House of Commons

International Development Committee

Tackling corruption overseas: Government Response to the Committee's Fourth Report of Session 2016–17

Sixth Special Report of Session 2016–17

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The International Development Committee

The International Development Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for International Development and its associated public bodies.

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Fabian Hamilton MP *(Labour, Leeds North East)*

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Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No. 152. These are available on the internet via www.parliament.uk.

Publication

Committee reports are published on the Committee's website and in print by Order of the House. Evidence relating to this Report is published on the relevant inquiry page of the Committee's website.

Committee staff

The current staff of the Committee are Sarah Hartwell-Naguib (Clerk), Daniel Whitford (Second Clerk), Steven Ayres, Rachael Cox and Louise Whitley (Committee Specialists), Kingsley Boateng and Anthony Fenton (Inquiry Managers), Zac Mead (Senior Committee Assistant), Rowena Macdonald (Committee Assistant), Paul Hampson (Committee Support Assistant), and Estelle Currie (Media Officer).

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Sixth Special Report

The International Development Committee published its Fourth Report of Session 2016–17, Tackling corruption overseas, on 19 October 2016 as House of Commons Paper HC 111. The response from the Department for International Development was received on 16 December 2016 and is appended below.

Appendix: Response from the Government

Introduction

The UK Government welcomes the International Development Committee's review of our efforts to tackle corruption overseas.

The UK is a leader in the fight against corruption and promoting transparency. The Government is committed to tackling corruption and helping to fulfil the global commitments in the 2030 Agenda for Sustainable Development to "substantially reduce corruption and bribery in all their forms" and "strengthen the recovery and return of stolen assets." As set out in the Bilateral Development Review, DFID wants to build a global approach to development that is truly open, including battling against global corruption. Tackling global poverty while stopping organised crime, money laundering and tax evasion is firmly in the UK's interests. Tackling corruption is important for building trust in institutions, both government and business. The changes in international rules and standards on corruption that the Government is introducing are a central part of making the global economy work for all, rather than for a few.

Championing transparency and anti-corruption is essential for protecting the UK against the consequences of corruption abroad—volatile societies that breed discontent and instability, migration, terrorism and under-developed economies that depress market opportunities, increase poverty and which, as a consequence, end up needing more aid. Bearing down on the corrupt and their practices and promoting transparency is critical for enhancing the impact of UK Official Development Assistance. The Government therefore strongly agrees with the Committee's view that to effectively tackle corruption overseas a whole of Government approach is required.

As set out in our written evidence, the Government works to ensure that action takes place: domestically, in the UK, to get our house in order to ensure that our financial systems are not used to facilitate the movement or holding of illicitly-acquired funds, and to assist in their tracing, recovery and return when they are found in the UK; internationally, to strengthen the global anti-corruption 'architecture' including contributing to the development of global standards and support for new agencies and; within DFID's partner developing countries, to assist in the strengthening of their national systems and the prevention of corrupt practices and asset flight.

The Government recognises there is more to do at home and abroad. The London Anti-Corruption Summit commitments, the forthcoming UK Anti-Corruption Strategy and DFID's vision for transparency and openness will continue to frame our priorities in the coming years. The Committee's recommendations will help to strengthen our development programming and policy towards tackling corruption overseas.

The UK Government approach to tackling corruption overseas

Recommendation 1

Policy coherence across Government on its approach to anti-corruption is essential to ensure that DFID's efforts to reduce corruption in developing countries are not undermined by broader policies and programming pursued by other Government departments. (Paragraph 16)

Given the amount of money that is laundered through the UK, we welcome the Action Plan for Anti-Money Laundering and Terrorist Financing launched in April 2016 and look forward to seeing this plan implemented in its entirety by the new Government. (Paragraph 20)

We recommend that the Government consider conducting a thorough assessment of money that has already been laundered through the UK and continue to lobby for the same level of transparency and accountability to be applied in the UK's Overseas Territories and Crown Dependencies. (Paragraph 21)

HMG Response

Agree: 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.

