



Organization for Security and Co-operation in Europe

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Testimony

to

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Thank you very much, Mr. Chairman.

Chairman Cardin,
Distinguished members of the Commission,
Ladies and Gentlemen,

It is a pleasure for me to testify today at the U.S. Helsinki Commission members of the United States Congress. I appreciate the opportunity to be at the U.S Congress today and am privileged to be a part of a hearing on combatting corruption.

Before I continue, may I respectfully ask that my prepared statement, along with the “*Information Note on the implementation of the 2012 Dublin Declaration on Strengthening Good Governance and Combatting Corruption, Money-Laundering and the Financing of Terrorism*” provided earlier to the Commission be put into the record?

Thank you very much, Mr. Chairman.

Mr. Chairman,

Today I testify in front of you in my capacity of the Co-ordinator of OSCE Economic and Environmental Activities. Economic and environmental matters represent an important element of the OSCE’s approach to security. To tackle challenges in this area, my team co-operates on the ground with our current 15 OSCE Field Operations, organizes an annual Economic and Environmental Forum and holds a yearly Implementation Meeting to assess progress and identify future priorities. The Office works closely with the Organization's Chairmanship and performs under the guidance of the Economic and Environmental Committee, a body of representatives of the OSCE's participating States, and the Secretary General. Our activities include anti-money laundering, transport and security, gender-sensitive labour migration, border and customs policies, water management, controlling

dangerous waste through to sustainable energy, climate change, and involving the public in decisions affecting the environment. With other international partners, the OSCE is also an active member of the Environment and Security Initiative. Today I will concentrate my speech on our work in the area of good governance and combating corruption.

Global political and economic challenges call for additional efforts in the area of good governance, including measures aimed at increasing transparency, accountability, integrity and sound financial management. Good governance and transparency affect economic efficiency and growth, and thus remain among key priorities of the elements of the OSCE's comprehensive approach to security.

The increasing importance of good governance issues requires continuous dialogue. Therefore, adopted in Dublin in 2012 by all participating States of the OSCE, the **Declaration on Strengthening Good Governance and Combating Corruption, Money-Laundering and the Financing of Terrorism** provides the OSCE and my Office with a strong mandate to promote good governance principles. The Declaration emphasizes that – I quote - “*good governance at all levels is fundamental to economic growth, political stability, and security*”- end of quote. The document calls upon the OSCE – I quote - “*to continue providing valuable assistance to participating States upon their request, also in sharing among themselves, through the OSCE platform for dialogue, national experiences gained and good practices*” - end of quote.

The need to enhance efficiency and transparency of public institutions, implement higher standards of integrity and improve asset declaration systems to identify possible corrupt activities in the OSCE area remains, and we have and will continue working in these areas. I am pleased to note that the OSCE supported training activities to develop increased awareness, professional capacity and knowledge in prevention and repression of corruption and money laundering produced results in 2014. For example, with the assistance of the OSCE, Kyrgyzstan was removed from the Financial Action Task Group (FATF)'s ‘grey list’. The OSCE has been selected to chair the newly established Anti-Corruption Working Group in Tajikistan to lead coordination efforts engaging civil society and other public bodies in anti-corruption issues and initiatives. In partnership with the World Bank, we rendered components of technical support towards money laundering and terrorism National Risk Assessments in Croatia, Montenegro and the former Yugoslav Republic of Macedonia.

Distinguished members of the Commission,

Money laundering and corruption are intertwined, and oversight and law enforcement authorities must have adequate skills and resources to conduct investigations and prosecutions of these phenomena. Contemporary crimes do not stop at national borders and cross-border exchange of information becomes essential. Therefore, one of our flagship events this year was a workshop on *Cross-border Co-operation Against Corruption and Money Laundering* for government officials from Central Asia, South Caucasus and Eastern Europe that took place in Vienna in early October. The event, co-organized with the United Nations Office on Drugs and Crime (UNODC), and Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) brought together 50 participants from financial intelligence units, anti-corruption and law enforcement agencies, financial institutions and specialized international organizations. Participants and experts discussed links between corruption and money laundering, ways to counter cross-border movements of proceeds of corruption, domestic coordination in identifying, tracing and recovering illicit

assets, use of legal persons and other legal arrangements to conceal criminal assets. Participants were also introduced to good practices for the drafting of Mutual Legal Assistance requests as well as the use of regional networks to facilitate co-operation in asset forfeiture and recovery. I would like to express my gratitude to the government of the United States for providing financial support to this event.

The acknowledgement of the negative effects of the lack of appropriate economic governance by the political leaders and policy-makers can be seen in numerous developments in the OSCE area. Therefore, participating States should take advantage of the platform the OSCE offers and its capacity to produce results similar to those mentioned above. There is a need to continue fostering trans-national co-operation among participating States as well as other international actors in the area of good governance offering best practices and opportunities to share experiences. We remain convinced that the enhanced efforts should be supported to develop and deliver tailor made capacity building activities, to deploy anti-corruption measures, strengthen national financial intelligence units, and build additional corruption prevention mechanisms.

