

CORRUPTION CABLE

*Transparency International UK's Quarterly Newsletter
Autumn 2016*

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Welcome

The past few months in the UK have been dominated by the fall-out from Brexit and the subsequent formation of a new Government. Coming so soon after the previous government's London Anti-Corruption Summit this clearly poses two significant questions for the future of anti-corruption work in the UK: 1) Will the new Prime Minister further progress the anti-corruption gains made under her predecessor? 2) will changes to economic activity following Brexit make Britain more tolerant of corrupt money entering the country or more tolerant of British companies acting corruptly overseas?

In the short term, each of these concerns has been alleviated with the Government's tabling of the Criminal Finances Bill which introduces Unexplained Wealth Orders – a vital piece of legislation in ensuring the UK is tackling corruption and helping to return stolen assets to the people from whom they have been taken. But in the longer term, question marks still remain about the Government's commitment and its willingness to prioritise corruption at a time when Brexit dominates the economic and political agenda. That is why it is more important than ever that the new National Anti-Corruption Strategy, due to be published in December, is a world class document that is both comprehensive and ambitious. It will tell us a great deal about what kind of country this Government wants to see.

In London, we have seen the first actions of the new Mayor, Sadiq Khan, who has pushed for the UK to be open to investment but has also spoken out against corrupt money flooding into the London property market. His promise to hold an inquiry into this issue has been welcomed by TI.

Elsewhere, the sporting world has continued to be rocked by allegations of corruption. On the international stage corruption stories surrounded various aspects of the Rio Olympics, whilst English football had its own questions to answer despite playing an active role in condemning the corruption FIFA scandals. Following an investigation by the Daily Telegraph, the England national team manager was forced to resign amidst accusations of corrupt activity.

In-house we've been delighted to add to our team, with the appointment of Duncan Hames as Director of Policy. Duncan is a former member of parliament, and we look forward to working with him and learning from his experiences in the fight against corruption.

Talk of the Town

"This legislation will ensure the UK is taking a world-leading role in cracking down on corruption and send a clear message to criminals - we will take your liberty and your money."

- Ben Wallace MP

"But today, corruption has grown at an alarming pace and threatens global growth, global stability, and indeed the global future"

- John Kerry
US Secretary of State

"Corruption produces addiction, and it generates poverty, exploitation, suffering. And how many victims there are in the world today!"

- Pope Francis

"Surely it's time for a proper police investigation into such allegations. The game is rife with corruption and needs cleaning up. Now!"

 @GaryLineker

"Departments are working to progress the anti-corruption agenda, including work that was set out at the London Anti-Corruption Summit on May 12"

- Ben Gummer MP

"The battle against corruption will be an ongoing, and evolving challenge that we must face together."

- Jane Ellison MP

"Fighting corruption remains a cardinal pillar of our administration. Corruption freezes development, thereby undermining the achievement of the Sustainable Development Goals. I am pleased that our efforts in fighting corruption are yielding positive results including significant stolen assets recoveries."

- Muhammadu Buhari
President of Nigeria

"I want to continue the leadership that has been shown on tackling the scourge of corruption, which keeps people poor."

- Priti Patel MP
Secretary of State for
International Development

Get to Know: Duncan Hames



Duncan Hames - Director of Policy

Duncan Hames joins Transparency International UK as Director of Policy. Our Senior Policy Officer Jameela Raymond sat down with Duncan to get to know him better and asks why he's joining the fight against corruption.

JR: What made you want to join the anti-corruption movement?

DH: Jameela, all around the world, people are asking why the way things are run doesn't work for them. And when power is abused for private gain we learn about that and it undermines our faith in those we elect are truly serving the public interest.

At the end of the day when private interests are put first that diverts resources which could be used on the healthcare and schooling that everyone needs to fulfil their potential.

JR: You've come from a background in politics, can you tell us how your experiences as an MP have influenced your thinking around corruption?