The Government published its first National Risk Assessment of Money Laundering and Terrorist Financing ('NRA') in October 2015. The NRA included an assessment of the money laundering threats and vulnerabilities linked to the proceeds of corruption. The NRA will be kept under review.

Recommendation 2

The Government has so far failed to persuade the UK's Overseas Territories and Crown Dependencies to create central public registers of beneficial ownership. Although a number of stakeholders have suggested the Government could compel them to act, in practice this could raise constitutional questions about their self-determination and (qualified) constitutional autonomy. However, lack of transparency in the Overseas Territories and Crown Dependencies will significantly hinder efforts to curb global corruption and continue to damage the UK's reputation as a leader on anti-corruption. It is disappointing that the Government has missed an opportunity to build on the momentum of the Anti-Corruption Summit. (Paragraph 28)

The Government must use the full weight of its influence to lobby the UK's Overseas Territories and Crown Dependencies to increase transparency by creating public beneficial ownership registers. (Paragraph 29)

HMG Response

Disagree: Ahead of the London Anti-Corruption Summit, the UK Crown Dependencies and Overseas Territories with financial centres committed, where they had not already

done so, to establish central registers of company beneficial ownership information or similarly effective systems, and to provide UK law enforcement authorities with rapid access to this information. This will prevent criminals hiding behind anonymous "shell" companies, and marks a significant increase in the ability of law enforcement authorities to investigate bribery and corruption, money laundering and tax evasion. This puts them well ahead of many of our major international partners including financial centres such as Delaware.

Almost all of the relevant Overseas Territories and Crown Dependencies have given their support to an initiative launched by the UK for the development of a new global standard on automatic exchange of beneficial ownership information between countries. The Government will continue to focus our efforts on ensuring that the Overseas Territories and Crown Dependencies deliver on these important commitments and that UK law enforcement authorities make the most of the information to which they are gaining access.

The Government has been at the forefront of international efforts to revolutionise transparency and tackle tax evasion. Crown Dependencies and British Overseas Territories with financial centres have agreed to exchange taxpayer financial account information automatically. This means that HM Revenue and Customs can receive information on the accounts held there by UK taxpayers. The Government is committed to work with the Overseas Territories and Crown Dependencies to ensure they are not a haven for the proceeds of corruption and tax evasion or aggressive tax avoidance. The UK will continue to lead the push for a fairer tax system, more transparency and an end to banking secrecy.

Recommendation 3

Public country-by-country reporting of multinationals' profits and payments to governments will enable citizens, civil society and journalists in the countries where they operate to check whether companies are paying their fair share of tax. We therefore warmly welcome the Government's decision to accept an amendment to the Finance Bill 2016 which will permit the Treasury to make country-by-country reporting public. (Paragraph 33)

The amendment to the Finance Act 2016 allows, but does not commit, the Government to publication of country by country reports produced by multinational enterprises. We urge the Government to publically commit to making country by country reporting by UK-based multinational enterprises public. This will enable non-governmental stakeholders in developing countries to hold the companies—and their governments—to account if appropriate levels of tax are not being paid. (Paragraph 34)

HMG Response

Disagree: The Government has led international efforts for greater tax transparency, initiating the work on country-by-country reporting to tax authorities at the OECD. The OECD country-by-country model is designed to enable tax authorities of countries and jurisdictions in which a multinational operates to gather information on the multinational's global activities, profits and taxes. This helps tax authorities, including those of developing countries, to better assess where risks lie and where their efforts to counter tax avoidance should be focused.

The Government also supports capacity building activities to strengthen the capabilities of developing country revenue authorities, to help developing countries apply global transparency standards. The Government supports a range of initiatives, both through capacity building and through global leadership on tax, to improve the data available to developing country revenue authorities, including the automatic exchange of information, and creating registers of beneficial ownership information.

The UK has also been supportive of greater public disclosure of the tax affairs of multinationals. In order for public country-by-country reporting to be effective, it must be implemented on a multilateral basis so that all multinationals, both UK-headquartered and non-UK headquartered, will report on their profits made and taxes paid for the full range of countries in which they operate. The Government supports international efforts to develop a public model of country-by-country reporting that achieves this.

