

What is the UK Anti-Corruption Forum?

The Anti-Corruption Forum is an alliance of UK business associations, professional institutions, civil society organisations and companies with interests in the domestic and international infrastructure, construction and engineering sectors. The purpose of the Forum is to promote industry-led actions which can help to eliminate corruption. The members of the Forum believe that corruption can only be eliminated if governments, banks, business and professional associations, and companies working in these sectors co-operate in the development and implementation of effective anti-corruption actions.

Overseas News

Bangladesh

Arrest of former Prime Ministers

In September, Bangladeshi police arrested former Prime Minister Begum Khaleda Zia and her younger son Arafat Rahman Coco for alleged involvement in corruption. They have been charged with violating tender formalities for container handling facilities at the Dhaka Inland Container Depot and Chittagong Port yard. Zia was prime minister from 1991-1996 and from 2001 until her term expired last October. The Anti-Corruption Commission had previously arrested former Prime Minister and Awami League chief Sheikh Hasina and six others also for alleged corruption. Hasina was Bangladesh's premier from 1996 until 2001.

China

Former Beijing bank official executed for bribery

A former director of the Agricultural Bank of China was executed in September for taking bribes and embezzling about 15 million yuan (US\$1.97 million), according to a statement from Beijing No. 1 Intermediate People's Court. Wen was captured on closed circuit TV cameras in a bank, which showed him wearing black sunglasses and calling himself "Wu", repaying home loans worth millions with bags full of cash. Bank staff tipped off investigators at a local anti-corruption bureau. Investigators said Wen had bought three houses in eastern Beijing in November 2002 with money "obviously exceeding his legal and reasonable income".

China

Multinationals targeted in China's anti-corruption drive

Multinational firms have become targets of Beijing's anti-corruption drive alongside domestic companies. State prosecutors say they handled 8,040 commercial bribery cases involving more than one billion yuan in the first eight months of the year. Last month, Beijing police detained eight purchasing managers from French supermarket chain Carrefour on suspicion of taking bribes from food suppliers. The Legal Daily reported an increasing trend of corruption among multinational firms; about 64 per cent of mainland corruption in the past 10 years involved multinationals or foreign trade. Last month, Beijing established the National Bureau of Corruption Prevention to develop preventative policies for private companies and non-governmental agencies.

China

Investment in Africa

Gu Yong, a top adviser at the China Development Bank, told a conference at Wits University in South Africa that China was "here to stay" and was planning projects in Africa well into the next two decades. She maintained that China's no-strings-attached policy on loans to African governments is working well. The China model was built on meeting mutual needs: Africa provides energy and minerals, and China responds with infrastructure and risk capital. She said Chinese companies were winning bids for projects in Africa in free and fair competition with Western companies. Chinese companies won mainly because they offered cheap labour, equipment and experience in development. The African Development Fund – worth \$5 billion – announced last year was aimed at helping Chinese companies establish themselves in Africa or to form joint ventures. Human rights monitors and western governments are accusing China of undermining the world community in its efforts to make development aid to corrupt governments in Africa conditional on good governance. Ms. Yong denied that China was fostering corruption in Africa by bankrolling dictatorships.

Ireland

Prime Minister testifies before anti-corruption commission

Bertie Ahern, the Taoiseach (prime minister), appeared before an anti-corruption commission in Dublin which is examining how large sums appeared in his account in the mid-1990s. Mr Ahern denies any wrongdoing. A businessman and old friend, Michael Wall, testified before the tribunal as to the source of the funds, stating that he gave Mr Ahern the cash when he was planning to become Mr Ahern's landlord. Mr Wall had allegedly agreed to buy a house and let it to Mr Ahern, on condition that Mr Wall agree to pay for renovation. Rather than pay the contractor directly, Mr Wall told the tribunal that he decided to put £30,000 in used £20 notes into a suitcase, fly to Dublin and give the suitcase to Mr Ahern, who could then pay for the renovations. Mr. Wall did not ask for a receipt.

