

International Development Committee

Oral evidence: [Tackling corruption overseas](#), HC 111

Tuesday 28 June 2016

Ordered by the House of Commons to be published on 28 Jun 2016.

[Watch the meeting](#)

Members present: Stephen Twigg (Chair); Fiona Bruce; Dr Lisa Cameron; Mr Nigel Evans; Pauline Latham; Jeremy Lefroy; Wendy Morton; Albert Owen; Virendra Sharma.

Questions 40-73

Witnesses

I: Phil Mason OBE, Senior Anti-Corruption Adviser, Richard Riley, Director Serious and Organised Crime, Home Office, and Right hon. Sir Desmond Swayne MP, Minister of State, Department of International Development.

Written evidence from witnesses:

- [Department for International Development](#)

Examination of witnesses

Witnesses: Phil Mason OBE, Richard Riley, and Right hon. Sir Desmond Swayne MP.

Chair: Welcome to this evidence session in our inquiry on tackling corruption overseas. Minister, it is always a pleasure to have you before us as a witness—with your experts as well. We have one hour; because of our Committee availability, we will have to finish at 11.20 am. Our aim is to get through 15 questions in an hour. It might be optimistic to do each question in four minutes, but Jeremy will go first and set a great example.

Q40 **Jeremy Lefroy:** Good morning, Minister. May I apologise in advance that I will have to leave very early? It is nothing to do with the quality of your answers—I have a very important meeting with a constituent, and as you know, constituents take priority over everything else in this place. The Prime Minister hosted the global anti-corruption summit in London on 12 May. Could you explain what meaningful progress was made at the summit and has been made since then?

Sir Desmond Swayne: Some 700 pledges were made at the conference. It is early to be measuring progress. What we can be confident of is that there is a process for ensuring that there is progress, in that, in 2017 at the UN General Assembly, there will be a review of the progress that has been made, but we in DFID will be tracking the countries that are of particular interest to us: Nigeria, Ghana, Kenya, Tanzania and Afghanistan. We also have particular interest in South Africa, Georgia and Ukraine. The Foreign Office will be pursuing at post level all those other attendees. We are fully engaged with the processes that are going to be set in train by the World Bank, the IMF and the OECD, but because this is a sort of coalition of the willing—a collaborative process—my main hope is that the new Open Government Partnership working group on anti-corruption will drive forward the agenda at every opportunity, particularly at meetings of the G7, the G20 and the Financial Action Task Force.

In terms of keeping the foot to the fire here, I believe that the inter-ministerial working group on anti-corruption chaired by Eric Pickles is going to be the driver in that respect. He is a very formidable if not terrifying chairman. We invariably have all these initiatives, and there is a scattergun approach in some respects. I think that is a strength, because they will develop their own agendas at different speeds and capture more of the whole question of driving forward agendas. I am particularly interested in what will happen with respect to the innovation hub and the partnership working and the new intergovernmental crime unit that is going to sit alongside our National Crime Agency. All these different things will have different speeds and I hope they will deliver a great deal.

Q41 **Jeremy Lefroy:** Thank you very much. Do you think there is sufficient political will to tackle global corruption? What more can we do to encourage those countries that are less willing to take action?



HOUSE OF COMMONS

Sir Desmond Swayne: With the coalition of the willing, there is certainly a great deal of interest and impetus, and I think that will be catchy. I think as this agenda drives forward and is successful, more people will come on board.

Q42 **Jeremy Lefroy:** Could you give me an example of a country that may have been lukewarm that is perhaps a bit warmer now?

Sir Desmond Swayne: I spent an hour with President Ghani just over a week ago and was very pleased at how engaged and determined he was, notwithstanding having been advertised as the President of one of the most fantastically corrupt countries. After all, he did say himself it was their national shame. I was quite clear, having spent that hour with him, that he was determined to deal with that national shame. Crikey, if we can make progress with Afghanistan—

Phil Mason: May I add that one of the exciting aspects of the summit for development and developing countries is that it gave a voice to developing countries at the table on the issues that they say matter to them? The centrepiece issues at the summit were the issues around illicit financial flows; the way in which the international financial system allows money to come out of developing countries; the way legal systems and law enforcement can often be obstacles in getting good co-operation; and the way in which financial structures and accountants and lawyers in our own systems enable the corrupt to move their money around. That offers a very exciting agenda.

Q43 **Albert Owen:** Minister, may I congratulate you on your knighthood? It is the first time I have had the opportunity to do that. My question is on the Panama papers and what they have highlighted—the widespread abuse of the offshore tax havens, including British overseas territories. Only a few of these territories attended the summit. One of those in the leaks was, of course, British Virgin Islands, which claimed that it was not invited. What efforts were made by the Government to secure attendance of the overseas territories, and why do you think some chose not to attend?