Most of our work benefits from close co-operation with OSCE Field Operations. Their presence on the ground enables them to collaborate with governmental and non-governmental stakeholders thus assisting their host countries in implementing their commitments in the OSCE's second dimension, thus providing an invaluable contribution to our joint work.

Mr. Chairman,

By 2015 my Office also plans to publish *OSCE Guide on Combating Corruption*. It will consist of five parts and 21 chapters with inputs provided by more than 40 contributors. This OSCE publication is being prepared in close co-operation with ODIHR, Office of the Special Representative for the Freedom of the Media and major actors in the anti-corruption area such as the UNODC, OECD and Council of Europe's Group of States against corruption (GRECO) and Basel Institute of Governance.

The topics covered by the *Guide* will stretch from anti-corruption strategies and bodies, conflict of interest and public procurement regulations to the role of the media, lobbying, mutual legal assistance requests and investigations.

In conclusion, let me assure you that my Office jointly with the OSCE network of Field Operations and partners will continue conducting targeted regional and national awareness-raising and training activities. We will also endeavour to mainstream good governance in our other economic and environmental activities by incorporating transparency and anti-corruption elements wherever relevant.

Thank you very much again for the opportunity to serve as a witness at this hearing today. I very much look forward to our discussion and also to our continued co-operation.

Thank you.



**Organization for Security and Co-operation in Europe
The Secretariat**

**Office of the Co-ordinator of OSCE
Economic and Environmental Activities**

Vienna, 19 November 2014

Information Note
on
**the implementation of the 2012 Dublin Declaration on Strengthening Good
Governance and Combatting Corruption, Money-Laundering and the
Financing of Terrorism**

Introduction

The Ministerial Council Declaration on *Strengthening Good Governance and Combatting Corruption, Money-Laundering and the Financing of Terrorism* adopted in Dublin in 2012 – MC.DOC/2/12 (Dublin Declaration) reiterates that “good governance at all levels is fundamental to economic growth, political stability, and security. Good public and corporate governance, rule of law and strong institutions are essential foundations for a sound economy, which can enable participating States to reduce poverty and inequality, to increase social integration and opportunities for all, to attract investment and to protect the environment”.

The document enlists commitments of participating States (pS) aimed at enhancing their capacities and strengthening co-operation in combating corruption, money laundering and the financing of terrorism and calls upon the OSCE and its network of Field Operations “to continue providing valuable assistance to participating States upon their request, also in sharing among themselves, through the OSCE platform for dialogue, national experiences gained and good practices”.

Since the adoption of the Dublin Declaration, the Office of the Co-ordinator of OSCE Economic and Environmental Activities (OCEEA) and the OSCE Field Operations, in co-operation with partner organizations, have assisted pS in implementing relevant commitments stemming from a number of OSCE Ministerial Council and Permanent Council Decisions, as well as on the OSCE Strategy Document for the Economic and Environmental Dimension. Activities have included support in implementation of the United Nations Convention against Corruption (UNCAC), prevention of corruption, promoting integrity in public service, regulatory reform, preventing conflict of interest, national risk assessments in anti-money laundering and countering the financing of terrorism (AML/CFT), leveraging AML to combat trafficking in human beings, implementing the Financial Action Task Force (FATF) recommendations and standards, asset disclosure by public officials, engagement of civil society and the public sector in combating corruption, and others.

These activities have often been cross-dimensional in nature and engaged the OSCE Office for Democratic Institutions and Human Rights, the OSCE Transnational Threats Department and its relevant units, and other offices of the Organization.

Tasked by the Swiss 2014 OSCE Chairmanship, this Note, structured on main components of the Dublin Declaration, is designed to reflect on the OCEEA and the Field Operations activities, while discussing remaining challenges and achieved successes.

Good governance and transparency

Challenges

Citizens expect a State to protect legitimate economic activities from corruption, money laundering and other illegal and criminal practices by establishing clear rules and regulations to govern the economic relationships and consistently enforcing them. The quality of and adherence to these rules have an impact on internal markets, as well as on fostering trust in public and democratic institutions, and attracting foreign investment. Good public and corporate governance are key factors of sustainable economic growth and economic development, thus contributing to national and regional stability and security. In the face of the current global economic difficulties, stronger efforts towards enhanced good governance are particularly needed in the OSCE region and beyond.

It is worth underlining that good governance is not about making ‘correct’ decisions; it is about promoting the respect for key principles in the decision-making process that includes accountability, transparency, participation, respect of the rule of law, responsiveness, equity and inclusiveness, as well as effectiveness and efficiency.

Increasing transparency of public expenditure and budget making procedures, legislative reform, audits and public procurement procedures, are important measures towards garnering participation of citizenry in government and improving trust. However, these transparency measures are ineffective if not made in such a way that they may be understandable and easily accessible to the public. Improving the efficiency of public administration, combined with greater transparency in the public sector and higher standards of integrity in the behaviour of public servants, is essential in strengthening corruption prevention capacities and mitigating corruption-related risks.

The “soft-law” tool of introducing codes of conduct and ethical principles of behaviour for public servants is widely used throughout the OSCE area. In particular, asset declarations, receipt of gifts and employment opportunities prior to, during and after leaving public service - are usually covered in codes of conduct to prevent conflicts of interest.