DH: Yes, in my time in parliament I got to learn really well how things work here in the UK, but I also travelled and met with policy makers in other countries. And what really struck me both here and abroad was the effect on people when they believe or come to know that talent and endeavour aren't the keys to success that they should be and that corruption has distorted the playing field and so it really is important that at a time when Britain is seeking afresh its role in the world that we do so on politics that we can trust and institutions that are resilient to corruption so that everyone has an equal voice.

JR: On the topic of public trust there are some previously some media stories which suggested that you were being looked into as part of the Battle Bus allegations from the last general election. Can you tell us about that?

DH: Yes, that's right, and it's really important that the rules that govern our democracy are enforced and that complaints relating to them are investigated, in this case by the police. I was obviously very surprised to learn that my campaign was being investigated. Understandably given that the result of that investigation was that the police found no wrong doing, but you know those who we elect to public office need to accept a heightened level of public scrutiny because of the power that we entrust into them and so that's absolutely right.

JR: Here at TI-UK we recognise the 'Revolving Door' as a major issue. Obviously that's where public officials abuse their power to benefit from their past or future employer. Some might argue that given your previous role in government that could apply here. How true is that?

DH: Well the Revolving Door certainly is important and we at Transparency International UK would advise employers to have a policy about the Revolving Door and the appointments that they make. In my case I left government nearly three years ago. In the time not just the deputy Prime Minister but now the Prime Minister has changed too, so no one is paying for my contacts list.

In fact one of the first things I did after being appointed to this role was to surrender my parliamentary pass as a former member of parliament so there could be no question about privileged access to parliament for me.

This isn't really about private gain, Transparency International UK is a charity. I am earning less here than as a member of parliament and certainly a lot less each day than I was able to earn in my previous work as a consultant. But I am here because I believe in the cause of fighting corruption and really am committed to being a part of the collective endeavour here to fight back against it.

JR: What big issues do you see us working on in the future?

DH: Transparency International UK have done some really interesting work understanding the effects of corrupt money coming here to the UK, but it is a very complicated field and there is a lot more work that needs to be done. Understanding, for an example, the consequences of that on things like housing, which matters to so many people here. I feel we also have to take a long hard look at ourselves and ask some difficult questions about corruption in politics, about the way media is run, and looking at corruption in the criminal justice system for example. So there's lots of work to do and I am really looking forward to working with all of the people here on the Transparency International UK team, but also our partners in civil society and all of our supporters in the fight back against corruption.

[Watch the interview on YouTube here](#)



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 new 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.



56% of the Indian public think health and medical services are corrupt*

It was not like any other day at the maternal health centre. Four hundred people were gathered - villagers, the media, senior staff, even the village council. At the front of the crowd stood a woman with a microphone. She read the centre's records aloud. One by one, women in the crowd stood up to verify they had received the items assigned to them. It's what is known as a social audit, and one woman was behind it all.

Rashi** is the designated specialist at this "Anganwadi" centre - local maternal health clinics created as part of a national Indian programme to cut maternal and infant mortality. Their name is derived from the Hindi word for courtyard ('angan'), which in rural India is the social heart of a house. Just as a courtyard is a centre buzzing with activity, an Anganwadi centre is a hub for mothers and babies in communities across the country.

Rashi had been running the centre since 2003, providing food and nutritional support to pregnant women and new mothers.

Yet in 2011, it looked as if her work might be cut short. Visiting the centre for a routine inspection, the regional supervisor refused to sign-off on the centre's work. The reason, Rashi says, is that she would not pay a bribe.

Rashi persevered in opening the centre daily, despite the fact she had now lost much of her funding. Yet without the monthly signatures, her work went unrecorded. In reality she was working daily. On paper, it looked as if she had shut up shop.

Then a new supervisor started. She offered Rashi a choice: pay 70,000 rupees (US\$1,550) and the centre would be re-registered, no questions asked. If she didn't pay, she'd lose her job - the supervisor claimed the payment would be a penalty for "absenteeism" - the money was roughly the same as her salary during the months the centre had not been signed for.

