

THE FCO AND THE INTEGRATED REVIEW

Submission from Transparency International UK

INTRODUCTION

Corruption makes the world a more dangerous place, renders our allies less dependable, and emboldens those hostile to Britain's interests. It erodes trust, closes markets to businesses with integrity, and robs populations of the resources needed to meet the Global Goals for sustainable development.

Britain has a long tradition of shaping international governance for the better, recognising its historic role in world affairs, and more recently taking a strategic international approach to corruption. However, there remains a lot more to be done, working in concert with our international partners.

An integrated review of foreign, defence, security and development policy is therefore a welcome opportunity to consider the cross-cutting impact of corruption, and grapple with it as a globally strategic problem to be solved. To do this effectively, **corruption should feature among the key lines of enquiry for the forthcoming Integrated Review.**

UNDERMINING DEFENCE AND SECURITY

Corruption goes to the heart of many of the world's security challenges – especially in countries with the greatest need of development. From the horrifying attacks by Boko Haram in Nigeria, or the weak defence against Daesh in Iraq, to Russian aggression in Ukraine, there is much evidence that corruption makes the world a more dangerous place, renders our allies less reliable and emboldens those hostile to Britain's national interests.

The Government's own analysis¹ points to how conflict and instability around the globe can harm the UK's national interests. Transparency International's Defence and Security Programme has established clear links between corruption and the emergence and perpetuation of civil unrest, violence and conflict.

Corruption in the defence sector can be particularly harmful. The evidence points to the impact of defence corruption as dangerous, and divisive.

Defence corruption can be dangerous

Defence corruption can endanger security and stability within a state by incapacitating defence forces and rendering them ineffective in protecting the population. It inhibits operational effectiveness and can result in an ineffective, weak, and failed defence capability. There are a number of different ways that this can happen:

- **Corrupt procurement practices** can result in armed forces receiving faulty, ineffective or irrelevant equipment. Procurement that is based on bribery and fraud is not conducted in the interests of the population and often results in equipment being purchased that is not necessary or faulty because, for instance, the appropriate checks have been bypassed in the interest of getting a corrupt deal through. There are cases where military equipment supposedly purchased through procurement contract doesn't actually exist and never makes its way to the front line. This endangers soldiers on the ground by not providing them with the appropriate equipment they need, and endangers security by rendering frontline soldiers ineffective in fighting opponents.

¹ Building Stability Overseas Strategy (BSOS). Ministry of Defence (July 2011)

- **Corruption in payroll:** Ghost soldiers are often a result of corruption in military payroll systems – e.g. a commander of a unit could inflate the numbers of how many soldiers are under his command and pocket the salaries of those that don't exist. This seriously effects operational effectiveness as it means that potentially thousands of soldiers could simply not show up (because they don't exist) when called on to provide security.

Estimates of world military expenditure are rising towards \$2trillion annually, so corruption in the defence sector can result in the waste of substantial resources. It can cause large sums of money to be diverted into private pockets, where they could have been better spent on improving military capability or channelled into funding for education, health or infrastructure, the lack of which results in poverty, public unrest, and a lack of trust among key international actors.

Defence corruption can be divisive

Defence corruption can stoke unrest and division by undermining public trust and strengthening armed adversaries.

- Extremist and insurgent groups often utilise rhetoric around state corruption in their recruitment, capitalising on existing public distrust. They present themselves as a legitimate alternative to a corrupt state and defence apparatus, thereby strengthening their support and numbers.
- Corruption in defence can result in diversion of weapons into the hands of insurgent groups. For example, cases of soldiers selling their weapons in exchange for money, or food and water if their salaries aren't sufficient.
- Corruption can also manifest through military personnel accepting bribes at checkpoints to allow trucks of illicit goods to pass. Often, this illicit trade is a key means of financing for insurgent groups.