Sir Desmond Swayne: On the Panama papers, the Government has announced that it is going to have this unit and it is going to drive forward that agenda with a budget of £10 million. I think that the achievement was ahead of the summit, in terms of the progress that we made in getting all of them to sign up to recording beneficial ownership, all of them being prepared to give our law enforcement authorities access to that information, and all but one signing up to the automatic transfer of that information. That is a huge leap forward from where we were, and the Prime Minister made it clear that he felt that while they had undertaken to do that and were therefore ahead of many other what we consider to be respectable jurisdictions, that way of working and putting pressure on them in that respect was a much more effective way of doing things.

In respect of who was or wasn't invited, that is not an area where I have any expertise. Do you have any idea whether they were or weren't?



HOUSE OF COMMONS

Phil Mason: A number were invited; a number clearly didn't want to come, and those choices were made.

The one additional point I would make—again, this is from a development perspective—on the Panama papers episode is that we were struck in the Department by how the issues of Panama were automatically seen to go to tax evasion and those sorts of issues. There is a risk that the Panama papers episode loses sight of the fact that an awful lot of money going into those sorts of places is not tax evasion. Sons of dictators who move their money out of a country that doesn't tax them aren't moving money around to avoid taxation. This is about grand corruption and the moving of large amounts—political elite corruption. I hope that we do not lose sight of that aspect when we have a response on Panama.

Sir Desmond Swayne: I do think this is a most important part of the agenda. I may end up banging on about this, but hitherto, we have said we have zero tolerance of corruption, which goes for so many other development organisations and multilaterals. Their zero tolerance is zero tolerance of any of their own money being stolen, without dealing with the way that the international financial system can hide these flows, of course aided by modern technology. That is a very important area where we have to close off these opportunities.

Q44 **Albert Owen:** I hear what you say that some chose not to attend, and you do not know for what reasons—I understand that—and you are not sure who was invited and who was not, but there is widespread disappointment at the failure to secure commitment from all the overseas territories to create a central beneficial ownership register, so what is the Government doing to encourage those who didn't attend to create such registers? Again, the issue that was exposed by the Panama papers was transparency, and if we don't have registers that are open to the public—

Sir Desmond Swayne: My understanding is that all have accepted the need and agreed to produce the information, although they are not producing public registers in the way that we are. Then again, most of the globe isn't yet doing that—we're leading the field. Nevertheless, all are signed up to the production of those registers and giving the information to our law enforcement authorities. There's only one that hasn't signed up.

Q45 **Albert Owen:** Just to be clear, is your understanding that all bar one—I interrupted you—has agreed to produce a register?

Sir Desmond Swayne: No, all have agreed to produce the information and provide it to our law enforcement authorities. All bar one have signed up to the automatic transfer of that data.

Q46 **Albert Owen:** Do you think it is good enough to have private registers that the public cannot see?

Sir Desmond Swayne: The United Kingdom is clearly leading the way by having our own public register, which will be live on Thursday. We lead by example.

Q47 **Albert Owen:** Okay, but what are you doing to encourage Jersey, the



HOUSE OF COMMONS

Cayman Islands and so on to produce public registers?

Sir Desmond Swayne: Diplomatic pressure will continue, but as the Prime Minister made clear, we have made huge progress using that method of encouragement. The Prime Minister has taken a view—I was his Parliamentary Private Secretary for seven years and I regret his announcement of his resignation, but I am certainly not going to gainsay him in terms of his estimate that this is the best way to proceed.

Q48 **Albert Owen:** So we have been forthright with them that they need to produce public registers?

Sir Desmond Swayne: They will be encouraged to continue down that path.

Q49 **Albert Owen:** You are sounding like a diplomat now. As a Minister, are you happy that HMS Government is doing sufficient to encourage them to produce these registers?

Sir Desmond Swayne: My ambition is that they should, and I am hopeful that that ambition will be realised.

Albert Owen: That's as far as I'm going to get, isn't it?

Chair: Your former career came to light. You said "HMS Government".

Albert Owen: It's been called worse in the last few days.

Q50 **Wendy Morton:** I'm not sure how to follow that. Good morning, Minister. In evidence to this Committee, when asked whether the UK plays a role in facilitating corruption, Robert Barrington of Transparency International replied, "Unambiguously, yes." Global Witness responded, "Yes, absolutely." My question this morning, Minister, is this: following the anti-corruption summit, what will the Government do to get its own house in order and address the role the UK plays in global corruption?

Sir Desmond Swayne: Well, they are entitled to their opinion, but I disagree profoundly. I think we have a very good story to tell. As I said, the beneficial ownership public register will go live on Thursday. It has been under preparation for several months. We have already been leading it. The Chancellor has gripped and led the agenda for the complementary automatic transfer of that information. We have been supporting the Metropolitan police and the City of London police since 2006, which have now come together in the National Crime Agency. They have recovered about £156 million-worth of assets, which has resulted in the prosecution of 27 individuals.

Equally, we have one of the strongest legal frameworks in the world, in terms of the Bribery Act 2010. We announced that we are going to implement unexplained wealth orders. We are going to go live this October with open contracting, and HS2 will be the trial of that process. The Chancellor announced that we are going to subject ourselves to the IMF's fiscal transparency initiative and see how we perform in that respect.



