

# GLOBAL INFORMATION SOCIETY WATCH 2012

THE INTERNET AND CORRUPTION  
*Transparency and accountability online*



# Global Information Society Watch

**2012**



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# UNITED KINGDOM

## PUSHING FOR CORPORATE ACCOUNTABILITY IN THE UK



### Open Rights Group

Javier Ruiz

[www.openrightsgroup.org](http://www.openrightsgroup.org)

### Introduction

OpenCorporates is the largest open database of company information in the world, covering over 40 million legal entities in 50 jurisdictions. Company information is required by many campaigners and policy makers working on issues such as lobbying, tax evasion, corruption and resource management, or simply trying to deal with the global financial crisis. Anyone working in these areas needs to cut through the maze of foreign subsidiaries and cross-ownership that make up the modern networked corporation, and OpenCorporates is a key tool.

The project was started by open data activists, as a side project to one that improved local government transparency in the UK, and is now used by a wide variety of groups, from journalists to financial institutions, governments to civil society. OpenCorporates has been described by European Commission Vice-President Neelie Kroes as “the kind of resource the (Digital) Single Market needs.”

### Open government partnership and transparency

The UK is a world leader in open government data, and it is currently co-chair of the Open Government Partnership (OGP).<sup>1</sup> The UK government has presented to the OGP a national plan of action<sup>2</sup> that mostly centres around open data.

The UK is also introducing a “right to data” requirement in the Freedom of Information Act.<sup>3</sup> This means that datasets must be offered in an electronic form which is capable of reuse,<sup>4</sup> instead of scanned images that require manual typing into a computer for further processing. Every government department has now published an open data strategy, with mixed levels of commitment.<sup>5</sup> Open data will also underpin the planned wholesale

transformation towards Open Public Services,<sup>6</sup> a new mixed private-public model.

This focus on data in UK policy has been criticised by civil society organisations<sup>7</sup> for failing to deliver fundamental transparency, and a “comprehensive model of open governance” that changes the way government works on a daily basis.

One specific shortcoming is the lack of commitment to improve corporate accountability. A report<sup>8</sup> by Global Integrity looking at all OGP countries found that “private sector issues are conspicuously underrepresented in country action plans.”

### Corruption and the UK

A report<sup>9</sup> from Transparency International found that the UK does not have a serious corruption problem, but there is no room for complacency. Police and prison staff are among several areas of concern. A civil society review<sup>10</sup> of UK compliance with the United Nations Convention against Corruption (UNCAC) concluded that the legal framework is sound, but there are issues. Among these, several relate to corporations:

- Revolving doors where ex-public employees move to work in closely related companies.
- Concerns over extensive lobbying by commercial organisations.
- Lack of information on beneficial ownership<sup>11</sup> of companies.

The report recommends that the UNCAC be extended to all UK crown dependencies and overseas territories. This is a crucial aspect as many of these are considered “tax havens” – which we will here call *secrecy jurisdictions*.<sup>12</sup> A report<sup>13</sup> by the World Bank looked at 150 cases of “grand corruption” involving some USD 56.4 billion. These involved 24 UK incorporated companies – the UK was in 6th

1 [www.opengovpartnership.org](http://www.opengovpartnership.org)

2 [www.opengovpartnership.org/countries/united-kingdom](http://www.opengovpartnership.org/countries/united-kingdom)

3 [digitalengagement.cabinetoffice.gov.uk/blog/2011/02/15/right-to-data-and-the-protection-of-freedoms-bill](http://digitalengagement.cabinetoffice.gov.uk/blog/2011/02/15/right-to-data-and-the-protection-of-freedoms-bill)

4 [www.legislation.gov.uk/ukpga/2012/9/section/102/enacted](http://www.legislation.gov.uk/ukpga/2012/9/section/102/enacted)

5 [www.datapolicy.org.uk/policy-references](http://www.datapolicy.org.uk/policy-references)

6 [www.openpublicservices.cabinetoffice.gov.uk](http://www.openpublicservices.cabinetoffice.gov.uk)

7 [www.opengovernment.org.uk](http://www.opengovernment.org.uk)

8 [www.globalintegrity.org/blog/whats-in-OGP-action-plans](http://www.globalintegrity.org/blog/whats-in-OGP-action-plans)

9 [blog.transparency.org/2012/02/24/does-the-uk-have-a-corruption-problem-join-the-debate](http://blog.transparency.org/2012/02/24/does-the-uk-have-a-corruption-problem-join-the-debate)

