



House of Commons
International Development
Committee

**Development and
Trade: Cross-
departmental Working:
Government Response
to the Committee's
Second Report of
Session 2007–08**

**Second Special Report of Session
2007–08**

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International Development Committee

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Second Special Report

On 4 December 2007 the International Development Committee published its Second Report of Session 2007–08, *Development and Trade: Cross-departmental Working*, HC 68. On 4 February 2008 we received the Government’s response to the Report. It is reproduced as an Appendix to this Special Report. In the Government Response, the Committee’s conclusions and recommendations are in bold text. The Government’s response is in plain text. A copy of a letter dated 18 December 2007 from the Secretary of State for Business, Enterprise and Regulatory Reform to the Prime Minister is reproduced as an Annex to the Government Response.

Appendix: Government Response

CHANGES TO GOVERNMENT MACHINERY

Changes to ministerial responsibilities

[Recommendation 1; Paragraph 6] We welcome the increase in the number of DFID ministers, which reflects the new roles and responsibilities that the Department has taken on. However, we are concerned that the Trade Policy Minister’s brief may be too wide, including as it does areas as varied as consumer affairs and climate change. We recommend that the Secretary of State review the alignment of ministerial resources and departmental priorities within one year of the new arrangements having taken effect.

DFID now has four Ministers to cover its agenda, with a dedicated Minister to manage its expanded role in trade and development, in Parliamentary Under-Secretary of State Gareth Thomas. This has significantly increased DFID’s capacity to cover a broad range of issues and engage more actively with stakeholders while also furthering more cross-Whitehall work. The UK Government’s active engagement in trade and development over the past six months is testimony to this increased capacity. We note the Committee’s concerns about the width of the brief for the Trade Policy Minister, but believe that the arrangements are correct and are working well. It is also worth noting that trade policy was previously combined with other responsibilities at Ministerial level.

[Recommendation 2; Paragraph 10] We are concerned that there is inconsistent use of ministerial titles in official materials. While some variation may be unavoidable, we believe that it is important that Ministers’ titles should correctly reflect their roles and responsibilities, and that these should be used consistently across Government. This is particularly true during a period of change and transition when stakeholders and the public need to be given clarity and certainty. We therefore recommend that the Ministers review the use of their titles by their departments and resolve any confusion quickly.

We do not consider there to be any confusion as regards Ministerial titles in DFID or Business, Enterprise and Regulatory Reform (BERR). The three Ministers involved in the new Government arrangements are Secretary of State DFID Douglas Alexander, Secretary of State BERR John Hutton, and Parliamentary Under Secretary of State DFID and BERR Gareth Thomas.

Cabinet Sub-Committee on Trade

[Recommendation 3; Paragraph 14] We welcome the Minister’s assurances regarding the coordination of trade policy formulation and trade promotion activities. We recommend that the Trade Promotion Minister be invited to attend all meetings of the Cabinet sub-Committee on trade to ensure that overall trade and development coherence is not undermined by divergent approaches.

The Cabinet sub-Committee on trade is composed of the Secretary of State for International Development (Chair); the Chancellor of the Exchequer; the Secretaries of State for Foreign and Commonwealth Affairs; for Environment, Food and Rural Affairs; for Business, Enterprise and Regulatory Reform; and the Parliamentary Under Secretary of State, Department for International Development and Department for Business Enterprise and Regulatory Reform Gareth Thomas MP. Other Ministers may be invited to attend as appropriate. The Trade Promotion Minister is routinely invited to the sub-Committee.

[Recommendation 4; Paragraph 16] We are concerned that ad hoc decisions made by committee on which Minister is leading on which issues could result in a less responsive system, undermining any coherence benefits of the new arrangements. We recommend that the Government publish a comprehensive list of which Minister has lead responsibility for each individual issue or negotiation to increase transparency and minimise confusion.