In September 2014, the Open-ended Intergovernmental Working Group on the Prevention of Corruption of the Conference of the States Parties to the UNCAC encouraged the States Parties “to establish and strengthen asset declaration systems applicable to public officials, aimed at the identification and resolution of conflicts of interest”.¹

Asset and private interest disclosure by decision makers remains among the essential tools for effectively managing conflict of interest. According to the Organisation for Economic Co-operation and Development (OECD), among the 34 member countries of the Organisation, of

¹ UN Conference of the States Parties to the United Nations Convention against Corruption, Open-ended Intergovernmental Working Group on the Prevention of Corruption, Fifth session, Vienna, 8-10 September 2014, <https://www.unodc.org/documents/treaties/UNCAC/WorkingGroups/workinggroup4/2014-September-8-10/V1404178e.pdf>

which 27 states are the OSCE pS, 86 percent require their top decision makers in executive and legislative structures to disclose their private assets.² However, less than half of the OECD Member States perform internal audits of the submitted information for accuracy.³

Yet, many pS have introduced income- and asset-disclosure systems for public officials. In order for these systems to be effective they first need to contain high risk categories of public officials as well as their family members. Also, oversight authorities and law enforcement must have adequate skills and resources to conduct audits and investigations. Moreover, it is important for countries to engage in cross-border exchange of information on politically exposed persons (PEPs) and for banks to make logical connections between PEPs and known business associates. An asset disclosure system whose accuracy cannot be verified is ineffective.

Conflict of interest legislation still remains underdeveloped in many countries and it may not regulate abuse of authority of public officials in such areas as influence peddling or procedures for awarding public procurement contracts. For instance, business relations or political party affiliations between members of public procurement award selection panels of contracting entities and bidders are often overlooked. Indeed, public procurement is an area particularly prone to corruption, especially in sectors like construction, maintenance services and waste management, owing to deficient control mechanisms and risk management.

Corruption in public procurement procedures siphons off scarce public resources, often results in shoddy public works and erodes the trust of citizens and businesses in government. The level to which a state's public sector is held accountable through the rule of law and procedures and decisions are made transparent to its citizens, correlates highly with the degree of citizens' trust, and in turn, the level of stability and security. Public procurement has been identified by the OECD and UNODC as a main risk area sector of significant concern.

A transparent and fair public procurement system is perhaps the most visible measure of a government's public accountability. In the absence of a transparent and fair system of using public funds, particularly in times of economic downturn, citizens' trust in government wains and the perception that government funds are being misused or misappropriated dangerously grows.

OCEEA activities in good governance and transparency since 2013:

The OCEEA and several OSCE Field Operations, often in co-operation with the UNODC, have supported efforts to raise awareness and facilitate the implementation of the UNCAC. The below listed workshops were designed and conducted for relevant public officials, civil society and private sector representatives and intended to assist states in preparing for review under the UNCAC. They included, *inter alia*, components dedicated to asset disclosure mechanisms, codes of conducts for civil servants, transparency in public procurement, whistle-blower protection, conflicts of interest and international co-operation.

- In April 2013 in Astana, the OSCE, UNODC and OECD co-organised a regional workshop entitled *Sharing Good Practices and Lessons Learned from Development and Implementation of Anti-Corruption Preventive Policies*.

² Transparency International, *Setting a high bar for conduct*, <http://blog.transparency.org/2012/07/19/codes-of-conduct-a-tool-to-clean-up-government/>

³ OECD, *Government at a Glance 2013*, 2013, http://www.keepeek.com/Digital-Asset-Management/oecd/governance/government-at-a-glance-2013_gov_glance-2013-en#page3

- In April 2013 in Ashgabat, the OCEEA and the UNODC co-organised a national training on *Mechanisms to Increase Integrity in Public Service and Prevent Corruption and the Laundering of its Proceeds*.
- In June 2013, in Jurmala, Latvia, the OCEEA, the OECD Anti-Corruption Network for Eastern Europe and Central Asia and the UNDP co-organised an expert seminar on *Prevention of Corruption, Effective Measures and Their Practical Implementation: Institutional and Sectorial Approaches*. The seminar was followed by a separate workshop for representatives of Central Asian countries on income and asset declaration systems and conflict of interest legislation as tools for preventing corruption.
- In September 2013 in Tashkent, the OSCE and UNODC co-organised a two-day national training workshop on *Mechanisms to Increase Integrity in Public Service and Prevent Corruption*.
- In March 2014, in Dushanbe, the OCEEA participated in and contributed to a workshop on *Anti-corruption prevention measures – Progress made, future priorities and the role of civil society in the prevention of corruption in Tajikistan* co-organised by the OSCE Office in Tajikistan and the UNODC.
- In June 2014, in Tirana, the OCEEA, the OECD, the OSCE Presence in Albania, the UNDP and the UNODC co-organised a regional expert seminar on *Prevention of Corruption – Main Trends and Examples of Successful Practice in Eastern Europe and Central Asia*.
- In October 2014, in Vienna, the OCEEA, the UNODC and the EAG held a regional training on *Cross-border Co-operation Against Corruption and Money Laundering*.

