

# CORRUPTION CABLE

Transparency International UK's Quarterly Newsletter

Winter 2017

## This Issue...

- *Rolls Royce & Deferred Prosecution Agreements*
- *Health Corruption in Armenia*
- *Interview with Andy Watson, Head of Industry Integrity*
- *Why the UK Needs a World Class Anti-Corruption Strategy*
- *The 77th Brigade*
- *In the News*
- *Events*



**TRANSPARENCY  
INTERNATIONAL UK**  
fighting corruption worldwide

# Welcome

The big corruption story at the start of 2017 has been the landmark deferred prosecution agreement between Rolls-Royce and the Serious Fraud Office. A £671 million deal was agreed jointly with the SFO and the authorities in Brazil and the USA, following allegations of conspiracy to corrupt or failure to prevent bribery by Rolls-Royce in ten countries including China, India, Indonesia and Thailand.

The case opened up a number of questions for the anti-corruption movement, focused around should Rolls-Royce have faced full prosecution? [Comments](#) from TI-UK, carried across multiple media outlets, centred on ensuring that justice would not be evaded and that key senior individuals would still be prosecuted for their involvement in criminal bribe-paying. Full analysis from across our organisation can be found on our [web feature](#) about the case.

Elsewhere, at a time when the UK is dealing with the Brexit fall-out and refocusing its trading priorities, we have been delivering our message that the UK must uphold global standards of rejecting corruption and resist a “business at any cost” attitude to trade. The UK held steady at 10th in the Corruption Perceptions Index, [but we have warned](#) that a lowering of standards could easily see the UK drop out of the top ten.

Worryingly the turn of the year marked the passing of the UK’s own deadline to implement an anti-corruption strategy. A world-class and wide-reaching strategy is necessary both as a roadmap to fighting corruption but also a strong signal of intent. We continue to advocate for the serious progress on the promised strategy, that should cover both the UK’s role as a global leader, but also the corruption that takes place closer to home in Westminster.

In encouraging news, the Criminal Finances Bill - which introduces a new investigative tool championed by TI-UK, unexplained wealth orders – has received cross-party support in the Commons. The majority of the criticism focuses on what’s not in the Bill, rather than what it contains. The report stage date is yet to be announced.

All this and more lies ahead. Welcome to the Corruption Cable.

# Talk of the Town

“Tackling corruption is a vital part of the fight to tackle extreme poverty around the world and has become a key priority for DFID”

- Stephen Twigg MP

“The Government is committed to ensuring that the Overseas Territories and Crown Dependencies meet Financial Action Task Force Standards and do not act as havens for funds resulting from corruption or other criminal activity.”

- Commons Select Committee

“Corruption is the worst social plague. It’s the lie of seeking personal gain of that of the group itself under the guise of a service to society”

- Pope Francis

“The UK firmly believes corruption is at the heart of many of the world’s problems and needs to be addressed as a threat to global security.”

- Tobias Ellwood MP

“This Government is committed to attacking criminal finances and making the UK a more hostile environment for those who seek to move, hide and use the proceeds of crime and corruption.”

- Ben Wallace MP

“The idea that that federal parliament is immune to corruption, I believe, is ludicrous.”

