Responses from Transparency International UK

__Questions 1, 2, 3 and 5: What are the key opportunities, challenges, threats and vulnerabilities facing the UK now? What are the key global and domestic trends affecting UK international policy and national security out to 2030, and how should the government prioritise its efforts in response to these? What are the key steps the UK should take to maximise its resilience to natural hazards and malicious threats? How can we build a whole of society approach to tackle these challenges? What changes are needed to Defence so that it can underpin the UK's security and respond to the challenges and opportunities we face? (Submissions focusing on the changing character of warfare, broader concepts of deterrence, technological advantage and the role of the Armed Forces in building national resilience are particularly welcome.)__

Transparency International UK finds that corruption is dangerous, divisive and wasteful; it emboldens those hostile to British interests, renders our allies less dependable, closes markets to British business, and robs populations internationally of the resources needed to achieve sustainable development.

At present, there is a **clear threat from the UK's strategic competitors**, namely Russia and China, which are using corruption to undermine democracies or reinforce their tactical advantage internationally.[1]

The Integrated Review of Security, Defence, Development and Foreign Policy is a critical opportunity to grapple with the cross-cutting impact of corruption in defence and security, trade and development:

Strengthening defence and security

Corruption in the defence sector poses a significant danger to stability within a state by incapacitating defence forces and rendering them ineffective in protecting the population.[2] It can also stoke unrest and division by undermining public trust and strengthening armed adversaries.[3] The Government's own analysis[4] points to how conflict and instability around the globe harm the UK's national interests and compromise its resilience.

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[1] See e.g. [Russia](#). Intelligence and Security Committee of Parliament (2020).
[2] [The Fifth Column: Understanding the Relationship Between Corruption and Conflict](#). Transparency International Defence & Security (2017).
[3] Ibid.
[4] [Building Stability Overseas Strategy (BSOS)](#). Department for International Development, Foreign and Commonwealth Office, and Ministry of Defence (2011).

By contrast, anti-corruption initiatives improve effectiveness at the political-military level, as well as the operational and tactical levels.[5]

The UK should mainstream anti-corruption in its approach to defence integrity both at home and abroad by:

- **Ensuring that the MoD, FCDO and the British military continue to take a leadership role in encouraging other countries and international organisations to follow anticorruption best practice.** Transparency International Defence & Security's research, expertise and tools can support the UK Government to identify global best practice to help defence and security institutions, policy makers and senior members of armed forces across the world understand the risks posed by corruption and how to mitigate these. The ongoing collaboration between the UK Government and TI Defence & Security is a strong platform from which the UK Government pursues its stated agenda to play a leading role in promoting responsible defence governance, in which it has already made a substantial investment.

- **Building anti-corruption strategies into planning for operations and other overseas interventions.** Ineffective anti-corruption planning can inadvertently strengthen corrupt networks and malign actors. Building on experience in Afghanistan and elsewhere the UK can mitigate these risks by incorporating anti-corruption planning into the design and conduct of military and other interventions. The Government Defence Integrity Index demonstrates that there is still a lot of work to do in mainstreaming corruption threats into operational planning.

- **Harnessing the potential for defence sector integrity initiatives to mitigate the role of corruption as a driver of conflict and insecurity.** Drawing on evidence of global best practice and engaging friends and allies' national defence and security institutions will assist them to confront and mitigate all forms of corruption risk. We encourage the Government to draw on analyses such as the Corruption Perceptions Index[6] and Government Defence Integrity Index[7] to help inform those seeking to assess the impact of corruption and the ability of countries to act in defence and international security.

Enabling development and economic security

Grand corruption is a significant contributing factor preventing countries around the world from developing, instead remaining dependent on international development assistance.

Internationally, the health sector in particular matters to our resilience here in the UK. Corruption silently eats away at resources across health systems.[8] As the COVID-19

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[5] See e.g. Making the system work: Security assistance to Ukraine, 2014-2017. Transparency International Defence & Security (2019).

[6] Corruption Perceptions Index. Transparency International (2019).

[7] Government Defence Integrity Index. Transparency International Defence & Security (2020).

[8] The Ignored Pandemic: How corruption in healthcare service delivery threatens Universal Health Coverage. Transparency International Health Initiative (2019).

pandemic has demonstrated, **the UK's own biosecurity is only as strong as the weakest health system**. Corruption in health can lead to the uncontrolled spread of infectious disease, antibiotic resistance and the perpetuation of poverty.

