



Integrated Review: Call for Evidence

September 2020



**UK Anti-
Corruption
Coalition**

Corruption is a significant and cross-cutting threat to the UK.

Firstly, corruption **weakens our national security**. It is deployed by our strategic competitors to undermine the UK and other democracies. It can also create conflict and instability, with subsequent consequences for regional security, migration, and economic security.

- Certain governments may use corruption strategically as a foreign policy tool for purposes ranging from election interference to securing trade deals through corrupt transactions, including against the UK and our allies.¹
- Corruption creates the conditions in which conflict thrives. It perpetuates poverty, inequality and injustice, wastes funds that could be spent on development and human security, and facilitates the operations of extremist groups and organised crime syndicates.² Significant instability can also arise when public confidence in democratic institutions is undercut by corruption.

Secondly, corruption **harms our prosperity** by exposing British businesses to potentially harmful environments and limiting our ability to trade.

- Corruption is detrimental to international trade and, where endemic, creates a near-impossible business environment.³ Nepotism, bribery and corruption in public sector contracting effectively closes certain markets to law-abiding British firms, thus becoming a barrier to shared prosperity through trade.⁴ There is also a risk that more British businesses will be exposed to improper and illegal practices as the Government seeks to develop new trading relationships.⁵
- In particular, fighting corruption in the extractives sector is essential given the scale of the problem⁶ and the large presence of oil and mining companies on the London Stock Exchange.⁷ Alongside the business risks, the environmental and social consequences of inadequate transparency and oversight in extractives can be

¹ See, for example, [Intelligence and Security Committee of Parliament \(2020\), *Russia: Robert Barrington, 'Losing the fight against graft'*, *World Today*, Chatham House](#); [Transparency International \(2019\) *Corruption as Statecraft: Using Corrupt Practices as Foreign Policy Tools*](#); and [Transparency International UK \(2018\) *In Whose Interest?*](#)

² [Transparency International \(2017\) *The Fifth Column: Understanding the Relationship Between Corruption and Conflict*](#).

³ The overwhelming majority of research shows that corruption is detrimental to international trade and business. See, for example, [Transparency International Anti-Corruption Helpdesk \(2014\) *The Impact of Corruption on Growth and Inequality*](#).

⁴ [PwC's \(2020\) *Global Economic Crime Survey*](#) found that 39% of UK respondents had lost an opportunity to a competitor who they believed had paid a bribe.

⁵ [Transparency International's \(2018\) *Exporting Corruption*](#) report shows that 33 of the world's 44 leading global exporters have limited, little, or no anti-bribery enforcement.

⁶ More cases pursued under the US Foreign Corrupt Practices Act (FCPA) come from the extractives sector than any other industry, see [Stanford Law School and Sullivan and Cromwell LLP, *Foreign Corrupt Practices Act Clearinghouse: Key Statistics*](#), accessed on 11 September 2020; The same is true for cases pursued by the main signatories of the OECD's Anti-Bribery Convention, see [OECD \(2014\) *OECD Foreign Bribery Report: An Analysis of the Crime of Bribery of Foreign Public Officials*](#), accessed on 11 September 2020.

⁷ The UK has a special interest in this issue due to the large presence of oil and mining companies on the London Stock Exchange and the UK's diverse interests in resource-rich developing countries. Major UK listed companies including Shell, BP, Glencore, and others, are caught up in corruption-related scandals or investigations, in part because they operate in countries where the oil and mining industries lack adequate transparency and oversight.

severe, risking the health of both local communities and UK citizens for future generations to come.⁸

Thirdly, the UK's reputation as a safe haven for the proceeds of corruption **damages our international standing**.

- Research has shown that the UK and the Overseas Territories are often used to launder and subsequently hide funds stolen from state budgets around the world.⁹ Such a scenario exposes the UK to charges of hypocrisy when it promotes the rule of law elsewhere and, in the process, undermines the positive work of anti-corruption capacity building initiatives supported by UK Government departments.¹⁰

However, the Integrated Review also provides an opportunity to rethink our approach to corruption and better utilise the UK's existing expertise.

The UK Government should:

- Develop a long-term anti-corruption strategy at the international level, drawing on the Home Office's Anti-Corruption Strategy 2017-2022¹¹;
- Utilise the UK's world-leading pool of expertise within DFID, the Home Office, civil society, and academia, and properly resource anti-corruption work within the Government¹²;
- Build prosperity at home and abroad by enshrining anti-corruption and transparency initiatives in new free trade agreements¹³, ensuring higher standards

⁸ See RAID (2020) *Victims of Corruption* and Transparency International Anti-Corruption Resource Centre (2012) *U4 Expert Answer: Environmental Crime and Corruption*.

⁹ Over the last 30 years, 1,201 different companies registered in the UK's Overseas Territories have aided gross abuses of entrusted power for private gain around the world, while further research has identified that nearly 600 UK businesses, institutions, and individuals have helped corrupt individuals, unwittingly or otherwise, obtain, move and defend the proceeds of corruption, leading to an estimated £325 billion worth of suspect funds being funnelled through the UK economy in the past 30 years. As reported in Transparency International (2018) *The Cost of Secrecy* and Transparency International (2019) *At Your Service* respectively.

¹⁰ One example of a successful project is the DFID/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, has seen impact in countries around the world.

¹¹ See HM Government (2017) *United Kingdom Anti-Corruption Strategy, 2017-2022*.

¹² DFID's specialist Governance, Open Societies & Anti-Corruption (GOSAC) unit should be retained, expanded, and merged with the FCDO's own corruption team. The existing capability can be built on to advise on the new strategy, continue current work on areas such as evidence-building, transparency in the defence and extractives sectors, illicit financial flows, and open contracting. With proper resourcing, the expertise of both the new FCDO team and the Home Office's Joint Anti-Corruption Unit (JACU) would be a world-leading combination.

¹³ Doing so would contribute to raising and promoting best practices globally, and follow best practice in key existing free trade agreements, such as the *Trans Pacific Partnership's (2018) Chapter 26 - Transparency and Anti-Corruption*.

for development finance and support for exports¹⁴, and requiring high standards of procurement transparency from state partners as well as private partners¹⁵;

- Protect the UK from strategic corruption by implementing key reforms to stop the proceeds of corruption being laundered and hidden in the UK and the Overseas Territories¹⁶; and
- Continue our global leadership on Beneficial Ownership, Asset Recovery, Public Procurement, Open Data, Commodity Trading and Payment Disclosure, and ongoing support for the Extractive Industries Transparency Initiative (EITI).

¹⁴ Reaping the economic dividends of Brexit will only be possible if our transactions are secure and resilient; this means knowing who we trade with and if they can be considered trusted recipients of taxpayer money. [Spotlight on Corruption's \(2020\) *Weak Link or First Line of Defence?*](#) found several areas in which UK Export Finance should enhance its anti-corruption defences, including ensuring that companies that receive support have provided full beneficial ownership information at Companies House.

¹⁵ These should draw on expertise from organisations like the [Open Contracting Partnership](#) and [Transparency International UK's \(2020\) *Open Business*](#) principles for private procurement strategy.

¹⁶ These include including legislating for the Registration of Overseas Entities Bill, providing Companies House with the powers and resources to ensure the data it holds on companies is verified and accurate, and providing the UK Overseas Territories with technical and financial assistance to enable them to introduce public registers of company beneficial ownership in line with their obligations under the Sanctions and Anti-Money Laundering Act (2018).

The UK Anti-Corruption Coalition brings together the UK's leading anti-corruption NGOs who, through their work, witness the devastating impact of corruption on society.



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