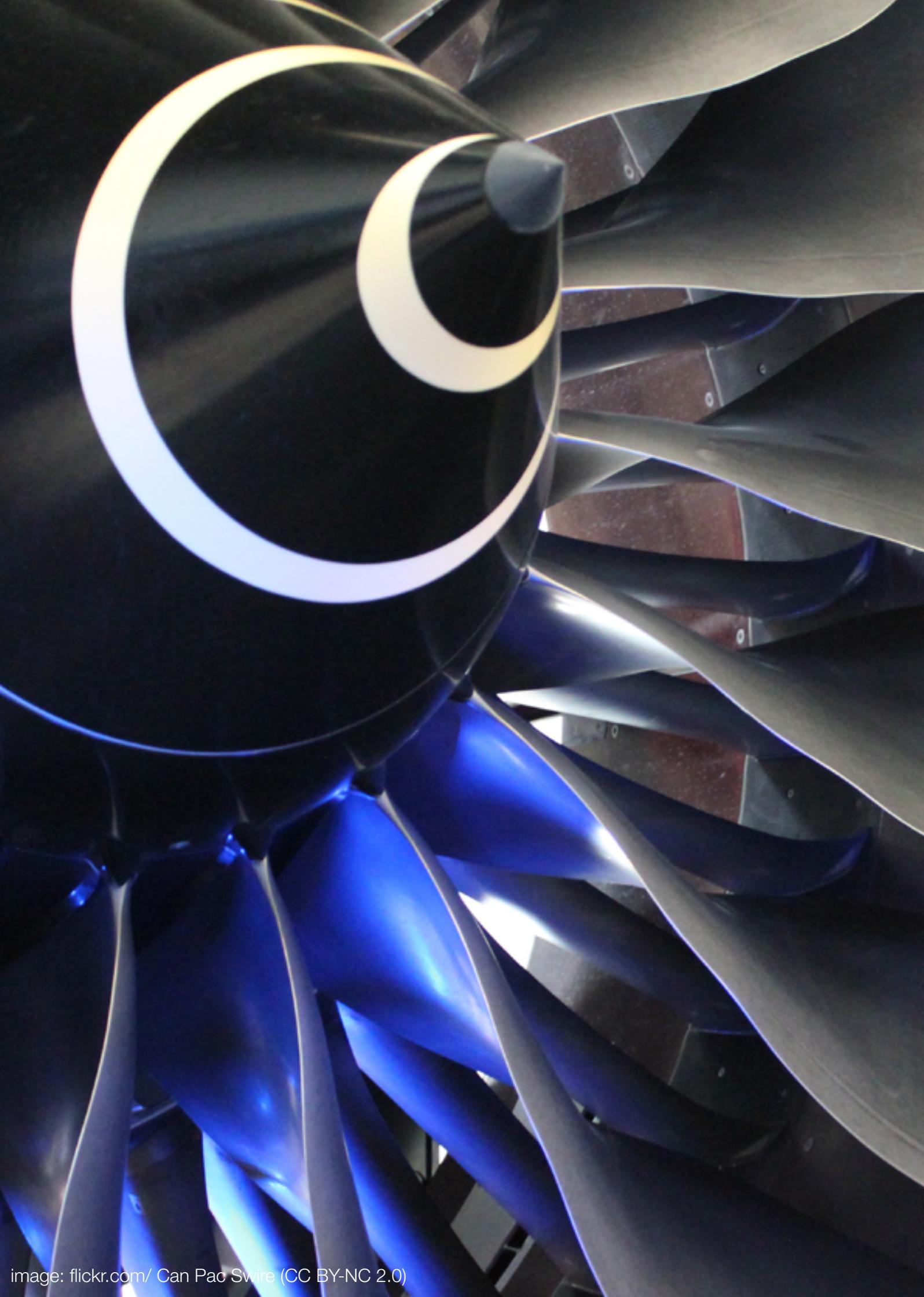
- Richard Di Natale  
Australian Green Party Leader

“FIFA is supposed to help [children] by building soccer fields and maintaining them, so when you have an organisation that has so much power, so many resources ... and to have them just abdicate that responsibility for personal gain to me, was and is, particularly galling.”

- Loretta Lynch  
Fmr U.S. Attorney General

“I would like to thank you for supporting our fight against black money and corruption”

- Narendra Modi  
Prime Minister of India



# Rolls Royce & Deferred Prosecution Agreements

Rolls-Royce has become the third company in the UK to enter into a Deferred Prosecution Agreement (DPA) deal with the Serious Fraud Office (SFO). A £671 million deal was agreed jointly with the SFO and the authorities in Brazil and the USA, following allegations of conspiracy to corrupt or failure to prevent bribery by Rolls-Royce in ten countries including China, India, Indonesia and Thailand.