Germany

Siemens fined € 201 million for corruption

A German court fined Siemens € 201 million in October in relation to illegal payments made by the company to secure contracts. Siemens has stated that it will not appeal. The company has also reached a settlement with the tax authorities over payments of € 450 million which were found to be non deductible, resulting in a charge of € 179

million. Siemens is also being investigated by the U.S. Securities and Exchange Commission and officials in Italy over allegations that it bribed customers. Klaus Kleinfeld and Heinrich von Pierer have left their posts of chief executive and chairman respectively. New chief executive Peter Löscher has prioritised ethics compliance.

Mozambique **Leadership award for former president**

Former Mozambique president and rebel leader, Joaquim Chissano, was awarded the Mo Ibrahim Prize worth US\$5 million for "achievement in African leadership". Chissano, who was president of Mozambique from 1986 to 2005, has been credited with bringing peace to Mozambique after prolonged civil conflict following independence from Portugal in 1975. Mo Ibrahim is a Sudanese-born mobile phone millionaire. Ibrahim created the prize in the hope that it would encourage "good governance in a continent blighted by corruption". The panel of judges for the award included former Irish president, Mary Robinson, former Finnish president, Martti Ahtisaari, and the head of the Organisation of African Unity, Salim Ahmed Salim. They assessed the relative merits of 13 African former heads of state, all of whom left power in the past three years. The award was presented by former UN Secretary General, Kofi Annan.

Philippines **Pardon for former president**

The Philippine President, Gloria Macapagal Arroyo, has pardoned the former president, Joseph Estrada, only one month after he had been convicted of large-scale corruption and sentenced to life imprisonment. The pardon was apparently granted because Estrada had "publicly committed to no longer seek any elective position or office" and as he had been in detention for six and a half years during his trial. Estrada had been accused of amassing approximately US\$90 million in corrupt deals during his 31-month rule as president. Anti-corruption advocates and state prosecutors urged the President not to grant the pardon, warning that it would make the Philippines an object of ridicule in the international community and would set back the government's anti-corruption campaign. The order requiring Estrada to return some of the embezzled funds remains in force.

Philippines **World Bank blocks loan for road project**

The World Bank's governing board in November blocked a \$ 232 million loan for the second phase of a road-building project in the Philippines due to suspicions of corruption and bid rigging in relation to both phases of the project. The Philippines loan is the first major project involving corruption issues to come to the board since Mr. Zoellick became president in July. The World Bank's board represents the institution's 185 member nations.

South Africa **Investigation into arms deal**

The South African Justice Department has received a German request for help in investigating alleged multi-million-rand kickbacks in an arms deal for a warships contract. This request follows raids last year by German investigators at companies linked to the German Frigate Consortium that won the contract in South Africa. A similar mutual legal-assistance request was previously made to South Africa by Britain, where investigators have been probing commissions allegedly paid by BAE Systems.

Sweden **Investigation into alleged bribery by Saab**

Sweden's corruption prosecutor is investigating alleged bribery concerning leasing deals for Saab Gripen fighter jets in the Czech Republic and Hungary. Both Saab and BAE Systems, which owns 20 percent of the Swedish firm and jointly marketed the Gripen with Saab at the time, have denied any wrongdoing.

Tanzania **Bribery investigation into BAE radar system contract**

Tanzania's purchase of a £28 million radar system from BAE Systems in 2002 is being investigated by the UK Serious Fraud Office and by Tanzania's Prevention and Combating of Corruption Bureau. The SFO and PCCB are investigating why BAE used a company in the British Virgin Islands to enter into an agreement with a Panamanian company to "provide advice and various services" in connection with the radar contract. The SFO claims that BAE made payments of \$11 million to the contract agent who is reported to have had a role in a number of Tanzanian defence procurement contracts. Critics have maintained that the radar equipment to be supplied under the contract was far too sophisticated for the requirements of Tanzania. The World Bank objected to the contract and Clare Short, then UK International Development Secretary at the time, attempted unsuccessfully to block the contract.