For these reasons, the Government does not agree with the recommendation to make country-by-country reporting by UK-based multinational enterprises public at this time. The amendment to the Finance Act 2016 mirrors the Government's longstanding position in support of international efforts for greater tax transparency. The Government remains firmly committed to a comprehensive model of public country-by-country reporting that is agreed on a multilateral basis.

Recommendation 4

A large number of major oil, gas and mining companies, including those engaged in commodity trading, are registered or listed in the UK. Because of this, by tightening its regulations on transparency the Government can play an important role in rooting out corruption that is negatively impacting resource-rich developing countries like Nigeria. (Paragraph 37)

We welcome the Government's continued commitment to tackling corruption in the extractive industries and encourage it to engage with Publish What You Pay's suggestions on commodity trading to see what more can be done to encourage greater transparency. (Paragraph 38)

We welcome the Government's announcement that it will develop a cross-government Anti-Corruption Strategy and ask that it provides us with an update on progress and a timeline for publication of the Strategy, which is due to be released before the end of 2016. (Paragraph 44)

HMG Response

Agree: As part of the Open Government Partnership UK National Action Plan, and in the UK country statement at the London Anti-Corruption Summit, the Government committed to "work with others to enhance company disclosure regarding payments to government for the sale of oil, gas and minerals." The Government aims to promote progress internationally, including in major trading hubs such as Switzerland and the UK as well as with key partners from producer countries, civil society and companies. In parallel, the UK is successfully implementing the Extractive Industries Transparency Initiative (EITI) and EU Accounting Directives, demonstrating continued global leadership.

The UK has led the way in encouraging the extractive sector to be more transparent. The Government was instrumental in establishing EITI which is now a global standard implemented by 51 countries (including the UK) disclosing more than $2 trillion in revenues. During the UK's G8 Presidency in 2013, all G8 countries took action to raise global standards for extractives transparency. In 2014, the UK was the first country to adopt regulations implementing Chapter 10 of the EU Accounting Directive. The first reports, showing payments to governments by UK extractive companies, have been published on the Companies' House website. The UK's first EITI report was published in April 2016, and the Government is now working towards being a fully compliant EITI country. The Government continues to work together, with extractives companies, other governments, and with civil society to further advance the global momentum on transparency in the extractives sector.

The UK is currently developing its first cross-government Anti-Corruption Strategy which will set out our vision for tackling corruption at home and overseas. The timeline for publication of the strategy will be confirmed in due course.

Recommendation 5

We thank the Government's Anti-Corruption Champion, Rt Hon. Sir Eric Pickles MP, for meeting with the Committee privately in advance of the UK Anti-Corruption Summit to discuss its aims and possible outcomes. However, although we understand that non-Cabinet members may have more time to dedicate to the post, we agree with the view that a Cabinet-level appointment to the post of Anti-Corruption Champion would enable them to exert greater influence and ensure more effective coordination at the highest levels of Government. (Paragraph 50)

We welcome the establishment of the Joint Anti-Corruption Unit (JACU), based in the Cabinet Office, as a mechanism for ensuring greater cross-government coordination on anti-corruption efforts. (Paragraph 51)

We understand the concerns that there is not yet an official parliamentary mechanism for holding the Champion to account on the progress of the UK Anti-Corruption Plan and the suggestion that the Champion produces an annual report to Parliament. We note that since this recommendation was submitted to the Committee, the Government has released a Progress Update on the Anti-Corruption Plan which was brought to the attention of the House in a written statement from John Hayes MP, the then Minister for State and Security at the Home Office, on behalf of the Minister and the Anti-Corruption Champion. (Paragraph 52)

We recommend that the Government announce the appointment—or reappointment—of the Anti-Corruption Champion as soon as possible, in order to show its continued commitment to tackling corruption. We believe that this position should be a Cabinet-level appointment. A Cabinet-level Champion would be able to exert more influence, encourage a coordinated approach and ensure that anti-corruption efforts remain a key priority at the highest levels of Government. (Paragraph 53)

