



CORRUPTION & THE COMMONWEALTH

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INTRODUCTION

Fifty-three heads of government will meet in the UK in April 2018 with a view to agreeing how to work together to realise a future that is “more secure”, “fairer”, “more sustainable” and “more prosperous” for all its members.¹ Anti-corruption measures deserve to be high on the agenda.

The Commonwealth is an unconventional grouping of countries. The G20 and OECD face accusations of being an élite group, far from representative of economic realities in poorer nations and lacking the mandate to set global standards. While the UN has this mandate and is more representative, it moves slowly and has the unusual ‘veto’ mechanism for five big powers. Meanwhile, the Commonwealth contains some of the largest economies in the world - India, the UK and Canada - and some of the smallest - Mozambique and Malawi. It contains tiny island states such as the Solomon Islands and Dominica, and major global or regional financial and trading hubs such as Singapore and Australia.

A long-term challenge for the Commonwealth has been how to best capitalise on being inclusive of all shapes and sizes of economies and populations while making concrete, joint decisions that can tackle common, cross-border, interconnected problems such as corruption.

The Commonwealth offers anti-corruption and governance support to its members on a country level and on a regional level, but as a collective institution its achievements have been less significant.² In 2016, with the appointment of Baroness Scotland as Commonwealth Secretary-General, there was a mandate for the Commonwealth to increase its anti-corruption focus. Among other measures, Baroness Scotland proposed that members may need to meet anti-corruption standards in order to access aid and loans, suggesting the UK Bribery Act as a cornerstone of such a standard.

The ambition, breadth and strength of the Commonwealth as an institution puts it in an unrivalled position to have an impact on corruption at a global level and to address corruption in each of its member states. The UK, as 2018-20 Commonwealth Chair-in-Office, can help to formulate and resource concrete actions, as it did at the London Anti-Corruption Summit in 2016. Whether by tackling bribery where it is rife or enshrining transparency and anti-corruption provisions in trade deals, there is a window of opportunity for the Commonwealth to prove itself as one of the key global institutions in the fight against corruption.

If the Commonwealth is truly committed to identifying actions to make a “more secure”, “fairer”, “more sustainable” and “more prosperous” future, it needs to put tackling corruption at the top of the 2018 Commonwealth Summit agenda.

¹ The Commonwealth Heads of Government Meeting 2018, <https://www.chogm2018.org.uk/>

² Anti-Corruption in the Commonwealth, <https://knowledgehub.transparency.org/helpdesk/anti-corruption-in-the-commonwealth>

WHY SHOULD THE COMMONWEALTH ADDRESS CORRUPTION?

The 2018 Commonwealth Summit seeks to establish a future that is more secure, fair, sustainable and prosperous. Corruption should be at the centre of decisions taken as it remains an impediment to realising each of those four pillars.

A more secure future.

Corruption is not a technical crime without victims, but one that undermines security and safety around the world. The impact can be monetary, but corruption can also have devastating effects and lead to loss of life and livelihood. Ministers and officials syphoning off funds from procurement lines impacts the choice, quality and safety of a range of goods and services. In extreme cases, ghost soldiers sit on budget lines but not in barracks. When Mosul in Iraq fell to ISIS there were vastly fewer soldiers in place than on paper, as defence and security budgets were gouged out.³ The global security challenges of human trafficking, illicit financial flows and organised crime cannot be overcome without persistent joint effort to tackle corruption.

A fairer future.

Power imbalances mean corruption disproportionately affects poor and marginalised communities who often have to pay for “free services” for impoverished families. We receive many hundreds of complaints each year about victims unable to seek justice because perpetrators pay off the police or the courts.⁴ When people speak out - whether whistleblowers, independent citizens or journalists - they often come under attack or are even killed.⁵ Tackling impunity and protecting citizens must be a key priority of all Commonwealth nations.

A sustainable future.