Development is further hindered when corrupt individuals are able to steal public funds from state budgets and launder the proceeds of their crimes. This often occurs through the use of secretive shell companies registered in the UK[9] and Britain's offshore financial centres.[10] Despite the UK's significant efforts to prevent money laundering in recent years, the corrupt and their cronies the world over remain able to launder the proceeds of their crimes through the help of British companies and professional service providers.[11]

Britain should mount an assault on the world's corruption problem from both ends:

In addition to strict controls on UK aid to prevent corruption, HM Government should seek to build anti-corruption initiatives into its programmes to complement and strengthen efforts to eradicate poverty, strengthen health systems, and ultimately help ensure that economies in developing countries are better placed to do business with us.

Existing programmes like the FCDO 'Promise to Practice' project run by Transparency International UK, which enables civil society groups to track their governments' progress in implementing the commitments made at the London Anti-Corruption Summit in 2016, have seen impact in countries around the world.[12]

Britain should also do more to stop funds stolen from state budgets around the world being laundered and subsequently hidden in Britain or via British Overseas Territories.

HM Government has already taken steps toward addressing the UK's role in global money laundering schemes by launching consultations and drafting legislation, but these initiatives need to be brought to completion in order to be effective in tackling corruption around the world. We encourage the Government to urgently progress these its own initiatives, all of which have cross-party support in Parliament:

● **Legislate for the Registration of Overseas Entities Bill**[13], which would establish a public register of the beneficial owners of overseas companies that own or buy property in the UK. The Bill has undergone extensive public consultation and received scrutiny by a Joint Committee in Parliament, which has urged the Government to legislate "as soon as possible".[14] The Queen's Speech in December

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[9] Hiding in Plain Sight: How UK companies are used to launder illicit wealth. Transparency International UK (2017).
[10] The Cost of Secrecy: The role played by companies registered in the UK's overseas territories in money laundering and corruption. Transparency International UK (2018).
[11] At Your Service: Investigating how UK businesses and institutions help corrupt individuals and regimes launder their money and reputations. Transparency International UK (2019).
[12] Anti-Corruption Pledge Tracker. Transparency International UK (2020).
[13] Consultation: Draft Registration of Overseas Entities Bill. Department for Business, Energy and Industrial Strategy (July 2018).
[14] HL Paper 358 - HC 2009, report of Session 2017-19. Joint Committee on the Draft Registration of Overseas Entities Bill (May 2019).

2019 was accompanied by a commitment to progress the required legislation[15], as was the UK Anti-Corruption Strategy 2017-2022: Year 2 Update.[16]

- **Assign Companies House the duty, powers and resources to ensure the data it holds on companies is verified and accurate**, in order to prevent UK-registered companies being used to launder the proceeds of corruption and other crimes, such as illegal arms sales and sanctions evasion. HM Government has consulted on proposed reforms.[17]

- **Provide the UK Overseas Territories with technical and financial assistance to enable them to introduce public registers of company beneficial ownership** in line with obligations under the Sanctions and Anti-Money Laundering Act (2018).

There is a pressing need for British diplomacy to mobilise multilateral efforts to drive dirty money out of the world's major financial centres, and for the UK's anti-money laundering efforts to be an integrated part of our global security strategy.

The G7 in 2021 is an opportunity for Britain to restate its contribution to the global fight against corruption. **We urge the Government to make tackling illicit finance a priority throughout its presidency of the G7.**

- **Continue to lead international initiative to advance global standards on beneficial ownership transparency, asset recovery, public procurement, and open data**.

Increasing trust in international trade and commerce

Overseas markets where corruption is endemic are difficult, if not impossible, operating environments for British business. When contracts are won through nepotism and bribery, corruption in any country's public sector closes those markets to law-abiding British firms, becoming a barrier to shared prosperity through trade.

Research shows that corruption is detrimental to international trade and business.[18] The PwC Global Economic Crime Survey 2020 has found that 39% of UK respondents lost an opportunity to a competitor who they believed paid a bribe.[19]

Transparency International's *Exporting Corruption* report shows that of the world's 44 leading global exporters, 33 countries have limited, little or no anti-bribery enforcement.[20] **As Britain**

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[15] The Queen's Speech 2019. Prime Minister's Office (December 2019). See also Register of Beneficial Owners of Overseas Entities Update: Statement made on 21 July 2020. Hansard (2020).

[16] United Kingdom Anti-Corruption Strategy 2017-2022: Year 2 Update. HM Government (2020).

