnel earnings out of the country on behalf of their kleptocratic patrons and help them hide, access and enjoy it elsewhere.¹¹ Though they facilitate kleptocracy, they are rarely themselves involved in the illegal activities that generate the funds in the first place.¹² Indeed, this arms’ length relationship from actual corrupt activities is important for facilitating money and other laundering.

Kleptocrats almost always seek to move at least some of their assets to “safe” locations, with a large chunk of that money often located – preferably anonymously – overseas in countries known for high standards of rule of law, including a high standard against expropriation. This money can be used in an emergency or simply to enjoy the good life for the kleptocrat, their family and associated key members of their patronage networks. Holding onto a country’s asset overseas also makes it harder for political rivals to get their hands on the funds,¹³ whether that be a rival seeking to take over the kleptocracy for themselves via a coup d’état or should citizens topple the kleptocracy and a reformist state seek the funds to build an alternative to the kleptocrats’ preferred system.

Kleptocratic enablers can be broadly separated into two categories: those specifically tied to the financial system – especially banking – and those in other sectors of the economy, such as real estate, accounting and the legal profession. When most people think of money laundering tied to corruption, they think of the proverbial “suitcases of cash” surreptitiously inserted into the banking system via a front such as a car wash, pizzeria or other commercial activity. Some of this stereotype is true. For instance, as the International Consortium of Investigative Journalists (ICIJ) reported based on leaked files nicknamed the FINCEN Files, “In some cases, the banks kept moving illicit funds even after U.S. officials warned them they’d face criminal prosecutions if they didn’t stop doing business with mobsters, fraudsters or corrupt regimes.”¹⁴ Those banks allegedly included JPMorgan Chase, HSBC, Standard Chartered Bank, Deutsche Bank and Bank of New York Mellon.¹⁵

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But just as important is the kleptocratic facilitation by what is officially known as “designated nonfinancial businesses and professions” (DNFBPs), or more often simply labeled as “enablers.” These include – but are not limited solely to – real estate agents, dealers of precious metals and stones, lawyers, notaries, accountants, and trust and company service providers.¹⁶ These networks of nonfinancial professionals are crucial for activities such as helping a kleptocrat purchase a luxury mansion, facilitating shell companies that pay a child’s school tuition, establishing foundations to fund kleptocrat-friendly think tanks, and paying for lobbying services to help influence other countries’ legislation and regulations.

For these reasons, a word of caution is in order. Kleptocratic-enabling activities should be focused on the activities that allow kleptocrats to engage in the larger international financial and trade systems, travel and live freely, and spend their ill-gotten gains. Because kleptocratic-enabling networks will often work through individuals and companies not normally associated with money laundering or similar purposes, it is important to focus on the roles being undertaken and not the job titles or company names.

Travel agencies are not normally considered key loci for money laundering, but a British travel agency, Travellers World Ltd, was a significant conduit for large bribes by BAE Systems to members of the Saudi royal family. Before the investigation was shut down by the British government in 2006, the U.K. Serious Fraud Office (SFO) had documented at least £6 billion (\$12 billion at the time) in bribes paid to Saudi elites as part of an arms deal called Al Yamamah between the British government, British Aerospace (now BAE Systems) and the Saudi government. Travellers World Ltd acted as a go-between in some of the bribery exchanges, submitting vague invoices to BAE for payments for items such as “accommodation services and support for overseas services.”¹⁷ These services included paying £70,000 for a holiday in Rome for the wife of Saudi Prince Turki bin Nasser. At the time, he oversaw the British arms purchases for the Saudi government and was the son-in-law of the Saudi defense minister. The travel agency was also used as a conduit for paying for luxury cars, private medical bills, extravagant gifts and other shopping trips for Saudi elites.¹⁸

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Effects of Kleptocracy on Host Countries

Kleptocracies not only undermine good governance in the source countries, but they also compromise rule-of-law and democratic institutions in the host countries where the stolen funds are invested, spent or stashed. The advent of kleptocratic resources into host countries is associated with various negative impacts, including the corrosion of democratic processes, the warping of economic markets, weakened information integrity and threats to national and citizen security.

Undue Influence

The free flow of corrupt cash into host states can undermine the social contract between countries and their citizens. Citizens confronted with lobbying and campaign finance by foreign powers may feel that their politicians are primarily motivated by private gain. In some cases, politicians may become captured by foreign actors through corruption, allowing the domestic and foreign policies of the capturing state to supersede the interests of the politician’s citizens. As this degrades a country’s political processes, polarization, political violence and space for populist politics opens up, which can lead countries down a slippery slope of political backsliding. Moreover, should politicians become reliant on dirty money to maintain power, the political system receiving that money may itself move toward state capture or outright kleptocracy.

Real Estate

Real estate is an especially lucrative opportunity for kleptocrats and their enablers. Many states have looser requirements for reporting the beneficial owners of properties to authorities than they do for banking transactions, making maintaining anonymity much easier. Real estate also has several advantages over other money laundering schemes, including that beneficiaries can live in the properties or use them for business, and the location can be a safe haven for kleptocrats to flee if needed. The property is also a means to store value outside of a bank and can be sold if cash is needed. For those kleptocrats who enjoy conspicuous consumption, residence in a luxury property can flaunt having “made it.” Some receiving countries may also be willing to look the other way as kleptocratic wealth flows into their real estate markets because it can help prop up property values and sectors such as construction, banking, furniture and real estate brokering.¹⁹ It is perhaps not surprising that Global Financial Integrity found that real estate agents were involved in 25 percent of money laundering cases in the U.S. and 14 percent in Canada.²⁰

Nonetheless, purchasing properties for money laundering often means that property values rise, crowding out ordinary citizens from the market. These can lead to housing bubbles that later pop, dragging down whole



economies. When mass numbers of properties are purchased to store value, citizens not only cannot afford to live in their old neighborhoods, but they see masses of empty houses and apartments; the associated lack of upkeep and empty buildings can break down the neighborliness of an area and enable crime to fester in now mostly deserted areas. The rampant growth in building activity associated with money laundering can lead to additional environmental degradation.²¹


Asset Stripping

Host countries can also become victim to asset stripping, whereby kleptocrats (through their enablers) take over a company and sell off its assets for profit, gutting the value of the company and eliminating jobs in the process. This exacerbates regional economic difficulties in so-called “rust belts,” further blights communities and undermines middle-class jobs.

Ihor Kolomoisky, a Ukrainian billionaire sanctioned by the United States and recently taken into Ukrainian custody for his involvement in fraud schemes involving a Ukrainian bank, is alleged to have purchased numerous properties in “rust belt” areas of the United States, including in Ohio and Illinois. With Kolomoisky’s enablers’ deep pockets and a lack of buyers in smaller, depressed towns, sellers were often uninterested in conducting anti-money laundering checks even when there were obvious red flags. As journalist Casey Michel noted, “And the ease of entering these markets meant Kolomoisky and his network could do whatever they wanted with the assets – even running them into the ground as they did time and again.” Factories purchased by Kolomoisky’s network were left to rot, workers were injured as factories fell apart and “cash-strapped towns were left to pick up the tab.”²²

Organized Crime

In addition to extracting wealth from their own populations, kleptocracies often work by, with and through organized crime. The funds from organized crime, as well as the crimes themselves, can spill into host states.



In 2020, Spanish police made 23 arrests, blocked millions of euros in bank accounts, and seized 23 properties plus cryptocurrency accounts and diamonds as they sought to dismantle a Russian organized crime network that had infiltrated the country’s tourism industry and some of its philanthropic networks. Those arrested as part of the organized crime ring included local city councilors and Spanish civil guard officers. The money laundered in Spain had allegedly originated from the profits of arms deals, drug trafficking, asset stripping and forced privatizations of Russian businesses.²³

Migration Challenges

The crime, corruption, conflict, oppression and generally poor economic prospects of kleptocratic states can lead to large population outflows in the form of forced or illegal migration. Notably, the conflict and economic collapse in countries such as Syria and Venezuela have led to concerns about illegal migration into Europe and the U.S., respectively. Likewise, with their lack of strong institutions providing checks and balances, kleptocratic regimes are more likely to engage in wars of aggression against neighbors. These also lead to significant migrant outflows, such as the six million Ukrainians currently living outside their homeland in response to Russia’s 2022 re-invasion of the country. Migration and refugee flows continue to challenge host countries as they attempt to balance the need to secure their borders with the ethical and international law requirements of providing safe haven to those escaping persecution.

National Security

An increasing concern has been states using corruption as a means for achieving foreign policy goals in what has been termed “strategic corruption,” whereby states “create, encourage, or use corruption within and outside their borders in order to weaken another state, exert illegitimate influence on its leaders, or deliberately foment instability.”²⁴ Russia has been most identified for its use of strategic corruption around the world, often through its oil and gas companies such as Gazprom²⁵ as well as through its use of mercenary organizations like Wagner.²⁶ However, other countries have been documented to use extensive strategic corruption, including China,²⁷ Iran²⁸ and the United Arab Emirates.²⁹



Australian Senator Sam Dastyari received an illegal donation of \$100,000 from Huang Xiangmo, a Chinese billionaire linked to the Chinese Communist Party (CCP). Further investigations revealed that the senator had echoed CCP talking points on the South China Sea and lobbied against meetings between the Foreign Office and Chinese democracy activists.³⁰

Terrorism facilitation represents another national security threat posed by kleptocratic regimes that provide safe haven – as Iran does for a variety of terrorist groups – and even help them remain in the international financial system.

The investigative organization The Sentry documented how BGFIBank, based in the Democratic Republic of Congo, had helped Hezbollah financier Kassim Tajideen and his companies continue to engage in dollar-denominated transactions. Rather than try to stop Hezbollah-related finance, the Congolese government instead lobbied the U.S. government to try to unblock transactions after other banks refused to process them.³¹

Moreover, kleptocracy poses a fundamental threat to democracy that is on par with the strategic threats that democracies have faced before, most notably in the post-World War II Cold War against communism. As such, kleptocracy is intertwined with great power politics. The links between kleptocracy and great power politics have become especially relevant with Russia’s 2022 re-invasion of Ukraine. While kleptocracy was not the only reason for President Vladimir Putin’s invasion, Putin had been using strategic corruption to help control his “near abroad,” especially through leaders like former Ukrainian President Viktor Yanukovich. But after the Ukrainian people rose up, voted out, and then overthrew their kleptocratic leaders and insisted on turning their country into a more rule-of-law-oriented one, Putin felt more compelled to invade.³²

The role that the military proxy group Wagner played in the June 2023 rebellion against Putin’s regime further highlights the instability that can pervade kleptocracies and undermine international security. Wagner CEO Yevgeny Prigozhin grew increasingly popular after the February 2022 invasion in part because he highlighted the hollowness of the Russian military and the incompetence of some of its senior leaders, which are common attributes of security forces in kleptocracies. Meanwhile, the ability of Wagner mercenaries to make it to within 200 kilometers (120 miles) of Moscow during their rebellion in June 2023 highlighted that even on its domestic territory, Russian forces and other institutions could not be counted on to defend the kleptocratic Putin regime. Had Prigozhin’s

rebellion succeeded, it is unclear who would have controlled the Russian military, including its nuclear weapons.