We have found no difficulties with the arrangements. We have a single Minister for Trade and Development who covers the whole of the trade policy agenda. The fact that which Secretary of State leads on which issues is decided on an ad hoc basis simply reflects the emphasis on collaborative working between DFID and BERR: both Secretaries of State maintain an interest in the whole of the trade agenda and we avoid the potential for issues to become regarded as belonging to one Department or another.

Joint Trade Policy Unit

[Recommendation 5; Paragraph 20] We support the concept of a joint Trade Policy Unit as a component of improved trade and development policy coherence, and we hope that the Government can make the Unit work in practice. We recommend that the Minister for Trade Policy monitor closely the impact on coherence and effective team-work of the Head of the Trade Policy Unit spending the large majority of his working week at BERR and only one day a week at DFID.

The nature of trade work implies a significant part of international lobbying, cross-departmental work and cooperation with stakeholders from all walks of life. This is not bound to any specific location of staff. The Director of the Trade Policy Unit (TPU) and all TPU staff interact frequently through face-to-face meetings, email, phone contacts, and

dual locations in both DFID and BERR. Many TPU staff also work remotely at times and travel is frequent. In these days of technological capability, split-site working is common and does not have any negative impact on effectiveness. The Director of TPU takes part in weekly DFID top management meetings and weekly meetings with the TPU leadership team in addition to the time he spends working in DFID. We will of course keep all aspects of TPU working under review. But we see no greater difficulty in working between two buildings than we do in working effectively across Europe and internationally.

[Recommendation 6; Paragraph 21] We regret that interested parties have had to wait until mid-October, more than 100 days since the changes took effect, to gain a better understanding of how the changes and new structures are likely to work in practice. We are concerned that there continues to be a lack of clarity and transparency over the mechanics of trade policy decision-making. We believe the Government should have been—and should in future be—more transparent and pro-active in setting out clearly the implications of such changes.

The Government has communicated these changes to a wide range of stakeholders since this summer. Ministers have organised several meetings to discuss this with our key stakeholders, including roundtables with NGOs and the business community respectively in the summer to discuss the new changes to Government machinery. We have also provided information on the respective websites of DFID and BERR.

[Recommendation 7; Paragraph 22] We are pleased to note that the Minister has quickly ensured that the BERR and DFID websites both now feature new pages and sections on the Trade Policy Unit and its work, in response to our call for the out-dated material previously available to the public to be replaced. This matter is of particular importance given the role of departmental websites in informing the public of how Government works.

We agree on the importance of providing up-to-date website information. We will continue to provide updates and information on our work on our external websites on a regular basis.

The changes in practice: ensuring improved coherence

[Recommendation 8; Paragraph 26] We broadly welcome the machinery of Government changes, though we have some reservations about the way in which these have been carried out. We believe that the development emphasis, the new lines of responsibility, and new Cabinet and official-level structures have the potential to improve trade and development policy coherence to the benefit of developing countries. We are concerned, however, that excessive complexity and new layers of bureaucracy may have the effect of undermining any improved coherence resulting from the changes. We remain unclear as to how the changes will be evaluated for their ability to deliver a more coherent trade policy and more effective ‘joined up Government’. We support suggestions for a clear work plan for DFID under the new arrangements and for a publicly elaborated cross-departmental strategy for the future of UK trade policy. We hope to see far greater visibility of the new structures than has been hitherto the case. We recommend that the Government ensure that both DFID and BERR include trade in their annual departmental reporting.

We are pleased that the Committee broadly welcomes the machinery of government changes. We believe these changes have bedded down well and the new arrangements are now working effectively. There has been significant interest and reporting on these changes since the summer. DFID has for many years played an important role in trade policy-making, bringing the development dimension to the fore, and focusing on delivering better trade deals for poorer countries. This has been taken forward in harmony with the then DTI, and will continue under the new arrangements. Through the joint Trade Policy Unit, we are now jointly taking forward our UK trade policy objectives on important trade negotiations like the Doha round of trade talks and Economic Partnership Agreements. We have committed to review these arrangements regularly, with a view to making improvements where needed.

