THE PANAMA PAPERS AND INVESTIGATIVE JOURNALISM IN AFRICA

LESSONS LEARNED FROM AND ABOUT THE DATA

LESSONS LEARNED PAPER

WORLD WIDE WEB
FOUNDATION

Summary

Governments are tasked to raise and spend tax revenues wisely to improve the lives of all citizens. However, all too often resources are allocated to the few and away from the many who are most in need. Such discrimination needs to be documented and made transparent. Opening up data can help to facilitate the process. Data can often tell us the basics: the who, what, where, when and why of financial transactions. And investigative reporters can use data to provide answers to these crucial questions, and to mobilise citizens and institutions to hold the offenders to account.

The International Consortium of Investigative Journalists (ICIJ), together with the German newspaper *Suddeutsche Zeitung* and more than 100 other media partners, spent a year sifting through 11.5 million leaked files from the Panama-based law firm Mossack Fonseca to expose the reported offshore holdings of world leadersand details of hidden financial dealings. The leaked data was commonly referred to as the Panama Papers. The African Network of Centers for Investigative Reporting (ANCIR), supported by funders such as the World Wide Web Foundation and Open Society Initiative of West Africa, coordinated and developed investigations in Africa. The Panama Papers project was the first time a major transnational investigation was coherently and collectively represented by journalists within the African countries being written about.

This paper summarises the lessons learned from the African investigations of the Panama Papers, both in terms of what we learned about doing investigative data journalism in Africa and in terms of what those investigations revealed about the reported offshore holdings of the powerful and the deliberately complex governance structures allegedly set up to conceal the flow of money.

1. Background

The International Consortium of Investigative Journalists (ICIJ), together with the German newspaper *Suddeutsche Zeitung* and more than 100 other media partners, spent a year sifting through 11.5 million leaked files from the Panama-based law firm Mossack Fonseca to expose the reported offshore holdings of world leaders and details of hidden financial dealings. The leaked data was commonly referred to as the "Panama Papers". The African Network of Centers for Investigative Reporting (ANCIR), coordinated and developed investigations with ICIJ in Africa through its Investigative Lab (iLab) team.

The trove of documents is thought to be the biggest leak of insider information in history. It includes nearly 40 years of data from Mossack Fonseca, a firm with more than 35 offices globally and which is reportedly one of the largest providers of offshore services. Such services can be used to create "shell" companies in order to hide the true ownership of assets. The leaked data includes emails, financial spreadsheets, passports and corporate records revealing reportedly the owners of bank accounts and companies in as diverse places as Nevada, Hong Kong and the British Virgin Islands.

By drawing on the leaked data from the Panama Papers, ANCIR has coordinated the publication of 50 articles in more than 20 African countries, including Nigeria, Kenya, Angola, Mozambique, Senegal and Egypt. ANCIR worked closely with many media houses in Africa, including *Ouestaf* (Senegal), *Depeche du Mali* (Mali), *INK* (Botswana), *The Namibian* (Namibia), *Inkyfada* (Tunisia), *Daily Monitor* (Uganda), *Voice of America* (Zimbabwe), *Premium Times* (Nigeria), *Verdade* (Mozambique), *L'Economiste du Faso* (Burkina Faso), *L'Evenement* (Niger), *Joy* (Ghana), *The East African* (Tanzania), *L'Alternative* (Togo), and *Aswat Masriya* (Egypt) among others.

THE DATA IN THE SECRECT FILES

Includes 11.5 million records, dating back nearly 40 years.

Contains details on more than 214,000 offshore entities connected to people in more than 200 countries and territories.

Shows company owners are billionaires, sports stars, drug smugglers and fraudsters.

Reveals the offshore holdings of 140 politicians and public officials around the world – including 12 current and former world leaders.

Includes the names of at least 33 people and companies banned by the US authorities for doing business with drug traffickers, terror groups and/or rogue nations like North Korea and Iran.

Shows how major banks have allegedly driven the creation of hard-to-trace offshore companies. More than 500 banks – including HSBC, UBS and Société Générale – reportedly created more than 15,000 offshore companies for their customers through Mossack Fonseca.
(see: https://panamapapers.icij.org/20160403-panama-papers-global-overview.htmls).