10 [www.bond.org.uk/pages/uncac-parallel-report.html](http://www.bond.org.uk/pages/uncac-parallel-report.html)

11 [en.wikipedia.org/wiki/Beneficial\\_ownership](http://en.wikipedia.org/wiki/Beneficial_ownership)

12 [secrecyjurisdictions.com](http://secrecyjurisdictions.com)

13 [www1.worldbank.org/finance/star\\_site/documents/Puppet%20Masters%20Report.pdf](http://www1.worldbank.org/finance/star_site/documents/Puppet%20Masters%20Report.pdf)

place in overall ranking – but 110 from the British Virgin Islands, Jersey and Isle of Man.<sup>14</sup>

## OpenCorporates

OpenCorporates is a company with a social mission founded in November 2010 by Chris Taggart<sup>15</sup> and Rob Mckinnon,<sup>16</sup> who is no longer involved although he remains a minority shareholder. OpenCorporates is part of a very strong UK civic hacker movement, with organisations such as MySociety<sup>17</sup> and the Open Knowledge Foundation,<sup>18</sup> which are very active and increasingly influential. There are also numerous projects involving small and medium-sized enterprises (SMEs) and open data<sup>19</sup> in the UK.

Chris and Rob were trying to track public contracts and subsidies in local government.<sup>20</sup> They struggled to match transactions to specific companies because a name in a public document often did not match the name of any legal entity. Because of this they set out to build a system to uniquely identify each company: “The idea was to have an openly licensed database for every legal entity in the world (when we launched we had 3.5 million, from the UK, Bermuda and Jersey).”

They started using the public data feed<sup>21</sup> of the UK business register, Companies House. In other places they had to “scrape”<sup>22</sup> websites, which means copying and structuring the key information to rebuild the original database behind the website. Increasingly, however, they are collaborating with governments that see the value of opening this kind of information, including New Zealand and Norway.

OpenCorporates works to an ever greater extent internationally, including with the international Financial Stability Board and the World Bank. Many government departments now realise that they do not have the resources for such gigantic data endeavours and increasingly turn to the community for help. Local groups in places like Georgia help OpenCorporates open the data in their jurisdiction. This international dimension – OpenCorporates now covers 50 jurisdictions – is very important for the project. The corporate world is increasingly global and powerful, at times beyond the scope and reach of any individual democratic jurisdiction. If the people – meaning civil society, innovative SMEs,

individuals, and even governments – cannot understand this world, they have no chance of influencing it, and not only will this be bad for democracy, it will undermine innovation, and provide a fertile ground for criminal enterprises, which increasingly use corporate legal entities in their illegal activities.

## The data

The OpenCorporates database is licensed under the Open Database License (ODbL).<sup>23</sup> This requires users to name OpenCorporates as the source, and it also means that any derivatives have to also be openly available under similar conditions. The database only covers the structuring of the information and unique identifiers, but any related information remains the copyright of the provider. This in most cases will be a governmental agency such as the national business register. In the UK this is Companies House.

Companies House currently provides a free bulk download of basic company information – registration number and address – but sells other expensive bulk data products. For example, keeping up to date with company appointments costs £28,000 per year, and the annual accounts £17,000.<sup>24</sup> In addition, it is now starting to collect information about company financials as data, avoiding the difficulties and costs of extracting it from scanned images. But these new datasets will not be published until 2015, and then probably not for free and under an open licence.

There is still a lot of basic data missing, and not just from secrecy jurisdictions. OpenCorporates has published a study<sup>25</sup> showing the shortcomings on access to company data in countries that are members of the OGP, with an average score of a paltry 21 out of 100.

OpenCorporates is part of an effort to reduce systemic risks in financial markets created when dealing with the same organisations under different guises. The international Financial Stability Board<sup>26</sup> and the G20 are working towards “a global Legal Entity Identifier (LEI) system that will uniquely identify parties to financial transactions.” OpenCorporates sits on the advisory panel.