Bridging Jurisdictions

One of the greatest challenges in the fight against kleptocracy are so-called “bridging jurisdictions.” These are jurisdictions – whether countries, regions, or city-states – that have strong links to international trade and financial systems. They are also deeply embedded in facilitating a variety of “global bads,” such as money laundering for organized crime and the facilitation of smuggling such as diamonds, gold, humans and arms. They provide a haven for many of the actors associated with these “global bad” activities and even undertake adventurism beyond their borders to deliberately undermine good governance reform movements. They also use lobbying, strategic corruption, and financial influence via instruments such as sovereign wealth funds, as well as reputation laundering to “purchase” influence in other countries.

In these bridging jurisdictions, facilitation of global bads is not a bug in the system; these are not weak states unable to govern their territories. Instead, the ruling elites of these jurisdictions use bridging as a deliberate strategy to help maintain their power and influence and amass material wealth. While plenty of other states enable the large-scale facilitation of money laundering and its associated criminal activity, these countries’ relatively independent law enforcement and courts, high levels of rule of law, free press and rambunctious civil society make it more difficult to allow these activities to go without substantial notice, citizen protests or advocacy for better laws and their enforcement. Criminals and kleptocrats must usually maintain a degree of anonymity through anonymous shell companies, trusts and other money laundering vehicles to hide and protect their sources of illegal income.³³ In contrast, the more authoritarian nature of many bridging jurisdictions means that the deliberate facilitation of global bads can continue with fewer domestic impediments.



“Given the economic, financial, political, developmental and national security implications of kleptocracies, countries should prioritize using the OGP principles to fight against kleptocratic infiltration.”

Open Government Reforms for Building Resilience to Kleptocracy

Open government principles are the antithesis of kleptocracy. Kleptocracy can only exist in the shadows. In contrast, OGP stresses the importance of relevant, usable and timely information on how governments function to help enable citizens to hold their governments accountable for their decisions and actions. The OGP principles help ensure that public resources are managed transparently, fairly and equitably, rather than the kleptocratic preferred method of facilitating inordinate gains to a few elites at the expense of the rest of the nation. When civil society and the private sector are armed with information, they can better ensure that their governments collaborate with them and, over time, a culture of transparency, accountability, participation and inclusion becomes the norm.

Given the economic, financial, political, developmental and national security implications of kleptocracies, countries should prioritize using the OGP principles to fight against kleptocratic infiltration. This, in turn, will help local law enforcement, as well as the media and civil society, better monitor kleptocratic activities. Using these principles will also help build resilience to the activities of kleptocratic actors. Strong, apolitical law enforcement combined with a free media and plenty of fact-checking opportunities can find potential sources of kleptocratic activity before they become existential threats.

Because of the involvement of kleptocracies in illegal activities such as bribery and extortion, countries often focus their anti-kleptocracy actions around law enforcement. Law enforcement does indeed have an important role to play, but so too do legislatures, executive branch agencies, civil society, the media, the business community and educational institutions.

Below are outlines of model multistakeholder OGP commitments for countries seeking to diminish kleptocratic influences. However, each must be tailored to an individual country's needs based on its legal system, political culture, human rights priorities and economy, among other considerations. The most important of these commitments is reform of beneficial ownership requirements not only for companies but also for various types of firms and financial instruments. Also crucial is the reform of anti-money laundering requirements for bank and non-bank financial entities, along with better “follow the money” capabilities in asset tracing, foreign political donations and academic institutions. Finally, countries engaged in robust OGP commitments against kleptocracies will also ensure protection of their civil society and media organizations from lawsuits and other intimidation by kleptocratic actors and their enablers.



Ukraine's Anti-Kleptocracy Reforms

Few countries have engaged in such robust anti-kleptocracy reforms as Ukraine. A summary of these reforms provides an example of what a vigorous, far-ranging and comprehensive reform agenda against kleptocratic infiltration can look like.

After Ukraine's Maidan Revolution of 2014, Ukraine enacted some of the world's most comprehensive good governance reforms to help battle kleptocratic Russia-influenced oligarchs. One reform was to require stringent asset declaration regimes, thereby limiting the ability of politicians and civil servants to get away with collecting bribes. Asset disclosures generally covered all assets worth more than USD \$4,200 that any individual could own or access. The declarations were public so that independent agencies, the media, and civil society could verify the data and investigate potential discrepancies between stated assets and lifestyles. Failure to file asset disclosures truthfully is severely punished. These asset disclosures were coupled with the world's first public beneficial ownership registry, the ProZorro procurement system (now considered the gold standard of state procurement systems), and the world's first database of politically exposed persons (PEPs).³⁴

In 2021, Ukraine legislated a definition of an oligarch, further mitigating the ability of foreign-sponsored oligarchs to undermine Ukrainian sovereignty and democracy. Anyone who meets three of four conditions must declare their assets and are prohibited from financing political parties or engaging in privatization, while government officials must disclose their contacts with oligarchs. These four conditions are described as the following: takes part in political life, has assets worth at least \$87 million, has significant ownership over the media and is the beneficial owner of a monopoly company in Ukraine.³⁵

Getting these substantial legislative changes was not easy. To block the effectiveness of asset declaration requirements, corrupt officials made at least ten unsuccessful attempts to postpone and water down the legislation and get the Constitutional Court to legalize some forms of illicit enrichment and false statements. After the asset declaration became law, some used the laws to try to target civil society activities or otherwise persecute opponents. Instituting open government principles of asset declaration required persistent advocacy from Ukrainian civil society and the larger international community to ensure that Ukraine's government did not backslide on its commitments after various international loans were disbursed.³⁶



The Role of Civil Society Reforms

Discussions of countering kleptocracy and its associated money laundering tend to focus on criminal actors, law enforcement and regulators. Yet this overlooks the critical role of free and independent media and civil society organizations. The evidence is overwhelming that having a free press and freely operating civil society reaps benefits in the fight against kleptocracy and furtherance of the OGP goals laid out in this report. Below are examples:

- **Bribery:** A 2021 study examining the impact of press freedom on corruption in business found that countries with greater press freedom have significantly fewer incidences of bribery involving public officials and that a free press is associated with a reduction in reported incidents of corruption.³⁷
- **Asset recovery:** Multicountry collaborative reporting projects, such as the Panama, Pandora and Paradise Papers, have exposed corruption on a grand scale, leading to structural reform, as well as the removal of corrupt senior government leaders around the world.³⁸ The Organized Crime and Corruption Reporting Project's latest impact data claims US\$7.4 billion in fines levied and monies seized as a result of its journalism.³⁹
- **Accountability:** The Media Development Investment Fund, which invests in media worldwide, has surveyed its investees, finding that 78 percent of their corruption and accountability reporting had a measurable impact: "media played a central role in uprooting corruption and holding those in power accountable."⁴⁰
- **Company reputation:** A 2020 study that used a survey of high-level officials in private companies identifies a reputational premium associated with press freedom: corruption perceptions are improved by greater press freedom. This is most evident in countries with low-to-moderate levels of corruption by global standards.⁴¹

In practical terms, civil society actors are essential in detecting problems, designing and implementing policies, and ensuring fair enforcement. A response to kleptocracy solely focused on government action will miss out on the advantages of a multisector approach. Civil society has an especially crucial role to play in four key areas:

1. **Policy design:** Inclusion of nongovernmental actors can ensure that the interests of organized actors identify areas where kleptocrats may be operating and can help identify policies that can respond to abuse.

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2. **Detection and evidence-gathering:** Journalistic organizations such as the Organized Crime and Corruption Reporting Project⁴², the International Consortium of Investigative Journalists⁴³, and open-source intelligence organizations such as Bellingcat have played an outsized role in detecting illegal and unethical activities that have led to legal prosecution, many of which may not have been discovered as quickly if law enforcement alone had investigated.
 3. **Informing the public and extralegal interventions:** Certain types of activities, such as reputation laundering or information operations, might not explicitly break the law. In these cases, suspect activities can be tried “in the court of public opinion” and, where they affect politicians, may be judged at the voting booth.
 4. **Ensuring sustained implementation:** Civil society groups, the private sector and the media generally have an interest in maintaining transparency around data on governance, legal violations and enforcement. They can help ensure that programs are maintained across changes in government and staffing.

Improve Beneficial Ownership Transparency

Anonymity is one of the leading facilitators of kleptocratic infiltration and is, therefore, the foundation upon which the other OGP commitments below stand upon. Many countries allow anonymous ownership of businesses, aircraft, luxury yachts, real estate, family foundations, charities, etc. As numerous investigative reports and the advocacy by various law enforcement bodies worldwide have proven, this anonymity provides the “getaway car” for kleptocratic money to flow into OGP member countries and undermine their governance and economies.

Public beneficial ownership of businesses is increasingly becoming the norm. One hundred twenty-five countries have committed to a central registry of beneficial ownership, while 96 of those countries have committed to public registries. Of those, 58 have implemented their central registries, and another 34 have public registries. Ukraine launched its public beneficial ownership registry in 2015, making it the first country to do so. The U.K. launched theirs one year later.⁴⁴ The U.S. passed beneficial ownership legislation as part of the Corporate Transparency Act in early 2021, but that registry will not be public, and the implementing databases, regulations and training have not yet been proffered.



Though the registries are all still new (none is more than eight years old), they have already helped agencies and civic organizations fight financial crimes, improve public procurement and improve business transparency.

- In 2018, Transparency International Czech Republic found then-Prime Minister Andrej Babiš was the sole beneficial owner of two trust funds with shares in a Czech conglomerate called Agrofert via next-door neighbor Slovakia’s public beneficial ownership registry. The prime minister had been the sole shareholder in the conglomerate, but after a 2017 ban on European Union (EU) subsidies to companies with conflicts of interest, he had moved his assets to the trusts.⁴⁵
- Using beneficial ownership information, the U.K. National Crime Agency was able to prove that a U.K. company and its beneficial owners had been trafficking glass eels (a critically endangered species) valued at \$73.4 million⁴⁶
- Using beneficial ownership data, journalists were able to connect the company that abandoned a huge store of ammonium nitrate in Beirut that exploded in 2020 with businesspeople sanctioned by the U.S. for their ties with Syrian dictator Bashar al-Assad.⁴⁷

These early lessons learned include some challenges that countries must overcome. One is the quality of the data within those registries. This led to a problem of informational “garbage in, garbage out,” which made the database less useful to law enforcement, civil society and any businesses that wished to use the registry. Another is that developing and maintaining these databases in developing countries can be costly. Donor countries that wish to decrease the ability of kleptocracies to use developing countries as destinations and way stations for funds can assist by ensuring that sustainable, long-term funding is available for countries’ public beneficial ownership databases.⁴⁸ A third lesson is that beneficial ownership registries just for companies are not enough. Any type of anonymity can act as a “getaway car” for corruption and kleptocracy. Thus, recording the beneficial ownership of real estate, trusts, foundations and charitable organizations, as well as conducting due diligence on investments, such as hedge funds, private equity funds, and sovereign wealth funds, are equally as important.

- The Pandora Paper leaks showed that some U.S. states have marketed themselves as a location for trusts by advertising their very high levels of anonymity. The leaks showed that among those with assets in these anonymous trusts included a Colombian textile magnate previously implicated in the

“ the absence of beneficial ownership reforms is a potential red flag of a lack of seriousness in countering kleptocratic influences.”