Many of the Commonwealth's member states are small island states at the mercy of superpowers' carbon footprint. Climate finance funds worth US\$100 billion each year established by richer countries to protect those countries are at risk of being syphoned off and rendered

less effective if the proper anti-corruption controls are not put in place.⁶ If the Commonwealth is serious about protecting its small islands from the devastating effects of climate change, transparency and anti-corruption provisions must be built into climate policy.

A more prosperous future.

Prosperity depends on a thriving economy. That means, for example, a level playing field for innovative and competitive companies battling it out to win bids to provide goods and services to citizens. Contracts should not automatically be assigned to companies with the friendliest relationship to the decision-maker in charge. To make sure that conflicts of interest do not go unnoticed, it is crucial that companies bidding for public contracts publicly disclose who is ultimately in control of the company. At the moment, it is far too easy to transfer and launder stolen funds through the financial system anonymously - including from poorer to richer Commonwealth countries. Only through concerted action will the Commonwealth see a more prosperous future for all.

³ 'Corruption Helped ISIS take Mosul. Victory Cannot Last While It Persists', <http://ti-defence.org/corruption-helped-isis-take-mosul-victory-cannot-last-persists/>

⁴ Transparency International True Stories, <https://www.transparency.org/news/stories>

⁵ 'Transparency International Remembers Gustave Sharangabo Makonene One Year After His Death', https://www.transparency.org/news/pressrelease/transparency_international_remembers_gustave_sharangabo_makonene_one_year_a

⁶ Transparency International Climate Finance Integrity Programme, <https://www.transparency.org/programmes/overview/cgip>

HOW IS THE COMMONWEALTH DOING ON CORRUPTION?

In Transparency International's 2017 Corruption Perceptions Index,⁷ the 27 Commonwealth countries covered had an average score of 48 out of 100.

This was higher than the global average (43) but still below 50. The diversity in member states shows an enormous range in how individual countries are performing on anti-corruption.

Four Commonwealth countries rank in top 10 countries, with New Zealand at the top of the index, Singapore in sixth place and Canada and the UK sharing eighth. Yet while there are no Commonwealth member states in the bottom ten, Papua New Guinea, Bangladesh, Kenya, Nigeria, Uganda, Cameroon and Mozambique are all in the lowest quartile of the index.

Commonwealth countries also report a higher rate of bribe paying than the global average, according to our 2013 Global Corruption Barometer,⁸ with:

34 per cent of respondents from Commonwealth countries reporting that they had paid a bribe in the previous year.

Seventy-five per cent of citizens from Commonwealth countries responded that they thought corruption in the public sector was a serious or very serious problem in their country.

These figures are highest in Nigeria, where 94 per cent felt the same, closely followed by Pakistan, Papua New Guinea and Zambia (91, 91 and 92 per cent respectively). Across Commonwealth countries the police, political parties and public officials were seen as either corrupt or extremely corrupt public institutions.

At the 2016 Anti-Corruption Summit, however, Commonwealth countries mostly showed ambition to make change.⁹

Fifty-seven per cent of commitments made by these governments were judged as new or somewhat new, and 63 per cent were ambitious or somewhat ambitious.

Nigeria, Trinidad and Tobago and the UK were among the most ambitious governments to make pledges at the Summit (75, 100 and 75 per cent respectively) whilst Australia and New Zealand were the less ambitious participants (57 and 62 per cent unambitious, respectively).

7 Transparency International 2017 Corruption Perceptions Index, https://www.transparency.org/news/feature/corruption_perceptions_index_2017

8 Transparency International 2013 Global Corruption Barometer, <https://www.transparency.org/gcb2013>

9 '43 Countries, 600 Commitments: Was The London Anti-Corruption Summit A Success?' https://www.transparency.org/news/feature/43_countries_600_commitments_was_the_london_anti_corruption_summit_a_success

WHAT SHOULD THE COMMONWEALTH DO?