Transparency International UK has put together a [feature](#) on DPAs, answering important questions for those campaigning against corruption including: do DPAs allow corrupt companies to “buy” their way out of prosecution?; are some companies simply too big to be prosecuted?; and when is it appropriate to use DPAs?

Click [here](#) to read all of our blogs on the subject. Below are key excerpts from each blog.

## **What can we learn about the future of DPAs from the Rolls-Royce case?**

**By: Robert Barrington, TI-UK Executive Director**

...DPAs are still in their early phases. They could be on the verge of working very well. The SFO has done well to secure a large fine and the on-going cooperation of the company. But people are not celebrating because it is not clear that the interests of justice have been truly served. There is still more to come with Rolls-Royce through prosecuting individuals, which may tip the balance, and more transparency can still be provided at this point by both the SFO and the company...

## **Do big defence contractors simply play by different rules?**

**By: Katherine Dixon, TI's Defence & Security Programme Director**

...On the face of it, there could be few clearer instances when prosecution, rather than a DPA, might seem like the only reasonable course of action. After all, the allegations relate to up to ten countries, over a sustained period – back to 1989, and involve significant sums changing hands. So this isn't a one off 'rogue' operator and it seems implausible that senior executives were not tacitly sanctioning this activity. So the question is, if this isn't an occasion to prosecute and properly deter, when would be?...

## **SFO Settlement: Did Rolls Royce exaggerate the impact of debarment to avoid a criminal prosecution?**

**By: Eva Anderson, Senior Legal Officer**

...The decision not to prosecute is controversial due to the scale and extent of bribery and fraud practiced by Rolls-Royce. To argue that prosecution would be against the interests of justice, the company stressed the economic impact it would suffer from a conviction, these estimates were seemingly accepted at face value accepted by the SFO and the court...

## **My Lord, we're missing the plaintiff**

**By: Andy Watson, Head of Industry Integrity**

...So who were Rolls-Royce's victims? First, there were the millions of people living in developing countries, such as India, Nigeria and Indonesia, which saw vast sums of public expenditure directed toward Rolls-Royce's coffers. It might be argued that the cost should be defined as narrowly as the value of the bribe; and divided amongst a population, that might seem like a small price to pay. But bribes corrupt public procurement processes. They can mean products purchased that may never have been needed, are of poorer quality, or purchased in greater volumes; and when we are talking about defence and aerospace, that's an awful lot of money. For every extra Rolls-Royce product purchased, millions could have been spent on education, healthcare, infrastructure and other defence requirements...

# Get to Know: Andy Watson

*After nearly a decade as a Scotland Yard detective Andy Watson joins Transparency International Defence & Security as the Head of Industry Integrity, a team working with industry and policymakers to address corruption risks within the international arms trade. Our Senior Policy Officer Jameela Raymond sat down with Andy to get to know him better.*



Andy Watson  
Head of TI Defence & Security Industry Integrity

***JR: You've got first-hand experience in tracking and tackling corruption. How would you say your background has shaped your understanding of corruption and how to fight it?***

AW: Of all the types of crime that I have investigated, corruption has been the most challenging. It invariably involves both the abuse of a position of trust, such as a politician, police officer or businessperson; and the exploitation of what was to begin with, a perfectly legitimate process, such as a commercial transaction.

These dynamics usually make corruption extremely well hidden and therefore difficult to prevent, detect and prosecute. Not everyone realises just how significant the effects of corruption can be, but I've seen the impact that it has on people's lives first hand and felt the deep sense of injustice it brings when those who are hardworking and honest, are dragged down by its consequences.

In terms of how to fight it, I think that corruption is a societal challenge and tackling it requires all of us to work together and be on the lookout.

If you think corruption isn't really impacting upon you, think again, look harder and challenge it when you see it. More than anything else, we must be determined and imaginative, because these aren't easy problems to solve.

***JR: Why did you want to join TI-DS' Industry Integrity team?***

AW: I have been an admirer of TI's work for some time and with an academic background in defence and security; and a professional background in anti-corruption, it seemed a natural fit for me. The arms trade is one of the most complex environments within which corruption thrives. It's an inherently shady business and its impact can be enormous; so it's a really engaging area to be working in.