Black Market Peso Exchange (a leading means for laundering drug proceeds), a former Dominican Republic vice president accused of human rights abuses, and two brothers convicted of embezzlement from one of Ecuador’s largest banks.⁴⁹

- The U.S. Securities and Exchange Commission (SEC) recently sued the hedge fund Concord Management and its owner, Michael Matlin. The SEC complaint alleges that the firm is really controlled by sanctioned Russian oligarch Roman Abramovich through a daisy chain of companies in various secrecy jurisdictions; the oligarch was the firm’s only client. The \$85 million Matlin allegedly received for running the firm highlights the incredible amounts that enablers can sometimes earn for working with kleptocrats.⁵⁰ Journalists have also found that Abramovich decreased his interest in a trust that holds perhaps as much as \$1 billion in art, presumably so that his lack of majority ownership decreases the likelihood of the collection being sanctioned.⁵¹

Finally, countries are integrating their beneficial ownership databases with other key databases, especially those linked to procurement, thereby improving anti-corruption and anti-kleptocracy efforts. As part of their Open Government commitments, Armenia is currently creating a new system that will enable automatic receipt and publication of data on the real beneficial ownership of bidders on procurement contracts, and Mexico is developing a strategy to make trust information transparent and publicly accessible.


As beneficial ownership transparency is the foundation upon which any anti-kleptocracy efforts stand, the absence of beneficial ownership reforms is a potential red flag of a lack of seriousness in countering kleptocratic influences.

While governments have the biggest role in establishing and maintaining beneficial ownership information, civil society, companies and even educational institutions also have a role to play and should be part of forming and monitoring OGP commitments. The best practices below are based on the Financial Action Task Force (FATF) best practices for beneficial ownership transparency, as described in detail in the 2019 FATF reference *Best Practices on Beneficial Ownership for Legal Persons* and the Organization for Economic Cooperation and Development’s (OECD) *A Beneficial Ownership Implementation Toolkit*.



OGP governments strengthening beneficial ownership good governance may commit to:

- Conducting a gap analysis of where the country falls short on beneficial ownership by designating, empowering, and providing sufficient resources to an individual or government institution to assess the country's legislative, law enforcement, and executive institutions and whether the country is fully in compliance with international best practices as per the FATF. If the country is a member of the FATF or one of its regional bodies, this analysis is typically accomplished via the institution's periodic mutual evaluations. Civil society and the media will have a role to play in evidence-gathering on the gaps in beneficial ownership information in the country. They should thus commit to engaging in investigations and publicizing gaps in beneficial ownership, but also commit to helping inform the public at large and building grass-roots support for these government reforms.
- Based on the gap analysis, creating and reforming legislation and authorizing the necessary financial, personnel, and other resources required to curtail anonymity in businesses, trusts, charities, foundations, and other financial and business interests. Beneficial ownership information should be collected, stored, verified, and made available to law enforcement, the media, and other necessary parties in line with the Open Ownership Principles and FATF standards. Civil society and media groups should commit to assisting in detection and evidence-gathering of beneficial ownership policies and implementation and should continue informing the public on these processes.
- Adopting legislation that provides a clear definition of beneficial ownership; covers the types of financial, business and other institutions that must report such information; provides a central registry of structured and auditable data along with designating who should have access to it; identifies the resources and authorities of who should verify that information and ensure that it is current; and provides a method for enforcing this legislation and sanctioning those who fail to comply.
- Adopting or adapting the Open Ownership Principles for beneficial ownership. First established in 2020, these principles underpin beneficial ownership requirements that make up standards set by the FATF, Extractive Industries



Transparency Initiative (EITI), and the UN Convention Against Corruption (UNCAC) and should thus form the baseline for a strong OGP beneficial ownership commitment. These principles are summarized below, and more information can be found at the Open Ownership website:⁵²

1. *Definition:* Beneficial ownership should be clearly and robustly defined in law, including who does not qualify as a beneficial owner, such as agents, custodians, intermediaries and nominees acting on behalf of the real beneficial owner.
2. *Coverage:* Disclosure should comprehensively cover all relevant types of corporate vehicles and arrangements, and any exceptions from this should be clearly defined and justified and interpreted as narrowly as possible.
3. *Detail:* Beneficial ownership information should collect sufficient detail for users to understand and use the data and include information about any state ownership or control.
4. *Central register:* All beneficial ownership information should be available in one central, authoritative source.
5. *Access:* Sufficient information should be accessible to all government users plus additional user groups (usually including the press and civil society group plus financial institutions conducting due diligence checks) that allows them to have rapid and direct access to the data on an on-the-record basis, albeit with due considerations for personal privacy or rare exemptions on a case-by-case basis.
6. *Structured data:* Beneficial ownership data should be collected, stored and shared in a way that conforms to specific data templates and formats and that can be captured as an auditable record and in machine-readable formats.
7. *Verification:* Measures should be taken to verify the data and mechanisms in place to proactively check for potential errors or to raise red flags of questionable ownership, while ownership types that are impossible to verify (such as bearer shares) should not be allowed.
8. *Up-to-date and historical records:* Initial registration and subsequent changes to beneficial ownership should be legally required to be submitted promptly, and data should be legally required to be periodically confirmed as correct.
9. *Sanctions and enforcement:* Sanctions for noncompliance should be effective, proportionate, dissuasive, and enforceable against late, incomplete, false, or non-submission; such sanctions should not be so small as to merely be considered “the cost of doing business.”




Civil Society Investigates Beneficial Ownership Information

The U.K.'s public beneficial ownership registry did not initially verify the data submitted by companies.⁵³ In 2016, a consortium of civil society groups – Global Witness, DataKind UK, OpenCorporates and the Organized Crime and Corruption Reporting Project – brought together 30 volunteer data scientists over a weekend to assess an early version of the U.K.'s public beneficial ownership registry. The study revealed that while 87 percent of companies had filed at least one beneficial owner, a small number displayed red flags for potential corrupt or criminal activity, including more than 9,000 companies controlled by beneficial owners who controlled more than 100 companies.⁵⁴ Three thousand companies listed their beneficial owner as a company in a tax haven, which is not allowed. Seventy-six beneficial owners had the same name and birthday as someone on U.S. sanctions lists. Over 2,000 beneficial owners were born in 2016, making them precocious newborn entrepreneurs. Meanwhile, only 2 percent of companies say they had trouble identifying their beneficial owner or collecting the right information, belying the concern that complying with beneficial ownership rules would be too difficult for many to handle.⁵⁵

The business and academic communities have a unique series of roles to play in making beneficial ownership reform a success. The business community wins when there are robust beneficial ownership standards because this helps minimize companies' chances of being subjected to fraud and reputational risks, including by enabling even the smallest businesses to conduct their own rudimentary background checks of firms they seek to do business with without having to rely on expensive risk management firms. Thus, business associations, trade groups, chambers of commerce and similar institutions should commit to declaring their beneficial ownership and maintaining accurate and timely company registry information. The business community can also use its influence with governments to advocate for better beneficial ownership registration and verification, including public beneficial ownership registries.

Academic institutions and think tanks should commit themselves to supporting beneficial ownership first by ensuring transparency with their own funding sources and conducting due diligence on donor funds. Moreover, academic institutions and think tanks should support methodologically sound, peer-reviewed studies on the role beneficial information (and the lack thereof) can play in societies, as well as provide ongoing evaluation of beneficial ownership programs. Finally, academic institutions can commit to educating citizens on the importance and uses of beneficial ownership information. For example, business schools can



help their students understand how to ascertain the beneficial owner of a business and how businesses can effectively use that information while reinforcing the ethical need to do so. Likewise, law schools can emphasize the ethical imperatives of lawyers conducting their own know your customer (KYC) assessments on sources of client funds, including the beneficial ownership of companies, charities, trusts and so forth behind those funds.

The European Union and Public Beneficial Ownership Registries

Perhaps the greatest sign of how useful public beneficial ownership registries are is what happens when they disappear. In November 2022, the European Court of Justice (ECJ) struck down public beneficial ownership registries of EU countries after a former business partner of a Soviet KGB agent with a penchant for owning businesses in secrecy jurisdictions sued on the grounds that the registry violated his privacy rights.⁵⁶ The registries will not go away, but they can no longer be fully public. Instead, they must be restricted to parties with a “legitimate interest.” Not only will this make investigations like those noted above difficult, if not impossible, but detecting sanctions and tax evasion will also become much harder. *The Economist’s* extended title on their article about the ECJ ruling summarized the situation well: “Laundry Softener – The EU’s Top Court Has Made It Harder to Uncover Dirty Money, Sanctions-Busters Rejoice.”⁵⁷

Unusually, shortly after the ruling, the ECJ published a short document in English and French on the social network LinkedIn that clarified that persons with a legitimate interest in the information, including journalists, civil society, financial institutions and those “who wish to know the identity of the beneficial owners of a company or other legal entity because they are likely to enter into transactions with them,” should still have access to beneficial ownership information.⁵⁸ The European Parliament has since drafted new legislation that persons with a legitimate interest – including journalists, reporters, civil society organizations (CSOs) and higher education institutions – should be able to access beneficial ownership registries and that such a right should be valid for 2.5 years,⁵⁹ though this legislation has yet to become law.

EU countries have interpreted the ECJ ruling in a variety of ways. Estonia, Slovakia, France, Denmark, Bulgaria, Czechia, Slovenia, Latvia and Poland have kept their registries open (and Estonia even removed its €1 fee to access beneficial ownership information). On the other hand, Austria, Belgium, Cyprus, Germany,

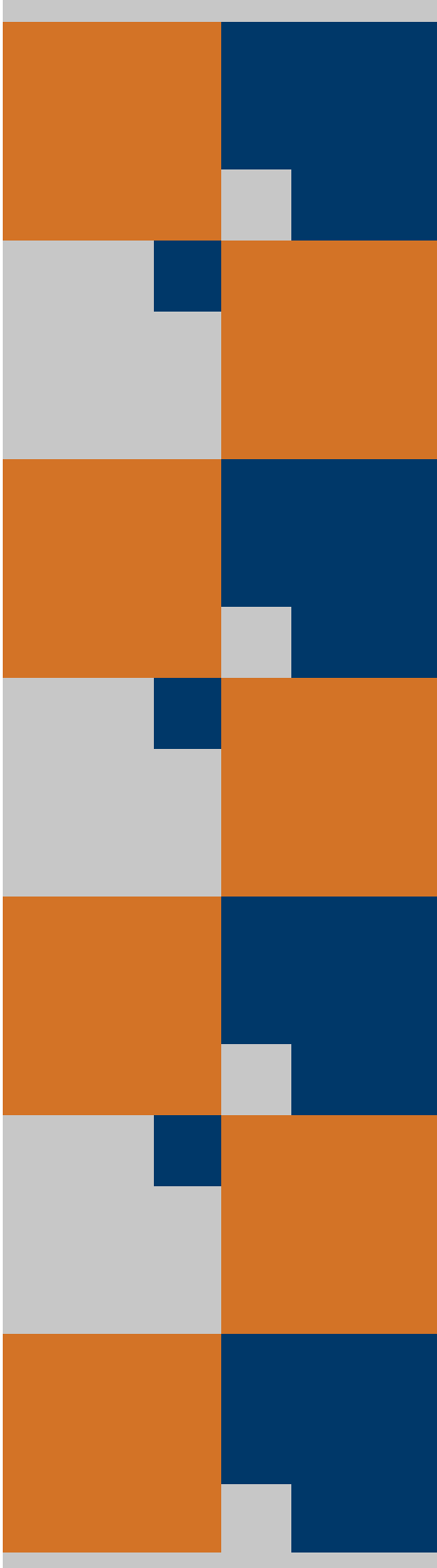


Greece, Ireland, Luxembourg, Malta, the Netherlands and Sweden suspended public access to their registries.⁶⁰ Finland, Spain and Italy had never had public registries, even though EU law before the ECJ ruling required them. The United Kingdom – though no longer a member of the EU – publicly stated that they would keep their beneficial ownership registry public.⁶¹ The European Parliament has also tabled proposals to give better guidance on what constitutes a legitimate interest.⁶²