We also urge the Government to formalise the Joint Anti-Corruption Unit (JACU) currently based at the Cabinet Office, in recognition of the fact that tackling corruption at home and overseas requires coordinated delivery of the UK Anti-Corruption Plan and forthcoming Anti-Corruption Strategy across Government. (Paragraph 54)

HMG Response

Partially Agree: Sir Eric Pickles has been recently re-appointed by the Prime Minister as the UK Anti-Corruption Champion. The main elements of the Champion's role were set out in the UK's Anti-Corruption Action Plan and include: scrutinising the performance of departments and agencies; responsibility, along with Home Office Ministers, for approval of the UK's Anti-Corruption Plan and for parliamentary and public accountability of the Government's performance against the Plan; responsibility, along with relevant Ministers, for leading the UK's push to strengthen the international response to corruption; and a mandate to engage with external stakeholders, including business and civil society organisations. Ministers including the Chancellor, Secretary of State for International Development and the Minister for the Cabinet Office share responsibility for the UK anti-corruption agenda.

The Champion is supported by the Joint Anti-Corruption Unit (JACU) in the Cabinet Office. JACU is a small unit which was set up following publication of the 2014 Anti-Corruption Action Plan. The Government agrees that a coordinated approach is crucial to the success of our anti-corruption agenda at home and overseas, therefore JACU continues to coordinate cross-Government efforts, working closely with other Government Departments, including the Home Office which leads on coordinating domestic anti-corruption policy.

Recommendation 6

We remain concerned that discussions and decisions on international cooperation in tax matters are happening primarily through the OECD. We understand the Government's reservations with regards to the previously proposed upgrading of the UN Tax Committee, and concern that there would be duplication with the work the OECD is conducting. We also welcome the work that the OECD has undertaken through its Base Erosion and Profit Shifting (BEPS) work. However, international tax discussions must be fully reflective of international concerns, including those of developing countries, and we remain concerned that the OECD—due to its composition—is not adequately reflecting the needs of the poorest countries in its policy outcomes. (Paragraph 58)

The Government should reconsider whether the OECD is the best forum for discussions and decisions on international tax matters. If the Government believes it is, then more must be done to ensure the voices of developing countries are heard within this forum and that policy outcomes are reflective of the needs of both developed and developing countries. The Government should provide us with an update on work in this area. (Paragraph 59)

As the OECD's base erosion and profit shifting (BEPS) work is rolled out to different countries, the OECD should consult developing countries regularly on the effectiveness of the measures in preventing base erosion and profit shifting from their jurisdictions

and seek views on suggested modifications or enhancements. As a key OECD member, the UK Government should encourage and support this action to ensure that developing, as well as developed, countries benefit fully from this initiative. (Paragraph 60)

HMG Response

Partially Agree: The Government maintains its view that the OECD remains the best forum available for agreeing international tax policy. The Government considers a UN structure less likely to progress international tax reform and that recent progress would not have happened if the UK had worked through the UN, not the OECD.

The Government has led global efforts to tackle tax avoidance by multinational enterprises through the OECD BEPS project. It has supported increased developing country participation in these processes. As a member of the G20, the UK called on the OECD to develop an 'Inclusive Framework for BEPS Implementation' that includes non-G20 countries that commit to implement the outcomes of the BEPS project, including developing countries, on an equal footing. Currently over 80 countries and jurisdictions are members, including 50 non-OECD countries—predominantly developing countries—as well as three regional tax bodies participating as observers. The OECD is also planning regional meetings as an integral part of the inclusive framework to better facilitate the participation of developing countries in the process.

This continues on from the work the OECD has done to expand its engagement and structures to be more inclusive of developing countries during the BEPS project. During 2013–15, more than a dozen developing countries participated directly in the decision-making body and technical working groups, and tax officials from over 120 countries worldwide met regularly through regional networks to provide input. A dedicated work stream was set-up to target BEPS-related issues identified by developing countries as their highest priority.