When Rashi approached Transparency International, we suggested she clear her name with a "social audit" - a public event where all those who had benefitted from the centre during the supposed months of closure could stand up and make their voices heard.

Hearing about the plans shocked her seniors in the office. They visited her centre and released the money due to Rashi for the running of her centre. Still Rashi went ahead with the audit. Together with Transparency International, she gathered the women at the centre of the village, inviting the supervisor to watch. As client after client confirmed Rashi's honesty, the case closed with a public reconciliation between her and the supervisor.

* Transparency International: Global Corruption Barometer 2013

**Name has been changed.

Holding the Government to Account

THE ANTI-CORRUPTION SUMMIT took place on 12 May 2016.

Representatives from 43 Governments were in attendance, as well as 12 heads of government and 7 international organisations. A Summit communiqué captured the countries' collaborative approach to anti-corruption, whilst 41 individual country statements generated over 600 commitments, across 20 issue areas.

WHAT WE'RE DOING

TI has [logged each commitment](#) made at the Summit, and worked with the rest of the TI movement to assess the strength of each. TI-UK is leading on the Summit follow-up, with our [UK Anti-Corruption Pledge Tracker](#) to monitor the progress of each of the UK's promises. We will be working with other TI chapters and contacts around the world to roll out similar monitoring platforms for other governments' commitments.

WHAT WE WANT

Governments at the Anti-Corruption Summit will meet again at the United Nations General Assembly in September 2017, to check their progress on the promises they made. By the time of this meeting we want to see as many of these commitments as possible either completed or with activity underway.