Successes: Good governance and transparency

Regulatory Reform in Armenia

In 2012, Armenia’s National Center for Legislative Regulation, supported by the *OSCE Office in Yerevan* and several other donors, launched a 2-year Rapid Regulatory Simplification Project which aimed at reviewing and streamlining regulations and increasing transparency in 17 sectors of the Armenian economy. Known as the “*regulatory guillotine*”, the reform makes use of best international practices to assess and streamline the national regulatory frameworks affecting business activity and the daily lives of citizens. By the end of 2013, 7 priority sectors had been reviewed and legislation streamlined to reduce “*red tapes*” on businesses and citizens. The overall estimated impact on the Armenian economy is calculated to represent the equivalent to 0.5 percent of national GDP. The project is being continued in its second phase.

OSCE supported Good Governance Resource Centre in Turkmenistan

The *OSCE Centre in Ashgabat*, in partnership with the Government of Turkmenistan, supported the establishment of a *Good Governance Resource Centre* that was officially opened on 1 May 2014 in Ashgabat. Located at the premises of the Ministry of Finance, the *Centre* offers diversified information, conducts educational events and provides expert information on good governance. It also offers access to a library and specialized databases and periodicals. In addition, the *Centre* works with relevant government authorities on developing national legal acts and regulations on AML/CTF measures in compliance with FATF standards. Following recommendations identified on 2

September 2014 at a round table in Ashgabat, a report with recommendations to enhance good governance practices will be submitted to the Ministry of Finance and the Parliament of Turkmenistan later this year. The *Centre* is an innovative initiative within the OSCE context as it provides a long-term approach towards the promotion of good governance practices in Turkmenistan.

Manual on the Role of Responsible Authorities in Preventing Conflict of Interest developed in Albania

In 2013, with the support of the *OSCE Presence in Albania*, the High Inspectorate for Declaration and Audit of Assets and Conflict of Interest (HIDAACI) of Albania developed and published a *Manual on the Role of Responsible Authorities in Preventing and Controlling Conflict of Interest*. The Manual aims to assist 580 responsible authorities in all the central and local public institutions to more effectively detect, prevent and resolve cases of conflict of interest. The publication is intended to be a reference tool for officials, civil society, business community, law students and researchers. It is available on the HIDAACI website and it is being used by its staff for training purposes.

Ukraine goes digital in combating corruption

The *OSCE Project Co-ordinator in Ukraine* assisted local self-government authorities in one of the regions to develop and launch a digitized public service provision system. In 24/7 mode, service recipients (citizens and the private sector) can download the necessary forms and keep track of service requests that have been submitted to a virtual government office. The system makes public service provision more transparent and efficient and thereby significantly reduces corruption risks.

Combating corruption, money laundering and the financing of terrorism

Challenges

The EU Anti-Corruption Report issued in February 2014 identifies corruption as a phenomenon which impinges on good governance, sound management of public money and competitive markets, and, in extreme cases, undermines the trust of citizens in democratic institutions and processes. According to the Report, corruption costs the European economy approximately 120 billion euros per year. *Eurobarometer* survey results show that 76 percent of EU citizens believe that corruption is widespread and 56 percent think that the level of corruption in their country has increased since 2011.⁴

Only twenty OSCE participating States scored 60 or above and ten even had a score of less than 30 on the latest Transparency International Corruption Perception Index where 0 is for

⁴ European Commission, *Report from the Commission to the Council and the European Parliament, EU Anti-Corruption Report*, Brussels, 3.2.2014, COM(2014) 38 final, http://ec.europa.eu/dgs/home-affairs/e-library/documents/policies/organized-crime-and-human-trafficking/corruption/docs/acr_2014_en.pdf

“high corruption” perception and 100 is for “low corruption”. The average score among the assessed OSCE participating States is approximately 54.4.⁵

As indicated by the UNODC in September 2014, the importance of preventing corruption through the promotion of good governance has “increasingly come to the fore, notably in the ongoing dialogue on the post-2015 development agenda”.⁶ Yet, despite relevant obligations in line with international instruments⁷, prevention of corruption has been mostly understood as part of law enforcement activities. This creates a major challenge for the implementation of corruption prevention measures and implementation of the good governance reforms as per the UNCAC and highlighted in the Dublin Declaration.

Fifty six OSCE participating States have ratified or acceded to the UNCAC. Fifty six are members of the Egmont Group of Financial Intelligence Units and all 57 are members of the Financial Action Task Force (FATF) and FATF-style regional bodies.

Although repressive measures alone are not sufficient to tackle corruption in an effective manner, the ability of a judicial system to impose dissuasive criminal sanctions plays a major deterrent role and is a clear sign that corruption is not tolerated. Indeed, several factors can influence the efficiency of law enforcement and prosecution forces in investigating corruption, such as the estimated extent and nature of corruption they must address, the balance with preventive measures, the capacity and resources at their disposal, the potential obstacles to investigations, including the effectiveness of the judiciary. In particular, judicial independence, as well as proper funding of investigative and judicial authorities, is imperative in establishing effective anti-corruption and AML/CTF measures.