We are in the process of developing a single set of objectives for the Trade Policy Unit, which will be updated annually. We have set up a dedicated Communications team, with staff from both departments. As is the case today, both DFID and BERR will continue to report on their trade activities in their annual departmental reporting, and will ensure that the new arrangements are fully reflected.

INTERNATIONAL TRADE NEGOTIATIONS

[Recommendation 9; Paragraph 28] We were concerned to hear that developing countries may have lost confidence in the response of developed countries to their views. Now that DFID has been granted greater influence over the UK's trade policy, we hope that, in the UK's case at least, lost confidence can be restored.

The UK has placed the concerns of developing countries at the heart of our trade policy for many years. We are lobbying for trade solutions that are beneficial for developing countries, and that also provide substantive technical and financial support to help build developing countries' negotiating capacity.

WTO Doha Development Round

[Recommendation 10; Paragraph 31] The critical issues for the Doha Round remain the same as at the time of our last Report. As we noted in March 2007, World Trade Organisation members need to show the requisite political will to reach a deal. Developed countries should reinvigorate the process with unilateral moves or draw the process to a close if it is irretrievably moribund. The Government should continue to make the case for unilateral moves with other EU Member States. Again, we encourage the UK, EU and all negotiators to approach Doha with sufficient flexibility to succeed.

The UK government remains fully committed to an ambitious, pro-development outcome to the Doha Development Agenda (DDA) negotiations, and we believe it will be possible to reach agreement on the DDA in 2008. Revised texts on agriculture and on non-agricultural market access will be produced in the coming weeks. It is important that we continue to support the Geneva process by seeking to resolve outstanding issues. We therefore need all parties to engage constructively and flexibly in negotiations—now is not the time to harden positions. We have taken—and will continue to take—every opportunity to press for this, both within the EU and with other WTO members.

Economic Partnership Agreements

[Recommendation 11; Paragraph 34] We welcome the European Commission's belated recognition of the need for a 'Plan B' in the form of agreement on the goods-only element of Economic Partnership Agreements, given the imminent threat of disruption to exports facing developing countries at the end of the year.

We agree. The UK urged the Commission to focus on getting goods-only agreements signed by the end of 2007 in order to allow duty and quota free access for African, Caribbean and Pacific countries on 1st January 2008 and minimise trade disruption. The focus on signing goods-only agreements resulted in 35 countries signing Economic Partnership Agreements (EPAs) by the end of 2007. 32 countries have decided to trade under the Everything But Arms initiative which leaves just 10 countries facing the Generalised System of Preferences.

[Recommendation 12; Paragraph 37] Time is rapidly running out for the Economic Partnership Agreement talks, with the approach of the end-of-year deadline. In our previous Report, we called on the EU to undertake planning to request a waiver extension should EPAs not be concluded in time. We note that views vary on whether a waiver extension is realistic, but we also note that there has been little sign of any preparations by the European Commission for this wholly predictable situation until very recently. Some countries will simply not be ready to reach even a goods-only EPA deal by the end of the year. The Everything But Arms option available to Least Developed Countries is, in our view, a viable alternative. But there appears to be no viable, pro-development alternative plan for those non-LDC countries that do not agree goods-only deals with the EU by the end of the year. The difficulties facing these countries is a matter of great concern to us. We agree with the Trade and Development Minister that the basic Generalised System of Preferences in particular is not an acceptable alternative. We expect the UK Government to make this case vocally in its discussions with other Member States and the Commission, and to ensure that a more acceptable alternative is offered.

35 African, Caribbean and Pacific (ACP) countries signed an Economic Partnership Agreement (EPA) before the end of 2007 deadline. A further 32 Least Developed Countries (LDCs) have chosen to trade under the Everything But Arms initiative, benefiting from duty free quota free access into European Union markets. The remaining 10 non-LDC ACP countries may still sign an EPA during 2008–09 and the UK continues to urge the Commission to be flexible in these negotiations. On 10 December, the UK, along with the Netherlands, Denmark and Ireland, made a declaration setting out our continued concern for non-LDCs who had not then initialled an agreement and urged the Commission to show flexibility.