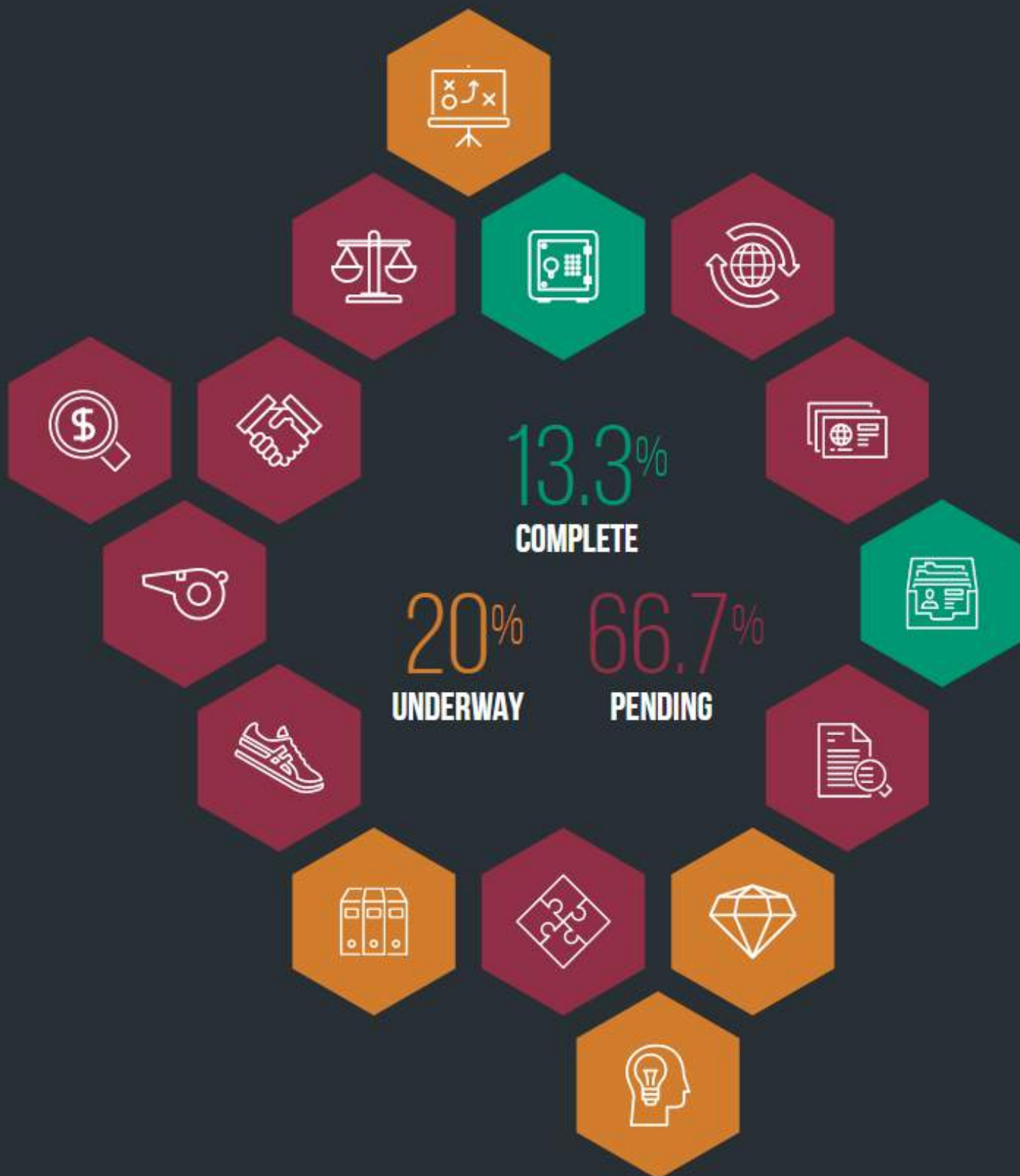


IMAGE FROM TI-UK'S ANTI-CORRUPTION PLEDGE TRACKER

Completion up to date as of 20/10/2016

Unexplained Wealth Orders: Explained

On October 13, the UK Government launched a Bill which included a new corruption-combatting tool that TI-UK has been working on and pushing for since 2014. Although the Bill still needs to get through Parliament, this is a major milestone for TI-UK.

Criminal Finances Bill, Part 1

Part 1 of the Criminal Finances Bill introduces a new measure, Unexplained Wealth Orders (UWOs) – a legal tool that will provide stronger powers for UK law enforcement to seize and repatriate the proceeds of grand corruption.

The Problem

Corrupt people cannot steal public funds unless they have a safe place to hide them. Unfortunately, there is growing evidence that the UK has become a safe haven for corrupt individuals and their assets. Currently, UK law enforcement has limited power to seize corrupt property. There are critical gaps in the UK legal framework which are being exploited by corrupt individuals and companies. A taskforce of legal and anti-corruption experts identified the following problems with the current asset recovery regime:

- Low levels of asset recovery: The UK freezes an average of US\$225.5m corrupt funds per year¹. Compared to the NCA estimate of billions being laundered, this is a drop in the ocean.
- Inadequate time to investigate suspicious transactions: The 31 days allowed is inadequate to investigate and build sufficient evidence to act on suspicious assets.
- Insufficient resources for law enforcement
- The current framework for asset recovery is overly reliant on a conviction in the origin country

At present, little can be done to act on highly suspicious wealth unless there is a legal conviction in the country of origin. In cases where the origin country is in crisis or the individual holds power within a corrupt government, this can take decades to obtain or is unlikely to be achieved at all, producing a mere trickle of results against a torrent of corrupt illicit funds.

1. OECD and StAR (2014)

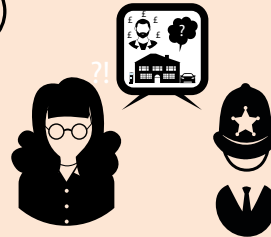
Unexplained Wealth Orders: How will they work?

1



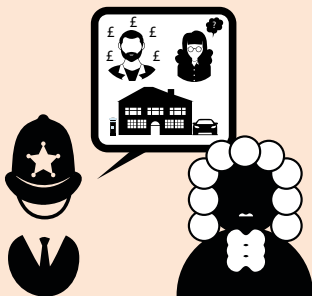
The Minister for Health in Country X has misappropriated millions of pounds from the health budget into his own pocket. To hide this crime he decides to buy a multi-million pound property in London.