In November 2023, the anti-corruption NGO Transparency International assessed the fallout from the ECJ ruling. It found that what had once been a uniform rule was now a patchwork of different rules, leading to concerns of bad actors engaging in regulatory arbitrage to use the new weak points in EU anti-money laundering standards. The requirement for government officials to approve information requests for what had previously been public databases also greatly increased. In Germany, for example, 33 employees are now tasked with reviewing applications for registry information and registry restrictions. In 13 of 27 EU member states, journalists and activists either cannot access the registries or must go through very complex requirements to prove they have a legitimate interest. In Ireland, for instance, those seeking beneficial ownership information must show that the request is connected to a person already convicted of a money laundering or terrorism finance-related offense or holds assets in a high risk third country. In Italy, beneficial ownership requests are passed to the provincial chamber of commerce where the information was originally collected, with access granted only to individual company data on a case-by-case basis. In Cyprus, Malta, and the Netherlands, beneficial ownership data is denied to journalists and civil society even when they demonstrate a legitimate interest.⁶³

Increase Anti-Money Laundering Obligations on Bank and Non-Bank Enablers

As noted previously, without enablers, a kleptocracy cannot survive. To help curb kleptocratic money laundering and the “global bads” that are facilitated by it, banks engage in KYC duties, but so too should designated nonfinancial businesses and professionals (DNFPBs, or simply “enablers”).⁶⁴ In some cases, good legislation against nonfinancial enablers already exists, but it just needs to be implemented.



In the U.S., some laws against enablers were passed in the wake of the September 11, 2001, terrorist attacks as part of the PATRIOT Act to prevent them from assisting in terrorist financing, such as requiring real estate professionals and luxury car, ship and aircraft dealers to have to conduct anti-money laundering checks. However, soon after the PATRIOT Act was implemented, these economic sectors received a “temporary” exemption from those checks, which remains in effect. Lifting the exemption and rigorously enforcing the existing laws would close off much of the “low-hanging fruit” of money laundering. This is especially important since, as U.S. Treasury Secretary Janet Yellen has stated, “So there’s a good argument that, right now, the best place to hide and launder ill-gotten gains is actually the United States.”⁶⁵

In other cases, new legislation may be required. Building on the U.S. example, in addition to reinstating the PATRIOT Act provisions, new legislation called the ENABLERS Act required lawyers, accountants, investment advisers, public relations firms and others to identify the sources of funds crisscrossing their accounts. This legislation would not only close off the PATRIOT Act loopholes but also update anti-money laundering measures that have become especially pronounced in the two decades since the PATRIOT Act was passed. Even in the absence of such legislation, the U.S. Department of Treasury has undertaken numerous steps to regulate illicit financial flows in areas such as virtual assets through provisions in the Money Laundering Control Act and the Bank Secrecy Act.⁶⁶

Other countries have moved further in their legislative processes:

- The new British Economic Crime and Corporate Transparency (ECCT) Bill passed in October 2023, combined with the Economic Crime (Transparency and Enforcement) Act (ECTE) passed in March 2022, will strengthen beneficial ownership laws. Russia’s re-invasion of Ukraine in 2022 and the role that kleptocracy has played in the Russian regime and the war itself has been a catalyst for these laws. These laws strengthen the U.K.’s Unexplained Wealth Order (UWO) regime, create a Register of Overseas Entities and introduce identity verification for businesses registered with Companies House (the public business beneficial ownership registry).⁶⁷
- In European countries, including France, Germany, Italy, the Netherlands and the U.K., anti-money laundering requirements are applied across all key gatekeeper professions.⁶⁸ Additionally, four anti-money laundering pieces of legislation



are making their way through the European Parliament. These include creating a “single rulebook” for the EU regarding customer due diligence, beneficial ownership disclosures, and new requirements on golden visas and passports. It also includes establishing a European Anti-Money Laundering Authority, new regulations on transfers of funds (including crypto assets) and new information-sharing requirements on beneficial ownership.⁶⁹

- In addition to strengthening anti-money laundering investigation, enforcement and information sharing, Canada will create a new federal financial crimes agency.⁷⁰

Another important aspect of going after enablers is enforcement. Since Russia’s 2022 Russian re-invasion of Ukraine, there have been new domestic efforts as well as international coordination to go after enablers.

In March 2022, the U.S. created Task Force KleptoCapture. The task force is run out of the Department of Justice (DOJ) and includes personnel from the DOJ’s National Security, Criminal, Tax and Civil divisions, along with personnel from the Federal Bureau of Investigation, Internal Revenue Service, Department of Homeland Security, and U.S. Postal Service. In 2022, Jack Hanick, a television producer, was indicted for helping to enable sanctioned Russian oligarch Konstantin Malofeyev by establishing TV networks in Russia, Bulgaria, and Greece on his behalf. In October 2022, the DOJ indicted Graham Bonham-Carter, a U.K. citizen who had helped Russian oligarch Oleg Deripaska to evade sanctions and manage his real estate portfolio.⁷¹



Know Your Customer (KYC) and Customer Due Diligence (CDD)

KYC and CDD requirements are an essential aspect of anti-kleptocracy. KYC helps protect institutions from being accessories to crime or corruption by establishing a customer's identity, understanding the nature of a customer's activity and ensuring that the source of funds is legitimate, and assessing the level of risk the customer poses for money laundering.⁷²

There are six steps to establish a robust customer due diligence program to ensure that KYC requirements are met. These are:

1. *Identify the customer.*
2. *Verify the customer's identity.*
3. *Understand the nature of the relationship between the firm and the customer, including what products or services the customer seeks from the firm and why.*
4. *Ascertain and verify any other required info, often including location information, payment methods or industry type.*
5. *Document required information and retain it, including complying with any registration requirements.*
6. *Assess any money laundering risks; these requirements may be robust, such as with banks and other financial institutions, or minimal, such as for small business owners engaged in a standard customer relationship.*⁷³

A strong OGP commitment to beneficial ownership and enablers will include robust KYC and CDD requirements that meet or exceed the FATF standards.

Anti-money laundering commitments for banks and non-bank enablers must continue to evolve as money laundering tactics, techniques and procedures also continue to evolve. Along with beneficial ownership transparency outlined in the previous section, reforming anti-money laundering requirements is vital for anti-kleptocracy efforts, and the absence of such reforms is a red flag of a lack of seriousness in countering kleptocratic influences.

As with beneficial ownership, while governments have the biggest role in establishing and maintaining beneficial ownership information, civil society, companies and even educational institutions have a role to play.



OGP governments reforming anti-money laundering obligations for bank and non-bank enablers may commit to:

- Designating, empowering and providing sufficient resources to an individual or government institutions to assess their country's legislative, law enforcement, and executive institutions and whether they fully comply with international best practices designated under the FATF. If the country is a member of the FATF or one of its regional bodies, this is typically accomplished via the institution's periodic mutual evaluations.
- Civil society and the media playing a role in evidence-gathering and publicity on the gaps in anti-money laundering requirements for banks and non-bank enablers and in highlighting how these gaps affect their societies.
- Based on the shortcomings highlighted in the gap analysis of enabling activities, creating the legislative and regulatory environment to ensure that potential enablers conduct customer due diligence of their clients and ensure that this data is accurate, up to date and available to law enforcement.
- Cross-referencing enabler information with their beneficial ownership registries for sample testing, cross-checking of data and analysis for trends or emerging red flags of kleptocratic activities.
- Forbidding bearer shares and similar financial arrangements as well as nominee arrangements for companies.
- Working with the private sector to provide information exchange on emerging trends and red flags each is observing.
- Providing guidance, training and support to the private sector on detecting enabling activity, record keeping and filing suspicious activity reports.
- Ensuring that law enforcement personnel and other competent authorities know what basic beneficial ownership and customer due diligence information is available, establish procedures for obtaining that information and have the financial and personnel resources to do their work.
- Maximizing information to the public on trends in money laundering by publishing reports, advisories, notices, bulletins and fact sheets, as the U.S. Financial Crimes Enforcement Network does.



As with beneficial ownership reforms, the business and academic sectors have uniquely important roles. Business associations, trade groups, chambers of commerce and similar institutions should commit to their members conducting their own rigorous due diligence, especially those that may be inadvertently involved in enabling activities. Customer due diligence and associated business transactions should be recorded and made available to a country's law enforcement upon appropriate warrant or other permissions. Suspicious activities should also be reported to competent, relevant law enforcement authorities. Recognizing that enabling activities hurt their own business sectors, the business community can also use its influence with governments to advocate for stronger anti-money laundering safeguards and customer due diligence requirements.

Academic institutions and think tanks should support additional methodologically sound, peer-reviewed studies on the role of non-bank enablers and how these undermine good governance. Professional programs such as those for business, law, accounting, real estate and tourism facilitation can teach their students to recognize enabler activities, how to report them to competent authorities, and the ethical and business imperatives of doing so.

Strengthen Anti-Corruption Investment Screening

Investment screening is “the adoption of basic inspection and regulation standards for investment.”⁷⁴ Concerns regarding how foreign investments can affect a country's national security are hardly new. For instance, the Committee on Foreign Investment in the United States (CFIUS) was established in 1975 to monitor U.S. foreign policy on investments, while in 1988, the U.S. passed the Exon-Florio Amendment to the Defense Production Act allowing the president to suspend or prohibit foreign acquisitions if it could hurt U.S. national security.⁷⁵ Indeed, as of 2020, 62 countries (including many OGP members) have acquisition and ownership-related policies focused on national security threats.⁷⁶ Some OGP states have made expanding their reviews of foreign investments on national security grounds an important public policy pillar. Notably, the U.S., Canada and Australia are all expanding their scrutiny of their critical minerals sectors in light of concerns that the Chinese government seeks to increase its dominance over these vital supply chains.⁷⁷

Rarely have investment screening requirements – especially investments linked to foreign states such as those associated with sovereign wealth funds – focused on issues of corruption or money laundering, though there have been a few exceptions. For example, the non-binding guidance published by the U.K.'s Joint Money Laundering Steering Group (JMLSG) recommends that U.K. companies examine the money laundering risks associated with sovereign wealth fund investments. But this is the exception; even the OECD and International Monetary Fund (IMF)