1. Close the door to corrupt cash

Secrecy in the financial system permits the corrupt and criminal to transfer money without trail and leads to impunity for perpetrators. Commonwealth countries should agree to end the cloak of anonymity that allows corrupt individuals to launder their cash across borders. This means requiring those in control or ownership of a legal entity to disclose that information publicly in company registers. Middlemen such as the banks, lawyers and accountants need to dramatically scale up their due diligence and oversight, and countries that are at risk of receiving corrupt cash through their real estate sectors (such as Commonwealth countries Canada, the UK and Australia)¹⁰ should ramp up their oversight to make sure they are not complicit in theft of taxpayer money from overseas.

2. Close the door to corrupt individuals

A number of Commonwealth countries, including the UK, Sri Lanka, Cyprus and Malta, run visa schemes that allow people to invest large sums of money in return for residency or citizenship. That in turn often provides visa-free entry to a number of other countries. A Maltese passport allows access to 166 countries including all EU/Schengen countries, for example. Without the right checks and balances these visas offer a potential money laundering option for corrupt individuals who also get additional residency and travel perks. In the UK up until 2015, there were very few checks on the background of individuals purchasing its Tier 1 (Investor) visas. When better due diligence controls and checks on applicants were put in, applications dropped by 84%.¹¹ Transparency International UK is calling for all individuals who were granted those visas during the “blind faith period” to go under retrospective checks to make sure the origin of their wealth is legitimate.¹²

3. Protect the people brave enough to speak out

A journalist is killed every week in a country with a high prevalence of corruption.¹² Civil society activists and journalists should not be persecuted for doing their job, and whistleblowers and citizens should feel able to come forward without feeling threatened. Journalist Daphne Caruana Galizia who made corruption allegations linked to the investor visa programme in Commonwealth

country Malta was killed by a car bomb in October 2017.¹³ Commonwealth countries must see protection of journalists and civil society space, press freedom and independence of the media as integral components of programmes to strengthen good governance and tackle corruption.

4. Support growth in poorer Commonwealth countries by providing financial and technical assistance

Ensuring that poorer countries can capitalise on membership of the Commonwealth, and citizens can reap benefits, requires prioritising the strengthening of internal governance, auditing, procurement and financial management systems. Richer Commonwealth countries should provide technical and financial support to those countries, to help set them up for increased prosperity and access to trading opportunities. In the Ukraine, ProZorro - a multi-stakeholder initiative - revolutionized procurement systems by digitizing and simplifying procedures and encouraging competition for contracts.¹⁴ As a result, healthcare organisations saved an average of 35% - savings that can be passed back to the taxpayer.

5. Adopt Commonwealth Trade and Transparency Principles

There is much talk of trade increasing among Commonwealth nations, which takes on particular importance for the UK in a post-Brexit world. While corruption is detrimental to international trade and business, transparency is known to lower costs, alleviate information asymmetries, and improve market activity. The Commonwealth could show where it stands on the issue of transparency and accountability by establishing high-level principles requiring that every deal incorporates key transparency, good governance and integrity safeguards. This way there will be less danger that accountability and integrity will be pawns in the rush to fix new deals and broker new relationships.

6. Do what you say you will do

The Commonwealth Summit has to do more than convene leaders and provide a celebratory platform. Any commitments made must be backed and supported by monitoring and implementation mechanisms. Commitments could be transferred into national level Anti-Corruption Strategies, or channelled into Open Government Partnership Action Plans. This is crucial to turn those promises into practice when the cameras have stopped rolling.

¹⁰ 'Doors Wide Open', https://www.transparency.org/whatwedo/publication/doors_wide_open_corruption_and_real_estate_in_four_key_markets

¹¹ 'Plummet in Number of Golden Visas Granted after Blind Faith Period Ends', <http://www.transparency.org.uk/plummet-in-number-of-golden-visas-granted-after-blind-faith-period-ends/>

¹² Corruption Perceptions Index 2017, https://www.transparency.org/news/feature/corruption_perceptions_index_2017

¹³ "Serious concern" over rule of law in Malta after murder of journalist', The Guardian, [accessed 4 April 2018]

¹⁴ 'Making the Case for Open Contracting in Healthcare Procurement', <http://www.transparency.org.uk/publications/making-the-case-for-open-contracting-in-healthcare-procurement/>

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