Ensuring the rule of law requires drafting and implementing legislation that regulates selection and promotion procedures, independent oversight, and independent budgets for the judiciary. Investments in judicial and investigative bodies quickly bring returns which is evident in functioning assets seizure and forfeiture systems.

Asset recovery represents one of the major challenges for the OSCE pS in the good governance area. Chapter V of the UNCAC reaffirms that asset recovery, that includes tracing, freezing, confiscation, and repatriation of crime and corruption proceeds stored in foreign jurisdictions is an international priority in the fight against corruption. Modern advancements of financial, transportation and communication infrastructures allow corrupt ‘politically exposed persons’, among others, to conceal massive amounts of stolen wealth overseas by using differences in legal systems and bank secrecy in some recipient countries.

According to the Report of the Conference of the States Parties to the UNCAC in 2013, “all efforts should be made to conduct a financial investigation into assets illegally acquired and to recover such assets through domestic confiscation proceedings, international cooperation for purposes of confiscation or appropriate direct recovery measures.”⁸

⁵ Based on statistics provided by the “Corruption perceptions index” which measures the perceived levels of public sector corruption in 177 countries and territories, <http://cpi.transparency.org/cpi2013/>

⁶ UNODC Executive Director Yury Fedotov’s statement at the third International Conference on Small Island Developing States (SIDS), <http://www.unodc.org/unodc/en/frontpage/2014/August/unodc-warns-of-small-island-states-vulnerability-to-corruption-during-global-meeting-in-samoa.html>

⁷ Notably the UNCAC, Council of Europe anti-corruption legal instruments, including the Resolution (97) 24 on 20 Guiding Principles for the fight against corruption and the recommendations No. R (2000) 10 on codes of conduct for public officials and No. R (2003)4 on common rules against corruption in the funding of political parties and electoral campaigns.

⁸ UNODC, *UN Convention against Corruption: Progress report 2013*, 25 November 2013, http://www.transparency.org/whatwedo/pub/un_convention_against_corruption_progress_report_2013

A report by the Parliamentary Assembly of the Council of Europe on corruption and tax heavens⁹ refers to the Stolen Asset Recovery Initiative of the World Bank (StAR)¹⁰ and the UNODC that analysed 150 grand corruption cases and found a direct link between large-scale corruption by high-level public officials and the concealment of stolen assets through opaque shell companies, foundations and trusts. The report highlights the root problems concerning tax havens, such as (fiscal) bank secrecy, lack of transparency and effective public oversight, regulatory dumping, predatory tax arrangements and abusive accounting techniques inside multinational enterprises.

Successful conviction of corruption cases, money laundering and terrorism financing crimes – from identification through prosecution, sentencing and finally stolen asset recovery – requires a multi-layered, multi-disciplinary and multi-national approach calling for effective national legislative frameworks, compliant with international standards, as well as co-operation among investigative and financial oversight authorities at national and international levels among Financial Intelligence Units (FIUs), law enforcement and prosecutors.

In addition, improved international co-operation requires further engagement by pS to sign bilateral and multilateral treaties and agreements on assets recovery and co-operation in criminal matters. In this respect, the recent adoption of a directive on the freezing and confiscation of proceeds of crime in the EU is a promising signal¹¹. The directive aims to make it easier for national authorities to confiscate and recover the profits made from cross-border and organised crime.

Whistle-blowers' protection in public and the private sectors is also necessary to encourage individuals to come forward with information on corruption. Guarantees must be put in place that a person who discloses to relevant authorities allegations of corruption suffers no retaliation. The Council of Europe has issued the Recommendation no. CM/Rec(2014)7 of the Committee of Ministers to member States on the protection of whistle-blowers¹², including a series of principles to guide member States when reviewing their national laws or when introducing legislation and regulations or making amendments as may be necessary and appropriate in the context of their legal systems.

OCEEA activities in combating corruption, money laundering and terrorism financing since 2013:

In the area of anti-corruption, anti-money laundering and combating the financing of terrorism, the OCEEA has worked on assisting pS in the implementation of the main international instruments, in particular the UNCAC, 40 + 9 FATF Recommendations, the UN Convention for the Suppression of the Financing of Terrorism, the UN Convention against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances and the 3rd EU Directive on Combating Money Laundering. The Office has closely co-operated with the UNODC, World

⁹ Parliamentary Assembly of the Council of Europe, *Promoting an appropriate policy on tax heavens*, 5 April 2012, <http://assembly.coe.int/ASP/XRef/X2H-DW-XSL.asp?fileid=18151&lang=EN>

¹⁰ The World Bank and the UNODC, The Stolen Asset Recovery Initiative (StAR), <http://star.worldbank.org/star/>

¹¹ EU, *Directive of the European Parliament and of the Council on the freezing and confiscation of instrumentalities and proceeds of crime in the European Union*, PE-CONS 121/13, 5 March 2014, <http://register.consilium.europa.eu/doc/srv?l=EN&f=PE%20121%202013%20INIT>

¹² Council of Europe, European Committee on Legal Co-operation (CDCJ), Recommendation CM/Rec(2014)7 of the Committee of Ministers to member States on the protection of whistle-blowers, [https://wcd.coe.int/ViewDoc.jsp?Ref=CM/Rec\(2014\)7&Language=lanEnglish&Site=CM&BackColorInternet=C3C3C3&BackColorIntranet=EDB021&BackColorLogged=F5D383](https://wcd.coe.int/ViewDoc.jsp?Ref=CM/Rec(2014)7&Language=lanEnglish&Site=CM&BackColorInternet=C3C3C3&BackColorIntranet=EDB021&BackColorLogged=F5D383)

Bank, the OECD, the Egmont Group, the Council of Europe, the EAG, Basel Institute on Good Governance and others.