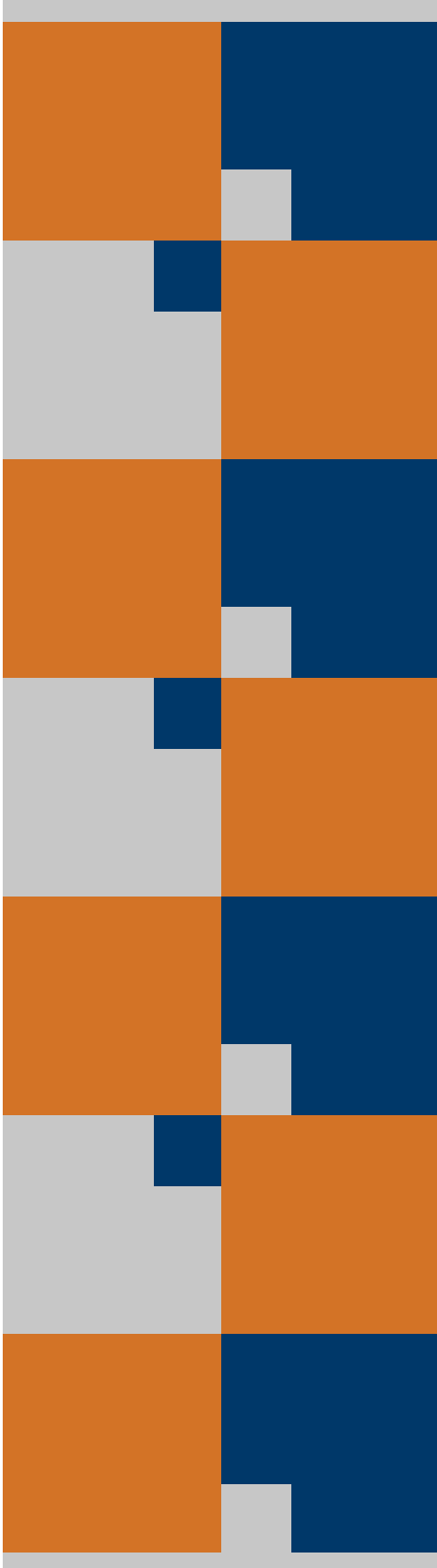


investment screening standards regarding sovereign wealth investments do not focus on corruption or money laundering,⁷⁸ nor do OECD standards on investment screening for national security.⁷⁹

Despite the obvious national security concerns associated with strategic corruption, kleptocracy and associated money laundering, investment screening regulations associated with corruption are still rarely proffered. There are signs that this is changing, however:

- In 2021, the U.S. published an executive order on U.S. supply chains that explicitly requires a report to make recommendations about “insulating supply chain analyses and actions from conflicts of interest, corruption, or the appearance of impropriety, to ensure integrity and public confidence in supply chain analysis.”⁸⁰
- An OECD assessment of the investment implications of Russia’s war against Ukraine specifically notes that Russia may engage in “treaty shopping” to get around beneficial ownership protections. It also notes the challenges that using shell companies and other opaque business structures can have on applying sanctions to Russian oligarchs.⁸¹
- In June 2022, the Center for International Private Enterprise and a North Macedonian civil society organization, the Institute for Democracy Societas Civilis-Skopje, conducted a working group of public and private sector actors plus civil society to begin to lay the groundwork for investment screening in the western Balkans region.⁸²
- In May 2023, the U.S. proffered new rules requiring foreign citizens and companies to get U.S. government approval to purchase property within 100 miles (160 kilometers) of eight key military bases after a Chinese firm bought 370 acres near a North Dakota Air Force Base.⁸³ Calls for the U.S. to be able to peel back the veil of secrecy on some anonymous purchases re-emerged in the summer of 2023 when CFIUS began to investigate the national security ramifications of nearly \$1 billion in land purchases around Travis Air Force Base in California by an anonymous limited liability company registered in Delaware (a notorious secrecy jurisdiction).⁸⁴

One economic sector where investment screening has increasingly become the norm is in the extractive industry sector of oil, gas and mining. For companies, securing mining rights through corruption is recognized as a risky investment, and corruption risks are considered financially material.⁸⁵ Moreover, environmental, social and governance frameworks and standards have long included anti-corruption-related guidance. The latest EITI Standard published in 2023 strengthens the requirements to



prevent corruption in the extractive industry sector.⁸⁶ These standards, combined with existing national security review institutions, can act as a foundation for countries to establish far more robust investment screening processes that specifically assess the threats related to corruption and kleptocracy.

Anti-corruption investment screening OGP commitments may include:

- Establishing legislation, regulations and protocols to enable competent authorities to use beneficial ownership and other relevant information to flag investments that may be the proceeds of kleptocracy, investigate these investments in a manner following human rights and the rule of law, and develop appropriate mitigation procedures for these investments, which could include terminating an investment(s) in extreme situations.
- Developing public information protocols regarding decisions made on investments by a review body. Such public information should be systematic, emphasize providing the public with as much information as possible, and include not only investment denials but also approvals.⁸⁷
- Given that civil society groups may have access to information on kleptocracies beyond what is available to governments, developing a means to consult with relevant civil society groups as part of their review processes.
- Recognizing the national security and larger societal threats of kleptocratic infiltration and given that many OGP member countries already have procedures to review investments for national security concerns, expanding existing review mechanisms to include kleptocracy rather than creating new, bespoke mechanisms when appropriate.
- Considering using membership in international bodies like the OECD to develop international standards and norms for assessing financial inflows linked to corrupt and kleptocratic assets.

Civil society and the media can assist in these efforts by publicizing incidents where lack of investment screening undermines their societies, as the aforementioned media stories about large Chinese land acquisitions near U.S. military bases did.

Enhance the Transparency of Media Ownership Structures

Foreign countries have long used media to try to influence the populations of other countries, whether it has been the role of the BBC and Radio

“ Better public beneficial ownership information regarding who owns various media sites combined with efforts to build media literacy and improve information integrity are important tactics in fighting malign foreign media activities associated with the strategic corruption campaigns of kleptocrats. ”

Free Europe in pushing back against the authoritarian media curtain of the Soviet Union and its satellite states or infamous World War II propagandists like Tokyo Rose and Lord Haw-Haw. The foreign role in these operations, however, was obvious.

Today’s increasingly complex media environment has created new opportunities to influence foreign audiences through the media that appear to be homegrown but are really acting on behalf of a kleptocratic state.

- One tactic of the Wagner mercenary group in Africa had been to use local facilitators such as marketing firms or influencers to spread pro-Russian messages while obscuring their Russian backing. Local voices are more likely to create effective content than foreign Russian ones.⁸⁸
- A South African media group partially owned by two Chinese state firms called Independent Media would engage in “information laundering” that appeared to be homegrown. For example, the media group would run a story from a Chinese news agency and then get a local student to write an op-ed on the same topic that touts the Chinese media theme.⁸⁹

Better public beneficial ownership information regarding who owns various media sites combined with efforts to build media literacy and improve information integrity are important tactics in fighting malign foreign media activities associated with the strategic corruption campaigns of kleptocrats.⁹⁰ Great care must be taken, however, that these types of media reforms are not abused. For example, there are concerns that the aforementioned Ukrainian law defining oligarchs and restricting their ownership of media might not be evenly applied, thereby banning some oligarchs but not others.⁹¹

Moreover, media organizations, civil society groups and governments will have to collaborate closely to define which media organizations fall under which transparency requirements and how that information must be disclosed. Should only legacy media companies such as TV, newspapers and radio have to report their beneficial owners? What about blog posts? Or social media accounts on Twitter, Facebook and so forth? What about specific social media influencers who received paid advertising or other sponsorship? Ensuring effective, beneficial ownership information for the media that provides citizens with the information they need to fight misinformation that also balances fears that such information can be abused will continue to be a challenge for ensuring open government.⁹²

Balancing information integrity with the right to free speech is another difficult challenge a country faces in the modern media environment. Thus, the requirements of media ownership transparency must also

“Balancing information integrity with the right to free speech is another difficult challenge a country faces in the modern media environment. Thus, the requirements of media ownership transparency must also consider local cultural concerns regarding freedom of expression, privacy, and other rights. Moreover, media transparency requirements must be safeguarded to ensure that they are not used as an excuse to criminalize free speech.”

consider local cultural concerns regarding freedom of expression, privacy, and other rights. Moreover, media transparency requirements must be safeguarded to ensure that they are not used as an excuse to criminalize free speech.⁹³

OGP commitments to improve the transparency of media ownership structures may include:

- Using beneficial ownership information – including those of companies, charities, and foundations involved in the media industry – to help shine a light on who is funding local media and what conflicts of interest these could potentially involve.
- Working closely with the media and other civil society in developing protocols to ensure information integrity.
- Considering the creation of information integrity advisory committees and interagency or interministerial working groups that can help decision-makers understand the complexity of the fast-changing media landscape.

Civil society and media investigations have an important role to play in identifying and exposing kleptocratic influence. Media, for instance, should commit to maintaining the highest journalistic standards, including by providing in-house fact-checking by professionals that can call out instances where there may be unwarranted foreign influence in media operations. Where it exists, the media can leverage beneficial ownership information to investigate where other media organizations may be foreign-influenced and publicize this influence to their readers. Where public beneficial ownership information is not available, such investigations will be more difficult but nonetheless crucial.

Civil society also plays a vital role in enhancing media ownership transparency specifically and improving information integrity more broadly. CSO monitoring and analysis can identify narratives and coordinated inauthentic behavior. Civil society advocacy can also leverage their monitoring and academic research to support evidence-based transparency and oversight policies. Additionally, CSOs can act as watchdogs and advocates to ensure that government responses do not represent undemocratic infringements on free speech or access to information. Finally, as women and other marginalized groups are often targets of information operations, civic organizations that represent these interests are well-placed to identify and counter the emergence of these tactics.⁹⁴



Strengthen Kleptocratic Asset Tracing, Seizure and Return


Kleptocrats and their enablers go through extensive efforts to hide their assets, as this example of a luxury hunting lodge for a former Ukrainian leader demonstrates:

In addition to the hundreds of millions of dollars he had accumulated, former Ukrainian kleptocrat Viktor Yanukovich had a five-story luxury log cabin for his private use on a 76,000 former nature preserve called Sukholuchya. To find out how Yanukovich came to have such a property, as journalist Oliver Bullough reports, one could first look in Ukraine's land ownership registry. "And in that registry, you would have found that the official owner was a Ukrainian company called Dom Lesnika. To find out who owned Dom Lesnika, you would have needed to look in another registry, where you would have found the name of a British company, which yet another registry would have told you was owned by an anonymous foundation in Liechtenstein. To the outside observer, this would have looked like an innocent piece of foreign investment, the kind of thing all governments are keen to encourage. If you have been particularly persistent and had tried to reach Sukholuchya to check it out for yourself, the police officers guarding the gate in the forest would have stopped you. That might have made you suspicious, but there would still have been no proof that anything wrong was going on. The theft was well hidden."⁹⁵

This example of just one house controlled by one oligarch (who fortunately kept relatively good records that could be exploited after the 2014 Maidan Revolution) highlights the challenges of discovering the proceeds of corruption in OGP member countries and in returning those assets to the citizens of the country from which they were stolen, a process known as asset tracing and seizure.

Asset recoveries are extremely complicated, expensive and time-consuming. Because of the anonymous nature of illicit financial flows, matching assets to kleptocrats is wickedly hard, along with which assets are from corruption since corrupt officials usually intermingle illicit gains with the licit ones.⁹⁶ While the UN Convention Against Corruption specifically authorizes and outlines asset recovery, the reality is a thicket of international laws intermeshed with each country's laws along the money laundering path.⁹⁷ Moreover, the kleptocrats and their enablers can often afford the best lawyers to slow or stop the asset recovery process, especially since such assets are commonly held in rule-of-law states with extensive laws against arbitrary expropriation.⁹⁸

- Funds associated with former Philippine dictator Ferdinand Marcos were frozen in 1986 and were not released to the Philippine government until 2002.⁹⁹



Then there is the issue of whom to return funds to and how. Returning funds in states that are still highly corrupt can be akin to “catch and release,” with funds simply reentering the global illicit financial networks or used by kleptocrats to further strengthen their control. For this reason, disbursement of any collected funds back to such countries is a long-term and complicated process.

