
International News

Albania

Alleged corruption in Albania-Kosovo highway

In November 2008, Albanian prosecuting authorities said that charges would be brought in relation to alleged misuse of public funds and abuse of power in the construction of the Albania-Kosovo highway, calculated to have cost the state in the range of €230 million. The evaluation was made using the average price of construction material and labour costs in comparison to what Albania is paying to build the road.

China

China upholds ex-Beijing official's death penalty

In January 2009, a Chinese court upheld the suspended death sentence for corruption of a former Beijing vice mayor who supervised Olympic construction projects. The Hebei High Court rejected Liu Zhihua's appeal against the sentence, which was handed down by the lower court that found him guilty of taking 7 million yuan (\$1 million) in bribes. Liu's death sentence will be suspended for the next two years. If he shows good behaviour during that time, it will be commuted to life in prison.

Congo

Foreign businessmen accused of embezzlement

In December 2008, businessmen from Belgium, France, Italy and Lebanon were arrested and jailed in Kinshasa on charges of embezzling millions of dollars of public funds given to them by the government to finance World Bank projects such as the building of schools and roads. The businessmen work for foreign civil engineering companies.

Dubai

Three held in Dubai Waterfront corruption probe

In February 2009, the Dubai authorities detained senior managers of the Dubai Waterfront, one of the emirate's most ambitious property developments, as part of an investigation into bribery allegations. Twice the size of Hong Kong, Dubai Waterfront is located on the border with the neighbouring emirate of Abu Dhabi. It is intended to house around 1.5 million people, which is roughly Dubai's current population, on reclaimed land and alongside excavated canals cut through the desert.

Dubai

Other corruption probes

A year-long clampdown on corruption and fraud has left more than 20 executives in jail on allegations mainly surrounding the former management of developer Deyaar and its parent, Dubai Islamic Bank. None has yet been charged and no trial dates have been set.

Gabon

Detention of anti-corruption activists

In January 2009, five anti-corruption campaigners in Gabon were allegedly arrested on unknown charges. One of the five, Gregory Ngbwa Mintsu, is a plaintiff in a suit filed in a French court against Gabonese President Omar Bongo by anti-corruption activists who accuse the veteran leader of buying French properties with the proceeds of corruption. Also involved in this lawsuit are Transparency International and the campaign group Sherpa. Bongo, who has ruled his oil-producing country since 1967, has denied the allegations made against him and threatened to sue the activists for defamation.

Germany

Siemens fined for failure of board supervisory duties

In December 2008, Siemens agreed to pay a fine of €395m to settle a case in Munich over the alleged failure of its former board to fulfil its supervisory duties. It was fined €201m in Munich a year ago in relation to alleged bribery by its former telecoms division.

Germany

Siemens' executives convicted

In November 2008, a state court in Germany convicted a former Siemens AG executive, Johannes Feldmayer, for involvement in a €30.3 million scheme to manipulate union influence over Siemens AG. He was sentenced to two years probation and fined €229,000 for breach of trust and tax evasion. Wilhelm Schelsky, the former head of the independent AUB labour organisation, received a prison sentence of four-and-a-half years for charges of aiding breach of trust with fraud and tax evasion. Attorneys representing both men said they would appeal.

In a separate case, two former Siemens AG managers were given suspended sentences by a German court after they confessed to helping to organise bribery payments. The men allegedly helped hide illegal payments by putting €73 million of Siemens money into slush funds. Some of the money was allegedly later used to pay bribes in Nigeria and Russia. One manager received a two-year suspended sentence and a fine of €12,000. The other received a suspended sentence of nine months and was ordered to give €20,000 to charity. Two reasons for the relative leniency of the sentences were that the defendants had been acting only in the interests of the company and that they had co-operated with prosecutors. One of the defendants was an assistant to another former Siemens manager, Reinhard Siekaczek, who was convicted for bribery and sentenced in July 2008 to a two-year suspended sentence and a €108,000 fine. Siekaczek allegedly established a system of slush funds at the company's former communications unit via sham payments to middlemen under backdated contracts.

Italy
Head of Total Italy arrested

In December 2008, the head of Total's operations in Italy was arrested as part of a probe into an alleged €15 million bribery scandal involving oil-drilling contracts in southern Italy. Total signed an agreement with the Basilicata regional authorities in October 2006 to develop the Tempa Rossa oil field in the southern Apennines. Total is the operator of the project with a 50 % interest, while the rest is shared by ExxonMobil subsidiary Esso Italiana and Shell.