2



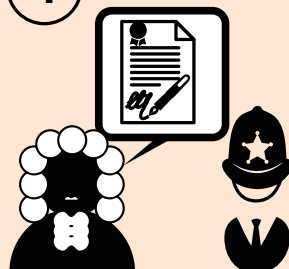
The house is far beyond the reach of Mr. X's salary of £60,000 per year, raising serious questions. These allegations are brought to the attention of law enforcement agencies.

3



The UK's law enforcement agency, either the NCA or the SFO would then take this information to a high court judge to show this Mr X is likely the owner of suspicious wealth beyond his means.

4

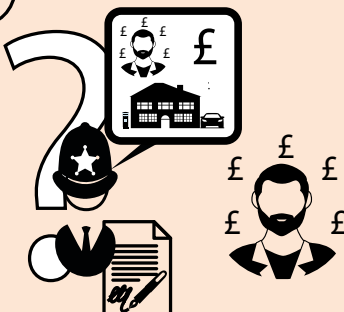


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If the judge is satisfied by this connection they would then issue an unexplained wealth order (UWO) to the individual. Once the UWO is given, the assets belonging to Mr X may be frozen to prevent him moving them out of reach.

5



Mr X is then required to explain how they lawfully acquired their assets.

6



If Mr X fails to respond, or he provides an inadequate response, this extra information can be used in a subsequent civil recovery process if law enforcement agencies feel they have sufficient evidence.

7



Assets are forfeited in a civil case in the UK without the need for a criminal prosecution in Mr X's home country.

In the news...

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

The  INDEPENDENT

THE
HUFFINGTON
POST

Daily  Mail

BuzzFeed

 REUTERS

FT
FINANCIAL
TIMES

theguardian

THE  TIMES

The Telegraph

Encrypted Data in Journalism

Ever wondered about big data leaks? We asked **David Pegg** of **The Guardian** to give his us thoughts on the importance of data encryption and its use to protect sources. Here's what he said:

“One of the challenges of a networked world is the sheer ubiquity of digital record-keeping. If you're trying to leak several terabytes of confidential financial material implicating powerful individuals, ensuring the confidentiality of your communications will be essential. We try to make multiple communication routes open to people who want to tell us information; many reporters publish PGP keys for encrypted email, and we also have a SecureDrop server.”

 @davidtpegg

PGP Key: <http://t.co/Em1mh1zSsu>

Selected Reading

5 blogs from the past quarter



Wells Fargo and the Problem with Incentives

Following Wells Fargo's agreement to pay US\$185 million in settlements to US regulators over admissions that, in order to meet sales targets, employees of the bank had created around two million unauthorised customer accounts and credit card applications since 2011, TI-UK looks at incentives and how they can lead to corrupt and unethical behaviour.



English Football Needs to Face Up to its Problems, and Fast

The Telegraph's exposé of Sam Allardyce and investigations into accusations of corruption against eight current and former Premier League managers plus Barnsley assistant head coach Tommy Wright have received widespread coverage. What do they tell us about the state of English football?



Finding Out Who's Lobbying Who In Government – and About What?

As it stands, rules covering lobbying practice in the UK leaves the public in the dark on how private interests attempt to influence decision makers. The second reading of the Lobbying (Transparency) Bill provides a welcome opportunity to change and build greater public trust in the Government.



Tackling Corruption Must Remain at the Core of UK Government's Drive for Prosperous, Stable and Secure Societies

On taking up her post in Prime Minister Theresa May's Government, Priti Patel, the new Secretary of State for International Development called for "securing the UK's place in the world by supporting economic prosperity, stability and security overseas". This is precisely what is needed to ensure that the new UN's new global Sustainable Development Goals.