HOUSE OF COMMONS

The level of ambition that has been set out by our inter-governmental working group on corruption, chaired by Eric Pickles, which has driven this agenda forward over the last couple of years, has been spectacular. We have already announced the progress we have made with respect to the overseas territories. So I am pretty cheased off by the assessment given by those organisations.

Richard Riley: From a domestic perspective from the Home Office—I'm not sure about the expert bit, but let me try—the criticism of Transparency International, Global Witness and others is partly founded on the accusation that London is a global centre for money laundering. As the Minister said, that is unfair, but the Government certainly recognise that money laundering through and in the City is a problem. It undermines the legitimacy and integrity of the City of London and the integrity of global markets.

Last year, the Government published something called the "UK national risk assessment of money laundering", which was a fairly candid assessment of some of the gaps and problems in our money laundering set-up in the United Kingdom. In April, the Government published an action plan to address those gaps. It does many of the things that the Minister says—critically around law enforcement, powers and capabilities. Critically again, it is a new kind of relationship with the private sector.

Q51 **Wendy Morton:** May I follow up very quickly? I thank the Minister for the robustness of his response. You referred to the register going live on Thursday, and you also referred to contracting going live in October. For clarity, where does it go live? Where can that information be found? Is it on the DFID website?

Phil Mason: If you go on to Companies House, you will find the beneficial ownership register there. Although in DFID we like NGOs to continue to challenge us on how far we can go, if we take a quick look at the description in Transparency International's document of what they think success looks like at the summit, I think DFID and the UK came off very, very well in responding to the kind of issues that TI think would be good for us. I think we partially or wholly meet all their requests of Government.

Sir Desmond Swayne: I think there is a huge agenda to be dealt with in dealing with the professional bodies and civil society organisations. In that respect, again, the Government's announcement that firms will be liable if their operatives enable corruption will be a great leap forward. I accept that very significant progress needs to continue to be made, but I think we have a good story to tell.

Q52 **Dr Cameron:** Good morning, Minister. Pursuing the perpetrators is central to the Government's strategy to tackle global corruption. How effective has the DFID-funded international corruption unit been in assisting with those efforts; how effectively does it link with the Serious Fraud Office; and are both sufficiently resourced?



Sir Desmond Swayne: Dealing with the law and securing convictions and all those processes is a very difficult area. Where I think that we, as a result of the summit, are liable to make more progress and want to drive forward the agenda is agreeing international standards for recovery and the management of assets so when they are recovered they are not going into a black hole be stolen again. That is where we will make more progress. Clearly, painstaking effort has to go into the whole business of tracking and bringing forward sufficient evidence for prosecutions. As I have said, we have been quite successful in securing the prosecution of 27 individuals so far and we have been very successful in assisting other countries with the recovery of assets, particularly Nigeria, where I believe we have secured \$600 million-worth of cash returned and \$600 million-worth of assets returned. Hopefully other things that will come out of the summit, particularly the rapid response mechanism, which will specialise in assisting countries in that respect, will ginger up and provide a much more focused way of doing those things.

Phil Mason: It is worth saying that it remains unique for a development agency to be funding such law enforcement activity and we are very proud of that in the UK. I think more of our other donors could consider these sorts of mechanisms. It enables a focus to be made on what tend to be complex and long-running cases. There are cases that the unit, which we have funded, began in 2008-09 and are still pursuing through the courts. That is something that we all have to be patient with, in terms of recovery and the end result. In terms of resourcing, the Secretary of State last year agreed additional funding of £21 million for the DFID unit out until 2020. It is clearly not for us to offer views on the SFO's resourcing. Where I think there is still clear work to be done is the co-ordination between the work of the SFO and the National Crime Agency and its various units. Deciding who does what cases is quite important to make sure we don't duplicate.

Sir Desmond Swayne: In terms of the international effort, it is a crowded field. You have got the UNCAC, the UNDOC, ICAR and StAR, many of which have an impressive record in providing assistance and expertise of different sorts. I certainly think that the demand for assistance with recovery and prosecution far exceeds our resources to supply, and you are right to draw attention to whether these things are sufficiently resourced. Hopefully we will be able to drive forward that agenda internationally.

Phil Mason: It is important to supplement that the bodies that the Minister has mentioned—the International Centre for Asset Recovery and the Stolen Asset Recovery Initiative—have both been as the result of DFID initiatives in the past to set those bodies up. We have been instrumental at the international level in providing capacity for developing countries. It is important that the UK can establish its ability to respond in the UK to requests for assistance, but it is vital to give the developing country the ability to make those requests. That is where the likes of StAR and ICAR, which we have helped to create, can help developing countries get to the starting point so that we can join the two together.



- Q53 Pauline Latham:** We have been told during our inquiry that there is a need for a whole-Government response to tackling corruption overseas. Can you tell us how DFID are working with other Departments across Government to ensure there is a co-ordinated and substantial response that benefits the developing countries?