2. What did we want to achieve?

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Data, especially open data, can reveal systemic issues not readily visible to the naked eye. Largely stripped of ideological bias, data can reveal the ultimate ownership of resources and companies, election trends and anomalies, the flow of political finance and influence, the movement of capital and manipulation of price, the spending of budgets, the provision of public services and the awarding of tenders. And by organising a rash of data into structured and comparable information, data can expose how power is deployed in the real world.

Governments raise and spend tax revenues wisely to address systemic inequalities in society. Often resources are turned in the exact opposite direction: toward the few and away from the many. When this happens, it needs to be documented to make transparent such discrimination. Opening up data can help to facilitate the process. Data can often tell us the basics: the who, what, where, when and why of financial transactions. Investigative reporters can use data to provide answers to these crucial questions and to mobilise citizens and institutions to hold the offenders to account.

3. What did we do?

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The Panama Papers project was the first time a major transnational investigation was coherently and collectively represented by journalists within the African countries being written about. This work of the African journalists was supported by funders such as the World Wide Web Foundation and the Open Society Initiative of West Africa.

ANCIR coordinated and developed the African stories as part of its participation in a consortium of international organisations. More than two dozen local media houses and journalists contributed, including from Sierra Leone, Tunisia, Mali, Senegal, Nigeria, Tanzania, Egypt, Mozambique, Uganda, Kenya, Botswana, Namibia and other countries.

ANCIR provided support to African journalists in the form of editorial, prosecutorial, financial and technical services housed in its investigative lab, the iLab. This unit helped journalists gain a deeper understanding of the data that they were using to develop their stories. The iLab has financial and data experts, multi-language editors, data and thematic investigators skilled in fields such as illicit activities, organised crime and extractive industries. Veteran litigators also provided a range of skills from pitch to publication. By bringing together different types of expertise, media houses working with ANCIR's small iLab team were able to write these stories quickly, accurately and persuasively.

In mid-2015, a global event organised by ICIJ was held in Munich to introduce journalists to the Panama Papers data and to the overall project structure. Unfortunately, most African media houses did not have the resources to attend. To ensure that African journalists and editors were able to acquire the same knowledge and to provide a further edge in parsing the data, ANCIR's iLab team hosted an Africa-wide course in Johannesburg attended by journalists from nine African countries.

The Panama Papers project introduced an important political dimension to the journalistic process: journalists with a stake in their societies would stand on the front line and hold companies, organised crime and suspect political regimes to account. Traditionally, foreign journalists would parachute in, producing stories that lack the context in which the wrongdoing took place. Not fully comprehending the local environment, it's not surprising that international journalists often write the same clichéd narrative of African corruption over and over again. ICIJ's inclusion of African journalists helped place the evidence in a truthful context so that there might be accountability, whether legal or electoral. This was a distinct break from traditional media patterns.

The process also allowed Africans to direct the lens, write the words and hold wrongdoers to account in a way that is relevant within Africa. Whatever the outcome of the Panama Papers, African journalists defined the problem they saw in the leaks that they analysed.

4. What did we learn?

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4.1   LESSONS ABOUT DATA JOURNALISM

1. Data, even leaked data, needs to be interrogated

Data must be investigated as any other source would be – whether or not the data is leaked by whistleblowers. Data from company accounts or government budgets may be factual, but how the data are arranged and which data are not presented or disclosed speaks to the 'truth' of the data.

Journalists working on the Panama Papers had access to a prosecutorial editor who mentored them on how to interrogate their stories, and to search for corroboration, bias, contradiction, inconsistency and improbabilities in the leaked data and the official denials that followed.

Reporters also need to question the motivation behind the data provided. What does the person providing the data hope to convince you of or hide? These are important questions to consider. Corporate reporting, for instance, is notorious for allegedly aggregating and shielding granular activities. Questions around financial breakdowns will immediately be cut off by companies as confidential or proprietary. Similarly, every whistleblower has a motive or a reason for disclosing data. Most whistleblowers will reveal their motives in the 'ask': i.e. what are they asking you to take from the content and what do they hope to achieve. The Panama Paper's whistleblower expressed this in a letter citing the public good. Other whistleblowers are less altruistic, seeking to sell information to rival companies before approaching the media or to undermine a political or corporate opponent.

2. Journalists working with data need an environment conducive to asking for help

We are often averse to admitting when we need assistance from others, particularly from others in the same profession. For a journalist, being ashamed at not understanding the data or feeling "stupid" can be a strong incentive to avoid such stories or else to deal with them superficially.