The Industry Integrity Team have done some great work in the past and I'm looking forward to building on this...and exploring some new ideas too!

***JR: The UK's defence minister recently released to parliament details of the Ministry of Defence's 44 allegations of corruption on defence contracts since 2011. What are your thoughts on that?***

AW: You could take the view that the fact these allegations are being reported at all, is an encouraging sign. Unfortunately, I suspect this is a small proportion of the true volume of corruption taking place in this sector. My concern is that although the laws exist to prevent and prosecute corruption in the UK, there isn't enough being done to enforce them. Corruption allegations are enormously complex and there appears to be less and less appetite to conduct unwieldy, lengthy and challenging investigations; especially when one never knows where they may lead!

The Government needs to ensure that enforcement agencies have the resources and independence to pursue these investigations rigorously and really go after the hard targets, however difficult and uncomfortable it might be.

***JR: What is it about corruption in the arms industry and arms trade that you think is so dangerous?***

AW: Corruption is never a victimless crime, however, in the arms trade the implications can have far reaching effects which aren't immediately apparent. Corruptly purchased equipment diverts money from humanitarian causes such as education and healthcare. One example is the infamous South African corruption scandal, when there was over seven times as much being spent on unnecessary aircraft, as upon Aids treatment for South Africans. Arms trade corruption can also have a profound effect on the armed forces, who don't get the equipment they need;

there have been absurd examples in places like Angola where the military have new tanks and warships, but soldiers don't have boots or food.

When corruption helps circumvent safeguards such as arms embargoes it can fuel organised crime, human rights violations and even terrorism. At its most influential, it can even manipulate international events by dictating how wars are fought, provoking arms races and destabilising regional security. It sounds dramatic, but consider what reaction a country might have, when it sees its neighbour inexplicably buying warships, planes and tanks that it has never needed before? Corruption in this sector has devastating potential.

***JR: What do you see as the priority issues for the Industry Integrity to work on in the future?***

AW: I think there are a few things which really stand out. Industry reform will continue to be an important part of our work, particularly in how companies can go beyond the obvious things and address how to evolve the ethical culture of their organisations. However, tackling arms trade corruption isn't just about the defence industry; governments must also play a fundamental role and we will be asking a lot more of them in this respect. We want importing governments to take transparency in defence budgets and procurement seriously; and we're ready to help with this in terms of procurement toolkits, corruption mapping and DSP's 'Global Standards' initiative.

However, we also need to ask more from exporting governments; it simply isn't acceptable for politicians to encourage industry to do business in corruption prone markets, without offering them any form of support at a governmental level. Finally, we want to find better ways of telling the human story of corruption, to really help people connect the dots in terms of what corruption in this sector really means. It's going to be a challenging journey, but that's why we're here and I'm really looking forward to it!



# UNHEALTHY PRACTICES

# THE COST OF CORRUPTION

In this section we bring you real life case studies of corruption that Transparency International UK seeks to prevent and works to eliminate into the future. This edition's The Cost of Corruption features a case from Transparency International's Pharmaceuticals & Healthcare Programme's booklet *Real Lives, True Stories: Health*.

The Pharmaceuticals & Healthcare Programme is a new global initiative based in Transparency International UK. Applying Transparency International's strengths and expertise, the Programme's overall goal is to improve global health and healthcare outcomes for the benefit of all people of all ages. It aims to achieve this by reducing corruption and promoting transparency, integrity and accountability within the pharmaceutical and healthcare sectors.

## ARMENIA



74.7 years is the national life expectancy



66% of the Armenian public think health and medical services are corrupt



33 / 100

Parents Liza and Alex\*\* were put in a situation any parent would dread when they took their newborn baby to hospital for medical treatment.

The family had travelled to Armenia's capital Yerevan, but on arriving at the hospital, they were informed that there was no room for them to stay in the hospital with their baby.

Nurses allegedly demanded money in exchange for allowing Liza to remain with her baby throughout the hospitalisation and threatened to remove her from the premises if they did not pay.