For the 10 non-LDCs that have not signed an EPA we expect minimal, if any, trade disruption due to their current trade patterns with the EU.

[Recommendation 13; Paragraph 38] We are uncomfortable with the implication that goods-only EPAs are only 'stepping stones' to full agreements, given the EU's previous commitments to include other issues only where individual countries or regions actively seek to do so. We are also concerned about the possibility that these interim

deals may lack development components. We recommend that the Government push for inclusion of aid for trade provisions within these deals.

To date, the Caribbean is the only region that has completed negotiations on a wider set of issues, such as investment and services. Other countries have stated that they would like to negotiate these issues in the coming year. We believe that the provisions for further negotiations on these issues afforded by the current interim EPAs should be fully explored by ACP partners but there should be no pressure on ACP regions to conclude negotiations in these areas if they do not wish to.

The UK is firmly against making development assistance conditional upon the signing of an EPA. However, it has been agreed with all regions that development cooperation provisions should be made available for trade needs that EPAs will incur. Programming of the European Community's 10th European Development Fund (EDF) offers a unique opportunity to synchronise trade policy decisions taken in the EPAs and the programming of EDF resources.

Both the European Commission and European Union Member States made aid for trade commitments in 2005. These commitments are to scale up aid for trade to €2 billion per year by 2010, €1 billion from the Commission and €1 billion from Member States. 50% of this increase has been committed to ACP countries and the UK is lobbying hard for these commitments to be met.

Regional Preparatory Task Force meetings have been held in each ACP region and in Brussels in order to identify aid for trade needs within each region. We are pleased that the European Commission is making good progress in setting out how it will support these needs from EDF funds. Member States have begun the process of sharing information to promote a coordinated approach for supporting aid for trade in the regions and we are engaged fully in these discussions.

[Recommendation 14; Paragraph 40] We welcome the fact that new rules of origin, which we expect to enhance developing countries' ability to benefit from improved market access, are to be an integral part of Economic Partnership Agreements. However, the loss of Cotonou rules of origin for any country not reaching a goods-only or full EPA by the end of 2007 serves to compound the potential disruption for these countries in moving to less generous arrangements, such as the Generalised System of Preferences. We recommend that, in its reply to this report, the Government gives its view as to whether Cotonou rules of origin could be maintained for countries unable to agree a goods-only deal.

The Cotonou agreement, including its rules of origin, expired on 1 January 2008. ACP countries that have not yet signed a goods-only or full EPA continue to benefit from preferential access to the EU under the Generalised System of Preferences (GSP) subject to meeting that scheme's rules of origin. We are encouraging such ACP countries, and the Commission, to continue to work towards an agreement. The UK is also urging the Commission to fulfil its commitment to make early progress in implementing revised GSP rules of origin, which should deliver increased simplification, transparency and market opening to facilitate increased ACP and other developing country exports to the EU.

PROMOTING RESPONSIBLE TRADE

Bribery and corruption

[Recommendation 15, Paragraph 43] We welcome the continuation of the role of Ministerial champion for combating international corruption. We would be concerned, however, if the transfer of responsibility from the Department for International Development to the Department for Business, Enterprise and Regulatory Reform meant that these matters were now seen largely from a trade perspective and that development concerns were neglected. We do not agree with the Government's view that the visibility of the role is of secondary importance: championing an issue by definition requires a high profile. We recommend that the Government prepare a plan for promoting the role and the associated action plan and that it share this with the Committee within two months.

John Hutton was appointed by the Prime Minister as Ministerial Anti-Corruption Champion last July, a Cabinet-level role that reflects the importance that the Government attaches to this issue. Combating bribery and corruption remains an important part of our work to reduce poverty in developing countries, fight organised crime and terrorism and maintain the reputation of our financial institutions and international businesses. John Hutton is committed to progress the Government's anti-corruption programme and he has been actively engaged in raising the fight against corruption with stakeholders and in developing the second UK Anti-Corruption Action Plan. John Hutton will chair an informal Ministerial Committee to take this agenda forward, including the development of a medium-term strategy to address the drivers of corruption.