Vietnam **Officials arrested over losses of up to \$37 million.**

Vietnam police have arrested eight government officials accused of mismanaging a government computerisation project and losing up to \$37 million. Charges have been made against officials of the Government Office, the Ministry of Justice and the Ministry of Culture. The arrest was the latest in a series of corruption and mismanagement scandals in Vietnam. Prime Minister Nguyen Tan Dung, installed by the Communist Party last year, has promoted anti-corruption campaigns.

United States **Alaskan lawmaker found guilty of bribery**

In Alaska, a former state legislator was convicted of trading his legislative influence for bribes from a company that was seeking to profit from a proposed natural gas pipeline. Mr. Kott was found guilty of accepting nearly \$9,000, a political poll and the promise of a job from VECO Corp., an oil field services company. VECO chief Bill Allen and a company vice president, Rick Smith, have pleaded guilty to bribing Kott and other lawmakers. VECO stood to make millions of dollars in contracts when the state Legislature approved a revised crude oil tax that encouraged investment. The government's case against Kott was based on wiretaps of three phones belonging to Allen and Smith, plus video recordings made by a camera that the FBI placed in a hotel room rented by VECO.

United States **Ingersoll-Rand settles claims for bribery in Iraq**

Ingersoll-Rand, a US industrial group, has agreed to pay fines of \$6.7 million to settle claims in a court action by the US Securities & Exchange Commission (SEC) in relation to bribes allegedly paid by its subsidiaries to win business from the Iraqi government during the UN oil-for-food programme between 2000 and 2003. The SEC claimed that Ingersoll-Rand *knew or was reckless in not knowing* that illicit payments were either offered or paid. It further maintained that

one of the subsidiaries, Thermo-King Europe, authorised an “after-sales service fee” payment on an Iraqi contract in 2000. No bona-fide services were performed in relation to such fees and the fees were not recorded in the contract documents submitted to the UN. Ingersoll-Rand has stated that under the settlement terms, “the company will implement improvements to its compliance programme. The company takes this matter – and all compliance matters – very seriously.” The case relates to a 2005 UN investigation which implicated more than 2,200 companies in illegal payments totalling \$1.8 billion during the oil-for-food initiative.

United States

Pentagon examines \$6 billion Iraq contracts

The corruption charges brought against U.S. Army major, John Cockerham, and others (reported in ACF Newsletter No.7), have prompted the Pentagon, the largest purchasing agency in the world, to overhaul its war-zone procurement system. Pentagon officials are examining some US\$6 billion in military contracts from Kuwait, Iraq and Afghanistan. The inquiries so far have resulted in charges against at least 29 civilians and soldiers, the identification of an additional 75 suspects, and at least 2 soldiers' suicides. Much of the scrutiny has focused on the contracting office where Cockerham worked at Camp Arifjan, Kuwait where the procurement workload from the Iraq war grew so quickly that the Pentagon was forced to rush soldiers with virtually no training or experience into some of its most complicated contracting jobs, army officials said. Oversight was apparently virtually non-existent.

World Bank

Hampered by resistance to combating fraud

In September, a panel of experts, led by Paul A. Volcker, a former Federal Reserve chairman, found that the World Bank remains hampered by weak management, internal distrust and employee resistance to combating fraud. In general, the report said the bank had done a poor job in following up findings of corruption with remedial action in many countries, stating that the follow-up on corruption charges was “cumbersome” and “slipshod”. It recommended that the World Bank overhaul its anti-graft operations. The Bank’s new president, Robert B. Zoellick, welcomed the report. A number of allegations considered by Mr. Volcker included the activities of the institutional integrity unit. The Volcker report, while exonerating the anti-corruption team of unfairness or political motivations, said a “siege mentality” in the institutional integrity unit led to “excessive secrecy” about its activities and a refusal to share its findings with colleagues and people in the affected countries.