African journalists involved in the Panama Papers were provided with experts from the iLab team to help them decipher the data. This was done in a safe and trusted environment where questions that might have been withheld were posed and answered – ranging from financial issues to structuring interviews and even fact checking data on stories. This also included helping journalists unlock data "encrypted" in languages other than their first language. ANCIR and ICIJ provided French editorial and research assistance to journalists throughout the process.

3. Technology changes everything – for better or for worse

People inclined to whistleblowing, and who are savvy with technology, can quickly transmit information anonymously. But with this powerful ability to release information comes dangers. Not every whistleblower is as savvy as he or she might think: metadata and other technological traces can often be found to the detriment of the whistleblower. New technologies and systems are necessary to help make the whistleblowing process safe and to provide a direct connection between whistleblowers and the media.

3. What did we learn?

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The technological thumbprints that can be left in the data can also endanger journalists in the middle of an investigation. The Panama Papers journalists had to use high-tech platforms and were required to scale up their security systems through, for example, encrypted email.

4. The rise of the suits

The Panama Papers data analysis taught journalists that intermediaries such as Mossack Fonseca inherently rely on other similar intermediaries including banks, law firms, accounting firms and trust companies to hide their paper trail. Meanwhile, offshore financial centres serve that same purpose. Respectable accounting firms have been criticised for reportedly giving entities in their own jurisdiction a clean bill of financial health when the overall structure of the business may be designed for aggressive tax avoidance, if not illicit evasion. Due diligence may be perfunctory, and supposedly independent oversight may be lacking due to lax existing regulations.

5. Whistleblowers: valuable but legally vulnerable

The Panama Papers was the largest leak of insider information in history. Yet, the source remained confidential from all but one or two partners. In other words, not everyone can be, chooses to be, or needs to be, a public figure like Edward Snowden. And the reason for this is that whistleblowers comprise one of the most vulnerable and unprotected members of society. There are few laws protecting whistleblowers globally and nationally; the laws that do exist are neither transnational nor without loopholes. Where whistleblowers do have formal protection, once their identity is known or suspected, many governments of employers simply take retaliatory steps, and while legal relief may be sought, it only comes many years and many thousands of dollars in legal fees down the road. Unfortunately, and too often, the whistleblower is at the mercy of every element including the media.

4. What did we learn?

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4.2   LESSON FROM THE DATA

1. Outsourcing financial oversight
Transnational business tends to not take place in the country where it most lucratively operates. Instead, financial activities may be "outsourced" to offshore jurisdictions where much more is allowed because of "don't ask, don't tell" policies. This virtual displacement can compromise regulatory oversight – and access to granular information – in countries which should have the information to ensure legal and tax compliance.

2. Arms-length pricing
Arms-length pricing is the right of companies to self-regulate information or data about the value of goods, services and transactions between subsidiaries of the same entity as if "independently" priced on the market. More than 60% of the estimated US$100 billion or more Africa loses per year in tax revenue is allegedly the product of corporate mis-pricing that occurs when companies manipulate value in their own interests. The Panama Papers data reveals that arms-length pricing provides the first and most critical cover for illicit and illegal activities.

3. Country-by-country reporting is the only way forward
The opacity created by arms-length pricing needs to be replaced by transparent country-by-country information such as on the beneficial ownership and names of linked companies, where taxes are paid, and where profits are recorded, among other areas. The danger of secrecy jurisdictions is compounded by the use of "virtual secrecy" provided by arms-length pricing. Most tax havens do not allow for informational inquiries. This means that requests for information from governments suspecting hidden malfeasance have to be very specific. This creates a conundrum; the governments have to know about the corruption before they can look for it.

4. Thy name is competition
Developing-country tax havens and offshore financial centres justify their presence in the context of market competition. They enable companies to reduce tax and other "costs" of business by legally establishing themselves in such jurisdictions, even when their profits may be made elsewhere. Such a legal loophole can create a 'race to the bottom' that affects neighbouring countries and a country's own citizens. 'Tax free' capital can flow in and out or remain ring-fenced in one part of the economy without benefiting the rest or providing the kind of tax base that a government needs to respond to citizens' demands for public goods and services.

