

International Development Sub-Committee on the Work of the Independent Commission for Aid Impact

Oral evidence: UK's approach to tackling corruption and illicit financial flows, HC 993

Monday 23 November 2020

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Members present: Theo Clarke (Chair); Mr Richard Bacon; Kate Osamor; Mr Virendra Sharma.

Questions 1 - 28

Witnesses

I: Sir Hugh Bayley, Commissioner, Independent Commission for Aid Impact; Marc Buchner, Team Lead for ICAI's Information Note, Independent Commission for Aid Impact.

II: Robert Barrington, Professor of Anti-corruption Practice, Centre for the Study of Corruption, University of Sussex; Daniel Bruce, Chief Executive, Transparency International UK; Thom Townsend, Executive Director, Open Ownership.

Examination of witnesses

Witnesses: Sir Hugh Bayley and Marc Buchner.

Q1 Chair: Welcome to our first panel of witnesses for the Sub-Committee on the Work of ICAI's evidence session today about ICAI's note on anti-corruption. There are a very broad range of problems caused by corruption, but I am keen to know what the key development issues are.

Sir Hugh Bayley: Thank you very much for inviting us here. Corruption has an enormous negative effect on development. It slows down development. It compounds problems in fragile states. It inhibits investment and trade. The costs of corruption, as the Committee knows very well from its past work, fall with greatest effect on the poor. In our lines of inquiry, we have highlighted to you a number of questions that we think could be pursued with the Government about how the benefits of the development of the Government's multifaceted anti-corruption strategy can best be safeguarded and driven forward.

Marc Buchner: I would echo what Hugh said about how intrinsically fundamental this portfolio of work is across the entirety of development. We talk about the depth of that in the report. In terms of the key developmental issues, the ones that seem particularly pertinent and live are the overlaps with trade, prosperity and security. I recognise that those in themselves are very deep and broad issues, but that is the nature of this work.

Q2 Chair: Do you think the Government have done enough in targeting their interventions sufficiently at the development aspects of corruption?

Marc Buchner: This was an information note and it was non-evaluative. The goal of the note was to map the activities that we could see that ODA was being spent on, so we are not really in a position to say whether the Government have done enough in any given area. It is certainly a fundamental question and, from our perspective, it would be not only a great question for the Government but an important follow-on to this work in having the opportunity to work evaluatively.

Q3 Kate Osamor: I would like to welcome both our witnesses, Marc and Hugh. Marc, in general, how can we measure whether the Government are giving a high enough priority to development issues in their policy on anti-corruption?

Marc Buchner: As you will probably know, that is a giant question. First, I should note again that this was not evaluative. The question you are asking is beyond the scope of the work we undertook in this particular report and is a very difficult one. The area I would point you to in our report and findings is that, even if we were to come up with a really impressive way to measure these outcomes, by the very nature of corruption and illicit financial flows, the problems we face move very regularly. That is because the perpetrators often have very great resources. This has been increased with globalisation and technology.



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Whatever measures were to be used, we would need to consider that. It creates further complexity.

- Q4 **Kate Osamor:** Can I ask Sir Hugh the same question? How can I put this without being rude? I understand from what Marc is saying that this is all your opinion. This is not what I am saying is down in black and white. What is your opinion? With all the work that you have done, can you say in all honesty whether anti-corruption is a high priority for the Government when we are looking into development?

Sir Hugh Bayley: May I start by saying a little about the origin of the note? This is an information note. As you will know, when ICAI produces information notes, it does so quickly and does not reach recommendations or conclusions. This particular information note was commissioned by your predecessor Committee before the general election as a contribution, in effect as evidence, for its inquiry on SDG 16, an inquiry that it never completed.

We believe our work bears scrutiny independently from that inquiry but we, as ICAI, are not here to express opinions. We were asked specifically by the Committee to develop questions that you, the Committee, can put to the Government. I believe it is your intention to get a Minister along to press these particular questions.

To unpick it a little more, the Government's cross-departmental anti-corruption strategy is led by an MP, the anti-corruption champion, who has to take an interest in both the domestic and law enforcement agenda and the wider international agenda. You might want to make inquiries about how the anti-corruption champion balances the two.

- Q5 **Kate Osamor:** As you can well imagine, as a Committee, we need to measure and to find out whether anti-corruption is a high priority. Your note of recommendation of where to look is very much appreciated. You have slightly answered my next question. How can we measure whether the fight against corruption in developing countries will be helped or hindered by the merger of FCO and DFID?

Sir Hugh Bayley: The merger can bring some benefit to the Government's work. At map 2 on page 13 of the information note, we describe in a diagram the complicated governance structure with six different Government Departments and agencies on top of that all being required to perform different parts in the overall UK anti-corruption strategy. Two of those Departments, DFID and FCO, have worked closely together in the past but are probably likely to, or at least have the potential to, work more closely together when the teams are eventually co-located. At the moment, the Department, as you are aware, is in the process of bringing the two strands together. That could be a benefit.

The issue that I would be watching from your Committee's standpoint is whether the emphasis on development given by the joined-up working of



the Department is as strong as ever. That is the development question to be followed through.

Marc Buchner: It is very important to reiterate that the merger was not part of this when we completed the work. We completed the vast majority of the research for this in September 2019 and published the report in March. I would note that, historically, there were points in 2006 and in 2015 to 2017 when the Government were very clearly prioritising anti-corruption and, indeed, development issues as part of anti-corruption. That was prioritised in stated policy and we can cite significant activities too.

It is certainly true that, since 2016, four major policies were published by the Government, all of which had a strong bearing on illicit financial flows or anti-corruption, either specifically or in significant part. One key factor that one might ask the Government going forward now is how easy it is to maintain that priority given the other numerous complex priorities that have emerged, particularly since this report has been published, with Brexit, the pandemic and changes to UK trade arrangements. That is one way in which we could consider measuring it.