The family could not afford to pay any amount and had no place to stay in the capital.

Alex turned to Transparency International Anti-Corruption Center for help. While TI Armenia had never received any similar cases, the team believes that the practice of lower level employees handing over money to their supervisors is widespread.

TI Armenia immediately contacted the Ministry of Health and the hospital's Chief of Medicine to establish if there were grounds for requesting money.

Within two hours the Chief of Medicine responded. He insisted that there had been a simple misunderstanding and directed his staff to provide the baby's parents with accommodation at the hospital, free of charge and without delay, as required by law.

TI Armenia continued to remain in contact with Alex throughout the day to ensure that their baby received the necessary treatment.

\*\*Names have been changed.

# Holding the Government to Account

## The Good

Since the last Corruption Cable the UK Government has completed two more commitments made at the Anti-Corruption Summit: completing an IMF Fiscal Transparency Evaluation (November 2016) and implementing the Open Contracting Data Standard (December 2016).

## The Bad

Our new colour for 'overdue' is already being put to use. The Ministry of Justice's promised to launch a consultation on extending the scope of the criminal offence of failing to prevent economic crime beyond bribery and tax evasion to other economic crimes, such as money laundering and fraud, in Summer 2016. On 13 January 2017 a call for evidence on the issue was opened, and now the promised consultation will only be launched if the Government finds that the evidence submitted proves that a new form of corporate liability for economic crime is required. The Government was also due to develop its Anti-Corruption Strategy by the end of 2016, but this has now been delayed. However, we hope the wait means that a world class strategy is on the way!

## What's to come

An International Sport Integrity Partnership is due to be launched at the International Forum for Sport Integrity in Lausanne in February 2017. The UK will be working with international sports bodies, other countries and international organisations to develop the partnership. The UK is also working to set up its International Anti-Corruption Coordination Centre by April 2017, to pursue the corrupt across borders. Watch this space!



Completion up to date as of 27/01/2016

# THE 77<sup>TH</sup> BRIGADE



Major Rebecca Hart of the British Army's 77th Brigade is seconding with Transparency International's Defence & Security Programme for a year.

Here, Major Hart tells us a bit more about the 77th Brigade including what they do, who they are and why our Defence & Security Programme is a good fit for her secondment.

77th Brigade is a combined Regular Army and Army Reserve unit. Established in 2014, it brings together a number of organisations from across the Army, including the stabilisation and support group, the media operations group, the psychological operations group, and the security and capacity building team.

The Reserve element draws on specialists nationwide, from a wide variety of backgrounds, such as journalism, security sector reform, and regional or country based specialists, to make the most of skills that are not necessarily available among regular army personnel. Through this unique combination of regular and reserve personnel, the Brigade aims to challenge the difficulties of modern warfare using non-lethal engagement and legitimate non-military levers as a means to adapt behaviours of the opposing forces and adversaries. While this is not necessarily a new concept, it is certainly an innovative approach.

In addition to the use of reserves to increase specialist knowledge within 77th Brigade, a number of regular personnel are also undertaking secondments with civilian organisations, including Transparency International's Defence & Security Programme (TI-DS). The use of secondments, particularly within the third sector, to increase the skill set of regular personnel is new, but absolutely necessary in allowing the Army to keep up with the changing nature of conflict. Recognising the damaging effect that corruption can have on the achievement of military objectives during operations, the secondment with TI-DS has enabled the establishment of a working group to look at ways in which the Army can include counter and anti-corruption considerations in its planning for future operations and Defence Engagement.

In addition to the working group, the secondment has opened up training opportunities. Pre-deployment corruption awareness training was delivered to British troops preparing to join the UN mission in South Sudan and 77 Brigade corruption training days are planned for next month.

Of course, the opportunities available during secondments extend beyond relating to the Army-related work, and the Brigade is keen for people to integrate and contribute to the work of the organization. I have been able to work with the TI-DS team on projects such as NATO's Building Integrity initiative, as well producing material for case studies, reports and teaching packages. All of this will eventually benefit the Army, as I take the knowledge I have gained back with me and the value of being surrounded by knowledgeable and passionate people cannot be underestimated!

