

UAE says no to corruption

Andrew Hudson
a.hudson@tamimi.com

Mohamed Abdelrehiem
m.abdelrehiem@tamimi.com

June - July 2015

During the Abu Dhabi Executive Council meeting held on 7 May 2015, His Highness Sheikh Mohammed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, gave a directive establishing a new anti-corruption unit to focus on combatting corruption, reflecting the UAE government's commitment to corporate governance, transparency and accountability and taking the UAE a step closer to a new anti-corruption law.

Corruption and its impact

Corruption may be defined as “the abuse of entrusted power for private gain” (Transparency International (www.transparency.org)), which includes private sector corruption as well as corruption by public officials.

It is well-known that the recent economic growth of the UAE is largely based on a business-friendly environment that attracts substantial foreign investment. Although corruption is not a widespread phenomenon in the UAE, it is unrealistic to think that this influx of funds and investors will not bring with it an element of dishonest and corrupt practices, which are found in every society to varying degrees.

Corruption costs a society in a number of ways, including: financially, diminishing public trust, unwillingness by citizens to participate in society, and unfair competition. These [effects of corruption](#) contribute to the creation of an unattractive prospect for the honest majority of foreign investors.

The UAE, and in particular the emirate of Dubai, has adopted a project called the “Smart Government Plan”, which would transform all the governmental authorities' services into e-services. In addition to the benefits in service that this system brings, it should also help to diminish the possibility of petty corruption.

There have been several other initiatives and efforts undertaken by the UAE government, which have been aimed at containing corruption, such as:

- The UAE has the least burdensome tax compliance regulations in the region, significantly reducing the costs and corruption risks for companies when registering a business in the country.
- The procedures to obtain an operating licence are straightforward and publicly available in all emirates.
- Anti-corruption, anti-money laundering and anti-fraud legislation is evenly enforced, thus providing a strong deterrent against future illegal acts.
- The State Audit Institution has drawn up an anti-corruption law. The law will be discussed in the Cabinet and the Federal National Council and then submitted to the Federal Supreme Council for ratification.

However, the UAE still faces challenges in combating corruption, which include:

- Market competition in the UAE could be improved. Foreign companies still have to rely on local sponsorship and the widespread involvement in the economy of a small number of large families provides for an uneven playing field.

- Information on business and political corruption in the UAE is scarce, making an accurate estimation of the extent of corruption very difficult.
- There are no civil society organisations working with anti-corruption in the UAE, and there is a scarcity of reports on the issue.
- The absence of financial disclosure laws for public officials makes the effective implementation of anti-corruption policy difficult.

Anti-Corruption Unit

The decision to establish a specialised department in the UAE to combat corruption is considered one of the main cornerstones that would assist in the continuing development of the country, limiting the chances of corrupt individuals to hinder such growth.

The new anti-corruption unit will be established within the Abu Dhabi Accountability Authority (“ADAA”). The ADAA was established by virtue of Abu Dhabi Law no. 14 of 2008, with its primary objectives being to:

- Ensure Public Entities’ resources and funds are managed, collected and spent efficiently, effectively, economically and ethically.
- Ensure the accuracy of financial reports and compliance by Public Entities with the relevant laws, rules, regulations and governance guidelines.
- Promote accountability and transparency across all Public Entities.
- The tasks of the new anti-corruption unit would include:
 - Investigating financial irregularities and corruption.
 - Identifying gaps in legislation and internal audit regulations.
 - Auditing the government’s consolidated financial statements and Subject Entities’ financial statements.

This development is in line with the UAE’s commitment under the 2005 United Nations Convention Against Corruption, which states at Article 6 that:

“Each State Party shall, in accordance with the fundamental principles of its legal system, ensure the existence of a body or bodies, as appropriate that prevent corruption.”

Furthermore, the function of the new unit also reflects adherence by the UAE to the first official Arab anti-corruption instrument, the Arab Convention to Fight Corruption (“Arab Convention”), which was signed on 21 December 2010 by 21 Arab countries, including the UAE. The preamble of the Arab Convention affirms that combatting corruption is a must, and that it is not limited to the official authorities – people and civil society have a crucial role to play. Article 10 of the Arab Convention stipulates that:

“Each State Party shall, in accordance with its laws, lay down, implement and consolidate effective and coordinated policies to prevent and fight corruption. This shall include the strengthening of community participation and the application of the principles of the rule of law, good administration of public affairs and property, integrity, transparency and accountability.”

Conclusion

It is clear that the UAE is heading in the right direction when it comes to dealing with corruption. Transparency International’s Corruption Perception Index saw the UAE increase its score from 68 in 2012, to 69 in 2013 and to 70 in 2014. This puts the UAE at 25 out of 175 countries, making it the country with the lowest corruption perception index in the GCC.

The UAE has taken a step closer to fulfilling its commitments to tackle corruption by the announcement of the new anti-corruption unit. We await further developments in this area with interest, to discover whether a new anti-corruption law and other initiatives see the UAE rise further in the ranks of countries where the government is committed to reducing corruption.

Also read: [The Effects of Corruption on Economic Development](#)