The report can be downloaded from the following link:

http://siteresources.worldbank.org/NEWS/Resources/Volcker_Report_Sept_12_for_website_FINAL.pdf

International Corruption Perceptions Index

In September, TI published its Corruption Perceptions Index 2007. The CPI measures the perceived level of corruption in 180 countries. Denmark, Finland and New Zealand are perceived as the least corrupt, with a score of 9.4 out of 10. The UK is perceived as the 12th least corrupt, with a score of 8.4 out of 10 (down from 11th and 8.6 in 2006). Myanmar and Somalia are perceived as the most corrupt with a score of 1.4 out of 10. Several African countries have significantly improved their score over the 2006 index. These include Namibia, Seychelles, South Africa and Swaziland.

The index can be obtained through the following link:

http://www.transparency.org/news_room/in_focus/2007/cpi2007/cpi_2007_table

PIARC World Road Congress Governance and Integrity

PIARC held its XXIIIrd World Road Congress in Paris from 17th to 21st September 2007. The Congress devoted a half day session to Governance and Integrity. Presentations were given on preventing corruption, oversight and capacity building.

World Engineering WFEO/WCCE Annual Meeting

The World Federation of Engineering Organisations (WFEO) and World Council of Civil Engineers (WCCE) held their annual Executive Committee Meetings and General Assemblies in Delhi from 11th to 14th November. During this period, WFEO’s Anti-Corruption Task Group met to agree on necessary anti-corruption actions for the industry. An Anti-Corruption Forum was also held, at which 40 representatives from around the world discussed anti-corruption issues.

Global Anti-Corruption Education & Training Project (ACET)

The Global ACET Project is a collaborative effort by organisations from around the world to provide an anti-corruption training programme for the construction and engineering industry. The organisations involved include WFEO, FIDIC, WEF PACI, API, UPADI, ASCE, World Bank, IADB, TI and others. The ACET Project will develop and distribute a comprehensive education and training programme devoted to the importance of individual integrity among all the participants in the performance of construction and engineering projects. The materials that will be created for the programme include a DVD, PowerPoint presentation, teaching guide and train-the-trainer materials.

International

Extractive Industries Transparency Initiative (EITI)

Since its inception in 2002, the EITI has attempted to improve governance in the extractive industries. Companies which are part of the initiative disclose publicly the premiums they pay to host governments in return for mineral concessions. The host governments publicly disclose the premium receipts. This helps ensure the accountability of the companies and host governments to the public. The EITI Secretariat was opened in October in Oslo. In November, the Secretariat launched the EITI web-site:

www.eitransparency.org

Africa

Documentary: “How to Get Ahead in Africa”

BAFTA Award-winning Sierra Leonean journalist, Sorious Samura, has made a documentary on corruption. “*How to Get Ahead in Africa*”, screened on UK Television Channel 4 on 29th October, revealed how corruption affects the poorest people in Africa. Samura claims that “Despite the billions in western aid poured in, Africa is heading into oblivion. But it’s not war, famine and disease strangling development”, he says, “it’s corruption.” This hard-hitting documentary is due to be shown on CNN in late 2007

UK News

Aerospace and defence**Aerospace companies commit to anti-corruption measures**

The Society of British Aerospace Companies (SBAC) has joined other European aerospace and defence associations in committing to promoting business ethics and a common approach to anti-corruption measures. The development of the Common Industry Standards by the Aerospace and Defence Industries Association of Europe (ASD), in which SBAC played an active role, will promote best practice and re-affirm the industry's commitment to a market place free of corrupt activities. The SBAC Chief Executive said: *"UK companies are taking a leading role in preventing corruption in international markets. A Europe-wide set of common industry standards creates a strong platform to promote best practice and improve performance around the world."*