OpenCorporates is also moving in the direction of other open databases, such as OpenStreetMap,<sup>27</sup> that are increasingly comprehensive and widely used as backends to other projects. For example,

14 Ibid., p. 121.

15 [twitter.com/countculture](https://twitter.com/countculture)

16 [twitter.com/delineator](https://twitter.com/delineator)

17 [www.mysociety.org](http://www.mysociety.org)

18 [www.okfn.org](http://www.okfn.org)

19 [data.gov.uk/blog/open-data-case-studies](http://data.gov.uk/blog/open-data-case-studies)

20 [openlylocal.com](http://openlylocal.com)

21 [xmlgw.companieshouse.gov.uk/iface.shtml](http://xmlgw.companieshouse.gov.uk/iface.shtml)

22 [scrapewiki.com](http://scrapewiki.com)

23 [opendatacommons.org/licenses/odbl](http://opendatacommons.org/licenses/odbl)

24 [www.companieshouse.gov.uk/toolsToHelp/ourPrices.shtml](http://www.companieshouse.gov.uk/toolsToHelp/ourPrices.shtml)

25 [blog.opencorporates.com/2012/04/16/how-open-is-company-data-in-open-government-partnership-countries](http://blog.opencorporates.com/2012/04/16/how-open-is-company-data-in-open-government-partnership-countries)

26 [www.financialstabilityboard.org/publications/r\\_120608.pdf](http://www.financialstabilityboard.org/publications/r_120608.pdf)

27 [www.openstreetmap.org](http://www.openstreetmap.org)

OpenSpending<sup>28</sup> is a project for budgetary control that provides tools to track public transactions and relies on OpenCorporates.

### Beneficial ownership

The capacity to identify specific companies and their relationships is critical not just for journalists, campaigners and NGOs. Tax offices and people working in international financial governance also struggle with these issues. Tax Research found<sup>29</sup> that in its corporate reporting, BP suggested that it had more than 3,000 subsidiary companies around the world. UK companies are required to publish all relevant information about their subsidiaries but only 33 of the FTSE 100 do it. Tax Research also found that 97% of EU companies in their sample had subsidiaries in secrecy jurisdictions. Only 10% of these so-called “tax havens” have public accounting information.

The ultimate aim for many, however, is to know who the real people pulling the strings behind the companies are. This is called *beneficial ownership*, and it is different from legal ownership. Many companies are part of a web of entities that legally belong to frontmen who have no real control and who are paid to shield the real owners.

This is such a serious obstacle to corporate accountability that organisations representing over 1,000 civil society groups have recently called on the EU to force companies to reveal their true ownership.<sup>30</sup>

### Accountability in mixed delivery of public services

The UK government plans to open public service delivery to “any qualified provider” –whether public, commercial or non-profit – risk reducing public accountability. The Public Accounts Committee of the UK Parliament has recently raised concerns: “If transparency is to be meaningful and comprehensive, private organisations providing public services under contract must make available all relevant public information.”<sup>31</sup>

The most basic information would be their corporate structure. Corporate Watch UK has found that five of the major private health care companies taking on public roles with the National Health Service make widespread use of tax havens.<sup>32</sup>

### Money laundering

The report *Grave Secrecy*<sup>33</sup> reveals evidence that numerous UK companies have been involved in a major money laundering scandal involving a Kyrgyzstan bank. Civil groups demand urgent action to address the current ease with which the UK and other major economies are used to launder the proceeds of corruption, tax evasion and other crimes.

### The tax gap

The crisis has opened the debate in the UK about the ethics of finding legal ways to pay lower taxes, with a famous comedian and members of the pop band Take That being publicly criticised.<sup>34</sup>

Official figures put the tax gap, which includes legal tax avoidance and illegal tax evasion, at £35 billion in 2010. Tax Research, however, calculates that the tax gap in the UK could be £120 billion.<sup>35</sup> This is almost the total amount of the national deficit.

### Corporate reporting

In order to close tax gaps and increase corporate accountability, Tax Research proposes that companies should present their accounts in a format called *country-by-country reporting*.<sup>36</sup> All it demands is that multinational corporations publish a profit and loss account and limited balance sheet and cash flow information for almost every jurisdiction in which they trade as part of their annual financial statements.

This principle has been advocated in particular in the extractive industries sector, after pressure from the global NGO coalition Publish What You Pay.<sup>37</sup> But it would equally apply to any international business.

Campaigning groups are increasingly looking at the structure and financial arrangements of companies. Kumi Naidoo, the head of Greenpeace, recently highlighted the need for corporate transparency. The environmental group will now be focusing on the financial enablers behind brand names,<sup>38</sup> including pension funds.