Understanding corruption risk in different countries

Transparency International's annual Corruption Perceptions Index is well known for the country-by-country evaluation it provides of perceptions of levels of corruption in different countries' public sectors. In addition to this **we have produced a series of indices of the integrity of government defence sectors around the world.** The results from the first wave of countries in the Government Defence Integrity Index are now available online: <https://ti-defence.org/gdi/> with more to follow. We recommend drawing on analyses such as this across government departments to help inform those seeking to understand the impact of corruption on the ability of these countries to act in defence and international security.

Anti-corruption responses

Integrity, accountability and transparency are vital for effective governance of defence institutions and protecting national and international security. Transparency International recommends a comprehensive approach that integrates anti-corruption priorities for defence integrity at home and abroad, including crisis management and stabilisation operations.

- **Integrity in our defence sector:** Strengthening governance in the defence sector, will enable the Government to better allocate resources, prevent waste and corruption, and help maintain public support for defence needs.
- **Integrity and anti-corruption in military operations:** The ISAF mission in Afghanistan was a stark and costly illustration of the impact that corruption can have on the ability to achieve mission goals. *Mission activities*, including establishment of supply chains, construction and lease of land for bases, and training of host nation forces – should be planned taking care to avoid inadvertently fostering or creating corrupt networks through the injection of resources or support for malign actors. Building integrity and mitigating corruption therefore need to become part of military planning and a factor in designing and conducting operations

- **Institutional transparency:** The Government should bring greater transparency and accountability to its defence institutions, including in procurement and capability planning, justifying exemptions in line with the Tshwane Principles on National Security and the Right to Information. This should be complemented by a robust whistle-blower policy and an independent oversight and audit mechanism.

A BRAKE ON DEVELOPMENT

Natural resource rich countries have all too often been cursed by corrupt political elites, who have become expert in audacious embezzlement of their population's public assets for their own personal enrichment, and the subsequent expatriation of that illicit wealth through secrecy haven. This Grand Corruption has prevented these countries from developing in proportion to their wealth in natural resources, and instead remain dependent on international development assistance.

TI's Global Corruption Barometer confirms that petty corruption is anything but and hits poor people hardest – with devastating consequences. A bribe demanded by a doctor may mean that a family cannot afford school fees or even food to eat. Findings from Mexico, for instance, show that the typical poor family must spend one-third of their income on bribes².

It is not enough to place strict controls on UK aid to prevent corruption, if not at the same time taking a programmatic approach to tackle the manifestations of corruption in the contexts where it is spent.

We can also do more to stop funds stolen from people living in poverty then being laundered and subsequently hidden in the UK's property market³, In London and our closest financial centres, corrupt political elites and their cronies the world over, are able to launder the proceeds of their crimes. In our report, At Your Service⁴, Transparency International UK identified 600 British businesses, institutions, and individuals who have helped corrupt individuals, unwittingly or otherwise, obtain, move and defend their ill-gotten gains. The National Crime Agency estimates that the scale of illicit funds impacting the UK economy each year is in excess of £100bn. This damages Britain's standing internationally, so there is **a pressing need for British diplomacy to mobilise multilateral efforts to drive dirty money out of the world economy.**

This initiative at both ends of the world's corruption problem will help tackle poverty, bring justice for victims of corruption, and ultimately help ensure that economies in developing countries are better placed to do business with us.

THE IGNORED PANDEMIC

The impact of corruption in health is often ignored, allowing it to silently eat away at national resources, undermine international aid efforts and distort markets. Corruption in the sector causes losses of over US\$500 billion every year, more than it would cost to bring about worldwide universal health coverage

² Global Corruption Barometer, Transparency International (2019) <https://www.transparency.org/research/gcb>

³ The Government's draft Register of Overseas Entities Bill introduces transparency over who owns the companies that launder dirty money into UK property. TI-UK recommends that the legislation is tabled at the earliest opportunity.

⁴ At Your Service: Investigating how UK businesses and institutions help corrupt individuals and regimes launder their money and reputations, Transparency International UK (October 2019) <https://www.transparency.org.uk/publications/at-your-service/>

At an individual level, corruption in health can mean the difference between life and death. **On a global scale, it can lead to anti-biotic resistance, the uncontrolled spread of infectious disease, and the perpetuation of poverty and insecurity.**

During a global health crisis, such as the current COVID-19 pandemic, the capabilities of health systems are pushed to the extreme. This pressure to respond quickly to urgent demand creates opportunities for corruption in health research, development, procurement and service delivery.