Sir Desmond Swayne: The paper that I put to the intergovernmental working group just over a year ago had, effectively, two parts. Part one was a raising of the level of ambition in DFID to work much more proactively and to draw up an anti-corruption framework for every country that we worked in; and the second part was to expand this effort across Government—across Whitehall—so that in all our dealings everywhere this is at the top of the agenda. That is a much more political ambition and will involve dealing with corruption at the top of a list which will also include diplomatic priorities, commercial priorities and security priorities, but corruption has to be up there at the top with them. That might be painful in some respects, particularly when it comes to, perhaps, visa denial.

- Q54 Pauline Latham:** This is a good example of cross-Government working, but how effective do you think the interministerial group is on anti-corruption? How often are you aware that it meets, and what sort of issues have been discussed to date?

Sir Desmond Swayne: Well, the agenda that we have been driving for the last few meetings—how often does it meet? Is it quarterly?

Phil Mason: Every six months.

Sir Desmond Swayne: Every six months. It seems more often. The agenda that we were driving hitherto has largely been dominated by preparing, and getting every Department from Whitehall to define its deliverables for the conference. Now, of course, the agenda: I mustn't speak in place of the chairman, Eric Pickles, but he has chaired those meetings formidably and I anticipate that the agenda will be now holding the feet to the fire of all those Government Departments in making sure that we capitalise on the success of the conference and keep driving the agenda forward.

- Q55 Pauline Latham:** You are talking about the meeting being every six months. Are there any additional day-to-day mechanisms to make this work?

Phil Mason: Every quarter the senior officials meet at director level, so they, again, prepare for the Ministers to make the key decisions; but there is a lot of work going on at senior level.

The paper the Minister referred to is, I think, a signal of exactly the joined-up Government approach that we recognise now is needed. DFID can do a lot in a developing country to help anti-corruption, but I think other levers need to be pulled in a co-ordinated fashion, and the Minister has presented a model to colleagues, which suggested that DFID and other Departments providing aid assistance can do very good work with,

for example, bottom-up pressure—civil society exercising their voice and making Governments listen to their voice.

We can help very strongly, for example, on what is often called the horizontal pressures. We spend a lot of time supporting public accounts committees—internal audit systems. Often when they discover a problem it is like the equivalent here. When the Public Accounts Committee discovers a problem, it goes into a black hole. I think a donor agency can contribute by saying, “If you have uncovered a problem in one part of your system, we will ensure you have the tools to make sure you see that through to whatever outcome is appropriate—a criminal process or some sort of administrative resolution.”

Critically, you can then add external pressure from outside and from above of the kind the Minister referred to—visa denials and hard sanctions, and some tough dialogue with Governments on the reputational issues—but also soft sanctions and incentives. Having members of the business community in a developing country market voicing the fact that corruption is damaging the investment climate to a country is an additional incentive for a Government.

The role of credit ratings agencies is very interesting. I notice that, in the evidence you have from the Royal United Services Institute, they refer to the work we have been doing together on exploring the issues about how credit rating agencies influence may change a Government’s behaviour. It comes on the back of an episode in one country, which we are aware of, where, as a result of a corruption episode, nothing the donors did actually made any difference. We could cut our money off and do all the usual things, but it didn’t make any difference to Government behaviour. When one of the credit rating agencies changed the credit rating agency marking, that made the Government sit up and think, “Actually, we need to do something.” I think these are some of the areas about innovation where I think we can explore further.

Q56 Fiona Bruce: Very briefly, at the 2015 Addis Ababa talks, there were proposals for a fully fledged UN tax body. That was rejected and our Government did not support it. Have any alternatives been explored regarding UN engagement since last July?

Sir Desmond Swayne: My understanding is that the reason why that was rejected was that the OECD was already on the pitch and performing satisfactorily. That was certainly my understanding of that event.

Phil Mason: Indeed. There was a concern that a UN tax committee would not necessarily drive the agenda forward in quite the way that the OECD was already doing. There is a suite of activity, hosted by the OECD, which is not exclusive to OECD members. It involves non-OECD members; indeed, DFID is funding countries to take part in the global forum on tax. That is doing critical work on things like tax avoidance and evasion issues, standards, tax inspectors without borders and a whole suite of things. The sense was, “Let that get on with it. It is doing a good job. Let’s not create another system.”



HOUSE OF COMMONS

Sir Desmond Swayne: What was good that came out of Addis was our own Addis tax initiative, where we are going to double the expenditure on assisting countries dealing with their ability to raise tax legitimately. By 2020 we are going to double that. Of our 28 bilateral relationships, we are working on tax in 26, and we have got HMRC out working in Tanzania, Ethiopia, Pakistan, South Africa and Ukraine.

Q57 **Fiona Bruce:** Thank you. It is good to hear of some of those countries because I think the concern the Committee had in our recent report on sustainable development goals was that the OECD is really a membership of developed countries, and that the UN has perhaps a more inclusive membership of a broader range of nations.

Phil Mason: That is changing. The tax work is a good example of how the OECD has stepped in to a policy vacuum of a few years ago. It is changing the global tax rules, but doing it in a very collaborative way. I may have the countries wrong, but we are funding at least two developing countries—I think Kenya and Ghana—to participate, to enable them to take part in the rule-setting arrangements in the global forum on tax.