5 Key Steps for the New Government on Tackling Corruption

The last month has felt strangely reminiscent of Lenin's remark that "There are decades where nothing happens; and there are weeks where decades happen". For the anti-corruption movement, this has already been a significant year in the UK.

New Publications

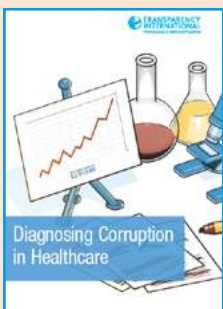


[Incentivising Ethics: Managing incentives to encourage good and deter bad behaviour](#)

[TI-UK's Business Integrity Programme](#)

[October 2016](#)

Incentivising Ethics is a guide for companies on managing incentives to deter bribery and corruption and other unethical conduct and to encourage good behaviour. A key argument of this guide is that, for incentives to work as intended, a company must ensure that it has an open and ethical culture in which staff are encouraged to do the right thing and feel able to challenge management decisions



[Diagnosing Corruption in Healthcare](#)

[TI's Pharmaceuticals & Healthcare Programme](#)

[October 2016](#)

This report takes a broad look at health systems across the globe and identifies 8 areas highly vulnerable to corruption. As part of this research the Programme interviewed a series of health experts and anti-corruption specialists. Some went as far as to argue that the whole system is broken, as multiple individuals, companies and groups involved in healthcare are placing their private self-interests over wider public health goals.



[Take Back Control: How big money undermines trust in politics](#)

[TI-UK's Advocacy & Research Programme](#)

[October 2016](#)

Take Back Control: How big money undermines trust in politics takes a look at political donations in the UK, with particular analysis on the recent EU referendum. The research found that just 10 donors amounted to more than half of all donations to the various referendum campaigns, despite it being a huge vote for the future of the UK.

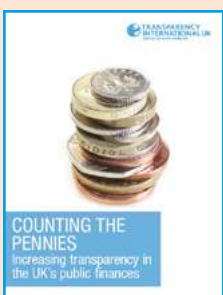


[Government Defence Anti-Corruption Index: Regional Results - Colombia](#)

[TI's Defence & Security Programme](#)

[September 2016](#)

This report contains the detailed assessment of Colombia's defence institutions as part of the Government Defence Anti-Corruption Index (GI). The GI assesses the existence and effectiveness of institutional and informal controls to manage the risk of corruption in defence and security institutions and of their enforcement.



[Counting the Pennies: Increasing transparency in the UK's public finances](#)

[TI-UK's Advocacy & Research Programme](#)

[September 2016](#)

This paper argues that the Government releases plenty of data but it is often poor in quality and redacted, as well as inaccessible. This is damaging the UK's ambition to be the most transparent in the world and ability to empower "an army of armchair auditors". A lack of transparency can also lead to waste and questionable contracts.

What We've Been Up To

Business Integrity

In September, the Business Integrity Programme co-published the *Bribery Risk Guide* with the Institute of Risk Management, aimed at helping risk managers identify and evaluate their exposures to the risk of bribery.

This October the Programme launched *Incentivising Ethics*, a guide for companies on designing and implementing incentive schemes that mitigate corruption risks and actively drive ethical behaviour.

The launch event on 12 October was hosted by Mazars and included panellists from the Chartered Institute of Personnel and Development (CIPD) and GSK. The discussion centred on the unintended consequences caused by poorly designed incentives and the challenges of trying to introduce “ethical” targets and performance measures. The Programme also published [a blog](#) outlining some of the lessons learned from the scandal at Wells Fargo in the USA.

Pharmaceuticals & Healthcare

In October the TI Pharmaceuticals & Healthcare Programme launched *Diagnosing Corruption in Healthcare*, a new analysis of corruption vulnerabilities in health systems. Information collected from extensive desktop research, sector experts interviews, and a world-wide survey of healthcare professionals was used to identify the main corruption types in the healthcare sector and provide contextual information on the profile for each type.