5. What are our key take-aways?

<table>
<tr><td>**Lesson**
 1</td><td>## Leaks are good but not the solution – data must be open, official and public</td></tr>
</table>

From the perspective of civil society, parliaments and even governments, data leaks such as the Panama Papers help us access information that should be in the public domain but isn't. Opening up vast amounts of data to public scrutiny allows more eyes to examine and expose hidden corruption .

Opening up the data also makes possible a more robust process of data validation and its veracity as a reliable representation of reality. Following an open data format, as set out by the Open Data Charter, helps to guarantee that the data is comparable, accessible, understandable and timely.

In the longer-term, massive financial data leaks like the Panama Papers should be assigned to history through changes in policy and practice. Company financial reporting must ensure that the public release of information is mandatory. Countries must come to understand why it is to their benefit to establish mandatory company registries of beneficial ownership that are free and open.

<table>
<tr><td>**Lesson**
 2</td><td>## Journalists are going transnational</td></tr>
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Most companies operate transnationally. But until very recently, with the role of organisations like ICIJ, most media houses and projects operated at a national level. Yet in a globalised world, illicit and illegal activities often take place through networks spread across multiple countries. The Panama Papers reportedly showed how the mafia in Italy, for instance, operated in several African countries using Asian banks; and Beny Steinmetz used a host of tax havens under the political umbrella of the UK functioning as a vast corporate shield against scrutiny. These stories require journalists globally to work together to expose the bigger picture in a coherent fashion and on a transnational basis. In so doing, they may produce content that informs and persuades increasingly interconnected audiences to build pressure and demand responsiveness.

5. What are our key take-aways?

<table>
<tr><td>**Lesson**

3</td><td>Trust and integrity are key for collaborative journalism</td></tr>
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The Panama Papers witnessed a massive collaborative effort across the globe, and has been described as the broadest and most technologically challenging journalistic project ever undertaken. Data journalism is undoubtedly a team game that relies inherently on trust and integrity rather than money or flashy tools. Analysts and experts help do the heavy lifting, and the journalists on the ground weave a compelling narrative supported by the data and with the assurance of legal protection. The volume and complexity of data requires the journalist to depend on a team with ever more diverse and specialised skills, including other journalists with sector-specific knowledge and expertise (e.g. the oil industry or organised crime).

Although many of the fundamentals are shared, data journalists are also different from other journalists. Data journalists need to be able to overlay and mix up different data sources to unearth unexpected patterns that may be of interest to news editors, and they need to be able to conceptualise content across multiple media platforms.

<table>
<tr><td>**Lesson**

4</td><td>Technology is 5% – human behaviour 95%</td></tr>
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Technology that enables access to leaks or shared information is just 5% of the solution. Human behaviour – how the information is investigated, attributed, inputted, retained and shared in the context of personal and professional access – makes the biggest difference. This speaks to both the process of investigation and the way in which relationships between sources and colleagues are protected. By opening global doors, technology has also paved the way for vulnerabilities that could negatively affect users. This ranges from how we manage our devices to the strength of our passwords. Our behaviour affects us and the safety and security of others who place their trust in us. The Panama Papers project taught journalists to treat their devices as if a threat was imminent.

6. Areas for future research

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The villains must not be replaced with newer, more invisible villains. Scandal around individuals or entities must not overshadow or substitute the systemic change needed to halt the legalised and illicit misallocation of resources.

As the Panama Papers data reportedly showed, loopholes are embedded deeply in governance structures, in financial reporting standards that overlook information blackholes, and international laws that operate in fragmented, constrained and blinkered silos. But neither the investigative media nor research and advocacy centres can go the path alone. These efforts must be coordinated to create the systemic change that is needed. And rather than invest in trending or flashy 'data' tools or initiatives, collaborative investigative journalism that masters the basics must lead the way in documenting and exposing the unjust consequences of illicit activities, systems and financial flows. And it must continue to develop a breed of journalist that is able to use vast, publicly available datasets to find the stories hidden in complex transactional arrangements.

For more information on this project, visit our website at labs.webfoundation.org or get in touch with us directly at **contact@webfoundation.org**. Other related media are also available in the resources section of our website.

↘ If you want to learn more about the project, email us at **contact@webfoundation.org**

↘ If you want to look at other open data projects, see **www.webfoundation.org**

↘ If you want to give it a try and implement the approach – with or without us – let's talk!

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