In December 2012, the OCEEA launched the “*OSCE Handbook on Data Collection in support of Money Laundering and Terrorism Financing National Risk Assessments*”. A Russian language version has been released in October 2014. The Handbook provides guidelines on improving data collection in an effort to combat money laundering and the financing of terrorism. It is also intended to inspire further dialogue and co-operation among national authorities and other stakeholders to stimulate an exchange of experiences and good practices among states in the OSCE region and to raise awareness of the importance of comprehensive data collection for informed decision-making.

In August 2014, the OCEEA jointly with the OSCE Office of the Special Representative and Co-ordinator for Combating Trafficking in Human Beings, and the OSCE Transnational Threats Department/Strategic Police Matters Unit released a research paper on “*Leveraging Anti-Money Laundering Regimes to Combat Trafficking in Human Beings*”. The paper, which combines research findings from various publications and seminars from 2008 to the present, focuses on trafficking in human beings as a specific type of transnational crime that also gives rise to corruption practices.

From 2013 to date, the OCEEA has supported efforts of the OSCE Field Operations aimed at promoting and offering training based on the “*OSCE Handbook on Data Collection in support of Money Laundering and Terrorism Financing National Risk Assessments*”.

In partnership with the World Bank, the OCEEA has also rendered components of technical support towards National Risk Assessments (NRAs) in Kyrgyzstan (May 2013), Croatia (March 2014), Montenegro (March 2014) and the former Yugoslav Republic of Macedonia (May 2014). A NRA is a process by which countries identify the threat of money laundering activity in their jurisdiction, the vulnerability of the country in terms of its ability to prevent and intercept specific types of illicit financial activity and its resulting impact.

In addition, the following training and capacity building events were organised for relevant officials from Financial Intelligence Units, the Prosecutor’s Office, Ministry of Interior/law enforcement officials, the banking sector and others.

- In March 2013, in Tashkent, the OCEEA and the OSCE Project Co-ordinator in Uzbekistan, held an international training on the *revised FATF International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation*.
- In April 2013, in Borovoe, Kazakhstan, the OCEEA in co-operation with the World Bank and Kazakhstan’s Committee for Financial Monitoring, the OSCE Centre in Astana, and the US Embassy in Kazakhstan held a two-day national workshop on the *revised FATF international standards*.
- In May 2013, in Bishkek, the OCEEA supported a workshop on *Money laundering risks in Kyrgyzstan* which was jointly organised by the OSCE, the World Bank and Kyrgyzstan’s State Financial Intelligence Service.
- In May 2013, in Podgorica, a series of meetings were held with the OCEEA’s participation to further advance the draft of the National Action Plan to Prevent and Suppress Terrorism, Money Laundering and Terrorism Financing.
- In October 2013, in Durrës, Albania, a regional conference on *Strengthening Co-operation on AML/ CFT and Fighting Corruption in South Eastern Europe* was

organised together with the OSCE Presence in Albania, and the Albanian General Directorate for the Prevention of Money Laundering.

- In November 2013, in Ashgabat, the OCEEA jointly with the OSCE Centre in Ashgabat organised a national training workshop on *Mechanisms to prevent money laundering*.
- In December 2013, in Athens, the OCEEA together with the OSCE Mission to Serbia and the Financial Intelligence Unit of Greece held a working meeting of practitioners from Serbia and Greece to share challenges and good practices in linking anti-money laundering and anti-corruption efforts.

Successes: Combating corruption, money laundering and the financing of terrorism

OSCE Guide on Combating Corruption

The OCEEA has established close links with experts from organizations such as the UNODC, OECD, Council of Europe/GRECO, UNCITRAL, Basel Institute on Governance/International Centre for Asset Recovery, the European Commission and International Anti-Corruption Academy as well as with ODIHR and FoM in developing the *OSCE Guide on Combating Corruption*. The topics covered by the *Guide* will stretch from international and regional initiatives, anti-corruption strategies and bodies, conflict of interest and public procurement to role of the media, lobbying, mutual legal assistance, investigation, AML and asset recovery. The Guide is expected to be finalized in 2014.