[17] Consultation: Corporate Transparency and Register Reform. Department for Business, Energy and Industrial Strategy and Companies House (May 2019).

[18] The Impact of Corruption on Growth and Inequality. Transparency International Anti-Corruption Helpdesk (2014).

[19] Global Economic Crime Survey 2020. PWC (2020).

[20] Exporting Corruption. Transparency International (2018).

embarks on a new chapter as an independent trading nation, the Government should promote adherence to the OECD Anti-Bribery Convention.

HM Government has recently made the case that a reduction in global corruption, combined with lower barriers for business and stronger corruption penalties, can "improve the business environment, improve investment in public services and enhance UK soft power".[21]

To build prosperity at home and abroad, Britain's trade policies should seek to level the playing field for law-abiding businesses by raising anti-corruption standards globally. To do so, the Government should:

- **Enshrine anti-corruption and transparency provisions into our new free trade agreements**. Britain should seek to raise and promote best practice globally in its new free trade agreements by including specific anti-corruption provisions. This will support law-abiding British businesses trading in new markets and would follow best practice in key existing free trade agreements, such as the Trans Pacific Partnership.[22]

- **Ensure higher standards for development finance and support for exports.** A strategy of increasing trade with high-growth emerging markets gives a key role to UK Export Finance (UKEF). This will require significant improvement in UKEF's new anticorruption procedures, to prevent transactions involving companies embroiled in corruption allegations elsewhere[23]. While corruption has been recognised as an enabler of instability and conflict, the risks associated with corruption in the arms trade are insufficiently mitigated through existing processes for licensing and regulating arms exports.[24] When weapons are exported to countries where defence institutions face a critical corruption risk, the UK should actively seek to prevent corruption and diversion of arms in the destination country.[25]

- **Require procurement transparency from private and state partners**, in line with the Open Business principles for private procurement transparency.[26]

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[21] Prosperity Fund Business Case: Global Anti-Corruption Programme. HM Government (December 2019).

[22] Chapter 26 - Transparency and Anti-corruption, Comprehensive and Progressive Agreement for Trans-Pacific Partnership, CPTPP (2018).

[23] Weak Link or First Line of Defence? The role of UK Export Finance in fighting corruption in a post-Coronavirus and post-Brexit trade drive. Spotlight on Corruption (2020).

[24] See pp. 65-66 UK Arms Exports During 2016. House of Commons Committees on Arms Export Controls (2018).

[25] See also Holes in the Net: US arms export control gaps in combatting corruption. Transparency International Defence & Security (2020).

[26] Open Business: Principles and guidance for anti-corruption corporate transparency. Transparency International UK (2020).

Question 7. What lessons can we learn from the UK's international delivery over the past 5 years? Which are the key successes we should look to develop and build on, and where could we learn from things that didn't go well?

The UK has long enjoyed a reputation as an international leader in tackling corruption. Transparency International UK, Transparency International Defence & Security and the Transparency International Health Initiative have had the privilege of partnering with the UK to deliver international anti-corruption programmes over the past three years. Our key reflections on these projects' successes, and well as lessons we can learn from the delivery of these programmes, are:

- **Respected indices that provide a high-quality evidence base of corruption risks set the standards globally for defence governance.**

The Government Defence Integrity Index (GDI)[27], which assesses the effectiveness with which individual governments recognise and mitigate corruption risk, is recognised as a benchmark of global best practice. The index has been adopted by the UK and other governments around the world as a framework against which to design and assess the effectiveness of their own transparency and anti-corruption measures, as well as providing evidence with which civil society is able to hold their defence institutions to account.

In Nigeria, for example, in partnership with the TI chapter CISLAC, and in the context of ongoing insecurity and corruption-fuelled terrorism, TI-DS trained journalists and parliamentarians who went on to highlight the non-payment of a combat allowance to soldiers.[28] High profile media coverage resulted in the Army making payments to 20,000 troops for the first time with a value of millions of dollars per month.

The parallel Defence Companies Index (DCI)[29] provides the same incentive for defence and security suppliers to improve the effectiveness of their transparency and anti-corruption processes.

- **Diplomacy can leverage international political support for development efforts**

The 2016 Anti-Corruption Summit convened in London by the UK Government acted as a catalyst to promote integrity and defend against corruption internationally - it resulted in 648 written commitments made by over 40 governments to fight corruption.[30]

Its success resulted from the clear determination of the host government, allied with the shared resolve of all the heads of government in attendance, unencumbered by those governments who chose not to participate. The close partnership with civil society organisations gathered the day preceding the summit, laid the ground for grassroots efforts in many countries to subsequently hold their government to account for delivering on the commitments made.