The second Action Plan includes a communications plan to raise awareness of the UK legal framework and the risks of international bribery and corruption with priority target groups.¹ The approach is to primarily target businesses, the Regulated Financial Sector, professional groups, Crown Dependencies and Overseas Territories where financial services are critical. These groups are on the front-line of eliminating foreign bribery and money laundering and more can be done to help business contribute positively to this agenda.

[Recommendation 16, Paragraph 45] We ask the Government to inform us in response to this Report: how many cases and allegations of trans-national bribery have been referred to the Serious Fraud Office for investigation; how many have been investigated by the SFO and closed without charges being brought; how many cases are currently under investigation; and when the Government expects the first case of trans-national bribery to be brought before a UK court.

The Serious Fraud Office has provided the following information. The Serious Fraud Office (and National Criminal Intelligence Service) have received 126 allegations of corruption in total. 14 bribery enquiries have been begun and one has been discontinued. Six enquiries have been begun relating to other offences. There has been no action on 34 allegations because they could not be substantiated; or did not relate to offences of bribery; or repeated previous allegations. Preliminary investigations on 33 allegations have been

¹ See Annex for further detail on the second UK Anti-Corruption Action Plan

closed without a formal investigation beginning due to insufficient evidence. 39 allegations are under preliminary investigation

[Recommendation 17; Paragraph 49] There are questions for the Government to answer about the UK's implementation of the OECD Anti-bribery Convention and whether the decision to halt the BAe Al Yamamah investigation is consistent with the Convention. We are concerned that the UK has failed to act expediently on recommendations from the OECD Working Group on Bribery. We recommend that the Government make every effort to resolve all these issues during the forthcoming review conducted by the Working Group and that it make a clear commitment that time will be found in this or the next parliamentary session to enact the new legislation recommended by the Working Group.

The Director of the Serious Fraud Office has repeatedly stressed that he alone took the decision to halt the investigation into BAe System's activities in Saudi Arabia on the grounds of national and international security, and that he was not put under any pressure to do so. We are confident that the decision was compatible with the OECD Anti-Bribery Convention.

The OECD Phase 2bis review is not an inquiry and will not focus on the decision to halt the investigation into BAe System's activities in Saudi Arabia. The UK is one of four countries undertaking such a follow-up review, which will focus on the UK issues raised in the OECD Secretariat's June 2007 follow-up report; namely, progress with law reform, the UK's framework for criminal corporate liability, UK law enforcement effort, and the Convention's article 5 and prosecutorial discretion. The Government is working closely with the OECD Secretariat on preparations for the review and we look forward to the Examiners' on-site visit.

We believe that the UK has fully implemented the OECD Anti-Bribery Convention. While successful prosecutions can be and are made each year, the UK law on bribery is complex and fragmented and the Government is committed to its reform. The Government have asked the Law Commission to undertake a thorough review into the bribery law of England and Wales and prepare a draft Bill. We have asked them to look at the full range of structural options and to treat this review as a priority. This referral to the Law Commission, far from side-tracking reform, is the best means to take forward law reform in this field effectively and quickly. The Law Commission have published a detailed consultation paper setting out their proposals for reform, to run until 20 March 2008, and we expect them to publish their final report and draft Bill in the autumn. We shall then consider their report and draft Bill closely and will be seeking to bring forward legislative proposals as soon as is possible.

OECD Guidelines and Risk Awareness Tool

[Recommendation 18; Paragraph 53] The National Contact Point is a key instrument for national-level implementation of the OECD Guidelines for Multinational Enterprises. It is therefore of paramount importance that the UK Contact Point is a well-resourced, credible body. We share the concerns that some key stakeholders have raised about both the effectiveness and impartiality of the NCP. We recommend that

the Government undertake a review of the impact of the 2006 restructuring of the NCP and of the resources available to it.