The report can be found on [a new website](#) along with more analysis and resources. The research was launched at the World Health Summit in Berlin where TI was joined by the Organisation for Economic Co-operation and Development, the World Health Organisation and the International Planned Parenthood Federation to discuss tackling corruption in the healthcare sector.

UK Anti-Corruption Policy

We've launched two reports over the last quarter. The first, *Counting the Pennies*, highlighted how data on public contracts and spending needs improving to provide greater accountability and reduce corruption risks within public procurement.

The second report, *Take Back Control*, provided new insights into how big money in UK politics is damaging public confidence in our political system and identified significant weaknesses in the controls on who can donate to political parties. The team is now working to ensure the *Criminal Finances Bill* retains robust new powers to help freeze and seize corrupt money into the UK, and is producing TI-UK's submission to the UK Government's consultation on the implementation of the EU's 4th Anti-Money Laundering Directive.

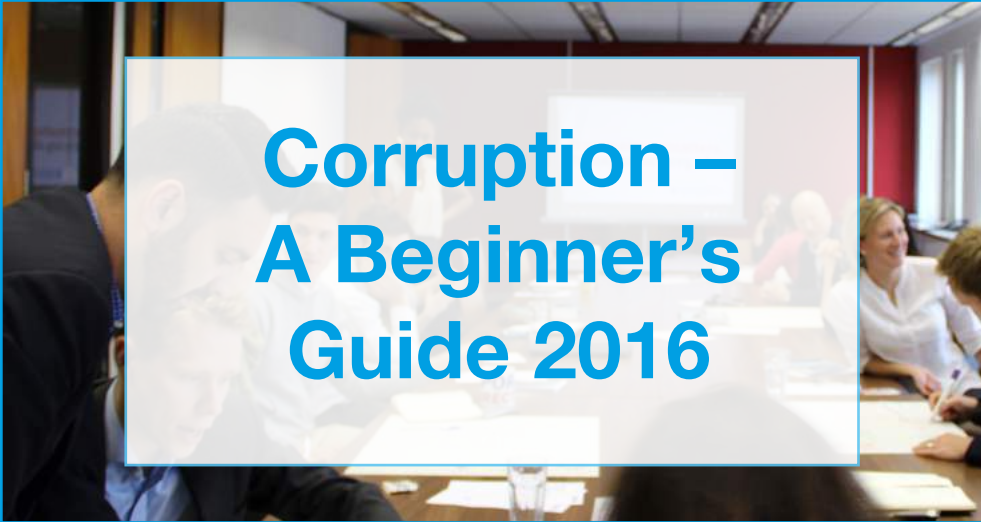
Defence & Security

TI's Defence & Security programme has been busy in all areas of the globe during the last quarter. Team members were in Malaysia to launch their report *Licence to Bribe: Reducing corruption risks around the use of agents in defence procurement*. Following the launch, TI-Malaysia hosted a workshop on defence procurement in Kuala Lumpur

The programme delivered a training presentation on corruption to an audience of British Army Infantry and Engineers who will shortly deploy on the United Nations Mission in the Republic of South Sudan (UNMISS) mission. It was one of a series of lectures being delivered to all who were about to deploy to the mission.

Members of the Defence & Security Programme have been in Kiev for the first meeting of the *Defence Corruption Monitoring Committee*, and external oversight body set up by TI-Ukraine and the Programme to monitor anti-corruption reforms in the Ukrainian MOD and armed forces.

Upcoming Events



Corruption – A Beginner's Guide 2016

Date: 08/11/2016

Time: 13:00 - 16:00

Location: TI-UK

[Register here](#)



Illicit Financial Flows: London Bound from Nigeria

Date: 10/11/2016

Time: 18:00 - 20:00

Location: Norton
Rose Fulbright LLP

[Register here](#)



Anti-Corruption Lecture

Date: 08/12/2016

Time: 18:00

Location: Clifford
Chance, London

[Register here](#)

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

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 or on + 44 (0)20 7922 7906, 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.

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

Thank you for your support!