Q6 **Kate Osamor:** Sir Hugh, you just spoke about the maps and especially the maps in the note. I just want to ask you a bit more about that. We can see that the picture of anti-corruption is very complex. How easy or realistic do you feel it would be to ask the Government to work towards a single overarching strategy to prevent confusion? There has been debate about how confusing it is because there are so many different Departments working together. As you rightly said, there is a potential for the merger to help to bring things together. In your view, how could the Government work together to make the strategy a lot more simple?

Sir Hugh Bayley: Making it simple will be difficult, because the six different Government Departments must all do things if the strategy is to be delivered. There is, of course, ministerial oversight. There is the oversight being provided by John Penrose, the anti-corruption champion. There is also a joint ministerial committee. One of the questions you might want to ask is how frequently that meets and whether all the Departments are adequately represented there. Then located within the Home Office is the Joint Anti-corruption Unit, which is a team of civil servants who weave together the work of these six different Government Departments and agencies.

There is an overarching anti-corruption strategy, agreed in 2017. As this map explains, there are three other strategic documents beside it. One, which has not been published, relates to international illicit financial strategy. Then there is the economic crime plan, published last year, and the serious and organised crime strategy published the year before. They relate back to the overarching anti-corruption strategy. There is a question, which your Chair started this meeting with, about our line of inquiry 1.1, which asks, "Does the Government's strategy give sufficient



emphasis to reducing corruption in developing countries?" That is clearly something that you will want to pursue with the Minister.

We are not to advise on whether the strategy is good or bad. If the Committee were minded to propose yet another strategy, we would warn a little against strategy fatigue. These four strategic plans have been developed over the last three years and have taken a lot of civil servant time and effort. It is perhaps more important, from your Committee's point of view, to ensure that they deliver the development dimension and the support for anti-corruption work in developing countries than revising the strategies themselves. That is ultimately a matter for your Committee and the Government. But our finding was one of strategy fatigue, if that is a way to put it, among officials.

Marc Buchner: I would like to highlight a couple of the things that Sir Hugh mentioned. First, in response to whether there is an overarching strategy, there is an anti-corruption strategy. It is worth noting at this point that this information note was asked to look into anti-corruption and illicit financial flows, which are not, either internationally or within the UK Government, a single policy area, hence why there were several different policies that relate to it.

Where it comes to an overarching strategy, I would absolutely echo what Hugh said. You could spend an awful lot of time asking whether there should be one strategy or several and choosing how to cut these things. You could ask whether there should be an overarching strategy for SDG 16, for example. Wherever one ends up in that cutting, it is the implementation that is really critical. The questions pertaining to prioritisation, particularly prioritisation of the development agenda, are critical.

Two notes that may be of interest from our findings are a couple of the changes in the oversight and operations of anti-corruption work. One of those was the champion being an MP rather than a Minister. The second was that JACU, the Joint Anti-Corruption Unit, which is the cross-departmental operational unit to deliver this strategy, was moved from Cabinet Office to Home Office. We do not have a recommendation with that but it might be worth asking.

Q7 **Mr Sharma:** The note is based on the situation back in October 2019. What are the key developments since that time?

Sir Hugh Bayley: There has been a lot of water under the bridge in the past year. As an ICAI commissioner, I must say that I am here to represent the evidence we gathered. We finished gathering our evidence in September of last year. There was then a delay with publishing the report because the general election took place at the time we were planning to publish and it seemed sensible to delay publication until your new Committee was in place.



If I were sitting in your shoes, I would flag what the impact of the creation of the joint Department and the pandemic has been on aid overall and, therefore, on this strand of the aid strategy. Macroeconomic conditions—that is to say growth within the UK—have changed. One thing in particular, which I am sure one of your colleagues will be briefed to come on to, is how the lines of inquiry on Britain as a global citizen relate to trade. The Department for International Trade is now 12 months further down the road of negotiating bilateral trade agreements with other countries, so there are certainly questions that you can base on more recent evidence than we collected by the autumn of last year.

Marc Buchner: The question was what the key developments are and how they might impact. As Sir Hugh said, by definition, the evidence that we collected was prior to those developments. At the time of collecting that evidence, it was noted in several of the interviews undertaken with Government stakeholders that there was, in general, a challenge and a strain within the Civil Service because of Brexit, Operation Yellowhammer and resources being reallocated. Since then, we have obviously seen the pandemic too.

Prior to our collection of the information, as I noted before, the prioritisation of the anti-corruption agenda and the activities around that were very clear. It would be interesting to ask whether this area of work was continuing to be prioritised and whether those impacts were having a greater effect now, beyond the initial Brexit impact we had already seen.

Q8 Mr Sharma: What is the potential of the coronavirus pandemic to increase opportunities for corruption or to hamper anti-corruption initiatives?

Sir Hugh Bayley: With the health warning we have given so many times now, we completed the research before coronavirus and we cannot speak with authority, on the basis of evidence, about the differences that the coronavirus has made. Corruption has to do with the illegal use of power or the ability to purchase, so one should look at the supply chains and the contracting processes that could be targeted by corrupt people. In terms of our note, we must say that we do not have advice for you because we completed the work before coronavirus.

Marc Buchner: That is exactly right. I would echo everything Hugh said. In our report, the piece of evidence that might be interesting and would be worth considering in answering that question is a report by Global Financial Integrity estimating that approximately 20% of every dollar that flows illicitly across borders would have been paid as import-export corporate tax revenue. Corruption is incredibly impactful on all the development priorities.

Q9 Mr Sharma: Are there new lines of inquiry that you would like to add to the list on page 3 of the note? Are there any issues that might need greater emphasis now than they received a year ago?



Sir Hugh Bayley: We started with some 50 or 60 lines of inquiry and we had quite a job of work to do to whittle them down to a manageable number. We would not want to add lines of inquiry because we do not have evidence upon which to base it. You, as fleet of foot politicians, will look at current developments and may well supplement some of our questions. But we would not do so because we have based our questions on the evidence.