# #CPI2016

The 2016 Corruption Perceptions Index (CPI) was released on 25 January by Transparency International.

## The UK

For the second year running the UK is ranked 10th in the Index tied with Germany and Luxembourg, just behind Canada but ahead of Australia. A minor drop in the score in future would see the UK fall out of the top 10, underlining the risk to the UK's reputation if standards are lowered as a result of Brexit.

In 2016 the UK hosted a global anti-corruption summit and made a series of pledges to fight corruption, some of which have been implemented whilst others remain without action. Theresa May has since outlined a vision of a global Britain that upholds international standards, whilst providing leadership on the world stage. The UK Government's commitment to fighting corruption is central to this goal.

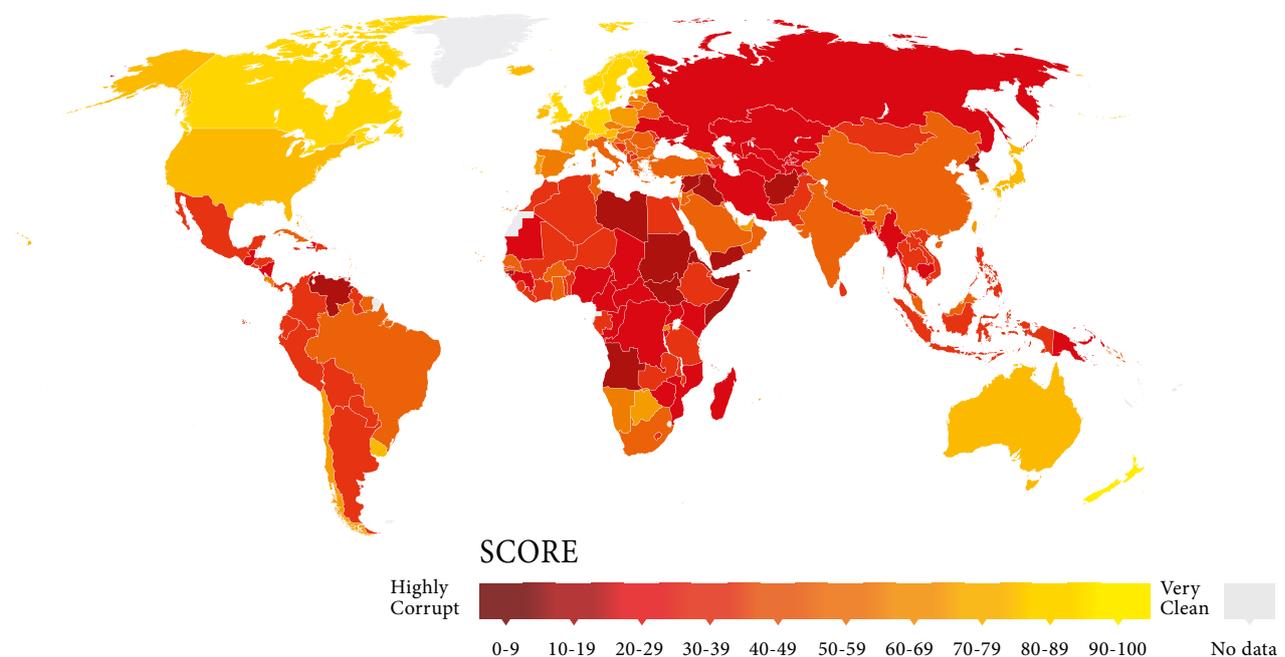
## The Global Picture

Denmark and New Zealand perform best with scores of 90, closely followed by Finland (89) and Sweden (88). Although no country is free of corruption, the countries at the top share characteristics of open government, press freedom, civil liberties and independent judicial systems.

For the tenth year running, Somalia is the worst performer on the index, this year scoring only 10. South Sudan is second to bottom with a score of 11, followed by North Korea (12) and Syria (13). Countries at the bottom of the index are characterised by widespread impunity for corruption, poor governance and weak institutions.