OSCE/OCEEA partnership frameworks in the area of anti-corruption and AML-CFT

- Since 2005, the OSCE has the observer status to the Organisation for Economic Co-operation and Development (OECD) Anti-Corruption Network for Eastern Europe and Central Asia (under the Istanbul Anti-Corruption Action Plan).
- Since 2006, the OSCE has the observer status to the Eurasian Group on Combatting Money Laundering and Financing of Terrorism (EAG).
- Since 2008, the OSCE has the observer status to the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL).
- Since 2011, on a bi-annual basis, the OSCE and the UNODC issue Joint Action Plans.
- In March 2011 the OSCE and the International Anti-Corruption Academy concluded a Memorandum of Understanding concerning co-operation.
- Since 2012, the OSCE has the observer status to the Egmont Group of Financial Intelligence Units.
- Since 2013, the OSCE has the observer status to the Financial Action Task Force (FATF).
- In October 2013, the OSCE and the UN Development Programme (UNDP) concluded a Memorandum of Understanding.

Improving Public Procurement Transparency and the Prosecution of Corruption in Serbia

Since 2013 the *OSCE Mission to Serbia* has continued to focus on assisting the host country with creating a transparent and efficient public procurement system and training law enforcement and prosecutors on investigating alleged violations. The Mission has moderated peer-to-peer meetings among public procurement bodies and law enforcement and prosecutors on enhancing co-operation on identifying risks and sharing timely information on alleged corruption with criminal investigators. The Mission has trained 20 prosecutors in charge of public procurement corruption through specially developed case studies based on past alleged corruption in public procurement in Serbia. In 2014 the Mission has provided support to the development of a NGO-run public procurement transparency

website that contains information on tenders, awarded contracts, procurement selection boards and bidders to allow citizens and journalists to track how public funds are spent and potentially identify alleged breaches of conflict of interest.

Monitoring assets disclosures of public officials and AML/CFT: the Greek model

The Hellenic Anti-money Laundering and Counter-terrorist Financing and Source of Funds Investigation Authority serves both as Greece's Financial Intelligence Unit (FIU) as well as its monitoring body of public officials' assets and income disclosures. The Authority is staffed by seconded officials from various ministries and law enforcement agencies and is headed by an independent prosecutor. According to this set-up, the authority can investigate bank accounts and determine whether officials have accurately disclosed their income and assets. In this way corruption and money laundering investigations are handled within the same institution.

Kyrgyzstan removed from the FATF 'grey list' in 2014

Following the *OSCE Centre in Bishkek* assistance, in July 2014, Kyrgyzstan was removed from the FATF's 'grey list' and would no longer be subject to the FATF's monitoring process under its ongoing global process of compliance with requirements on AML/CFT. The decision was announced at the third FATF Plenary meeting in June 2014 in Paris certifying Kyrgyzstan's "demonstrated significant progress" in addressing the strategic AML/CFT deficiencies identified in their mutual evaluation reports and the action plans agreed with the FATF. The OSCE has been assisting Kyrgyzstan in increasing the capacity of the country's financial bodies to adopt modern investigative and countering methods, and implement legislation that addresses the recommendations of the FATF. Moreover, in March 2013, the OSCE Centre in Bishkek opened a new *Training Centre of the State Financial Intelligence Service*, and held several training courses for officers from the Service. More than 400 officers from various ministries and agencies have been trained on modern methods of AML.

Civil society and private sector

Challenges for civil society

Effective anti-corruption measures require a participatory approach among governments, civil society, business communities and academia to foster citizens' trust and create a social consensus on non-tolerance of corruption. Monitoring the implementation of reforms, engaging in the development of new policies and regulations, evaluating the effectiveness of those already in place, and providing a barometer of public opinion for the government are the main fields of action for civil society actors in corruption prevention. However, non-government organizations across the entire OSCE region still face significant challenges in building a sustainable and balanced dialogue with the government and acquiring access to government information. This prevents civil society to fully play its monitoring and evaluating role vis-à-vis government institutions.

Moreover, it is critical to mainstream a gender-balanced approach when promoting good governance measures as all-inclusive and requiring accountability from state institutions. Persistent gender disparities limit women's ability to fully participate in the decision-making processes in social, economic, and political life. Such gender-based exclusion compromises the prospects for good governance, as well as economic growth and prosperity. Therefore, if not already launched, legal reforms are required to promote gender equality that would enable women, individually or collectively, to participate in the decision-making processes thus contributing to building more equal and inclusive societies. Women participation in civil society activities is an essential component to ensure civic engagement, participatory development and good governance.

Further training of civil society on such issues as conducting statistical surveys, public awareness campaigns, issuing 'shadow reports' and participating in budget making processes is needed to make it a viable and constructive partner to government. Also, many governments require further support in identifying ways in which civil society, the private sector and the public may contribute to their anti-corruption policy measures. Public-private partnerships should be further developed on environmental, humanitarian and other issues, including trade and investment policies. Moreover, business communities, academia and civil society may be involved in awareness raising campaigns and surveys on ease of doing business matters and economic growth policies.

Challenges for private sector

According to the OECD Istanbul Anti-Corruption Action Plan that includes Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Ukraine and Uzbekistan, "legal gaps remain in many countries with regard to bribery and trading in influence"¹³. In addition, "business integrity" is a relatively new issue in the region. The governments are yet to implement systematic measures to promote business integrity while the private sector has a potential to become a strong participant in the fight against corruption.