A Steering Board has been created which has oversight of the National Contact Point. The Steering Board has a clear role to ensure the NCP is following the complaints procedure correctly and provides a route for the parties involved in a complaint to raise concerns they may have in the way a complaint was handled. The Government has committed to reviewing the new NCP arrangements to ensure that they are working effectively.

[Recommendation 19; Paragraph 55] We will follow with interest the progress of the Global Witness complaint against Afrimex as a test case for the restructured UK National Contact Point. We believe it is unacceptable that the Government has not investigated the activities of Alfred Knight, nor even contacted the company, despite the findings in our Conflict and Development Report and the evidence taken in that inquiry. We call on the Government to be pro-active in these matters generally and to investigate the case of Alfred Knight’s activities in the Democratic Republic of Congo in particular. We expect the Government to provide us with a full report of its past, current and planned action in connection with the Alfred Knight case within six months.

The NCP investigates all complaints received. So far no approach has been made regarding Alfred Knight. We would of course investigate if a complaint were raised. This reflects the primary aim of the OECD Guidelines for Multinational Enterprises, which is to provide a platform for the parties to reach a mediated settlement. Therefore a complainant is required for a mediation process to occur and to be meaningful.

This view reflects the All Party Parliamentary Group on the Great Lakes Region report: ‘The OECD Guidelines for Multinational Enterprises and the DRC’ published in February 2005. The APPG examined the role of a complainant in this process and clearly stated that an important element of the Guidelines is to mediate between the two, to try and seek resolution and issue statements. The APPG report notes that “two parties must be involved if the NCP process is to have meaning—if it is simply a dialogue with the accused company alone, the credibility of the Guidelines is undermined and NCP statements risk being perceived as being one-sided and lacking in impartiality”.

The National Contact Point has written to Alfred Knight requesting a meeting to explain the Guidelines and the Risk Awareness Tool for Weak Governance Zones.

[Recommendation 20; Paragraph 58] We recommend that the Government assess the initiatives taken by Canada and the USA to promote the OECD Risk Awareness Tool, with a view to drawing up a UK plan for its promotion within six months. We also recommend that the Government look at the case for contributing to a fund for a web-portal for the Tool, which we believe could encourage its active use.

The NCP promotes the Risk Awareness Tool alongside the OECD Guidelines when appropriate. For example, the Awareness tool is publicised alongside the Guidelines on the website; has been outlined in bilateral contacts with a number of companies; and will be included in final statements, including a Specific Instance as appropriate.

The NCP is currently working with the team in DFID responsible for conflict and resources work to establish the best way to use and promote the tool.

The NCP will approach key Embassies and DFID country offices to request they provide a link to the Risk Awareness Tool on their websites. The NCP has agreed to provide £10,000 to the OECD to support the web portal.

Extractive Industries Transparency Initiative

[Recommendation 21; Paragraph 61] We welcome the progress on encouraging resource-rich countries to adopt the Extractives Industries Transparency Initiative (EITI). We recommend that the Government continue to pursue this actively and to promote the Initiative as a model for other sectors. We also recommend that Ministers at the Foreign and Commonwealth Office and DFID make greater effort to agree and coordinate an active lobbying strategy for a UN General Assembly resolution which would establish the EITI as a global standard.

DFID and the Foreign and Commonwealth Office (FCO) work together to promote and support the Extractives Industries Transparency Initiative (EITI) globally. DFID works closely with the UK Mission to the UN in New York (UKMIS) to support the proposed UN General Assembly (UNGA) Resolution that will be tabled by the Government of Azerbaijan (GoA). DFID and UKMIS are working with the GoA, EITI Secretariat and other international partner governments (Norway and Germany) to draft the resolution and promote it to UNGA members.

DFID also works with FCO Embassies and High Commissions to support the EITI Secretariat in engaging with country governments that are implementing or have shown an interest in implementation of EITI. This is in line with the FCO strategy review for future working on EITI. In 2007 DFID and FCO overseas posts played a vital role in helping the EITI Board to assess its list of implementing countries. As a result, EITI has established a definitive list of countries that are actively implementing the Initiative and adhering to its principles, which is vital to its credibility.