Countries in troubled regions, particularly in the Middle East, have seen the most substantial drops this year. Qatar is the biggest decliner compared to the 2015 index with a drop of 10 points. The index scores of Hungary and Turkey – countries that have seen the rise of autocratic leaders – have dropped in recent years. In contrast, the score of Argentina, which has ousted a populist government, is starting to improve.

Click [here](#) to see the 2016 CPI's full results



# In the news...

We've been in the news recently! Just click on the logo\* to see an article...

**THE**  **TIMES**

THE  
HUFFINGTON  
POST



London  
**Evening  
Standard**



REUTERS

FINANCIAL  
TIMES



theguardian

The Telegraph

Daily  Mail



\*Logos are property of indicative media organisation and not TI-UK

# Selected Reading

5 blogs from the past quarter



## [What Can We Learn About The Future Of DPAs From The Rolls-Royce Case?](#)

Most of the coverage of the Rolls-Royce case has focussed on the size of the fine, and whether it was right for a Deferred Prosecution Agreement (DPA) to be used. Robert Barrington reflects on other aspects of the case.



## [Why Do We Need A World Class Anti-Corruption Strategy?](#)

In May of 2016 the government announced that the UK would publish its first-ever Anti-Corruption Strategy before the year end – a commitment renewed by the government of Theresa May. Here Robert Barrington discusses how the Strategy needs to set out the government's response and long-term vision in dealing with corruption and the risks of not having a strategy at all.



## [Leaving Leveson Behind?](#)

In this blog Duncan Hames, Director of Policy, takes an in-depth look at some of the debates following the Leveson Inquiry. Topics covered include accountability for press standards and an independent inquiry into police corruption.



## [Corruption In 2017](#)

As 2016 drew to a close, Transparency International UK looked at the state of the fight against corruption in the UK and around the world, with guest contributions from some well-known figures in the Transparency International movement.



## [When Is Tax Abuse Corruption? The New Official View Of Transparency International](#)

Upon returning from the Annual Members Meeting in Panama City, Panama, Robert Barrington outlines Transparency International's new official stance on tax abuse, and answering the important question: when is it considered corruption?

# New Publications



## [Making the Case for Open Contracting in Healthcare Procurement](#)

TI's Pharmaceuticals & Healthcare Programme

January 2017

*Making the Case for Open Contracting in Healthcare Procurement* examines the utility of open contracting in healthcare procurement. The publication tests its findings against three country case studies (Honduras, Nigeria and Ukraine).



## [Just On Paper? Beneficial Ownership Legal Frameworks In Bvi, Cayman & Montserrat](#)

TI-UK's Advocacy & Research Programme

December 2016

*Incentivising Ethics* is a technical assessment of the beneficial ownership transparency provisions in a sample of the UK's Overseas Territories. This publication is a continuation of Transparency International's 2015 publication *Just for Show?*



## [London Property: A Top Destination For Money Launderers](#)

TI-UK's Advocacy & Research Programme

December 2016

Conducted in conjunction with Thomson Reuters and using multiple data sources, this report finds that there is no data available on the real owners of more than half of the 44,022 land titles owned by overseas companies in London whilst nine out of ten of these properties were bought via secrecy jurisdictions, such as those named in the Panama Papers.



## [Spring Cleaning](#)

TI-UK's Advocacy & Research Programme

November 2016

*Spring Cleaning: How Unexplained Wealth Orders could have helped address the UK's role in laundering corrupt wealth from Arab Spring states* analyses the role of the UK in providing a safe haven for corrupt wealth from Middle Eastern rulers. In Syria, Egypt and Libya, amongst others, corruption played a major role in igniting the "Arab Spring", with mass protests decrying the misuse of power by political establishments.



## [Old Corruption: What British History Can Tell Us About Corruption Today](#)

Published by TI-UK, written by Professor Mark Knights of the University of Warwick

November 2016

This report contains a historical approach to looking at corruption in the United Kingdom, including a case study of former English Navy administrator and MP Samuel Pepys.