- In November 2022, the U.S. government returned \$20.6 million to Nigeria that had been stolen during the Sani Abacha regime of 1993–1998; the U.S. has recovered a total of \$332.4 million of the estimated \$3 billion to \$5 billion stolen by the Abacha regime. Due to the high levels of corruption in Nigeria, the Nigerian and U.S. governments eventually agreed to use the funds to support three Nigerian infrastructure projects with significant anti-corruption controls placed on the disbursement of funds.¹⁰⁰

But what about efforts to stop kleptocrats from spending stolen funds once they have moved them overseas? One solution has been to use Unexplained Wealth Orders (UWOs). A UWO is “a civil court order that can assist countries in investigating or confiscating assets that are incommensurate with a person’s known sources of income.”¹⁰¹ Unlike the asset recovery process noted above, one does not have to link an asset with a specific crime, making it potentially easier to confiscate ill-gotten wealth from kleptocrats and their enablers. Australia, Kenya, Mauritius and the U.K. have UWO systems.¹⁰²

- In the U.K., a person’s assets can be seized if the owner is from outside the European Economic area, is in a position that can make them liable for corruption, and cannot explain the source of their wealth. The first UWO was proffered in 2018 against Zamira Hajiyeva, the wife of a jailed Azeri banker. After her appeals to the U.K.’s highest courts were rejected, she had to explain where she had acquired the money used to purchase a mansion and golf club in the U.K.; the National Crime Agency has begun proceedings to seize the mansion.¹⁰³

The leading source for guidance on asset recovery and UWOs is the Stolen Asset Recovery Initiative (StAR), a joint World Bank and the United Nations Office of Drugs and Crime initiative. They publish copious information at star.worldbank.org.

OGP commitments for asset tracing, seizure and return may include the following elements:¹⁰⁴

- As much as practical, establishing a partnership between the country where the assets were stolen from and the country seeking to return the stolen assets. This partnership should include identifying and creating binding agreements on the



best way to return assets and the modalities involved. These modalities should include establishing transparent and accountable procurement or tendering processes involved with seizure and returns; regulations on conflict of interest; and freedom of association and the press, especially where the asset seizure and recovery process is involved.

- Focusing on asset restitution to improve living conditions and strengthen the victim country's rule of law. Victims should have the right to be heard as part of judicial proceedings and informed of case developments.
- Establishing robust monitoring, transparency and accountability of returned assets. All recovered assets should be traceable by the public across all stages, from asset confiscation to return or sale of the asset to the final disbursements.
- Including nongovernmental organizations throughout the asset seizure and return process, including identifying how the harm occurred and can be remedied, helping to decide how the assets should be returned and monitoring asset returns.

Governments that commit to establishing UWOs for investigating and seizing potential kleptocratic assets should work closely with their legal profession and civil society to establish a system under the rule of law that includes the following elements:¹⁰⁵

- The system should include consideration of who exactly constitutes the target of UWOs, whether it is only so-called oligarchs (including a legal definition of an oligarch), organized crime figures or all government officials who appear to live beyond their means as well as their relatives. UWOs should only be targeted at foreign individuals and their wealth in an OGP state, not the OGP state's citizens.
- The commitment should require the presumption to be that assets are subject to confiscation unless the individual can explain the legal source of the wealth and provide proof; a lack of proof or no response will lead to an asset freeze and the potential for confiscation.
- UWOs should cover both legal and natural persons and various assets, including tangible and intangible assets; countries may want to consider value-based confiscation rather than solely property-based confiscation for cases where the original assets are no longer available.

“ Kleptocrats – usually through a variety of enablers associated with the reputation laundering field – can use the proceeds of corruption to donate to a variety of other organizations that help them push their favored policies forward while also distorting intellectual inquiry and public opinion. ”

- Due to the complexity of asset seizures, OGP commitments may include a multidisciplinary task force as well as a mechanism for sharing information between the UWO enforcement agencies, tax agencies, and other relevant databases and agencies, with appropriate confidentiality safeguards.

The commitment should include adequate due process and judicial review for those subject to UWO, independent oversight of the UWO authority by a parliament or other oversight body, and safeguards to protect innocent third parties.

Media and civil society have already been robust in highlighting when public figures appear to live well beyond their means, and this scrutiny should continue. Civil society, media and academia should be prepared to offer expert testimony when appropriate to help establish the kleptocratic context under which politically exposed persons (PEPs) may come into ill-gotten gains even when home authorities do not seek criminal investigations, and in some cases, when home countries may claim such funds are nonetheless legitimate despite evidence to the contrary.

Ensure Transparency of Donations to Academic Institutions and Other Nonprofit Organizations

In addition to funding media, kleptocrats – usually through a variety of enablers associated with the reputation laundering field – can use the proceeds of corruption to donate to a variety of other organizations that help them push their favored policies forward while also distorting intellectual inquiry and public opinion.¹⁰⁶

Donations for think tank programs and reports can be especially helpful for influencing foreign officials. Some of what think tanks do, such as organizing conferences, crafting public policy recommendations and providing congressional testimony, can appear a lot like the activities of lobbyists. Moreover, a logo on a report from a credible think tank can increase the credibility of its message.¹⁰⁷ Unlike lobbying firms, however, think tanks are under far fewer legal requirements to publish the sources of their funding or turn away foreign monies from nondemocratic regimes. Big donations to think tanks can also potentially deter them from hard-hitting pieces on the sources of their funds, knowing that critical stories would almost inevitably mean losing that source’s financial support.¹⁰⁸

As with media transparency, safeguards that can balance the fact that many think tanks accept funding from governments with requirements for independence of research and editorial content are essential.

In addition to influencing existing think tanks, kleptocrats can also found their own. The process of government support for ostensibly nongovernmental institutions is often referred to by the oxymoronic



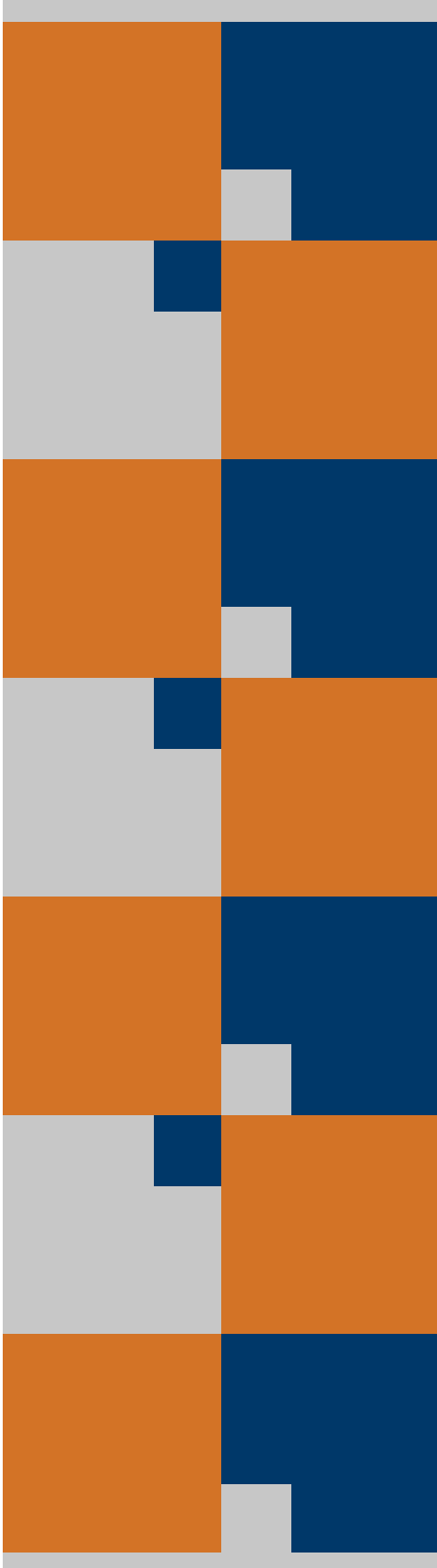
term government-organized nongovernmental organizations (GONGOs). These are a form of soft power, allowing a kleptocratic regime to spread its influence through non-coercive means. They also act in a manner opposite of how standard think tanks should work. Normally, these civil society institutions act as an independent voice and counterbalance to governments. While many think tanks receive government funding, those think tanks nonetheless ensure strict standards of research and editorial independence, in contrast to GONGOs. In short, GONGOs do not counterbalance governments – they are the government.¹⁰⁹

- The Valdai Group is a Russian GONGO that emphasizes telling “the story of Russia to the world” through various academic conferences. It reportedly does not receive state funding, but its donors included VTB Bank, Alfa-Bank, Severstal, Metalloinvest and the charity fund Renova – all run by Russian oligarchs.¹¹⁰ VTB, one of Russia’s largest banks, is sanctioned by the U.S. and has been regularly cited as a participant in a wide variety of international money laundering cases.

Another means to shape the conversation for kleptocrats is through donations to academic institutions, especially at the university level. Having one’s name on a building at a distinguished university can burnish one’s image. Meanwhile, chronic underfunding means universities are less likely to check too deeply on the providence of funds, especially if those funds are going to niche programs.¹¹¹ The burden of proof is to prove that the funding came from nefarious persons rather than normal due diligence checks that require individuals – especially PEPs – to prove that their money is clean. Due diligence is also usually conducted behind closed doors so interested parties may not know about the donation ahead of time and be able to offer important context. Meanwhile, despite protestations by many academics that they maintain academic freedom regardless of the funding source, concerns about self-censorship and agenda-setting remain.¹¹²

- To prove he had standing in British courts for strategic lawsuits against public participation (SLAPPs) against journalists there, Russian oligarch Dmitry Firtash tried to use his donations to British universities as proof of his respected social standing in the U.K.¹¹³
- In March 2009, Libyan dictator Muammar Gaddafi’s son Saif made a £1.5 million donation to the London School of Economics (LSE) through a charity months after Saif had received a doctorate there. The scandal erupted in 2011, and the LSE director was forced to resign as a result.¹¹⁴

There are additional concerns when it comes to funding associated with academic activities. One is the role such institutions play in legitimizing




the children of kleptocrats. As scholar Matthew Page asserts, “Put simply, they [kleptocrats] pursue these educational opportunities to convert ill-gotten funds into a luxury good – a world-class education – that burnishes their public image, legitimizes their family name, and positions their children to become reputable global elites.”¹¹⁵

Another concern is that it can act as a form of long-range intelligence gathering and influence operations. Russian student activist Elizaveta Volkova recounted a conversation with a Russian oligarch’s child at a U.S. university. The fellow student informed her that part of the reason he was sent to get an elite U.S. education was that he would have the opportunity to get to know and become friends with other future world leaders, which would be in the Russian state’s interests.¹¹⁶

OGP model commitments to improving donation transparency may include:

- Requiring public relations, private intelligence, reputation management and similar firms to conduct due diligence on their clients’ sources of funding (see text box on page 38).¹¹⁷
- Working with higher education institutions to develop protocols that enable additional scrutiny of a very small minority of private school and university students linked to PEPs while ensuring new hurdles are not created for the vast majority of students. Part of the reform agenda should include establishing public-private cooperation that includes greater scrutiny of the children of kleptocrats by immigration and consular officials, plus requiring basic anti-money laundering checks into student visa issuance guidance.
- Cooperating with elite private schools and higher education institutions to help them develop more stringent anti-money laundering policies and consider implementing anti-money laundering requirements a condition for schools to be allowed to sponsor student visas.¹¹⁸
- Working with private schools and institutions of higher learning to establish protocols for public reporting of major donations and to establish safeguards to ensure that such donations do not skew academic integrity.