The G20 has also commissioned the OECD, World Bank, IMF and UN to produce practical toolkits that will assist developing countries in tackling BEPS issues that relevant to them. The first toolkit on tax incentives for investment was published last year and other toolkits on transfer pricing comparable data and indirect transfer of interest are due. In addition, DFID funds the OECD and World Bank to assist developing country tax authorities to tackle multinational transfer pricing practices. Audit assistance given through the OECD's Tax Inspectors Without Borders initiative has led to extra revenue of over $300m.

Recommendation 7

The UK has shown strong leadership on anti-corruption, particularly over the last six years, but recent revelations such as the Panama Papers show how far the UK needs to go to effectively tackle corruption both in the UK and overseas. It is essential that momentum is not lost in the wake of the decision to leave the European Union, when laws, regulations and trading arrangements are reviewed. (Paragraph 63)

Strong leadership will be essential to tackling global corruption. We commend the leadership shown by the former Prime Minister, Rt Hon. David Cameron, on tackling global corruption and the positive contribution this has made to shift the global conversation. However, we recognise that comprehensive follow-up action is now needed. We hope that

the new Prime Minister, Rt Hon. Theresa May MP, will continue to put anti-corruption measures at the forefront of the Government's agenda and that this will lead to tangible policy changes across Government. (Paragraph 67)

In advance of its negotiations to leave the European Union, the Government must consider the ramifications of the UK's exit on the laws and regulations designed to curb corruption both here and overseas, such as the provisions on extractive industries transparency included in the EU Accounting Directive. The Government must ensure that tackling corruption is not deprioritised as we negotiate our European exit and that the momentum to tackle corruption, and the alliances the UK has made with a number of other European countries in this regard, are not lost. We would encourage the Government to continue to use its influence with other European countries to encourage them to commit to publishing country-by-country reporting data for multinational enterprises, as it is now permitted in the UK. (Paragraph 64)

HMG Response

Agree: When the British people voted to leave the European Union, they did not vote to leave Europe and the Government hopes to maintain productive, collaborative relationships with our partners in the EU. Leaving the EU now offers us an opportunity to forge a new role for ourselves in the world, and the UK remains the same outward-looking, globally-minded country it has always been.

This applies to our efforts to curb corruption here and overseas. The Government will continue its efforts to fight corruption—building on the success of the London Summit—and is currently developing the first UK Anti-Corruption Strategy. The UK will do more to encourage other countries to establish company beneficial ownership registers and stop aggressive tax avoidance, including stopping companies avoiding tax by shifting profits from one jurisdiction to another.

The Prime Minister is committed to delivering an economy that works for everyone, which requires bold action at home and co-operation abroad, including with EU countries. Tackling corruption and restoring greater fairness to the global economy is vital if the UK is to retain support for free trade and the open economies which are the bedrock of global growth. At the recent G20 summit this commitment was echoed by other leaders, and it is an agenda that Britain will continue to lead in the years ahead.

DFID's anti-corruption work

Recommendation 8

We welcome the introduction of DFID's anti-corruption country strategies, following ICAI's 2013 review. However, corruption is complex and deep-rooted and requires longer-term planning and commitment if it is to be addressed properly by DFID in the countries where it is working. The evidence presented to us strongly indicates that the five year plans proposed by the Government, although longer than the previous three year plans, are insufficient. (Paragraph 74)

DFID's future anti-corruption country strategies must cover a minimum timescale of ten years. Individual projects of three to five years may be undertaken as part of—but

not in isolation from—a longer-term strategy. We understand the limitations presented by our five year political cycle in the UK and the need to monitor results and ensure value for money. However, this should not prevent an overarching country strategy from covering a ten year timescale. These strategies could retain enough flexibility to adapt to changing political and economic environments, and to allow for the kind of innovative and adaptive programming that is necessary to combat corruption, whilst ensuring a long-term financial and institutional commitment to tackling corruption in partner countries. (Paragraph 75)

HMG Response

Partially agree: DFID shares the Committee's view that tackling corruption in partner countries is a long-term endeavour. It is complex, meaning that progress can be slow. A long term perspective is required in each country. This should be underpinned by a flexible and politically astute approach to the shorter term as choices for action need to be tailored to currently prevailing circumstances, and regularly reviewed and calibrated to maximise opportunities for success. DFID agrees with the Committee's desire that our work in partner countries should be grounded in a longer-term vision for anti-corruption. DFID plans to develop rolling strategies with a 10 year horizon but with shorter term detailed programme and influencing agendas. This would set a realistic vision of progress that could be made over a five year programme cycle within an overall longer term ambition for each country. It would enable country teams to adapt to changed opportunities on a rolling basis, refreshing strategies regularly.