Bribery, as a basic form of corporate corruption, has detrimental effects on political, economic, social and environmental areas. To address bribery more effectively, legislation should include provisions of criminal liability for bribing public officials, corporate liability for failure to prevent bribery, differentiation between notions of offering, promising, giving, requesting, agreeing to receive and accepting a bribe, as well as envisaging a requirement for corporate entities concerning implementation of "adequate procedures" in order to prevent bribery.

There are many useful resources available to help businesses manage internal and external corruption risks and implementing anti-corruption policies, including Transparency International's Business Principles and the International Chamber of Commerce's Rules of Conduct. A number of industry sectors have also developed sector specific guides, specialist codes of practice and transparent procurement agreements. In addition specialized anti-corruption risk management frameworks have been established to help mitigate against bribe solicitation and demands for 'facilitation payments', including international initiatives such as RESIST (Resisting Extortion and Solicitation in International Transactions) and

¹³ <http://www.oecd.org/corruption/acn/istanbulactionplan/>

international legal instruments such as the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Successes: Civil society and the private sector

Civil society and government partnership in Kazakhstan

In 2012, the *OSCE Centre in Astana*, in co-operation with the Ministry of Transport and Communications, the NGO “Azamatyk Kuryltay” (*People’s Convention*), as well as with construction companies, local authorities, the World Bank office and Soros Foundation in Kazakhstan began supporting civil society participation in the national and local Transparency and Sustainable Development Expert Councils (TSDECs) for monitoring the “Western Europe - Western China” international road construction project, which crosses five of Kazakhstan’s regions and connects Europe and Asia. Through this project, in 2013 a platform for dialogue and co-operation was created for stakeholders involved in or affected by the construction works along the road. This work helped build the foundations of permanent, self-sustainable TSDEC multi-stakeholders’ structures in the five regions. In 2014 TSDECs were introduced in two additional regions where new road construction projects are envisaged.

OSCE supports anti-corruption efforts in Tajikistan

The *OSCE Office in Tajikistan* brought together international expertise, key state representatives and civil society to increase knowledge of international anti-corruption standards needed to strengthen economic growth and security. The Office conducted workshops on the essentials of the UNCAC and worked with Transparency International to further support state representatives and civil society organizations. Under the *Development Co-ordination Council*, which is composed of international organizations and donors in Tajikistan, the Office has been selected to chair the newly established *Anti-Corruption Working Group*. The goals of this Working Group are to: (i) support the integration of anti-corruption measures in joint development initiatives between development partners and the government, (ii) provide forum to engage in dialogue between the international community and the government on progress towards meeting the obligations of international anti-corruption treaties and initiatives to which Tajikistan is committed, including, but not limited to UNCAC, FATF, the OECD Istanbul Action Plan, (ii) provide structured coordination mechanism with civil society and other public bodies on anti-corruption issues and initiatives.

Working together for progress

There is still a strong need in the OSCE region for technical support in drafting and revising current normative frameworks that complies with international standards on anti-corruption, AML and CFT. Capacity building measures are also needed to allow the effective enforcement of such standards and norms as well as enhance co-operation at national and international levels.

It is paramount to avoid fragmentation of efforts in preventive and repressive measures to combat corruption, money laundering and the financing of terrorism. In particular, there is a strong need to enhance trans-national co-operation among participating States as well as other international actors, as well as co-ordinate at national level between relevant agencies, central and local authorities.

The OSCE/OCEEA and the OSCE Field Operations have pursued co-ordinated efforts aimed at delivering training activities, raising awareness through national, regional and international

events, and providing technical advice and support to drafting and implementing legislation in line with the Dublin Declaration principles. The challenge is to avoid duplication and complement the mandates and on-going activities of other international actors, through joint programming, agreements, and collaborations. Indeed the field presence and the long-standing OSCE confidence-building expertise and platform will continue representing the added value of the Organization vis-à-vis its current and future partners, such as the UN, OECD, Council of Europe, World Bank and others.

Particular attention will be devoted to the promotion of national risk assessment mechanisms among pS to identify vulnerabilities and threats of money-laundering (ML) and financing of terrorism (FT) and strengthen the capacities of Financial Intelligence Units to undertake financial crime investigations on ML/FT and corruption. The OSCE/OCEEA will also continue supporting training activities to develop increased awareness, professional capacity and knowledge in prevention and repression of corruption and ML/FT. The training activities will be designed for public officials and representatives of the private sector and the civil society.

The OCEEA will also continue supporting its partner organizations in awareness raising activities and delivery of training programmes, building upon established contacts, local presence and relevant expertise.

Furthermore, the OCEEA will endeavour to mainstream good governance in its economic and environmental activities by incorporating transparency, anti-corruption and AML/CFT elements where relevant. Good governance aspects, already introduced in the field of cross-border trade and transport facilitation and border management, will also be available in the areas of gender-sensitive labour migration and women economic empowerment. The OCEEA will also devote particular programmatic attention to the activities in the area of corruption prevention, thus also recognizing the importance of the Chapter II of UNCAC on “Preventive Measures”.

Also, the OCEEA will continue to work with the OSCE’s 15 Field Operations as the latter support their host countries in implementing their good governance commitments, including rendering support in developing anti-corruption and anti-money laundering legislation and guidance.