Italy
David Mills guilty of taking bribe

In February 2009, David Mills, the estranged husband of the London Olympics minister, Tessa Jowell, was sentenced to four and a half years in jail by an Italian court after being found guilty of taking a \$600,000 bribe as a reward for with-holding court testimony, allegedly to help Italy's Prime Minister, Silvio Berlusconi. Mills was also ordered to pay €250,000 in damages for the perversion of justice caused by his false evidence and a further €25,000 in costs. It is thought to be the first time in Italy that someone has been found guilty of taking a bribe without the giver of the money being identified. Mills is entitled under Italian law to two appeals. If these are not heard before the limitation period for the offence expires in February 2010, then his conviction may be "timed out" and his sentence will not take effect. Mills was Berlusconi's legal adviser on offshore dealings. Berlusconi (who was indicted alongside Mills) is no longer a defendant. His government passed a law last year giving the prime minister and some other top Italian officials immunity from prosecution.

Japan
Court jails ex-senior defence official over bribes

In November 2008, a Japanese court sentenced a former senior defence official to two-and-a-half years in prison for bribery. Takemasa Moriya, 64, was also ordered to pay 12.5 million yen (\$126,000) in penalties. The Tokyo District Court ruled that the former vice defence minister had accepted 12.5 million yen from a military contractor between 2003 and 2007 in the form of golf trips, and 3.6 million yen deposited in his family's bank accounts. He was also found guilty of perjury for giving false testimony as a sworn witness in parliament before his arrest last year. He is appealing against the verdict. The contractor involved in the corruption was sentenced to two years in prison.

Japan
Court convicts PCI executives

In January 2009, a Japanese court convicted three executives of Pacific Consultants International (PCI) for bribery and fined the company. The former executives admitted to bribing a senior Vietnamese official to secure contracts for road projects backed by Japanese aid money. The former PCI President was also indicted, but he is being tried in a separate bribery trial. This incident had previously led Japan temporarily to suspend aid loans to Vietnam (see under "Vietnam" below). The Japanese and Vietnamese governments are working on resuming ODA assistance for Vietnam. The Japanese government is also developing new consulting contract selection procedures to prevent future corruption.

Kenya
UK fraud office halts Anglo Leasing probe

In February 2009, the UK's Serious Fraud Office (SFO) terminated its probe into the "Anglo Leasing affair", one of Kenya's biggest corruption cases. The SFO said that it halted the probe into \$100m contracts with the phantom Anglo Leasing Finance firm after Kenya failed to produce evidence to try suspects. The SFO began its probe in July 2007, and was investigating offshore accounts in the British tax havens of Jersey and Guernsey, which were allegedly used to transfer more than \$30m to a company called Apex Finance between April 2002 and February 2004. The contracts were for sophisticated passport equipment, navy ships and forensic science laboratories for the police force, which have allegedly never been supplied. The SFO has said that if evidence was received from Kenya in the future, the SFO would consider re-opening the investigation.

Kuwait
Dow rejects bribe claims in failed Kuwaiti deal

In January 2009, Dow Chemical rejected accusations by members of the Kuwaiti parliament that it paid bribes to secure a \$17.4 billion joint venture with a state-owned company. Kuwait's parliament voted to investigate "suspicions of profiteering and accepting all forms of commissions by oil executives" involved in several deals, including the plastics joint venture with Dow. Dow Chemical maintains that the contract with Petrochemicals Industries Co. (PIC) was entirely appropriate. The deal collapsed and earlier this month Dow said it would pursue legal action against the Kuwaitis, hoping to recoup a breakup fee of about \$2.5 billion.

Portugal
Portuguese premier faces corruption suspicions

In January 2009, the Portuguese public prosecutor's office confirmed that it had received a request from the UK's Serious Fraud Office to investigate irregularities allegedly committed when the British company Freeport was seeking permission to build an outlet shopping centre on environmentally protected terrain near Lisbon. The inquiries concern the possible involvement of Prime Minister Jose Socrates in the Freeport case. Mr. Socrates was environment minister in a previous Socialist government when Freeport was granted a licence to build the Alcochete shopping mall. Mr. Socrates has denied any wrongdoing. The shopping mall is one of the biggest in Europe, with 140 boutiques and 18 bars or restaurants. Freeport was taken over by the US conglomerate Carlyle in 2007.