Recommendation 9

Other Government Departments (OGDs), aside from DFID and the FCO, are increasingly working in developing countries and using ODA to fund their activities. It is essential that the approach towards tackling corruption in any particular country is coordinated and coherent across all UK Government activity. We therefore welcome DFID's commitment to producing enhanced anti-corruption country strategies which involve all Government departments. Given the increasing presence of OGDs in countries where DFID has bilateral programmes, it is essential that the Government's approach is coordinated and coherent and that all officials are pulling in the same direction in their efforts to combat corruption. (Paragraph 79)

We understand that political events, including the EU referendum and the Government reshuffle, have led to the delay in publication of the new anti-corruption country strategies. However, we are concerned that allowing domestic political changes to stall the release of important strategy documents for six months will have had an adverse effect on in-country programming, preventing country offices from progressing vital work. (Paragraph 81)

DFID must publish its anti-corruption country strategies, alongside its overdue internal reviews and individual country plans, as a matter of urgency. Allowing vital policy documents to be stalled for so long is disappointing and risks hampering its efforts to tackle corruption in its priority countries, to the detriment of the countries it supports. (Paragraph 82)

HMG Response

Partially agree: DFID plans to publish country anti-corruption strategies. In doing so DFID will want to ensure that they can take into account recommendations from the Committee's report and relevant aspects of the forthcoming UK Anti-Corruption Strategy. DFID continues to deliver against the country anti-corruption strategies and efforts to tackle corruption do not hinge on when they are published. DFID has recently published the Civil Society Partnership Review, Bilateral Development Review and Multilateral Development Review.

Recommendation 10

It is clear that more research is required to establish 'what works' when attempting to tackle corruption in partner countries. We therefore welcome DFID's considerable recent investment in the Anti-Corruption Evidence (ACE) programme. (Paragraph 86)

Alongside other donors engaging in anti-corruption work, DFID must allocate appropriate resources to establishing the effectiveness of its work in this area. Linking experience from country offices with its ongoing research will be crucial, as well as supporting new and innovative ways of working. (Paragraph 87)

DFID has already invested in significant research into anti-corruption efforts. However, it must ensure that where research is being carried out, particularly but not exclusively where it is funded by DFID, its findings are being effectively fed back into the work it is conducting on the ground. DFID must ensure that it references relevant research and clearly shows the evidence base for the planned approach in each country when it publishes its new anti-corruption country strategies. (Paragraph 88)

HMG Response

Agree: DFID is linking up the ACE research teams with DFID country teams to help ensure that the research addresses high priority, operationally-relevant problems, and to increase the likelihood that the research is fed back into work conducted on the ground by DFID and partners. The ACE programme is explicitly operational, political, and focussed on DFID priority countries and sectors and seeks to always base anti-corruption activities on a robust and politically honest analysis of the power, interests and incentives of actors and groups. For example, the ACE teams have recently been working closely with DFID's Bangladesh and Tanzania programmes to ensure that research evidence informs their country programming priorities. Wherever possible, our country anti-corruption strategies reflect research evidence that DFID and our partners have undertaken.