Sir Desmond Swayne: Ghana is certainly the pilot for the global reporting standard, I understand.

Q58 **Fiona Bruce:** What you are saying is that the OECD's progress is actually more inclusive than perhaps would appear at first sight.

Phil Mason: Absolutely. If you remember the Busan conference of a few years ago where again they came together with the developing countries in a new platform—the global platform for development co-operation. That is now shaping a new way of engagement between OECD and developing countries. So it not just the Development Assistance Committee nowadays.

Q59 **Chair:** Further to that, in our report we suggested that the IMF could play a role here. Is that something that DFID might be willing to take up?

Sir Desmond Swayne: I think there is a very great role for IMF to take up, indeed, in giving some of the international framework teeth, for example by building corruption into its article 4 assessments. I think you are absolutely right that the IMF could be a key player.

Q60 **Chair:** Oxfam has said in one of its reports that, as things stand, multinational corporations have multi-million dollar choices about where and how they pay tax. We know that HMRC has made country-by-country filing mandatory for multinational enterprises that meet certain criteria. What do you see as the prospects for further progress in this field, in particular public disclosure of country-by-country tax reports?

Sir Desmond Swayne: I certainly see it as part of the whole agenda of base erosion and profit shifting and the toolkits that the IMF and the OECD provide, and the technical assistance. I would have thought that public declaration of that sort has got to be part of our ambition. Transparency is



HOUSE OF COMMONS

the means by which you can engage the support of civil society and the private sector to a much greater extent. I see that equally with respect to the agenda for public procurement. Again, only 6% of the procurement is publicly available internationally. I can't remember the percentage of world GDP. Maybe as much as 15% is actually in terms of government procurement.

- Q61 **Wendy Morton:** The three-year period covered by previous anti-corruption country strategies has been described as "a wholly unrealistic timeframe in which to identify clear impact." In fact, ICAI recommended a 10 to 15-year timescale in its report in 2014. In the light of that, can you explain why DFID has decided to cover a five-year period in its new strategies, rather than a longer and arguably more realistic timeframe?

Sir Desmond Swayne: I am alive to the concern. We are very results-focused in DFID and we have annual appraisals and reviews. We have a four-year funding timeframe and we want to see results, but you are right. Progress on these issues is very slow. How can you be sure what you are measuring? There will be a number of initiatives and if there is a change in the level of corruption, how can you be sure which one was responsible for the change? There are all sorts of other things that have an impact, like the availability of other donors that are less picky and might, therefore, reduce your leverage. We need to drive forward an agenda of a common front among donors.

All these problems have an impact and we have to be flexible and alive to those needs. In the current period, we are spending £3.5 billion on governance issues of this sort, of which £450 million will be on public accountability strengthening systems.

We are spending a large amount on this part of the agenda, so I want it to be results-focused, I want to get value for money. Equally, we have to be flexible in terms of what our expectations of change can be.

Phil Mason: We took note of the oral evidence given to you by some of our academic colleagues, who made some very strong points about the systems that DFID has to abide by legally. As any Government Department, we have to programme funds made available by Parliament and Parliament makes them available in certain periods of time. It is a cleft stick in some ways. We have to work better.

All the academics and all our evidence show that changing a society around on corruption is a long-term effort. There is a Scandinavian professor who wrote a paper recently on what he called the big bang indirect approach to corruption. He took Denmark's experience of how they transformed themselves. It took 60 years of effort to change the culture, as I suspect it would have done in the UK in the 18th century.

As an aid agency, programming in terms of our two or three-year time slice means we have to be realistic about what we can achieve. I don't see any immediate, easy solution to suddenly being able to commit to a 20-



year programme, for example, under the ways we have to work at the moment.

Sir Desmond Swayne: There is a paucity of evidence as to what works; that is part of the problem. There are a few studies on Hong Kong, Singapore and Botswana, in terms of the recent historical perspective. As for western Europe, let's face it, votes were bought in this place. The Executive purchased the votes of Members of Parliament for years. How those institutions changed and what the key drivers that delivered the effect were, I don't know.

Q62 **Wendy Morton:** You acknowledge the long-term perspective and that changing culture takes time, so when you are working to a shorter timeframe, be it two or three years or even five years, how do you see DFID being able to maintain the momentum around the agenda and keep the anti-corruption agenda moving forward in the long term without it being stop-start?

Phil Mason: I do think this is the challenge that I just described about maintaining not just development programmes but a posture in a developing country that is all of Government and continuing and containing a whole range of different pressures, rather than the traditional way of thinking that we will solve a problem in a technical assistance programme over a short period. But it is a long haul and I think it then behoves Government as a whole to be in that long haul. It also enables the country to recognise that it is in its own interests: it can increase its investment climate prospects and it can increase its—

Sir Desmond Swayne: I see it in terms of a culture change on the part of the donors as much as needing to change the culture of the recipient countries. We have concentrated on protecting our own money. Our zero tolerance is zero tolerance of our money being stolen. But the problem is that it is their money that is being stolen—the developing countries' money—and we need to get the multinationals and bilaterals to get out of that fixation with their own money being stolen and their reaction to that by changing the way they operate or by investing more in public accounting systems to actually affect the political economy that makes the equation of cost-benefit for corrupt people work. That is where we have got to make the impact.