“Unlike drug traffickers, human smugglers, terrorists or a host of other criminals, many kleptocrats do not hide in the shadows but instead seek to maintain very public lifestyles.”

Reputation Laundering

Unlike drug traffickers, human smugglers, terrorists or a host of other criminals, many kleptocrats do not hide in the shadows but instead seek to maintain very public lifestyles. As scholar Tena Prelec describes,

"It is the rebranding of an unsavory past that is the essence of reputation laundering. By minimizing and obscuring evidence of corruption and authoritarianism in their home country, reputation laundering enables kleptocrats to enjoy their spoils freely around the world. It also allows authoritarian governments to manipulate public perception, sometimes even by undermining the functioning elected representatives in national and international institutions."¹¹⁹


For kleptocrats to remain in public and in the good graces of society, they need a cast of enablers to help whitewash their reputations. As Cooley, Heathershaw and Sharman note,

"The intermediaries hired by kleptocrats – including bankers, real-estate brokers, accountants, lawyers, wealth managers, and public-relations agents – work to untether their clients' profiles from their original corrupt acts, recasting them as respected cosmopolitan businesspeople and philanthropists, often through the use of global-governance institutions. Frequently, this effort involves touting the putative prodemocratic and anticorruption credentials of kleptocratic actors."¹²⁰

As the quote implies, the activities involved in reputation laundering are extensive. They can include lobbying foreign governments and advocating to think tanks, civil society groups and the media to view the kleptocrat as a forward-looking democratic reformer rather than a corrupt authoritarian.

Firms engaged in reputation laundering rarely use that phraseology. Instead, these companies will describe how they help clients “understand and react to media perceptions,” for example.¹²¹ Sometimes this is done via influential third parties, such as when former U.K. Prime Minister Tony Blair consulted for Kazakhstan’s kleptocratic president Nursultan Nazarbayev starting in 2011, helping him withstand the international blowback from a violent crackdown on protests by oil workers (reportedly for £5.3 million per year).

Philanthropy is another common means to launder one’s reputation; it can help cultivate and pay off allies and can be a means in itself to launder funds.



For example, the U.N. Educational, Scientific, and Cultural Organization (UNESCO) created the UNESCO-Obiang Nguema Mbasogo International Prize for Research in the Life Sciences, with Equatorial Guinea's President Obiang offering up \$3 million to fund the prize. Equatorial Guinea is one of Africa's most notorious kleptocracies, and as a result of public outcry, the prize was suspended. While President Obiang was lobbying aggressively to have the prize reinstated in his name, French police were seizing eleven luxury cars as the proceeds of corruption from then-Minister of Agriculture and Forestry, Teodoro Nguema Obiang Mangue, the president's son (and now the country's vice president). Rather than eliminate the prize, it was renamed the UNESCO-Equatorial Guinea International Prize for Research in the Life Sciences and was most recently awarded in March 2023.¹²²

Reputation management can also veer into the dark arts. Some firms will monitor and help massage Wikipedia entries or generate favorable social media buzz. Other firms hack into journalists' or others' personal accounts on behalf of oligarchs.

- A shadowy Israeli company codenamed "Team Jorge" demonstrated to undercover journalists how they could meddle in elections, control a vast army of fake social media accounts, hack into politicians' Gmail and Telegram accounts and use a variety of other means to sabotage political campaigns on behalf of whoever hired them.¹²³
- A Spanish reputation management firm called Eliminalia (which has since changed its name to iData Protection SL) helped a variety of criminals clean up their reputations by churning out fake news, intimidating journalists and creating fake copyright infringement notices to have media stories about their clients taken off the internet and no longer show up in Google searches. One client, Italian company Area S.p.A., paid Eliminalia €100,000 to remove 72 media reports that it had been fined by the U.S. for providing equipment to Syria.¹²⁴

Another series of institutions that seem to be increasingly awash in kleptocratic money for influence purposes is sports under what is termed "sportswashing," whereby sport is used to improve an odious regime's image. Though the term sportswashing is new, the concept is not with the so-called "Nazi Olympics" held in Berlin in 1936 as an epitome of the concept.

- Football (soccer), especially through FIFA, has been especially notorious for using its events for sportswashing, including the

“Kleptocratic regimes are also increasingly using foreign political assistance – especially covert foreign political finance – as a form of strategic corruption.”

World Cups hosted in 1978 (Argentina), 2018 (Russia), and 2022 (Qatar). The World Cups hosted by Russia and Qatar were also infamous for an overwhelming number of corruption and money laundering scandals.¹²⁵

- The June 2023 pact between Saudi-backed LIV Golf, the PGA Tour and DP (Dubai Ports) World Tour has led to widespread concern that this is a means for Saudi Arabia to attempt to polish its image.¹²⁶

Ensure Transparency of Political Gifts, Ads, Donations and Other Resources

Kleptocratic regimes invest in political campaigns at home and abroad. At home, they seek to use such campaigns to provide a veneer of legitimacy to their regimes. They will do this by winning elections outright if they can. If they believe (or know) that they cannot win legitimately, they will also need large war chests to buy their election wins, whether through paying for ballot stuffing, bribes and other payments or gifts to voters, thugs to intimidate voters into voting “correctly,” and a variety of other assorted electoral malfeasance. None of this comes cheap. For this reason, kleptocrats often reinvest some of their ill-gotten gains in political campaigns and media companies.¹²⁷

Kleptocratic regimes are also increasingly using foreign political assistance – especially covert foreign political finance – as a form of strategic corruption. While there is no global consensus on what constitutes appropriate standards for political donations and in-kind support, democratic countries are increasingly concerned with this form of finance, which has been defined as “the funding of foreign political parties, candidates, campaigns, well-connected elites or political influential groups, often through non-transparent structures designed to obfuscate ties to a nation-state or its proxies.”¹²⁸ This not only includes nationwide elections but can also include local elections, referenda and ballot initiatives.¹²⁹

Covert financing and other political support differ from standard democracy promotion assistance in that democracy promotion is “open, accountable and guided by clear and transparent rules of engagement, with activities and recipients publicly disclosed in budgets and other reports.” The focus will be on democracy promotion overall and is usually in-kind support such as helping to establish apolitical election monitors and other capacity building.¹³⁰

Covert foreign political assistance and financing, in contrast, is rarely transparent or publicized; the assistance is usually given to a specific

“As the media and civil society have become savvier about the means that kleptocrats use to influence Western elites, kleptocratic enabler networks have increasingly used anonymous shell companies, dark money entities, proxy donors, surreptitious gifts and promises of future jobs and consultancies to curry influence.”

candidate, party, or coalition, often those prone to high levels of populism, polarization, and chaos and who seek to undermine democratic institutions.¹³¹ They are particularly interested in recruiting veto players, elites who may not necessarily champion their aims but will work to delay, weaken or block policy initiatives that threaten the kleptocrats or pecuniary ambitions. They will use various forms of payoffs, donations, and gifts when they can and sometimes blackmail, intimidation and violence when they must.¹³²

As the media and civil society have become savvier about the means that kleptocrats use to influence Western elites, kleptocratic enabler networks have increasingly used anonymous shell companies, dark money entities, proxy donors, surreptitious gifts and promises of future jobs and consultancies to curry influence.¹³³

- In 2019, a \$630,000 donation to the U.K.'s Conservative Party was wired from a private bank account from one of the party's treasurers, Ehud Sheleg. The money originated with the treasurer's father-in-law, a Ukrainian with sizable properties in Russia and Crimea. The donation was part of a much larger \$2.5 million one that had been transferred from his father-in-law's bank account in Russia the year prior, ping-ponging across empty bank accounts across Europe plus a family trust before being deposited with the political party. Sheleg claimed that the money originated from a property sale; he was later promoted and knighted by then-Prime Minister Boris Johnson.¹³⁴ In July 2020, then-Prime Minister Johnson appointed Russian-born media tycoon Evgeny Lebedev to the House of Lords despite his close business and personal relationship with his father, a former KGB spy who has since been sanctioned by Canada for his alleged role in enabling the invasion of Ukraine.¹³⁵

Covert foreign political support is highly detrimental to democracies because it damages the integrity and credibility of those political systems. When successful, this covert support means that compromised politicians are in power to act on behalf of their sponsor rather than on behalf of the public interest. At their worst, these compromised politicians ultimately work on behalf of a malign foreign power, undermining their own country's sovereignty, national security and good governance while also eroding citizen confidence in their own government.¹³⁶

As with other forms of kleptocratic influence, much of the antidote to covert foreign political influence includes constraining kleptocrats' anonymity. In that vein, **OGP governments may commit to:**

- Using the public beneficial ownership registries outlined in this report to help bring transparency to all donations. Where there are no public beneficial ownership registries, governments should commit to requiring political parties and candidates

“ Citizen by investment (CBI) and residency by investment (RBI) – better known as “golden passports” and “golden visas,” respectively – aim to attract foreign investment from high-net-worth individuals in return for citizenship and residency rights. They have long enabled the ultra-wealthy, including the very corrupt, to evade scrutiny for misdeeds, hide assets and acquire international mobility. ”

or other independent third parties to collect and verify the donors’ identities.

- Banning anonymous crypto assets as donations.
- Requiring that all reporting on campaign donations (financial or otherwise) should be accessible online in a machine-readable format and a user-friendly and easy-to-understand manner.
- Requiring that all candidates and political parties disclose any loans, credits or other debts incurred by their campaigns as well as who their donors were for any loan payoffs.
- Not imposing on apolitical democracy promotion activities by civil society organizations.¹³⁷


Address Golden Visas and Passports

Citizen by investment (CBI) and residency by investment (RBI) – better known as “golden passports” and “golden visas,” respectively – aim to attract foreign investment from high-net-worth individuals in return for citizenship and residency rights.¹³⁸ They have long enabled the ultra-wealthy, including the very corrupt, to evade scrutiny for misdeeds, hide assets and acquire international mobility. As the investment advisory firm Renaissance Capital put it, “investment migration enables wealthy individuals to transcend the constraints imposed on them by their passport and country of origin, tapping into financial, career, and educational opportunities on a global scale.”¹³⁹ Cyprus, the U.K., the U.S. and much of the Caribbean have citizenship or residency programs through investments.¹⁴⁰

Especially controversial have been golden passport programs to the EU. In some cases, for as little as just over €1 million, one can acquire all the benefits of an EU passport. As Transparency International stated:

Golden passport and visa schemes have turned European Union (EU) citizenship and residency rights into a luxury good: anyone can buy in with enough money. This is a particularly attractive prospect for criminals and the corrupt – and numerous scandals have proven they are taking advantage. These EU golden passport and visa schemes are not about genuine investment or migration – but about serving corrupt interests.¹⁴¹

Their new citizenship entitles them to receive all of the EU rights to privacy, rule of law and international travel, plus protections against expropriation. Their new status may also enable them to conduct banking and business under looser standards than would be required under their original passports. Current criminal background checks and other due



“Kleptocratic infiltration cannot be fought without a vibrant civil society.”

diligence performed on the applicants for golden passports or visas and the sources of their funds have often been questionable.¹⁴²

Aside from the obvious national security implications of having foreign kleptocrats as residents or citizens, investment flows from CBI/RBI schemes can further hurt existing EU citizens because they can undermine financial stability and increase the difficulty for lower income sections of the population to have access to housing as property prices increase.¹⁴³ Indeed, golden visas are considered partly to blame for high housing prices in some parts of Spain and Portugal.¹⁴⁴

The EU has recognized the risks of golden passport and golden visa programs in that “both types of schemes pose serious risks, in particular as regards security, money laundering, tax evasion and corruption.”¹⁴⁵ In March 2022, the EU Commission informed all countries to end their golden citizenship programs and encouraged EU member states to establish and conduct strict checks on their golden visa programs.¹⁴⁶ Only Malta continues its golden passport program, and in September 2022, the EU referred Malta to the European Court of Justice for violating EU law.¹⁴⁷ Ireland and Portugal have recently ended their golden visa programs, Greece merely doubled the investment required in some locations, and Spain is vacillating between ending their golden visa program or increasing the investment requirements.¹⁴⁸

If governments do not ban golden visas and passports outright, then **OGP governments may commit to:**

- Publishing a database of applications under consideration, thereby making it easier for civil society and the media to check for and expose oligarchs before citizenship or visas are granted.