Romania
Former Romanian PM on €2m corruption charges

In January 2009, Romania's anti-corruption prosecutors indicted former prime minister Adrian Nastase on charges of allegedly siphoning off \$2 million of state funds to finance his presidential election campaign in 2004. Previous attempts to prosecute the politician, a senior member of the ruling coalition's Social Democrat Party (PSD), on corruption charges have allegedly faced obstacles in parliament. Such delays have fuelled concerns in the EU that Romania is failing to implement judiciary reforms and to weed out corruption. Mr Nastase, prime minister in a PSD government from 2000 to 2004, denies any wrongdoing. If found guilty, Mr Nastase faces up to five years in prison.

**South Africa
SA 2010 official gunned down**

In January 2009, a South African official who blew the whistle on alleged corruption in the building of a stadium for the 2010 World Cup was shot dead by unknown gunmen. Mr. Mohlala was a former vice president of the South African Football Association and headed the local council of Mbombela, where the stadium is being built in Nelspruit for the games. He made headlines a year ago with reports that some members of the ruling African National Congress (ANC) were said to want him sacked for allegedly turning in a colleague over corruption claims in the construction of the Mbombela stadium. His claims sparked an investigation into a range of allegations, including the manipulation of tenders in 2010 construction contracts. The 46,000-capacity Mbombela stadium, scheduled for completion this year, is one of 10 venues for the 2010 World Cup.

**Sweden
Nobel jurors face bribery probe for China trips**

In December 2008, Swedish prosecutors commenced investigations into suspicions of bribery of Nobel Prize jurors who had allegedly accepted all-expenses-paid trips to China to discuss the awards. The investigation was to determine whether the trips in 2006 and 2008 were meant to influence the decisions of the Nobel committees. A report said that Chinese authorities paid for their plane tickets, hotels and meals. If charged and convicted, the jurors would face fines or up to two years in prison.

**Switzerland
Court rules for handover of bank files in BAE probe**

In December 2008, the Swiss Federal Criminal Court ruled that Switzerland can hand over bank documents to British authorities investigating whether arms manufacturer BAE Systems plc bribed Czech politicians to gain a contract for the sale of Swedish Gripen fighter jets. The UK's Serious Fraud Office had requested help from Switzerland to trace the flow of about €1 million allegedly sent to Swiss bank accounts via the British Virgin Islands and Panama. Aircraft maker Saab of Sweden and BAE, which helps market the plane, reject allegations of improper conduct.

**Switzerland
ABB to book \$850m provision for corruption probes**

In December 2008, Swiss engineering group ABB announced that it had set aside \$850 million to prepare for possible costs related to price-fixing and bribery investigations. EU antitrust regulators said they had charged several unnamed makers of electricity generation equipment with forming a price-fixing cartel. EU cartel fines can cost a company up to 10 percent of its global yearly revenue for each year it broke antitrust rules, often running into hundreds of millions of euros.

**Taiwan
Taiwan indicts ex-President and family**

In December 2008, former Taiwan President Chen Shui-bian, his wife and their son were indicted for alleged money-laundering, forgery and corruption. He is the island's first leader to be prosecuted after leaving office. The indictments include allegations that Chen embezzled \$3.1 million of government funds, accepted bribes of about \$9 million related to a land procurement deal, and took another \$2.73 million in kickbacks to help a contractor win its bid for a government project. Mr. Chen denies any wrongdoing. In January 2009, Chen's son and daughter-in-law pleaded guilty to money laundering in a case connected with Chen's corruption trial.

**Tanzania
Tanzania charges ex-ministers over deal**

In November 2008, the Tanzanian prosecution authorities charged the former Finance Minister and the former Energy and Minerals Minister with alleged impropriety over the award of a mineral audit tender in 2002. They both denied the charges. Court documents accused them of abusing their authority "by arbitrarily procuring M/S Alex Stewart (Assayers) UK and its subsidiary company M/S Alex Stewart (Assayers) Government Business Corporation". The contract was for auditing the amount of gold Tanzania, Africa's third largest producer, was mining. The Resident Magistrate's Court in Dar es Salaam did not accuse the companies named of any wrongdoing. Alex Stewart Group Limited, based in Britain, said it was in no way involved in the matter.

**Tanzania
Other corruption charges and reports**

At least 13 individuals are in court for their involvement in a 2005 scandal in which the government allegedly paid \$105.5 million to companies using flawed or non-existent records from the central Bank of Tanzania's External Payment Arrears Account (EPA). In January, the President of Tanzania fired the then central bank governor, the late Daudi Ballali, in connection with the saga.

**U.S.A.
US authorities fine Bayer \$97.5 million**

In November 2008, the US Justice Department reported that Bayer AG had agreed to pay \$97.5 million to settle accusations that it paid kickbacks to diabetic-equipment suppliers to provide their patients with Bayer diabetic-testing equipment and causing them to submit false claims to get Medicare reimbursements.