28 [openspending.org](http://openspending.org)

29 [www.taxresearch.org.uk/Blog/2007/02/05/closing-the-floodgates-new-tax-justice-network-report](http://www.taxresearch.org.uk/Blog/2007/02/05/closing-the-floodgates-new-tax-justice-network-report)

30 [www.globalwitness.org/library/organisations-representing-over-1000-civil-society-groups-call-eu-force-companies-reveal](http://www.globalwitness.org/library/organisations-representing-over-1000-civil-society-groups-call-eu-force-companies-reveal)

31 [www.publications.parliament.uk/pa/cm201213/cmselect/cmpubacc/102/10204.htm](http://www.publications.parliament.uk/pa/cm201213/cmselect/cmpubacc/102/10204.htm)

32 [www.corporatewatch.org/?lid=4251](http://www.corporatewatch.org/?lid=4251)

33 [www.globalwitness.org/library/grave-secrecy](http://www.globalwitness.org/library/grave-secrecy)

34 [www.independent.co.uk/news/uk/home-news/take-that-on-taxmans-hit-list-after-jimmy-carr-tweets-im-so-sorry-7873606.html](http://www.independent.co.uk/news/uk/home-news/take-that-on-taxmans-hit-list-after-jimmy-carr-tweets-im-so-sorry-7873606.html)

35 [www.taxresearch.org.uk/Blog/category/tax-gap/](http://www.taxresearch.org.uk/Blog/category/tax-gap/)

36 [www.financialtaskforce.org/issues/country-by-country-reporting](http://www.financialtaskforce.org/issues/country-by-country-reporting)

37 [www.publishwhatyoupay.org](http://www.publishwhatyoupay.org)

38 [www.guardian.co.uk/sustainable-business/rio-20-greenpeace-war-finance-sector?newsfeed=true](http://www.guardian.co.uk/sustainable-business/rio-20-greenpeace-war-finance-sector?newsfeed=true)

## Conclusions

As we have seen, corporate accountability is critical for society. Business registers and regulators carry out statutory collection of data, but for this data to be socially useful it needs to be open. Charging means that only businesses with deep pockets can scrutinise what other businesses are doing. Besides increasing access to existing information, there is also a need for new statutory obligations on companies, in particular around beneficial ownership and country-by-country reporting.

At present, transparency, access to information and open data are still perceived as belonging to the specialists in these fields. One of the aims of this report is to show that openness is important for many groups that may not see it as a core activity or concern.

The OGP presents an opportunity for these issues to be advanced and mainstreamed to a wider constituency. The OGP will have its next international meeting in London in 2013 and OpenCorporates is heavily involved in the UK civil society coalition that is engaging with government.

Civil society and campaigning organisations are increasing their proficiency in data handling to be able to understand and influence this information-saturated environment. Projects such as OpenCorporates and OpenStreetMap provide the underlying data needed to map and structure new research or insights. These groups are part of an ever more important web of open data. However, organisations wishing to make use of contemporary digital technologies to the full will need to acquire capacity to deal with increasing amounts of data. This could mean hiring or training new staff and obtaining specialist software, but it could also mean working in partnership with groups such as the Open Knowledge Foundation that can provide such expertise.

## Action steps

Civil society organisations could do the following:

- If their country is not in the OGP, contact the international civil society steering group for further information.<sup>39</sup>
- If your country is a member of the OGP, campaign for corporate accountability to be included in your country's plan of action. The following are the main asks:
  - ▶ Open data access to the national business register
  - ▶ Beneficial ownership information to be published
  - ▶ Country-by-country reporting by corporations.
- Contact OpenCorporates to see if they need help with access to your national business database. You could offer translation or local legal expertise.
- Build capacity for data handling. Good starting points are the Open Data Handbook<sup>40</sup> and the Data Journalism Handbook,<sup>41</sup> which can be useful to many types of users, not just journalists. There is also a very interesting new project in development called the School of Data.<sup>42</sup>
- If you have a specific technological need when it comes to data handling, you can source some funds and get some socially conscious programmers to help. You should not see this as pure free labour, as developers need to eat and pay their bills. The organisation Rewired State<sup>43</sup> has developed a very successful model of multi-stakeholder collaboration that will be very useful for those groups working with government. ■

<sup>39</sup> [www.opengovpartnership.org/civil-society](http://www.opengovpartnership.org/civil-society)

<sup>40</sup> [opendatahandbook.org](http://opendatahandbook.org)

<sup>41</sup> [datajournalismhandbook.org](http://datajournalismhandbook.org)

<sup>42</sup> [schoolofdata.org](http://schoolofdata.org)

<sup>43</sup> [rewiredstate.org](http://rewiredstate.org)