Protect Civil Society and the Media

Kleptocratic infiltration cannot be fought without a vibrant civil society. Civil society nonetheless faces a litany of threats from violence (and the threat of it) to arrests to reputation laundering firms who have media stories erased from Google searches to SLAPP lawsuits.

- The U.K.’s Solicitors Regulation Authority (SRA), which regulates British solicitors, has warned U.K. law firms not to act as “hired guns” for Russian oligarchs and has said it is investigating 40 cases of SLAPPs. Lawyer Roger Gherson and his various law firms have been a particular focus of the U.K. government due to allegations that he helped file at least two SLAPPs (one against Bellingcat founder Eliot Higgins on behalf of Wagner CEO Yevgeny Prigozhin and another on behalf of Azeri oligarchs against a Spanish journalist) as well as his work facilitating “golden passports.”¹⁴⁹



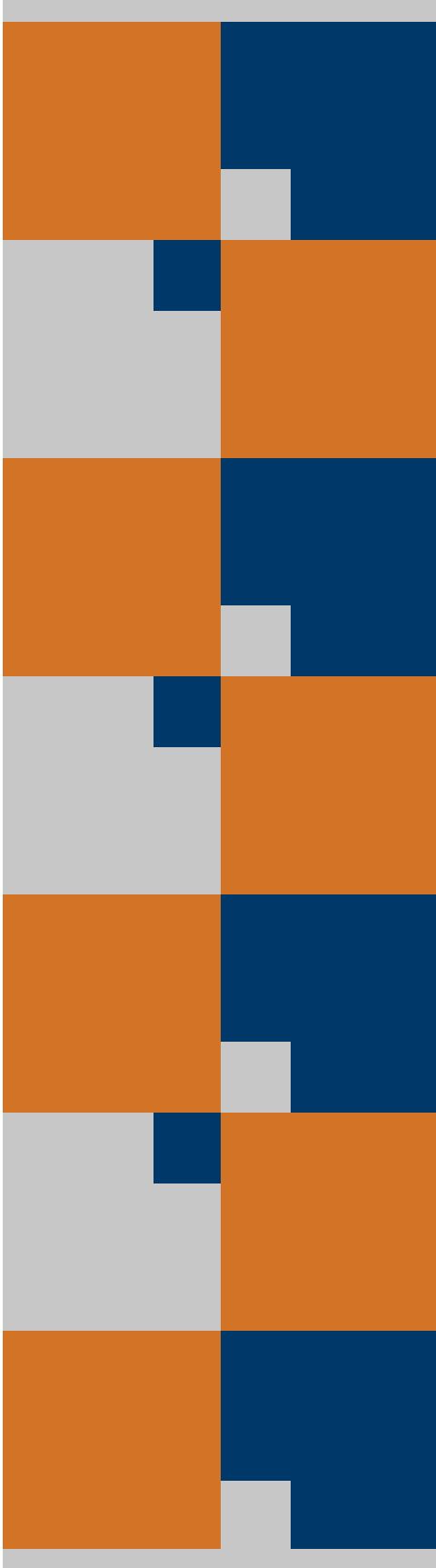
One new threat to civil society is through using the anti-money laundering and counterterrorist financing standards laid out by the FATF to go after civil society actors.

The FATF sets the global standards for anti-money laundering and, through associated regional bodies, assesses whether countries are meeting those standards. If the world had the political will to implement their recommendations, kleptocratic regimes and their enablers would be far more constrained in what they can do. Authoritarian regimes are now using these standards, however, to deliberately target civil society and suppress dissent.

- In 2020, mass demonstrations erupted in Nigeria over police corruption in what was termed the #EndSARS campaign (SARS is the Special Anti-Robbery Squad of Nigeria's police). The protests were largely crowdsourced with donations used to pay for food, water, cell phone minutes and so on. To suppress demonstrations, Nigeria's central bank received approval from a federal court to freeze 20 bank accounts that were supposedly under investigation for terrorism financing by the country's financial intelligence unit. The accounts were not unfrozen until a year later, after the protests had died down.¹⁵⁰
- In 2020, Serbia's finance ministry initiated money laundering and terrorism finance investigations against 20 people and 37 organizations known for anti-corruption work, advocacy for Serbia joining the EU and criticism of the government.¹⁵¹

To enable civil society and the media to function effectively, **OGP governments may commit to:**

- Supporting and protecting civil society and media actors who expose kleptocratic actors. At the extreme, this can mean physical security or even providing safe haven for civil society and media from kleptocratic countries. But it also means providing digital and legal protections as the kleptocracies inevitably fight back with everything from trolling to bogus lawsuits to fake terrorism finance charges to physical attacks. As women and marginalized communities are disproportionately threatened, special efforts should be taken to ensure the security of those groups.
- As part of their foreign policy priorities, advocating for good governance reforms and providing assistance to help champion open government causes as well as flexible and reliable funding to good governance groups.



- Providing training and support to transnational investigative journalism and support so that media and civil society can effectively use the OGP tools and publicize their results.
- Assisting media and civil society with information integrity campaigns, including resources and support for fact-checking websites and forensic analysis resources.¹⁵²



Conclusion

Confronting kleptocrats and their associated enabler networks will be among the defining issues of the 21st Century. International concerns such as Russia's 2022 re-invasion of Ukraine and corruption linked to China's Belt and Road Initiative have moved the issue from the realm of a nuisance or a niche topic to one at the forefront of both domestic and international relations. Countries will not be able to effectively fight the domestic effects of everything from transnational organized crime and money laundering to terrorism finance to tax evasion to real estate bubbles without getting a better grip on fighting kleptocracy. Because it thrives in the shadows, countries that prioritize transparency and open government will build more robust economies, establish a stronger social contract between their governments and citizens, and improve their national security. The nine open government reforms contained in this report will help governments attain anti-kleptocracy and anti-corruption goals, for as US Supreme Court Justice Louis Brandeis so famously noted over a century ago, sunlight is indeed the best disinfectant.

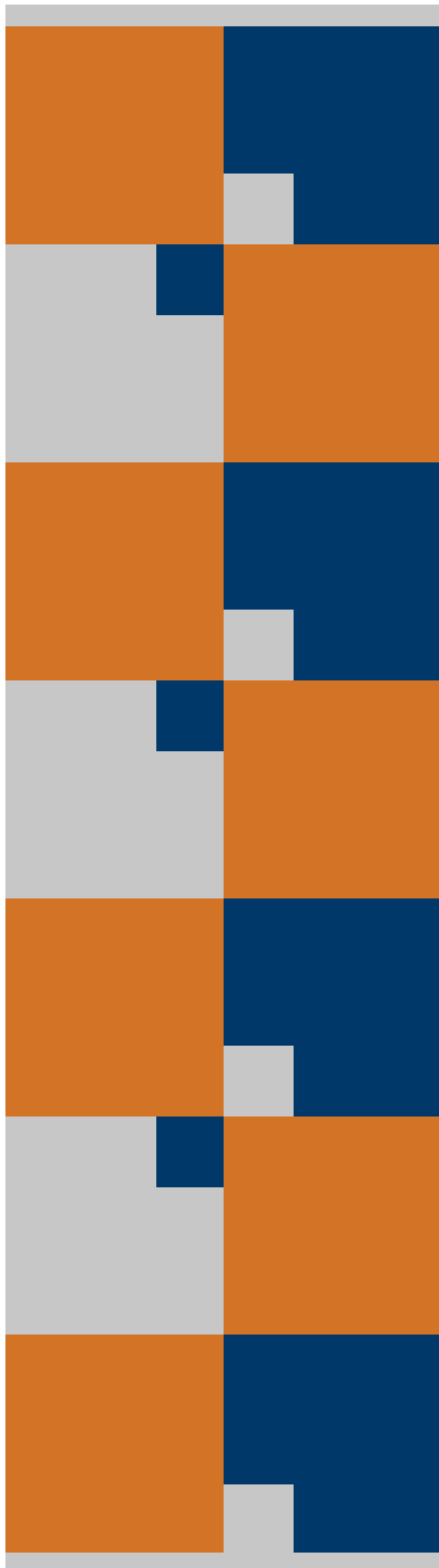


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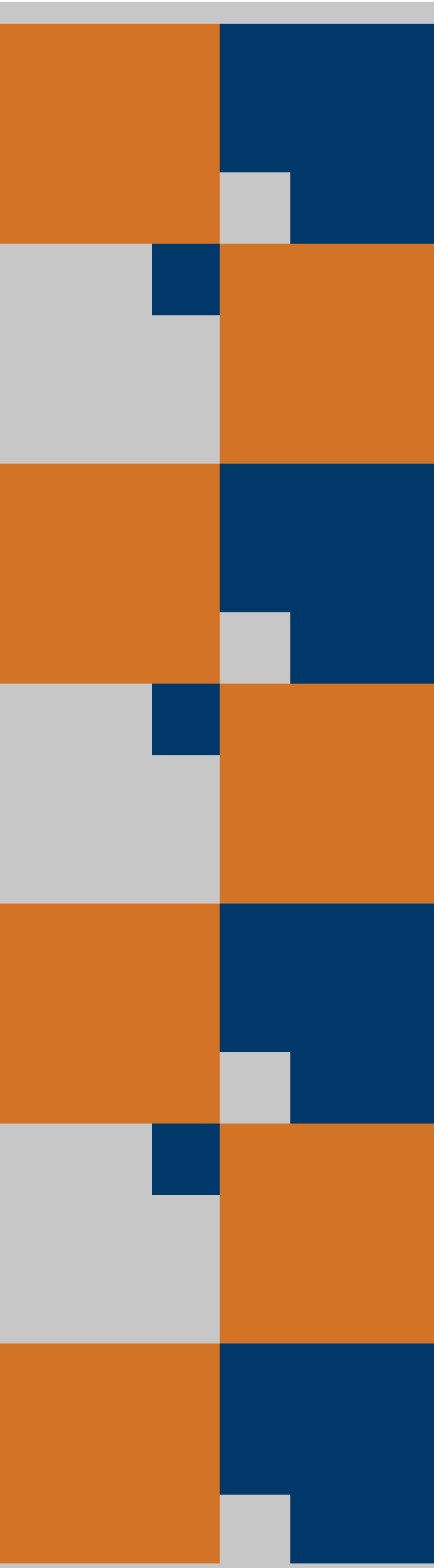


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Notes

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Design and layout: Pamelyn L. Burke