Procurement in health systems is one of the activities most hard-hit by corruption. With medicine and medical supplies shortages being reported, there will be an additional strain on procurement. It's estimated that 10-25% of all money spent in procurement globally is lost to corruption⁵, and in the EU 28% of health corruption cases are related specifically to procurement of medical equipment⁶.

TRADING WITH INTEGRITY

Overseas markets where corruption is endemic are tricky operating environments for British business. Corruption in any country's public sector closes those markets to law-abiding British firms, thus becoming a barrier to shared prosperity through trade.

The World Economic Forum (WEF) estimates that corruption increases the cost of doing business by up to 10%. In contrast the FCO has made the case⁷ that a reduction in global corruption, combined with lower barriers for business and stronger corruption penalties can 'improve the business environment, improve investment in public services and enhance UK soft power.'

Transparency International recommends that to build prosperity at home and abroad, **Britain's trade policies should seek to level the playing field for law-abiding businesses by raising anti-corruption standards globally.**

RECOMMENDATIONS

We recommend that the Integrated Review adopts corruption as a key line of enquiry and resolves to mainstream consideration of corruption in government processes, activities and outputs, from procurement and trade policy, to the planning and conduct of military operations.

TI-UK recommends that through the integrated review, the UK Government:

- Recognise the threat that corruption poses to our defence and security and designs mechanisms to mitigate its negative effects including in procurement, alliance building, and operations;
- Mobilise multilateral efforts to drive dirty money out of the world economy, constraining the movement of the corrupt and their illicit wealth, to make it less likely that corruption pays;
- Put corruption in health on the agenda of the world's policy makers such as the World Health Organisation and institutional donors to improve defences against corruption in health sector procurement and service delivery;

⁵ UNODC, 2013. Guidebook on Anti-Corruption in Public Procurement and the Management of Public Finances, p.1

⁶ Making the case for open contracting in Healthcare Procurement, Transparency International, Open Contracting Partnership and Crown Agents Foundation, January 2017

⁷ Prosperity Business Case: Global Anti-Corruption Programme, FCO (February 2020)

- Pursue commitment to anti-corruption measures in all new free trade agreements to reduce corruption in new markets and level the playing field for law-abiding British businesses;
- Promote integrity principles across the public and private sectors, at home and abroad, seeking the highest levels of integrity in trade, development, diplomacy, and the military.

RELEVANT TRANSPARENCY INTERNATIONAL PUBLICATIONS

1. TI Corruption Perceptions Index: <https://www.transparency.org/cpi2019>
2. TI Government Defence Integrity Index: <https://ti-defence.org/gdi/>
3. Interventions Anti-Corruption Guidance: <https://iacg.ti-defence.org/>
4. Fifth Column - Understanding the Relationship Between Corruption and Conflict: <https://ti-defence.org/publications/the-fifth-column/>
5. Corruption as Statescraft - Using Corrupt Practices as Foreign Policy Tools: <https://ti-defence.org/publications/corruption-as-statescraft/>
6. The Ignored Pandemic: <http://ti-health.org/content/the-ignored-pandemic/>
7. At Your Service: <https://www.transparency.org.uk/publications/at-your-service/>

ABOUT TRANSPARENCY INTERNATIONAL UK

Transparency International (TI) is the world's leading non-governmental anti-corruption organisation. With more than 100 chapters worldwide, TI has extensive global expertise and understanding of corruption.

Transparency International UK (TI-UK) is the UK chapter of TI. We raise awareness about corruption; advocate legal and regulatory reform at national and international levels; design practical tools for institutions, individuals and companies wishing to combat corruption; and act as a leading centre of anticorruption expertise in the UK.

We are independent, non-political, and base our advocacy on robust research.