My advice to you and your Clerks, before you meet a representative of the Government, would be to go through the 21 lines of inquiry that we have proposed and, in fact, whittle them back. Some of them have, to some extent, been overtaken by events. If I was to highlight the most important line of inquiry under each of the six headings, which has not changed in any respect, I would highlight: 1.1, 2.4, 3.1, 4.1, 5.1 and 6.2. For the sake of brevity, I will not read through all of them.

You will need to weave in more recent circumstances than we have, but the lines of inquiry have stood the test of time and should be used as a guide for questioning the Government. They are as appropriate to use as a guide for questioning the Government now as they were a year ago. I do not think they are out of date. That is the simple answer.

Q10 **Chair:** You have practically answered my first question. The new FCDO is clearly very concerned about the ICAI recommendations being evidence-based and likely to produce practical improvements. Do you think that HMG's anti-corruption portfolio has any aspects or elements where the review might yield evidence-based recommendations capable of producing practical improvements in its impact?

Sir Hugh Bayley: That is a very good question indeed. We talk in our lines of inquiry about evidence gaps. Much of the UK's programming to combat corruption using ODA is intended to be experimental and to be used to learn lessons. To improve the impact of programming, there needs to be systematic evaluation of the work currently in hand. Lessons need to be learned from that and written into protocols to be shared by all the Government Departments involved.

There is, within the former DFID part of the FCDO, a programme called the anti-corruption evidence unit. It is a small unit but it has been doing some really good research about what works. That work certainly needs to be safeguarded if you are to strengthen the evidence base for what works in terms of interventions.

Marc Buchner: Again, there is the same health warning about the scope of what we were trying to look at. I would echo the programme that Hugh mentioned as being an example of that. I would also note that we did see evidence as we were mapping of a number of new initiatives that were taking place, like the investment promotion programme and the business integrity initiative. It appeared that these were innovative and perhaps less recognisable to those of us who have worked in development for a long time.



They were being piloted and, as with the ACE programme that Hugh mentioned, they were not large at the time of our report but there seemed to be a goal to test and hopefully expand. It would be interesting to see how those have evolved and to look at the evidence that would have been generated from those different programmes.

Q11 Mr Bacon: You suggest that we should pose the question to Ministers: “Is the support being provided to partner countries sufficiently tailored to their stage of political and institutional development?” Could you give us some examples both of well-tailored and of less well-tailored support?

Sir Hugh Bayley: To explain what is behind this, the ACE programme, which we both mentioned in answer to the previous question, has a finding that it is not a case where one size fits all. For example, a lot of country-by-country bilateral responses have sought to build an anti-corruption unit in countries. That has been found to work better in those countries that have a stronger infrastructure for the rule of law in general, for obvious reasons. You need incorruptible police and courts that will reach judgments based on evidence for an in-country anti-corruption commission in a developing country to work.

Those countries that have reached the stage of development where that justice infrastructure is there will benefit greatly from an anti-corruption commission. If you believed that an anti-corruption commission would be the solution in a country that has just emerged from conflict and that does not have the benefit of the rule of law, it might be better to put effort into building those institutions in the first place. I just use that as an example. You could get more evidence from the ACE programme or, indeed, from your next panel of witnesses, who would have a lot to add.

In terms of countries, we did fieldwork in only one country, Ghana. We are not, on the basis of the evidence we collected from this review, able to point to countries A, B and C having highly effective and well-tailored programmes and countries X, Y and Z having inappropriately tailored programmes. We simply picked up, as we gathered evidence from civil society and Government officials, the important finding that tailoring is necessary if you want to maximise your impact.

Q12 Mr Bacon: I remember visiting a country in Africa 14 years ago that had quite a lot of infrastructure around anti-corruption. It was a big theme; it was in the newspapers and so on, but it was still pretty obvious, at least then, that there was a lot of corruption around the place. Is it possible to have the institutional edifice of courts, Permanent Secretaries and political Ministers who change, an anti-corruption commission, an audit office, all the things one would expect, and yet see things go backwards over a long period of time?

Sir Hugh Bayley: You are absolutely right. Dealing with corruption is dealing with a dynamic beast that is changing all the time. Even in the most developed countries, you cut off one channel that criminals can use to corruptly milk the system and they find another way to do it. We



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flagged in our report that work needs to be done on IT-based corruption and cryptocurrencies like bitcoin, for instance. Are the anti-corruption strategies dealing with the vulnerabilities in new technological tools used for business and commerce? That applies equally in less developed countries.

You are absolutely right. Building the institutions is an important step in the right direction but you must continue to feed, support and nourish those institutions and update them to deal with the work on which criminals are working all the time.

- Q13 Mr Bacon:** In your note, you say that the economic crime plan admits that law enforcement efforts are inadequate. Where do you think the emphasis should be on improving this situation and how much of it should be funded by ODA?

Sir Hugh Bayley: Those are two very big questions. On the question of the use of ODA, the OECD's DAC has very clear rules about what is ODA-eligible and what is not. That would include a lot of work in developing countries to strengthen the capacity of the police and other law enforcement agencies in those countries, to deal with, to respond to and to clamp down on corruption. That is ODA-eligible.

The UK needs to oversee the use of ODA, within a blended ODA and non-ODA anti-corruption strategy, to make sure that the Departments that are not using ODA all the time, such as the Department for International Trade or the Home Office, have checks at each stage to say, "This is something that we need to do as part of the strategy and we are planning to use ODA for certain parts of it. Are those parts ODA-eligible?" That would be a sensible thing to do.

You may have picked up that the DAC review of UK ODA, published a week or two back, flagged that the UK ought to look at how it scrutinises ODA in blended funds as an issue for taking what is a very good ODA programme forward. The reason they flagged that as an issue is that countries, particularly middle income countries, that have historically used aid in a blend of concessional and non-concessional finance have well-developed mechanisms for managing and assuring the appropriate use of blended funds. We have quite a lot of blended funds, like CSSF for instance, in the UK. There is a wider issue there of how to scrutinise blended finance.