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[27] Government Defence Integrity Index. Transparency International Defence & Security (2020).
[28] 'Again, Nigerian Soldiers Write Buhari Over Corruption in the Military, Disparity in Wages'. Opera News (2020).
[29] Defence Companies Index. Transparency International Defence & Security (2020 iteration forthcoming).
[30] One Year On: What has Happened since the Summit? Transparency International UK (2017).

- **Summits are just talk unless held to account to deliver. Accountability mechanisms and grassroots campaigns help ensure reforms are delivered.**

Strategic monitoring and advocacy for anti-corruption commitments via UK Government support for Transparency International UK's Promise to Practice project has resulted in sustained progress in policy reform.[31] 76% of commitments made by 20 governments at the Summit are now underway, ongoing or complete.[32] Enabling civil society to support governments on complex, technical legislation, raise public awareness and advocate for change, has been key to strengthening transparency of government systems and improving anti-corruption policy delivery.

As a result of this project, civil society organisations across several countries have spearheaded pivotal reforms, such as the drafting of asset recovery legislation in Afghanistan, securing the high level endorsement of key reforms in public procurement and beneficial ownership transparency in Jordan, and the implementation of whistleblower protection legislation through official trainings to the police and victims of corruption in Sri Lanka.[33]

Feedback from the latest independent evaluation of this initiative stresses that this work "*has empowered CSOs to engage with the government on reform to reduce opportunities for grand corruption, and has helped kick-start anticorruption reforms that would otherwise have been abandoned or forgotten. It has contributed towards the process for setting up mechanisms and institutions that will help in reducing the levels of corruption and punish corrupt offenders".*[34]

- **Increasing transparency in health procurement processes prevents waste, deters corruption, and leads to better health outcomes.**

UK Aid has helped increase transparency of procurement processes in national health systems both globally, and with select priority countries for development in Africa and South Asia. Working with the Transparency International Health Initiative (TI-HI) the UK Government has supported the Open Contracting for Health project[35], an initiative to build in-country coalitions to ensure accountability in contracting processes. Across the five countries, the project works with the private sector, government officials and civil society and has reached over 2000 individuals to date to improve the transparency of procurement in local and national health systems.[36]

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[31] Advocacy in Action. Transparency International UK (2019).
[32] Why monitoring promises to combat corruption is now more important than ever. Transparency International UK (2020).
[33] Ibid.
[34] DFID Independent Evaluation of I-ACT (Tracking Anti-Corruption Summit Commitments), March 2020.
[35] Open Contracting for Health. Transparency International Health Initiative (ongoing).
[36] See also The Dashboard and The Hub. Transparency International Health Initiative (ongoing).

Question 8. How should UK systems and capabilities be reformed to improve the development and delivery of national strategy?

Britain should build upon its world-leading transparency and anti-corruption initiatives, mainstreaming them the whole of government foreign policy, defence and security strategy.

The UK Government can achieve this by:

Strengthening defence and security

- **Ensuring that the MoD, FCDO and the British military continue to take a leadership role in encouraging other countries and international organisations to follow anticorruption best practice.**

- **Building anti-corruption strategies into planning for operations and other overseas interventions.**

- **Harnessing the potential for defence sector integrity initiatives to mitigate the role of corruption as a driver of conflict and insecurity.**

Enabling development and economic security

- **Building anti-corruption initiatives into development programmes to complement and strengthen efforts to eradicate poverty, strengthen health systems, and ultimately help ensure that economies in developing countries are better placed to do business with us.**

- **Preventing funds stolen from state budgets around the world being laundered and subsequently hidden in Britain or via the British Overseas Territories.**

- **Mobilising multilateral efforts to drive dirty money out of major financial centres; advancing global standards on beneficial ownership transparency, asset recovery, public procurement, and open data.**

Increasing trust in international trade and commerce

- **Enshrining anti-corruption and transparency provisions into the UK's new free trade agreements.**

- **Ensuring higher standards for development finance and support for exports.**

- **Requiring procurement transparency from private and state partners.**

Together, these actions can improve the development and delivery of a national strategy that mainstreams anti-corruption in Britain's contribution to the world, builds resilience against security threats, and enhances our international standing.

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