Aerospace industry**BAE faces class-action suit in America**

BAE Systems is facing a class-action lawsuit relating to alleged bribery brought in the US by a Michigan-based pension fund, one of BAE's shareholders. The suit accuses current and former BAE directors of *"intentional, reckless and negligent breaches of their fiduciary duties of care, control and compliance and candour"*, and of failing to enforce anti-corruption policies. It claims that company officers and directors resorted to, or encouraged managers to use, illegal tactics to boost the company's reported results. The fund is seeking to cover alleged losses amounting to more than US\$ 2 billion (£ 1 billion) comprising sums allegedly paid as bribes to the former Saudi ambassador to America, Prince Bandar bin Sultan, and other Saudi officials. BAE chief executive Mike Turner and Prince Bandar are both named in the lawsuit, filed at the US District Court in Washington. Other defendants include current and former non-executive directors Sir Nigel Rudd, chairman of Boots, Conservative peer Lord Alexander Hesketh, and Michael Portillo, former UK defence secretary. A spokesman for BAE said: *"The company intends vigorously to defend any such proceedings served upon it."* Prince Bandar was not available for comment but has previously denied any wrongdoing. The City of Harper Woods pension fund is a small shareholder with fewer than 10,000 BAE shares.

Judicial Review**Decision to halt BAE-Saudi arms deal investigation**

Two pressure groups, Corner House Research and the Campaign Against the Arms Trade, have been given permission by the English High Court to challenge in court the legality of the Serious Fraud Office's decision last year to stop investigations into whether BAE illegally made payments to Saudi officials in connection with the Al-Yamamah arms deal that was worth £ 43 billion. The SFO inquiry was stopped in December 2006 by the UK government, with attorney general Lord Goldsmith announcing that it was threatening the UK's national security. BAE has since secured a new order from Saudi Arabia for 72 Eurofighter Typhoon jets.

Lord Justice Moses, sitting with Mr Justice Irwin, said *"matters of concern and public importance"* had been raised and the challenge *"cries out for a hearing"*. The Court hearing will take place in 2008.

Retail sector**Supplier admits bribing IKEA staff**

A businessman, Adam Hauxwell-Smith, who ran a company which supplied Ikea with various products, including pot pourri, has pleaded guilty at Birmingham Crown Court to paying £ 1.3 million in bribes to two of its employees. The bribes were paid in order to get the Ikea employees (a buyer and sales leader) to turn a blind eye to Ikea's "40

percent turnover rule", under which the store would not accept more than 40 percent of the turnover of any single supplier. The employees have also pleaded guilty to bribery. The judge has told the defendants that the amounts of money involved mean that they must expect custodial sentences.

Economic crime and national corruption**UK – PWC corruption survey**

According to a survey carried out by Pricewaterhouse Coopers, Britain is becoming a hotspot for corruption and bribery, and the number of British companies affected by economic fraud in the past two years is almost twice the global average. PwC's global economic crime survey, in which 302 UK companies were questioned, reveals that corruption and bribery are the fastest-growing forms of economic crime in Britain. British businesses are also naive about assessing risk, with only 17% believing they were "quite likely" or "very likely" to be subject to economic crime in the next two years. This is despite the fact that 48% of UK corporations suffered from some form of economic crime at some point in the past two years, compared with 43% globally and 38% in western Europe. Asset misappropriation, normally carried out by junior employees, continues to be the most widely reported economic crime in Britain, followed by accounting fraud, intellectual property infringement and corruption and bribery (perpetrated by both junior and high-level workers). The public sector and engineering and construction are the industries in which the most lucrative bribes are to be found. The good news is that Britain is *"at the forefront of implementing anti-corruption control programmes"*: 40% of companies have introduced controls, compared with less than a third of their global and western European counterparts.

WEDC Anti-Corruption Workshop

19 participants from Commonwealth countries received five days of intensive training in combating corruption in infrastructure delivery. The intensive hands-on workshop entitled *"Combating Corruption in the Delivery of Infrastructure Services"* was held from 17th to 21st September at Loughborough University and was co-organised with the Commonwealth Secretariat. It covered topics relating to government work with the private sector, public integrity reform, whistle-blowing, Transparency International's Project Anti-Corruption System (PACS) and anti-corruption programme design. The participants were drawn from a number of Commonwealth countries in Asia, Africa and the Caribbean. For outputs from this workshop as well as from Loughborough University Water Engineering Development Centre's (WEDC) Research Project on *"Accountability arrangements to combat corruption using partnerships"* please visit the website:

http://wedc.lboro.ac.uk/projects/new_projects3.php?id=191

Law Commission Review of Bribery Law

The Law Commission's Consultation Paper on bribery will be available on the internet from 29 November. Following criticism of some aspects of UK anti-bribery legislation in successive OECD reviews, the Government confirmed earlier this year that it *"remains committed to a fundamental reform of bribery laws"*. The scope of the current review, which relates to the Law of England and Wales, includes the full range of structural options for a scheme of bribery offences, taking into account the issues and views that have emerged since the introduction of a draft Bill in 2003. The consultation paper will be available at the following link:

www.lawcom.gov.uk

Forum News

Forum Anti-Corruption Conference – 2nd October 2007

The Forum held an international anti-corruption conference in London on 2nd October 2007, entitled “Preventing Corruption in Infrastructure”. It was attended by over 120 participants from 10 countries. The conference focused on practical aspects of corruption prevention, and included senior speakers from the UK and Tanzanian Governments, contractors, consultants, professional institutions, the Beijing and London Olympics, the World Bank and EU Commission, and UK prosecution authorities.

The conference was held under the Chatham House Rule, which allowed all participants to speak freely. Therefore, transcripts have not been published, and speakers cannot be attributed. However, key points highlighted at the conference by some of the speakers and/or during the discussion sessions were as follows.

- That successful anti-corruption action requires courage, leadership and example from the top.
- That corruption prevention in the infrastructure sector will only be effective if all participants take action, including governments, project owners, funders, contractors and consulting engineers.
- That companies working in the international infrastructure sector are increasingly taking a firm stand against corruption. This often results in companies withdrawing from corrupt markets or sectors, leaving these markets and sectors potentially exposed to corrupt or less able companies.
- That the perception of many companies working in the infrastructure sector is that governments and funders are not taking sufficiently active steps to ensure that infrastructure funding is being properly spent.
- That companies which have now introduced anti-corruption policies may have problems in relation to projects awarded many years ago when corruption prevention was not regarded as an issue in the same way as it is now. There was discussion on the possibility of an amnesty for past acts, as long as a company could establish that it had now committed to anti-corruption policies. It was suggested that only if companies could be free of the risk of prosecution and debarment for past activities could they openly and transparently deal with the issues of corruption going forward.
- That there were some successes in corruption prevention on major infrastructure projects. Examples are the Beijing Olympic

Games and the Chung Jun Expressway in China, where in both cases there was a significant anti corruption focus throughout the project cycle on fair competition, raising awareness, supervision and reporting.

- That business associations and professional institutions can play a major role by encouraging change, raising awareness and implementing disciplinary procedures.
- That the prevention of corruption should have equal standing with health and safety in the requirements for professional status, and in continuing professional development.
- That the UK prosecution authorities have increased their resources available to deal with allegations of overseas bribery, and that many cases are currently under investigation.

For details of the programme, see:

<http://www.anticorruptionforum.org.uk/acf/news/>

Forum organises a meeting of Olympic organisers

The Forum organised a meeting on 1st October between representatives of the Forum, the London Olympic Delivery Authority, and the Beijing 2008 Olympic Organising Committee. The meeting focused on action which it is necessary to take to prevent corruption in the construction of Olympic facilities.

Meeting between the Forum and DFID

Representatives of the Forum’s Developing Countries Working Group met with the UK Government’s Department of International Development on 15th October. The meeting discussed the Forum’s activities in encouraging the creation of anti-corruption forums, or equivalent organisations, in developing countries, and issues concerning the prevention of corruption in the provision of aid.

Fourteenth Meeting of the Forum

The fourteenth meeting of the Forum was held on 20th November 2007. The activities of the working groups and other relevant issues were reviewed, and future actions were agreed.

Joining the UK Anti-Corruption Forum

For information on how to join the Forum either visit the website or contact the Co-ordinator (see addresses below).

Information on the UK Anti-Corruption Forum

For information on the Forum, either visit the website:

www.anticorruptionforum.org.uk

Or contact Neill Stansbury, Forum Co-ordinator, at

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