

Group of States against Corruption (GRECO)

“Preventing corruption and promoting integrity in central governments (top executive functions) and law enforcement agencies”

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1. What do the Panama Papers tell us about corruption regarding top executive functions?
2. What are the risks/weaknesses that you saw highlighted by and in the Panama Papers and that would deserve to be looked at by states/GRECO? What are the issues deserving greater attention?

What do the Panama Papers tell us about corruption regarding top executive functions?

Many of us – journalists and members of the public alike – were struck by the number of politicians and public figures, including heads of state, ministers and members of parliament, represented in the Panama Papers’ data.

We identified 140 politicians and senior public servants from more than 50 countries. This includes at least a dozen current or former leaders and heads of state.

The presence of heads of state and their associates in the Panama Papers was a major factor in the protests that we witnessed in Iceland, Malta, Pakistan and elsewhere. The repercussions from these revelations continue.

First, some general trends as they relate to senior politicians from Panama Papers -- that is, Politically Exposed Persons (PEPs) and PBA, PEPs-by-Association:

- The British Virgin Islands was the jurisdiction of choice for those within government who used or were connected to offshore companies. Other common jurisdictions were the Bahamas, the United Kingdom, Panama, Mauritius and the Seychelles.

- Of the politicians and senior officials and associates included in the Panama Papers, there is an almost equal representation of senior politicians and/or public servants from countries that are rated free, partly free or not free. There are politicians from 17 “free” countries represented, 15 “partly free” countries and 16 “not free” countries, according to the classifications used by Freedom House.

In what contexts or for what activities did we see politicians and members of the executive in Panama Papers?

Politicians, including those still currently serving, appeared as:

- directors of offshore companies linked to onshore family businesses
- directors and/or shareholders of companies created in relation to the corporate business of a politician before he or she entered politics and/or after he or she left politics.
- Beneficiaries, settlors and protectors and trusts and other similar instruments

Politicians used offshore companies to:

- Hold money in banks, including in Switzerland, Luxembourg and in the United Kingdom
- Hold property in the United Kingdom and luxury items, such as yachts
- Manage business activities of companies in which the politician is or was active
- Manage family businesses
- Obscure their family’s participation, including financial participation, in extractive industries

Family and friends

We cannot discuss corruption regarding top executive functions without discussing the broader notion of PEPs: children, wives, nephews, sons, sisters, fathers, cousins, brothers and daughters and even close friends and business associates of politicians.

Panama Papers offered an insight into how financial actors such as banks and wealth managers interact with these PEPs. Some financial actors seemed to

believe that taking on business, including setting up offshore vehicles for family members or associates, is more acceptable than working for members of the executive themselves even when red flags exist. The public reaction to the Panama Papers suggests this is not the case.

What are the issues deserving greater attention?

Disclosure obligations

From a reporting point of view, disclosure requirements can make a significant difference in the ability to report on indices of corruption and/or other wrongdoing.

In some cases, it was the existence of the obligation to disclose – combined with the failure to do so – that prompted the most significant political fallout following the publication of the Panama Papers.

Protection of whistleblowers

The Panama Papers shows Europe, once again, that whistleblowers have the power to reveal weaknesses in need of reform.

Promoting the protection of whistleblowers who act in the public interest is an important task for Europe as a whole and on the level of Member States.

Thank you.