I do not think that is something where you move on a stop-start basis. The reality is—I say this again and again—it is all about jobs, and we need 600 million over the next 10 years. Jobs will only be delivered by an investment climate that enables those jobs to grow and the biggest impediment is the lack of capacity or the outright corruption of Government to deliver that, whether it is arbitrary taxation, the misappropriation of the lucrative parts of the economy or incredibly inefficient systems because somebody's cousin has got the job because they are somebody's cousin rather than because they are any good. All of these things are the enemy of jobs and economic growth. It is the whole agenda of ending poverty that is being undermined by corruption and we will only achieve the sustainable goals if we recognise that. Every time we



do economic assistance, a great slug has to go into governance to deal with these issues.

- Q63 **Pauline Latham:** Over the next five years, how important do you think goal 16 will be to DFID's work? Within that, how prominently will anti-corruption feature? If that is important, will DFID's efforts focus on any specific sector, such as the extractive industries?

Sir Desmond Swayne: That is a nice lead-in from the last question, because yes, it is absolutely central. We put a huge amount of political capital into fighting for goal 16. It is vital to us. As I stressed in my last answer, so much of our ability to generate the growth that is necessary to deal with poverty is undermined by corruption. As I said, we are putting £3.5 billion into this over the current spending period and that will support stronger Government capacity, anti-corruption controls and public financial management, but we need a much more political approach and I am glad that the paper that I put to the intergovernmental group had that ambition of working across Government much more politically, including the consideration of what will be painful things such as visa denial and the agenda that we have already dealt with in terms of dealing with illicit financial flows. It is the developing countries' money that is being stolen, not ours. The agenda of closing off the international ability to transfer illicit funds has got to be absolutely central to this agenda. I believe that goal 16, and the targets that underlie it in terms of illicit financial flows, give us an opening for leadership in areas in which we have already established leadership in terms of public registers, tax transparency and automatic transfer. It gives an area of consensus where we can drive this agenda forward. You specifically referred to extractives: I believe that one of the outcomes of the summit was that the extractive industry was, by 2020, going to require companies who have signed up to that initiative to say exactly what they paid for government licences and access for oil and gas.

Phil Mason: I will just say that on the corruption side of things, we love the idea of goal 16 being there. It is a big addition to the old framework and represents a step change in governance as a set of principles. On the corruption side, it comes together quite neatly in our minds. One of the big elements of goal 16 centres on enabling developing countries—all countries—to raise their own domestic resources for development. So our tax agenda is all around enabling domestic resource mobilisation. We then have public financial management concerns about making sure that the revenue is then spent wisely and is not lost to corruption, and therefore the anti-corruption agenda fits in very neatly there. Finally, if money does leak out we have the mechanisms in place to help assist, recover and return that money, and that is the asset return and the management agenda. So those four elements represent a fairly good template for a DFID country working through what SDGs mean at country level.

- Q64 **Pauline Latham:** The Minister mentioned EITI. How do you think the EITI and the open government partnership will help take this whole agenda forward?

Phil Mason: They are incredibly forceful advocacy tools and frameworks. EITI, which was an initiative embraced by the UK at the beginning, has raised the bar of what the norm becomes. The more these sorts of efforts are able to establish higher baselines as to the normal expectations that we should strive for, then the more we all progress forward.

Q65 **Pauline Latham:** And the open government partnership: how do you think that is going to help?

Phil Mason: The UK has just published a new action plan for the next five years. When we hosted the summit a year or so ago, it was quite clear within Whitehall that the fact that we were taking a prominent position in OGP meant that Departments were keen to put very ambitious targets into that. One of those was public procurement: the concern about how we might ensure that companies that had sanctions under private legislation were known to everybody, so that they could make decisions about who they give contracts to. That was one of the elements that was part of the previous OGP initiative, so they are driving up commitments. You can have a lot of commitments, but the key thing is delivery on the ground. One of the challenges of this suite and retinue of initiatives is that if you are in a poor developing country with a very poor infrastructure to manage these, then delivering an action plan may be the furthest you get. To some degree, that is what we have to watch. Servicing all of these action plans is the critical thing.

Sir Desmond Swayne: There are a number of other initiatives, in fact it is a crowded field. There is the ethical investment and trading initiative. By 2020, those who have signed up for that will have to make absolutely clear all the beneficial ownership issues when tendering in public procurement. There is the institutional integrity partnership and any other number of partnerships, all of which we are trying to shoo-in to this initiative which we call "Great". As I tried to intimate at the outset, in terms of "let all the blossoms bloom", the speed at which these different initiatives drive forward can have a competitive and complementary effect.