Recommendation 11

DFID has committed to spending 50% of its budget in fragile states. In these countries, attempts to tackle corruption must be considered very carefully. Evidence to us has strongly suggested that anti-corruption efforts can have adverse effects in unstable situations. We welcome DFID's understanding of these challenges and its approach to ground its work in broader state and peace-building processes. However, when DFID is committed to spending half of its budget on fragile states, this may limit the volume of anti-corruption work it is able to carry out. (Paragraph 91)

We welcome DFID's innovative approaches to thinking and working politically, which evidence suggests is vital when working to tackle corruption in its priority countries. (Paragraph 94)

Thinking and working politically has proven to be a useful approach for DFID in Nigeria. DFID must ensure that lessons are being shared between country programmes, and that research in this new and innovative area is disseminated, to ensure that all in-country staff are equipped with the resources and information to start considering similar ways of working that are sensitive to the political context. (Paragraph 95)

A compelling business case that clearly shows the economic benefits of improving a country's credit rating by improving governance and tackling corruption may encourage more of DFID's partner governments to take action. Highlighting the link between transparent governance and anti-corruption measures, and increased investment and lower borrowing costs could encourage more governments to take action. We are pleased to hear that the Royal United Services Institute (RUSI) are already in discussions with DFID staff about how best to use this approach in its priority countries. (Paragraph 104)

As representatives and legislators, parliamentarians have a crucial role to play in exposing corruption and legislating against it and this is an area which is often neglected by DFID. Strengthening the capacity of parliaments and parliamentarians can only ever be part of a broader strategy to tackle corruption and the approach must be tailored to the context. However, it is important that DFID recognises the importance of legislatures and legislators in the fight against corruption and considers their role when designing each of its anti-corruption country strategies. (Paragraph 107)

DFID must fulfil its commitment to include parliaments in its new anti-corruption country strategies, highlighting the role they will play in efforts to curb corrupt activities in its partner countries. We look forward to seeing this when the new anti-corruption country strategies are published. (Paragraph 108)

HMG Response

Agree: DFID recognises that a deep understanding of how politics and power work in the countries where we operate is essential to address long-term development challenges including corruption. A patient, long-term approach is needed to address barriers to peace and stability, such as corruption, which are fundamentally political, not financial or technical. DFID is committed to continually improving understanding of local politics and sharing lessons, approaches and thinking about how to incentivise politically smart working in assistance programmes. DFID recently reviewed the ways it is taking politics into account across its work. The effectiveness of DFID's anti-corruption work is enhanced by our understanding and response to the context, and local and international pressures for reform.

Parliamentarians have an important contribution to make in addressing corruption and thus to DFID's anti-corruption agenda. DFID's guidance for its anti-corruption strategies asks all country programmes to consider whether there are opportunities to support parliaments in making a contribution to combatting corruption. DFID supports anti-corruption and public financial management projects which work with public accounts

committees to strengthen parliament's oversight of the budget or with citizens to demand budget scrutiny in a range of countries including Bangladesh, Democratic Republic of Congo, Ghana and Uganda.

Recommendation 12

Civil society has a vital role to play in anti-corruption efforts and the availability of data is essential to empower citizens to hold perpetrators to account. Civil society activists and journalists who may come forward as whistleblowers exposing incidences of corruption must also be protected, but there are concerns that in many countries the space for individuals and organisations to speak out is closing. (Paragraph 113)

DFID and the FCO should work with governments in its priority countries to encourage greater protections for whistleblowers, including through legislation. The UK Government must also ensure that it has sufficient protections and mechanisms in place for whistleblowers that come to officials in overseas posts with evidence of corruption. The Government should lay out these processes clearly in its response to this Report. (Paragraph 114)

DFID should also acknowledge that civil society has a vital role to play in anti-corruption efforts and outline how it will engage with local civil society actors in its forthcoming anti-corruption country strategies. (Paragraph 115)

HMG Response

Agree: The Government supports greater protection for whistle-blowers. The London Anti-Corruption Summit highlighted the need to expose corruption in all its forms, including making it easier for people to report corruption without fear of reprisal.

DFID pursues a zero tolerance policy towards the misuse of UK Aid funds. DFID employees have a vital role in identifying cases where wrongdoing may have occurred. All public servants have an obligation to report suspicions. Doing so not only protects the UK taxpayer, it also reduces the risk of funds being diverted to corrupt or criminal elements, and ensures that aid reaches those to whom it is intended to go.