DFID is currently a member of the EITI Board which has overall responsibility for the Initiative and is also a member of the Management Committee, which manages the EITI Multi-donor Trust Fund used to fund implementation work.

Conflict resources

[Recommendation 22; Paragraph 63] We reiterate our view stated in our Conflict and Development Report that the Government needs, as a matter of urgency, to push for an internationally agreed definition of conflict resources. We encourage the Government to work closely and actively with those of a like mind towards agreement at the UN and to make more visible to stakeholders its support for the initiative.

The nature and complexity of the links between natural resources and conflict require a comprehensive response if it is to be successful. We are aware of the strong arguments in favour of pushing for an agreed definition of “conflict resources”. However, we are of the view that a definition would not in itself substantially help to address the illegal trade in

natural resources and conflict effectively and its usefulness therefore needs to be considered in a broader context. A UN Security Council debate on Conflict and Natural Resources in June 2007 initiated by Belgium and supported by the UK demonstrated how sensitive the issue is for many countries; seeking agreement on a definition in the UN would in our judgement prove difficult, be extremely slow, and require significant effort with no guarantee of success.

We agree that the appropriate course of action is to work with other like-minded governments in developing a more comprehensive strategy to tackle the links between natural resources and conflict. This might involve the inclusion of natural resource issues in the mandates of peacekeeping missions; the creation of a permanent centre of expertise within the UN system; and strengthening the role of the Peace-building Commission. We will seek a UN Secretary-General's report to assess these options and raise the profile of the issue, and we continue to work cross-Whitehall and with external stakeholders on this matter.

Department for International Development
4 February 2008

Annex

Letter to the Prime Minister from the Secretary of State for Business, Enterprise and Regulatory Reform, 18 December 2007

UK ANTI-CORRUPTION PLAN

SUMMARY

In the summer you appointed me to be the Government's international anti-corruption champion. There is much to achieve over the coming year and I set out below the overarching objectives of the UK's 2nd Anti-Corruption Action Plan. These build on the successful efforts that Hilary² undertook last year which established the UK at the forefront of efforts in this field. A significant challenge is to bring together the policy strands of more than 20 departments, agencies and law enforcement bodies to address the drivers of corruption. I am proposing that the UK develops a medium-term strategy to achieve this. I shall chair an informal Ministerial Committee to take this agenda forward.

UK'S 2nd ANTI-CORRUPTION ACTION PLAN

In the summer you appointed me to be the Government's international anti-corruption champion. I have received colleague's agreement to the UK's second annual plan. It focuses on:

- investigating and prosecuting bribery overseas;
- eliminating money laundering and recovering stolen assets;
- promoting responsible business conduct in developing countries, and
- supporting international efforts to fight corruption.

The plan will further improve the effectiveness of our systems, at home and abroad, to counter international corruption. This will strengthen our efforts to protect the integrity of the UK as a financial centre, to reduce the harm to the UK posed by organised crime and terrorism and to reduce poverty in developing countries. This commitment will be more widely recognised when we have undertaken fundamental reform of the UK's corruption legislation.

Investigating and Prosecuting Bribery Overseas

We are supporting the Law Commission's review into the bribery law with a view to legislation. Our current law is complex and fragmented and in need of modernisation.

² Rt Hon Hilary Benn MP, the Government's then 'international anti-corruption champion'

The Law Commission should publish their final report and draft Bill by autumn 2008. Once their review is complete we will be seeking to bring forward legislative proposals as soon as we are in a position to do so. The challenge for the Government is to bring the Bill before Parliament in the 4th session and to be in a position to announce this in next year's Queen's Speech.

A clear indication of the seriousness of the UK's commitment to legislate against corruption is the Government's intention to introduce the extension of Serious Fraud Office (SFO) Powers. The Attorney General is preparing an amendment to the Criminal Justice and Immigration Bill which will reduce the time needed by the SFO to establish whether there is any basis for investigating allegations of foreign bribery.