- Q14 Mr Bacon:** You mentioned the issue of the global citizen earlier and you suggested that there is a question as to whether the UK acting as a good global citizen in fact helps to promote trade. Can you explain what you meant by that?

Sir Hugh Bayley: Among the Government officials we spoke to, and civil society voices, the point was expressed that the new bilateral trade agreements that the UK is negotiating in a post-EU position ought to embed within them anti-corruption clauses, for the very obvious reason



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that corruption inhibits business. In trade with the UK and other countries, an endemically corrupt country is imposing what is very similar in nature to a non-tariff barrier in saying, "You can trade with us but it is going to cost you 5% or 10% on top of the value of the contract to obtain a Government contract". That highlights the importance.

More generally, the UK's reputation, as one of the world's major financial centres, for honesty, transparency and the rule of law provides advantages for British businesses when they are out competing with others in search of contracts abroad. We highlighted this as an issue and you have in front of you lines of inquiry 6.1, 6.2 in particular and 6.3, which you may want to pursue with the Government.

- Q15 **Mr Bacon:** It is true, though, that the trade agreements that everyone is talking about and that are being referred to in the newspapers are with major world economies, like Japan, the United States, Canada and so on, which, between them, represent by far the biggest fraction of total world GNI. In those cases, one is talking about countries where there are very advanced anti-corruption systems. Once the agreements are agreed, if they are agreed, they will be open to public scrutiny, will they not?

Sir Hugh Bayley: Why did we flag this in our report? We flagged it because trade with developing countries is extremely important for those countries' development. You are not going to develop just with ODA being provided in the form of a gift. Those countries will develop if their economies develop and, starting from a low level, they become players on the world stage. The national interest that the UK has in squeezing corruption out of international trade has to do, largely, with those other OECD countries: the big beasts of the world economy, such as China.

If your goal is to enable development of the world's poorest countries, it is equally important to squeeze corruption out of their systems and, therefore, out of their trade. With your hat on, as a committee overseeing the use of ODA, it is important to make sure that the big picture of what matters in the overall volumes of UK trade does not mean that the UK neglects trade with the least developed countries because, for those countries, trade is a really important development tool.

- Q16 **Mr Bacon:** I understand. Thank you. Are you confident that Parliament and others with an interest will have sufficient opportunity to scrutinise trade deals to ensure that they do not undermine anti-corruption efforts?

Sir Hugh Bayley: With great respect, Richard, you are there; I am not. It is your job to ensure it. It is not my job as an ICAI commissioner. I am now under new management.

- Q17 **Mr Bacon:** What are the key things we should be looking for in terms of anti-corruption as trade deals are concluded?

Sir Hugh Bayley: You invite me into dangerous territory in that the European Parliament started pressing the European Trade Commissioner to explicitly include anti-corruption provisions in trade deals. The recent



EU trade deals with Chile and Mexico do have such provisions in them. We, of course, need to negotiate our own trade deals with those middle income countries and indeed with the poorest countries.

You, in your scrutiny job, need to ask whether DIT officials are learning from the experience of other countries. You also need to tease out from them what the trade benefits are of being open, clean and transparent. It is not just the EU. You would look at the United States, Canada, Australia, New Zealand, Japan and other big players to see what emphasis they are putting on these provisions in trade deals.

Chair: Thank you very much to our first panel for coming to be witnesses.

Examination of witnesses

Witnesses: Robert Barrington, Daniel Bruce and Thom Townsend.

Chair: I would now like to introduce our second panel of witnesses.

Q18 **Mr Sharma:** What specific UK-funded and other anti-corruption interventions are you currently involved in? Which interventions involving other organisations are you aware of?

Thom Townsend: Good afternoon, everyone, and thank you for having me. My name is Thom Townsend. I am the executive director of Open Ownership. The specific intervention that we are involved in is providing technical assistance to a number of ODA-eligible countries to put in place the infrastructure to identify the real and true owners of companies in those jurisdictions, to collect that data, to process it effectively and then, really importantly, to publish it openly for everyone to use, citizens and business alike.

We have been doing that work now for five years. It has been primarily funded by the UK Government through ODA. We are heavily involved in that. We are part of an international coalition of organisations that are working on things that can use that data. There are lots of organisations working on the tax efficiency movement and the Tax Justice Network, as well as those organisations that are directly involved in investigating grand corruption around the world.

Daniel Bruce: I am Daniel Bruce, the chief executive of Transparency International UK. We are the British chapter of the global Transparency International movement. We currently work with the UK Government on two large programmes focused on what was the Department for International Development's corruption programming. We are a leading partner in I-ACT, the International Anti-corruption Programme. Our focus there, together with our colleagues in the Transparency International secretariat in Berlin, is on the preservation and advocacy of global standards in anti-corruption.



We have a distinct body of work that follows up the Governmental commitments that were made at the 2016 London anti-corruption summit entitled "Promise to Practice", where we provide capacity building support and other activities with civil society in many of our TI chapters around the world, to help them hold their Governments to account on the national commitments that they have made to tackle corruption.

That programme is also a co-funder of our defence and security programme, which is a global initiative of Transparency International to identify, through research and a global index, the corruption risks that exist in the defence and security sector, and the threats that they pose to stability and security around the world.

Finally, we work with the public finance and tax department at what is now the FCDO on the fiscal accountability, sustainability and transparency programme. We are particularly focused there on corruption in healthcare with a very specific focus on procurement reforms, which involves some global policy work on best practice in health procurement to prevent corruption, as well as a number of in-country activities with a range of partners to improve procurement and open contracting in global health.

Robert Barrington: I am Robert Barrington. I am a professor at the Centre for the Study of Corruption at the University of Sussex. I should also tell you that I am the chair of the international council of Transparency International so I have a relationship with TI.