DFID has an established whistle-blowing policy which sets out the process and the protection available to those who work for us, and how to report concerns. Where an employee is reluctant to use a line management process, DFID has a dedicated whistleblowing hotline which is managed by our Counter Fraud Section. DFID is also currently refreshing the policy to reflect the most up to date practices, in line with Cabinet Office guidance.

If a local citizen, who does not work for the Government overseas, wishes to report an incident of alleged corruption or loss to a DFID office, DFID will endeavour to protect their anonymity. All complainants are treated in a private, confidential and professional manner through any review or investigation that takes place.

Current guidance to UK diplomatic posts on reporting evidence of corruption, including that received from whistle-blowers is that Government staff that become aware of allegations of acts of bribery committed by UK nationals, companies or other incorporated bodies are obliged to report the details directly to the UK Serious Fraud Office. The Serious Fraud

Office has lead responsibility in this area and will decide whether or not to pursue an investigation, in collaboration, where appropriate with partner agencies such as the UK National Crime Agency or the City of London Police.

DFID has a range of overseas country programmes that support the improvement of governance, public financial management and law and order in the countries where we work. Improvements to whistle blowing policy and legislation would be considered as part of overall legislative improvements driven by those country governments and supported by DFID and other donor partners. Furthermore through the Open Government Partnership, the UK actively encourages partner countries to develop legislation and implement rules that protect whistle-blowers.

The FCO is undertaking a project to encourage whistle-blowing in public procurement in Argentina. It is also working with the UN to facilitate regional workshops in East Africa and South East Asia, bringing together government officials to develop capacity to implement witness and whistle-blower protection systems. The FCO hope to provide funding for further expansion of these projects in future years, including in other priority countries and regions.

The Government agrees that civil society is an important actor in the fight against corruption, and a partner in development broadly, as set out in DFID's recent Civil Society Partnership Review. Our refreshed anti-corruption strategies will set out how DFID's country programmes will work with civil society, and the private sector, in tackling corruption.

For example, in Kenya DFID has funded the Africa Centre for Open Governance and Kenya Media Programme to report on high level corruption in order to raise awareness and lobby for legislative reform. In Zambia, DFID supported the local chapter of Publish What You Pay to assist civil society in monitoring mining payments to local communities and tracking national revenues. Their work ensured that proper financing guidelines were adhered to and that mining revenues were spent on local development projects. The UK was a founding member of the Open Government Partnership, the only international platform for domestic reformers committed to making their governments more open, accountable, and responsive to citizens. In all of the 70 Open Government Partnership member countries, government and civil society are working together to develop and implement ambitious open government reforms.

Recommendation 13

The evidence suggests that measuring the success of anti-corruption programmes is immensely difficult as it is difficult both to measure results and to attribute results to any particular intervention. (Paragraph 119)

As it is difficult to measure results, and there is still insufficient evidence to determine 'what works' in its anti-corruption interventions in its priority countries, DFID needs to ensure that it allows flexibility in its anti-corruption reporting frameworks to ensure that responses to corruption can be innovative and adaptable. Whilst it is crucial to ensure value for money, anti-corruption programmes involve inherent risk and the outcomes of the programme may not always be as expected. DFID must find ways to

ensure it is monitoring progress, whilst not constraining programmes to a very specific set of results. DFID should include details of its monitoring frameworks in its new anti-corruption country strategies. (Paragraph 120)

HMG Response

Agree: DFID agrees that measuring the success of anti-corruption programmes is challenging. The difficulties of both measuring results, and attributing them to a particular intervention, are widely accepted. Progress does not always lend itself to quantitative reporting but instead can often rely on qualitative assessments and judgments. There can also be eventualities that are unforeseen at the outset, but which are nevertheless valuable achievements. DFID's anti-corruption programmes seek to respond to this challenge and build in flexibility to adapt interventions and results monitoring to changing contexts. Our annual review processes rely not just on reporting against specific results frameworks for core outputs but also seek to capture wider trends and impact delivered by DFID programme interventions that are often more challenging to quantify. DFID's monitoring frameworks and annual reviews for all programmes are normally published.