Q66 **Albert Owen:** Evidence to the Committee cites concerns over the lack of innovation, a culture of risk avoidance, and failure to learn lessons in the UK Government's anti-corruption efforts. Do you think that DFID struck the right balance between innovation and ensuring value for money?

Sir Desmond Swayne: I certainly think that, as I have attempted to say, there has been too much of a focus on protecting our own money instead of on the larger agenda of dealing with corruption. As I have said, I was stung by the ICAI report on our lack of ambition with petty corruption in Nepal but, equally, the irony there was that that was where we were actually making a great effort to try to find initiatives that would deal with petty corruption.

I do not think that we are risk-averse organisation. I think that we take these issues head-on. I think there is a difference between our approach and that of say, USA. The USA is much more reluctant to work through government organisations. We are prepared to take on and manage that



risk in order to strengthen their capacity, and I think that those are strengths. I am not sure if I have strayed from the question or answered it.

- Q67 **Albert Owen:** No, you are moving towards answering it, I think. What could be done better? You have been honest in your analysis of where Britain is. For instance, in the evidence we were given, the UK should look at contractors, sub-contractors, investee companies, and so on—at circulating more data amongst the partners. Is that something you are aware of, and do you think there should be greater effort in that?

Sir Desmond Swayne: Yes, something we could do better is to be more exacting of all our partners in making sure that they are addressing this agenda rather than just—let's be honest, the World Bank is very good at protecting its own money and being absolutely rigorous in ensuring that nobody steals it, but it is much less proactive in terms of dealing with the political economy that gives rise to the fact that it is the developing country's money that is being stolen. Most of the UN organisations have the same sort of outlook. I think we have got to drive these organisations much more into the less tasteful political agenda of confronting it.

Phil Mason: May I add some thoughts there? In the past, I think DFID has been extremely innovative in this field. We created the U4 resource centre at a time when virtual resources centres on the web were absolutely not—

- Q68 **Albert Owen:** I was citing some of their evidence.

Phil Mason: Indeed, I am glad you heard them face-to-face here. Obviously, the police units which we created back in 2006, remain unique for a development agency. Indeed, within the OECD, we have worked very closely to try and persuade our donor colleagues. Back in around 2005-6, we created what are called—I think, they are still valid—the DAC anti-corruption principles. There were only three, but the middle one was saying that donors need to use their thinking and their aid, domestically as well as internationally, to bridge between the developing countries and the developing world.

So, we have an international track record of innovating. I think where you may be right is when we have delivered on the ground, it has tended to be through classic development practice, which is training courses, projects, and methods such as that. The thinking over the past few years and the summit have enabled us to pull together a whole range of areas where I think we will be innovating into the future.

The thinking over the past few years and the summit have enabled us to pull together a whole range of areas where I think we will be innovating into the future. Some of those I have just described, in terms of the country model that we would hope to be deploying now, which is an all-of-Government innovation approach that blends the development practice with some other non-aid levers. The summit announced the innovation hub, and part of that will be a big DFID project on citizen engagement and the use of IT and those sorts of methods. We are particularly interested



also in exploring the scope for behavioural insights, in terms of how those may change and nudge societal practices, particularly, for example, among civil servants, and whether you can change the ethos inside the civil service through some subtle changes in practices. I mentioned the credit rating agencies, which is new territory for us.

The Minister mentioned the rapid response concept, which we hope will be built into what we are calling the IACCC, which is the International Anti-corruption Co-ordination Centre, so when we have another regime collapse—we don't know where it will be, but there will be another Ukraine or Egypt—we as a donor community and an international community do not send all our experts in and deluge a struggling capital that is trying to sort things out, but have a rather more rational approach of marshalling how to address the asset recovery concerns of a capital.

We are very aware of concerns about illicit financial flows, and that is very important, but we are also aware of the big numbers put around by some who claim to know where all the illicit flows stem from. I think I have heard that 80% of illicit financial flows come from corporate multinational tax avoidance—mis-invoicing type activities. We feel that figure is not credible, in the sense that it misses a large proportion of grand corruption, which everybody realises is happening on a day-to-day basis. We think there is scope for some form of diagnostic mechanism to actually help a country understand how it loses its money and the sources of its vulnerabilities. The risk assessments that happen on money laundering are quite good at testing institutions, but they are not very good at identifying the sources of that illicit money, so there is a gap there. There are a lot of areas where I am very excited to be innovating.

Sir Desmond Swayne: Going back to U4, it is an incredible phenomenon. Some 500 of our staff have been through this training, and I understand that DFID is the source of a third of all the queries that are put to the help desk. I am certainly hopeful that having the innovation hub in the Cabinet Office is going to have a similar ginger effect on that organisation, but also with respect to bringing together Governments, the private sector and civil society in that learning circle.

Q69 **Fiona Bruce:** Minister, you just referred to civil society. The Committee has heard evidence of the narrowing space of civil society in many countries, including countries where DFID operates, and is concerned about that. That could make it more difficult for journalists and NGOs to expose corruption overseas. How is DFID working to address these concerns, and ensure freedom for journalists and civil society activists and protection for those who expose these kinds of instances?