I have colleagues who are funded by the anti-corruption evidence programme, which your previous panel mentioned. I am not involved with any DFID or ODA-funded initiatives personally, but one general point I would make is that, having looked at this subject for a number of years in a number of countries, ODA support from many different Governments has been enormously influential in pursuing anti-corruption initiatives, in terms of the funding as well as the political will and that sort of external support in many countries. What you are looking at, at the moment, has been tremendously important across the world and DFID has been a big player in that.

Q19 **Mr Sharma:** What have you learned from your experience of these interventions?

Thom Townsend: I would echo the points already made about ensuring that your intervention is done at the right point of development with the country that you are working with. You need to be able to leverage the political moment that you find in countries. Particularly when it comes to implementing reforms around transparency of company ownership, there clearly needs to be significant political will to do that. There are often major internal blockers to these reforms, largely revolving around those within Government themselves who are likely to be impacted by this. The previous corrupt activities are likely to be interrupted by these reforms,



which produces significant internal opposition to them. Ensuring that there is a political window of opportunity to do this work is crucial.

Another really important point to note here is the relationship between domestic delivery of these reforms and what we are asking the rest of the world to do. When it comes to beneficial ownership reform, the UK can rightly call itself a world leader on this. It has made reforms itself. There are still some ways to go in terms of the UK's domestic regime on beneficial ownership transparency. Proposed additions and improvements to the UK regime are in train as we speak. Companies House has made new commitments to that but we wait for the implementation of it. It is critical to be able to demonstrate that your behaviour at home is mirroring the behaviour that you are asking other countries to operate under. On this particular issue, the UK has a good story to tell.

To recap, waiting and ensuring that you are entering a country and a jurisdiction at the right moment is imperative, as is continuing domestic delivery at home. Showing, not just telling, is fundamental to success.

Daniel Bruce: I would second Thom's remarks and the earlier witnesses' remarks about the national contextualisation of efforts to use ODA spend to support anti-corruption initiatives. We need to expand that understanding to underscore the importance of the global architecture of anti-corruption. Obviously, there is the UN Convention against Corruption but, again, I am thinking quite specifically here about the importance of the framework that was provided by those commitments that were made at the London 2016 summit.

Having Governments around the world putting in their own words their pledges to introduce reforms at a national level is a very important development tool both in ODA recipient countries and more broadly. It gives civil society and other watchdog groups at a national level the licence to operate when it comes to holding those groups to account. It also allows ODA efforts around corruption to be spent in a very targeted way on those commitments.

We need to be very mindful that the London summit was one of a kind at its time. It happened four years ago, nearly five years ago now, and it is going to be very important that we see some kind of refreshing of that and a renewed global leadership to secure the kind of traction that we need on a country-by-country basis.

Robert Barrington: There are a few things to add to that. To pick up on points that have been made, "moral authority" is a somewhat old-fashioned phrase but it is true that, if the UK is telling other countries what to do, it needs to show that it has cleaned up its own backyard. In the last few years, the discussion about the UK as a clearing house for the proceeds of corruption has really taken off. Now, in the public debate, and certainly in what I hear from colleagues around the world, there is a new discourse about whether the UK's standards in public life are ones



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that you can hold up to the world. Those two parallel debates are now taking hold.

It is important, on this point of proceeds of corruption and illicit financial flows, that the UK does not unintentionally undermine what it is doing in-country. If it is facilitating corrupt Governments by allowing their funds to flow through the overseas territories or the City of London, that can easily undermine the ODA spend on anti-corruption efforts.

There are a few other lessons. We have worked out that success is not permanent and that, given the impact that corruption has on the lives of ordinary people in areas like healthcare and education, even something that alleviates corruption for maybe a decade is a good thing. You do not need to have a permanent, long-term solution. That of course is optimal if you can get it, but something that alleviates in the relatively short term is also important.

One of my potential concerns about the merger of DFID and the FCO is the idea that it needs to be very joined up in-country. This has not been too good in the past, honestly. Sometimes dual strategies have been pursued. If you have a strong, single UK Government voice in-country pursuing a single strategy, that can be very powerful. There are occasions in which one has seen that from the UK Government approach overseas, which has been beneficial. But there have been times where one has seen it not being done and it has had the opposite effect.

We realise that the global architecture that, as Daniel was referring to, has been put in place, the OECD, UNCAC, global legislation and so on, is a bit fragile and needs constant nurturing. The US has stepped back from leadership in this and the UK has been distracted by other things, which has created a vacuum that is starting to be filled by powers that are not friendly towards the UK. One has to be a bit wary of that.

Q20 Mr Sharma: Have you noticed any change in the Government's management of anti-corruption work since the announcement, or implementation, of the FCO-DFID merger?

Thom Townsend: It is probably a little too soon to tell. I am a former civil servant. I went through a series of machinery of government changes, moving between Departments, so I know how long this takes. At this juncture, a few months in, the main thing that we are seeing is that a lot of the process behind the management of ODA still has some lines of sight to be worked out. There is some work to do in terms of how reporting and evaluation works. There are still multiple streams of that happening that have come from legacy DFID, if you can call it that, and are being merged into the FCO structure.

To be perfectly honest with you, the major changes I am seeing at the moment are at that sort of process level, between officials and those organisations in receipt of ODA. They are soluble and I have no doubt



that they will be worked out over time but that is producing some challenges. But they are expected at the moment.

In terms of any broader-brush assessment or analysis of what impact this is having, it is too soon to tell. The impact of Covid on this is also quite significant. We, like all other organisations, are not able to travel. In terms of our footprint in-country, we have people there but, from the perspective of management and officials in the FCDO, that inability to be in-country means that you are naturally slightly more at arm's length than you were before.

All those challenges compounded are bearing out on the process and some of the stickiness that needs to be worked out over time. We will wait and see. I would expect to have a better answer for you in the middle of next year, to be perfectly frank.