The FCO is working to ensure optimal preparation for and cooperation with the OECD phase 2bis review to evaluate the UK's anti-bribery framework. The UK will come under intense scrutiny when the OECD Bribery Working Group undertakes the phase 2bis review in March. It will be a good opportunity for the UK to show the progress that has been made on the OECD's earlier recommendations. The UK will also facilitate a review by the Council of Europe's Group of States against Corruption (GRECO).

The UK will take forward work on the EU Procurement Directive to clarify how the mandatory exclusion of individuals convicted of bribery is applied across the EU. We shall continue to work with the European Commission to achieve a workable and uniform application of the Directive.

Combating Money Laundering

The UK will implement fully the Third EU Money Laundering Directive by end 2007. This contains significant steps to combat money laundering by Politically Exposed Persons. The Home Office are taking forward the Asset Recovery Action Plan, in which the Government has put forward measures and requested the public's proposals to meet the UK's wider objectives on recovering the proceeds of crime.

HM Treasury will develop proposals to enhance intelligence and prioritise action against threats more effectively. The merger of the Assets Recovery Agency and Serious Organised Crime Agency will further improve the UK's ability to build intelligence packages on Politically Exposed Persons.

In line with our G8 commitment, the Home Office will now deny entry to those considered to be involved in corruption on a case-by-case basis. They will start applying other tools, including Serious Crime Prevention Orders and Financial Reporting Orders, to monitor the assets of individuals convicted of corruption and deter criminal activities in the UK's financial systems.

Promoting Responsible Business Conduct

I want to raise awareness and encourage my colleagues to raise awareness of the risks of international bribery and corruption with priority groups. The regulated financial sector, businesses and professional groups are on the front line of eliminating foreign bribery and money laundering. More can be done to help business contribute positively to this agenda.

DFID will continue to lead the way by continuing its support for the Extractive Industries Transparency Initiative. There are other areas too. The Construction Sector Transparency Initiative (CoST) will help to tackle corruption and inefficiency in the construction sector. Lack of effective infrastructure is a major impediment to growth, particularly in Africa, but corruption and inefficiency means roads, bridges, schools and hospitals are too expensive, or of poor quality—or both. CoST will bring together governments, companies, civil society and others to increase transparency, improve governance and build accountability.

The Medicines Transparency Alliance—or MeTA—will help tackle inefficiency, excessive price mark-ups, the diversion of key medicines from intended recipients and the presence of poor quality and counterfeit drugs. Up to seven countries will undertake MeTA pilots: Ghana, Uganda, Zambia, Philippines, Jordan, Peru and Kyrgyzstan. They will seek to ‘learn by doing’ by securing political commitment, establishing the multi-stakeholder group, working with civil society and disclosing data on price, quality and accessibility from procurement to patient into the public domain. There will also be a programme with NATO partners to ‘Build Integrity in the Defence Sector’.

Supporting International Efforts

I have taken the opportunity to raise the fight against corruption with the Overseas Territories. They and the Crown Dependencies are key partners in eliminating foreign bribery and money laundering. We shall help our Overseas Territories to apply relevant international agreements, such as the UN Convention against Corruption and the OECD Bribery Convention, and measures equivalent to the EU Directives on money laundering. We shall also support the Crown Dependencies by reviewing their legislation to confirm it will support the extension of the international conventions.

HM Treasury is improving the international money laundering system under the UK’s Presidency of FATF.³ This includes improving standards in developing countries. Another major objective is to advance the implementation of the UN Convention against Corruption (UNCAC)—the first global consensus on combating corruption. To support this, the FCO is coordinating the UK’s piloting of the self-assessment of UNCAC and DFID will take forward the asset recovery initiatives. Many departments

³ Financial Action Task Force

do a lot to build the capacity of developing countries. We will continue to work to ensure increased coordination at the international level.

I am copying this letter to NSID (EU)⁴ colleagues and would like to thank them for their continued support to achieve the objectives. I am also copying this to Sir Gus O'Donnell. I shall send a progress update in February and again in July.

⁴ Ministerial Committee on National Security, International Relations and Development, Sub-Committee on Europe