Sir Desmond Swayne: Well, the summit was certainly good, in that it opened up a conversation with civil society and the private sector. They were very much part of it. I'm not quite sure to what extent it was a deliverable, but also on the agenda of the summit was the whole question of protection for whistleblowers. One of the greatest things that will energise civil society is the production of the transparent data that will result from public registers of beneficial ownership, and the tax data—the

other data that will be made public. That will give civil society so much to work on. But you are right: in many of the countries that we operate in, space for civil society has been closing, and there is a very important agenda, largely led by the Foreign Office, in countering that.

Phil Mason: Indeed, and Transparency International, for example, are very quick and fulsome in telling us about the concerns they have about their activists, so I think that wherever DFID is working with a Transparency International chapter, for example, these are concerns that will be frontmost to them.

Q70 **Fiona Bruce:** You mentioned whistleblowers. We have received concerning evidence about the treatment of whistleblowers. Is there more that DFID could do to look at this issue and protect those people?

Sir Desmond Swayne: I'm all ears to hear what more we can do to assist whistleblowers. Without people who are prepared to say what's what, we have both hands tied behind our back.

Fiona Bruce: Thank you. Perhaps we will refer to this further in our report.

Chair: With what will be our final question, Wendy.

Q71 **Wendy Morton:** Recent research has suggested that donors' anti-corruption efforts often have little or no effect. How does DFID judge the success of its anti-corruption efforts? Following on from that, how does DFID learn from those experiences and that knowledge?

Sir Desmond Swayne: Given that it takes a long time, there has to be an institutional memory that outlives the lives of Ministers.

Phil Mason: And over the 15 years or so that I have been working on this, things are just as difficult now as they were, in terms of recognising what success looks like, in the normal way in which a development programme set of indicators would normally expect you to do. It is a challenge. As the Minister said, we have done quite a lot of work in recent years on mining the literature and the evidence about what works and what doesn't work. Again, it is still really difficult. The U4 produced a very good paper that I would encourage you to read if you haven't read it. It lays out quite scarily the limited amount of knowledge that there is about what those magic buttons are.

The research that we have just recently announced, run through the British Academy and through a challenge fund, will start to look at one of the issues that came out from that evidence paper. If you looked at the scattergun diagram, which mapped something like 30 different interventions that donors have traditionally made, one thing that struck us when we looked at that was whether there was a clue in that scatter diagram about what is potentially going wrong. If we are only focusing our attention on penny packets—on, say, law in one country and then police in another country—and unconnect it, is it surprising that corruption is not



HOUSE OF COMMONS

necessarily pivoting, because we are only focusing on elements and the corruption just flows to the next weakest link?

One of the areas that the new research programme will look at is the combination effects of particular institutions. Is there a specific collection of institutions? If you get those two, three or four right and working together, that has a changing pivotal point for corruption in that country. These are the kinds of areas in which we are learning. We are learning from the fact that there is very little evidence on magic bullets, so we are learning about how we look at this in a different way. But I wouldn't want to sit in front of you and say there are easy ways of working it out in numerical or quantitative terms.

We would have a set of illustrative indicators in our minds around what success looks like after the summit. If we have a country where citizens are able to report their concerns and have those reports treated with proper attention by authorities; if law enforcement of one country is able to liaise effectively, say, with the UK without the traditional obstacles—a number of those illustrations of better working together would, in our judgment, be good indicators that we were getting on the right path. But the research will come through over the next three or four years. It is applied research. There will be learning as we go along, and we will be able to shape the questions that we ask as we go.

Sir Desmond Swayne: I was just going to say that we have undertaken to produce a strategy by the end of the year. I think that is actually very ambitious, because it will have to take account of the work of this Committee and your report. It will also have to react to what has happened at the summit relatively soon after the summit, and of course we have this research that is in progress over the next four years. I hope that the strategy will be an evolving document and a learning document.

- Q72 **Wendy Morton:** That addresses the question with which I was going to follow up. You have talked about this three-to-four-year process, but we are very conscious on this Committee—you will be as well, Minister—that often there are stories of anti-corruption and Government aid money being spent in the wrong places. During that intervening period, how do you go about tackling and rebutting those claims that UK aid is being spent in the wrong places?

Sir Desmond Swayne: I think we are quite good at spotting what is being nicked of ours and getting it back. That is somewhere where we have a good record. The entire donor community has focused its efforts on protecting its own money.

- Q73 **Mr Evans:** Do you make it public when you get money back that has been stolen?

Sir Desmond Swayne: I have certainly quoted the figures that we get.

Phil Mason: It is in the annual report.



HOUSE OF COMMONS

Sir Desmond Swayne: I believe that we should make a much better pitch of our whole public communications effort. We have had this discussion amongst ourselves before. I think we need to make much more of that but, as I say, that is the easier part of the equation. The bigger issue is dealing with the causes of corruption and the fact that poor countries' money is being stolen, rather than with ours being stolen and misspent.

Chair: Thank you very much indeed. We have covered a lot of ground in an hour. I am grateful to the three of you for giving evidence today.