Daniel Bruce: It is still early days. There are encouraging signs that a lot of the technical expertise on anti-corruption that was contained in DFID is being well integrated into FCDO, with a degree of ambition about what that will look like across Government. There is anecdotal evidence that individuals with the anti-corruption specialism, who were working quite successfully across Government prior to the merger, are really doubling down on that skillset and that mandate. A good example is the work that is taking place on corruption sanctions at the moment, which we are expecting progress on soon.

There is a solid baseline from which FCDO can build here because, together, DFID and the FCO were very credible world leaders in the anti-corruption space. It is worth acknowledging that they have done a considerably greater amount than many other ODA donors in this space. One of the key areas to watch is how we preserve what were the very high standards at DFID when it comes to aid transparency itself with the FCO's rather less admirable record on the same measure. Obviously, we would advocate for ensuring that the standards that DFID had achieved are duly absorbed into the workings of the FCDO.

Robert Barrington: I have seen no difference since the merger.

Q21 **Mr Sharma:** What did you think of the ICAI note? Are there any issues that are not covered in the ICAI note, but which we should be keeping a close eye on?

Daniel Bruce: We find it sufficiently comprehensive at the point at which it was published. It has already been discussed at this point that the significant global developments that have occurred since the point of publication do require lines of inquiry into the economic impact of Covid-19 and Covid-19 more generally. There is an issue with how contemporaneous or not the note now is, unusually so, as a result of that.



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What we might like to see probed more significantly in general terms, as the FCDO continues this process of integration, is the extent to which there is a strategic approach to corruption in the FCDO's emerging policy priorities. By that I mean actually recognising that there is a need for a sector specialism both in the FCDO and across Government through machinery such as JACU, which is well-mapped in the note. But how do we ensure through ODA spend that the expertise that is sitting in those dedicated arenas is actually applied to all other areas of development practice, education, conflict management and so on? That is an area that could be explored in greater depth and that is perhaps not as clearly mapped as it might be in the note as it stands at this point.

Robert Barrington: I should say first that it is an excellent note. It is one of the most comprehensive notes of this kind that I have ever seen about the UK. It is a great laying-out of the landscape, the source material and so on.

Mapping the UK's approach to this issue in such detail shows that the governance of it is really all over the place. The ICAI investigators themselves could not really work out who was in charge of what. Frankly, looking from the outside, it is very hard to tell. You have apparently competing and conflicting roles. You have some notable gaps. The position of the UK anti-corruption champion sounds very grand, but it does not really have much remit or power. Indeed, the terms of reference are pretty vague about it. It is an excellent note in the context of what it tells us, but what it tells us is not a very happy picture.

There are some gaps. If you look at the governance, a very pertinent question that anybody not from the UK would ask is: "Would all these functions not be more comprehensibly done by an anti-corruption agency?" One does not often hear about that kind of commission or agency in a developed country, but it is worth noting that France introduced one in 2017. Just this month, Australia has set aside a budget of 150 million Australian dollars to set up a new anti-corruption commission in Australia. It is a worthwhile debate to have in the UK. Would the governance Horlicks that has been revealed by this note be addressed to some extent by having a more comprehensive single-agency approach?

One thing that is really illuminating about the note is table 3, where there is a list of follow-up questions. Of course, they are questions and not answers. The note says that these questions require further investigation or research. It would be great to do that, whether it is through the IDC or elsewhere. The questions are really spot-on, which highlights the fact that it is a very well put together note. The questions that emerge at the end are exactly the right questions.

Thom Townsend: I would echo Robert's point that it is an excellent note. It is particularly helpful that the note picks up on the dearth of international expertise that exists on some of these particular reforms.



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That is true and we see that every day. An objective of a strategy like this has to be focused on making sure that grows globally, not just within the UK or through the direct ODA spend that we are doing. There needs to be a real focus on ensuring that we are growing capacity in Government, civil society and, indeed, business around the world to make sure that these things are deliverable, the technical expertise is there, and there is a good, continuous pipeline of people who can come and do these kinds of jobs. It is not easy to find people to go and implement some of the grand, important strategic visions that the UK has.

I am a little more hesitant than Robert about the necessity or impact of a single agency. It is an important step forward. In a large bureaucracy, there is always going to be a challenge of joined-up-ness. There is always the eternal search for the nirvana of joined-up-ness in Government, which is perhaps an illusion and a myth. There is a need to make sure that we take a much broader view of all the skills and capabilities that exist in a whole host of Departments across Government, which are doing work that touches upon the anti-corruption agenda, whether they know it or not.

Being able to surface that and find more persistent ways of getting that expertise out of UK Departments to support the delivery of this in-country is really important. We have great people doing this work who really know their stuff. Looking at the ways in which that could be better leveraged, perhaps not just in a fly-in, fly-out couple of days of technical support here and there, but in a more persistent way, is a really important step forward. But I would echo everything that has been said. It is an excellent note and one of the best ones I have seen in its breadth of coverage.

Q22 Mr Sharma: What key domestic and international developments have occurred since ICAI produced this information that we need to take into account in thinking about tackling this subject?

Robert Barrington: There are a few of them. The most obvious is the merger; everybody is aware of that. The second one is the Covid crisis, but I would say two things about that. Apart from the economic impact, it has shown us the huge importance of addressing corruption in healthcare and the devastating effect that can have on developing countries in normal times, but particularly in times of crisis. It was a lesson that was there in the Ebola crisis. It was not fully learned by the agencies, including the WHO. There is more to be done there.

It has also told us about the huge importance of getting public procurement right. One has seen that playing out. Of course, there is lots of press coverage in the UK because of the National Audit Office report. But this question of how you do public procurement in a clean, fair, transparent, open way is playing out across the world, and not just in the UK. DFID has played a pretty good role in that in the last few years. I would imagine that that will continue.



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Covid has had a big impact. For me, the big one is the election of the new US President. Ultimately, so much of this depends on political will. The UK and the US stepping back from a global leadership role in the last few years has had a really poor impact on the global fight against corruption. If the UK and the US combined can step back into that role in the next few years, it will be possible to make back that lost territory. Powers that are hostile to the UK are already beginning to step into that space, so it is not just a question of reclaiming it again; it is a question of having to do a bit more than was done before.