# What We've Been Up To

## Business Integrity

The Business Integrity Programme made written and verbal submissions to the OECD Consultation on Foreign Bribery and the Liability of Legal Persons. The submissions praised the UK Bribery Act as a broadly effective approach, but suggested areas for improvement in implementation, particularly in the resourcing of the courts system.

In November, the Business Integrity Programme held their biannual Business Integrity Forum meeting hosted by PwC. The meeting was a great success, with over 60 attendees, and received positive feedback on the quality of speakers and Q&A. Topics covered included: UK Bribery Act enforcement trends and the new Criminal Finances Bill, an overview of the new French anti-bribery legislation, Sapin II, and a discussion of the intersection between anti-corruption and modern slavery.

## Pharmaceuticals & Healthcare

Over the past quarter the Programme has been working on a research project to examine the utility of open contracting in healthcare procurement. By looking at three country case studies (Honduras, Nigeria and Ukraine) the Programme has found evidence that implementing open contracting combats corruption, saves money, enhances the business environment and allows better monitoring of service delivery.

The Programme was able to present the initial findings from this research at the Open Government Partnership Summit in Paris in December. The paper will be the start of our extensive work examining corruption risks in healthcare procurement and offering health specific tools for governments to implement open contracting in their health systems.

## UK Anti-Corruption Policy

The Programme launched three reports over the last quarter aimed at tackling corrupt money in the UK: Spring Cleaning; London Property: A Top Destination For Money Launderers; and Just On Paper?.

The team has called for bringing the transparency rules for political party funding in-line with the rest of the UK; is continuing to engage with the Criminal Finances Bill; will be submitting a response to the UK Government's current review of Limited Partnerships; and is finalising a new report into the potential impact of corruption overseas on the London property market.

## Defence & Security

TI Defence & Security discussed its ambitious Initiative for Global Standards for Responsible Defence Governance at the 2016 International Anti-Corruption Conference in Panama. The initiative sees TI working with governments to establish the first set of agreed standards of transparency and accountability in defence.

The initiative aims to ensure that military power is governed in the interests of people and to create a space for civil society to hold their governments to account. It was presented by Programme Director Katherine Dixon and discussed with the audience, with key input and opening statements from a panel including three expert speakers: Colonel Arenas from the Colombian Ministry of Defence; Dr Alberto Bin, a director within NATO's Political Affairs and Security Policy Division; and Sarah Chayes, Senior Associate at the Carnegie Endowment for International Peace

# Upcoming Events

Save the date:



## Book Launch 'Corruption in the West'

Norton Rose Fulbright,  
Terrace Suite, SE1 2AQ,  
Monday 13 March,  
18:00 - 20:30

# British Journalism Awards

On 6 December 2016 Transparency International UK were invited to **Press Gazette's British Journalism Awards** to present the **Investigation of the Year** award for the most incisive and revelatory public interest investigation of the past twelve months. The award was won by **BBC Panorama** and **The Guardian** for their work on the **Panama Papers**.



Maggie Murphy of Transparency International presenting the award for Investigation of the Year

Image courtesy of British Journalism Awards

# THANK YOU

## Support Transparency International UK

Thank you for your continued support and partnership in the fight against corruption. To keep abreast of TI-UK's perspective on developments through our news releases, blog posts and publications, please visit our website [www.transparency.org.uk](http://www.transparency.org.uk)

If you would like to become a member or supporter, or renew your existing membership, please contact Claire Prescott at [claire.prescott@transparency.org.uk](mailto:claire.prescott@transparency.org.uk) or on + 44 (0)20 3096 7675 , or go online at <http://www.transparency.org.uk/get-involved/join-us>.

To help us continue our fight against corruption please [donate here](#)

We are particularly keen to recruit more Life Members, who make a donation of £1,000.

You can also donate via SMS by texting "TIUK17 £[amount]" to 70 070

Follow us on [Twitter](#) and like us on [Facebook](#) to receive daily updates from TI-UK.

Thank you for your support!