Daniel Bruce: I can share some research across the Transparency International movement that we conducted six months into the pandemic. It suggested credible and reliable evidence that \$1.1 billion of emergency funding for Covid-19 response had been lost as a result of corruption or malfeasance worldwide. We suspect that that is just the tip of the iceberg, but that shows the scale of the problem in a six-month period. It really underscores Robert's point that this challenge has played itself out in every country responding to this crisis.

We have a concern in the context of assessing ODA and the priorities for the FCDO going forward. Where ODA budgets are linked to GNI for this country and other ODA donors, and with the economic downturn expected to squeeze those budgets, they will be under immense pressure, for example, to help rebuild health systems and economies in the low and middle-income countries that have been most impacted by the pandemic.

We have to be very intentional in our supervision of the priority that is given to anti-corruption work in that context. I cannot help feeling that, through the early months of this crisis, the anti-corruption movement was highlighting the risks that we were going to see in this emergency, and there was a message coming back from Ministers in this country and elsewhere to say, "We have got this", but the evidence suggested that they did not. At the same time, we were consistently hearing that, this point of crisis, ministerial priorities were health support and humanitarian support at. This is quite right, but it must not be at the expense of the checks and balances that we need to put in place on how the money is being spent and the risks of corruption and malfeasance, which our research laid out very clearly.

Thom Townsend: The Covid pandemic is clearly the big issue that has changed things. Without reiterating what Robert said, there is a really interesting opportunity here. Globally, as citizens of whatever country we live in, we are all now expecting similar levels of provision. I suspect most of us want to see a vaccine delivered quickly. We all want to see the right healthcare put in place to meet the needs as we have them.

One of the interesting things here is about how expectations globally have shifted around how those services are provided. This touches immediately on public procurement. Are services being delivered



effectively? Do we have the money to do them? Fundamentally, the corruption challenge means less money to deliver those services. That shift is about the global experience that we are all having of wanting to access similar things at the same time. There is an opportunity to reshape or reform global expectations about what we are going to do to make sure the appropriate amount of tax is collected according to the law and we are procuring things in a way where we are not losing 10%, 20% or 30% of that money.

Underneath all of that is not so much a structural shift, but an opportunity to think about how expectations have shifted and how ODA spend will meet those, and say to those people whom ODA is designed to support, "Yes, we understand what you need and want now. We are responding to it with our programming". There are obviously huge challenges around Covid, but there is an opportunity to reframe the conversation as well.

Q23 Mr Bacon: I would like to return to something Professor Barrington said earlier about corruption, particularly in healthcare. I remember some years ago, when he was the Permanent Secretary of DFID, Sir Mark Lowcock telling one of the Select Committees I happened to be on the story of how some drugs went missing from a big warehouse in Sierra Leone, which I happened to have visited. That is how I knew about it. It was money that DFID had paid to UNICEF to fund the pharmaceuticals. After it left the warehouse in Freetown and was distributed across the country, up to and including small rural dispensaries, there was quite a lot of leakage along the way.

Sir Mark, being a rather eagle-eyed accountant and the accounting officer for the Department, flew over to New York and said to Tony Lake, who was running UNICEF, "I want my money back". He got it. This was many years ago. I could not tell you which year; I would have to look it up. From what you are describing to us, it sounds to me like the system knows there is a big problem in healthcare corruption, particularly with pharmaceuticals; it had an enormous problem coming towards it in the form of Covid; it knew that this issue of leakage of pharmaceuticals and healthcare corruption generally would be an issue; but it did not do anything like enough about it. Is that fair or unfair?

Robert Barrington: It is entirely fair. It is also fair to say that this is not just about the health sector. You could say the same thing about the defence sector, for example. There are well-known holes in the international system that play out at country level. There is massive leakage, abuse and taking of funds. There are serial aspects of corruption throughout these supply chains.

TI, for example, has done work on the defence and health sectors, diagnosing the problem. Solutions are difficult, but they exist. To some extent, they depend on political will. That is why it is so important that countries like the US and the UK take that global leadership again. The reason I focus on healthcare is partly because it is one of those areas



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where you see immediate impact on the victims and partly because of the additional money that has gone into Covid with fewer checks than might normally be the case. There are additional vulnerabilities there.

Q24 Mr Bacon: This speaks directly to the issue we were talking about earlier, which this Committee has looked at, about whether it was a good thing to merge DFID and the FCO into the FCDO. That decision has obviously been taken. I have experience of being in-country and struggling to make contact with the FCO, but finding it much easier to get hold of the DFID people who were in completely different offices. Of course, that is not going to happen now. There has been an attempt to merge for a long time, but the constituents in my constituency and my colleagues' constituencies who pay the taxes that pay for all this would certainly have preferred it to have been more streamlined earlier.

ODA comes up in the widest array of places, not just certain defence things that can be categorised as ODA or internal security. I saw Metropolitan Police people training the local police when I was in Sierra Leone; it definitely qualified as ODA. It is in a whole range of things, like business consultancy, helping small businesses to establish themselves and energy. Notwithstanding the correct point Mr Townsend made about the need for working through the line of sight and accounting issues, is the case not all the stronger for HMG having a single point of contact in-country?

Robert Barrington: Yes and no. First of all, I do not want to paint DFID in-country as absolute paragons on the anti-corruption agenda because sometimes it got it right and sometimes it did not. You will see in the FCDO that there will be competing objectives between humanitarian assistance and development and our foreign policy. Even within DFID, you would see competing objectives between the delivery of humanitarian assistance, a development strategy and an anti-corruption strategy. Usually in all of these things, the anti-corruption strategy gets pushed to the back of the queue, which of course is the wrong way round. It is now widely acknowledged with the addition of corruption to the SDGs that the other SDGs are simply not going to be achieved unless you address corruption first and foremost.

I do not want to paint DFID as perfect. It was doing a better job than most of its peer agencies, but it was not perfect. The issue about the merger is that a joined-up strategy in-country and a single UK Government anti-corruption strategic approach would be fantastic if that could be achieved. Of course, the danger is precisely that you get competing objectives and corruption gets pushed to the back of the queue again in the light of other political and diplomatic realities.

Q25 Mr Bacon: You have made me think of the example of a famine in which you have to deal with something very quickly, but there are corrupt people on the ground who manage to corner all the bread or rice, rather like the Bunker Hunt brothers tried to corner all the silver. It is well known that the best way to deal with that is to flood the place with so



much bread and rice that they cannot influence the price in the way that they would like to. It is plainly not such good value for money at all, but it is very effective in making sure that enough rice and bread gets to the people who need it very quickly. Does that type of story have something to tell us about this tension that you have been referring to?

Robert Barrington: Yes, it does to some extent. Whether it is flooding the market or another strategy, the crucial point is that you have a strategy for dealing with it. I recall at the time of the Haiti earthquake when aid agencies were trying to get in as a matter of urgency to save lives within 24 or 48 hours. The price for landing a Land Rover on the quay was \$50,000 from the local militia. Some aid agencies paid and some did not. There was a real difference there. You could see the ones that had an anti-corruption strategy. The ones that paid were embedding that militia in Haiti for the long term; the ones that did not pay had a strategy for saying, "We know corruption is not the right thing for this country, so we are not going to play that game."

The point is that, if you turn up without a strategy, you are more likely to pay because your development and humanitarian objectives will override anything else. If you know that that is likely to happen and turn up with a strategy, you are much better equipped to deal with it.

Q26 **Mr Bacon:** Which specific UK interventions have worked well in combatting corruption?

Robert Barrington: That is a big question. It is probably more than we have time to do here. It is possibly also beyond my expertise because I have not studied UK interventions specifically.

Q27 **Mr Bacon:** Let me ask you a different question. What might the UK learn from other countries?

Robert Barrington: I will point to two things. The first is focused, sector-specific approaches. Health would be a good example. There have been successes in healthcare. In fact, DFID is running through TI an open healthcare initiative looking at public procurement in healthcare. Focused initiatives on specific problems are a really sensible way to go.

To some extent, that gets at quite a micro level. The macro level is also important. Coming in with an overarching anti-corruption approach that is guiding your strategy is also really the critical determinant between what is going to succeed and what is not in the long term.

Q28 **Mr Bacon:** What are the key questions this Committee should ask Ministers about the UK Government's anti-corruption strategy?

Robert Barrington: There are two key dates coming up. The first is the UNGA Special Session, UNGASS, in June of next year. I would want to know what the UK's approach to UNGASS is going to be that addresses all the issues you have heard about in the last couple of hours. The second key date is the expiry of the UK's current anti-corruption strategy



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in 2022. There are noises being made about, "Yes, we might give a small extension to it," but, frankly, what is needed is a proper strategy that goes through to the end of the SDGs in 2030. Those would be two key dates to focus on.

There is the question of how a merged FCDO is going to make sure that corruption is towards the front of the queue, not at the back. Just like human rights, you will inevitably have competition between the UK's diplomatic and development objectives. Where is corruption going to stand in the line there?

I am sorry to come back to this, but I am feeling all sorts of ripple effects around the world, just as one did initially with the Trump Administration three or four years ago when it came in, about what is happening to UK standards in public life. There are all sorts of mini-scandals around that and they are being felt across the world. Unless the UK can approach this with a sense of moral authority, it is not going to be listened to in international forums or countries where Governments are hostile to other powers coming in and saying, "Take corruption seriously". Look at Lord Evans's speech for the Committee on Standards in Public Life and see what needs to be taken from that as a platform for the UK to be able to do things overseas.

Thom Townsend: I will pick up on this point about in-country UK operations becoming more merged as a result of DFID and FCO becoming one. There is a risk that you see that merged solution as the managerial one: that having a single point of contact is a great intervention that is likely to yield a great deal of results. My sense is that it may do, but what is going to make the difference is the supporting structure around it. Is there a single strategy and plan for executing that, which is focused, operates end to end on a particular aspect of corruption and intervenes across all the different aspects that inflame that problem? It helps if you have a single point person, but it will only work if there is that supporting scaffolding around it. Otherwise, it is probably more of a managerial tweak than it is a strategic one.

I would highlight the UK's upcoming presidency of the G7. What are the opportunities to make sure that anti-corruption sits front and centre in there and the UK is ambitious about what it wants to achieve? On the area of company ownership transparency, which we work on, the UK has been a champion. We want to see that pushed hard, and not just at the usual suspects, but at major financial centres, particularly the US. Look at what the G7 can do as a diplomatic moment to really accelerate this.

There is good progress on that. There is a great deal of interest in seeing the G7 be something that works well for anti-corruption. I will just continue to bang the drum that that is a really important forum, not least because it is the first big UK-hosted diplomatic event after an election in the US. That is a really key date that we should focus on.



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Daniel Bruce: It is worth casting our minds back to DFID's old 27 priority countries. From an anti-corruption perspective, that focus might arguably have been too narrow. It would be very valuable to hear from ministers how the FCDO merger will allow a more globalised approach, through posts and embassies, to tackle corruption risks through national initiatives in more countries. We need to address the transparency agenda and seek assurances on aid transparency and preserving DFID's legacy in that regard. I agree with my fellow witnesses on the importance of the G7 and tackling illicit financial flows as a priority theme there.

There is a small risk with the announcement of the US President-elect's announcement of the summit for democracy, with a welcome focus on tackling kleptocracy, illicit finance and so on. Those two events might eclipse each other. There needs to be some very adroit diplomacy to ensure that they are addressed by both and can achieve meaningful outcomes akin to those that we saw at the London summit in that regard. I would hope that significant British diplomatic attention will be paid to that opportunity as well.

Chair: May I thank all our panellists and colleagues for attending today?