**U.S.A.
US authorities fine KBR US\$ 579 million**

In February 2009, following formal corruption charges by the U.S. government, Kellogg, Brown & Root Inc (KBR), the engineering, construction and services company, and its former parent, Halliburton, agreed to pay a combined \$579m to settle US criminal and civil allegations. The fines, imposed by the US Department of Justice and the US Securities and Exchange Commission, make the largest combined settlement ever paid by US companies for violations of the 1977 Foreign Corrupt Practices Act. The allegations related to bribes allegedly paid between 1994 and 2004 to secure four contracts, valued at more than \$6 billion, for a KBR joint venture to build and expand Nigeria's Bonny Island liquefied natural gas terminal. The scheme allegedly involved partner companies from Italy, France and Japan, and huge sums of money wired through banks in Amsterdam and New York to accounts in Monaco and Switzerland. KBR also allegedly used shell companies in Portugal, sham contracts with agents in the UK and Japan, and avoided placing US citizens on the boards of the shell companies – all in an effort to avoid liability under the FCPA law. The investigation covered a period when Halliburton was headed by Dick Cheney, former US vice-president. KBR was a wholly owned subsidiary of Halliburton, the oilfield services company, until 2007, when it became a separate company. Albert "Jack" Stanley, a former KBR chief executive officer, pleaded guilty in September 2008 to charges stemming from the scheme. Stanley, who had worked under Dick Cheney when he headed Halliburton, agreed to co-operate with US investigators probing Halliburton's potential violations of the FCPA. As part of the settlement, Halliburton said it would not be required to have a monitor, but the company would have to retain an independent consultant to assess its compliance with anti-bribery laws.

U.S.A.**US authorities fine Siemens \$800 million**

In December 2008, US authorities fined Siemens AG a record \$800m to settle corruption charges in the US. The case was settled at the district court for the District of Columbia after the court accepted guilty pleas from Siemens over a slush fund totalling more than €1.3bn and allegedly used to win overseas contracts from 2001 to 2007. As part of the US settlement, Siemens made Theo Waigel, former German finance minister, its first compliance monitor. Waigel will report to the US authorities on Siemens' implementation of new compliance measures.

U.S.A.**US authorities fine UBS \$780 million**

In February 2009, following investigations by the US government, UBS, the largest bank in Switzerland, admitted conspiring to defraud the US Internal Revenue Service by helping US clients set up and conceal offshore accounts between 2000 and 2007. The scheme involved falsifying or not properly obtaining or filing certain tax forms required of both the bank and its clients. UBS allegedly also urged some US clients to destroy records and to stash watches, jewellery and artwork that they had bought with money hidden offshore in safe deposit boxes in Switzerland. The bank also allegedly encouraged them to use Swiss credit cards so that the IRS could not track purchases. UBS has agreed to pay \$780 million to settle the criminal investigation. It also agreed to divulge the names of the wealthy US clients whom the authorities suspect of using offshore accounts at the bank to evade taxes.

U.S.A.**US military probed over \$195 billion Iraq fraud**

Senior US military officers are being investigated over the alleged disappearance of up to \$195 billion that should have been used for the reconstruction of Iraq after the fall of Saddam Hussein. There are allegations of little accountability. Some American companies allegedly obtained legal immunity from the Pentagon when they began operating in Iraq. Worsening security conditions have also meant that there could be few inspections of reconstruction projects and one whistleblower has been murdered.

U.S.A.**Other US corruption investigations**

Oilfield service companies including Schlumberger and Transocean are being scrutinised by US officials for possible FCPA violations. Both companies said they were co-operating with the US government. In April 2007, oilfield services company Baker Hughes reached a \$44.1 million settlement with US officials in relation to a bribery probe of its operations in Nigeria, Angola and Kazakhstan.

Vietnam**Japan halts aid for Vietnam**

In December 2008, Tokyo suspended all new aid lending for Vietnam after a Japanese consulting company, Pacific Consultants International, pleaded guilty in a Tokyo court to providing \$820,000 in bribes to the head of Ho Chi Minh City's project management unit who was involved in overseeing infrastructure projects in relation to contracts dating back to 2001. Japan had previously been Vietnam's top donor. After the scandal emerged, the two governments set up a joint committee to seek ways to curb corruption. "Until effective and meaningful measures against corruption can be worked out through

this joint committee, it would be difficult to regain the support from the Japanese public for further assistance to Vietnam and we are unable to pledge new loans", said Mitsuo Sakaba, Japan's ambassador to Vietnam. Vietnamese authorities have agreed to co-operate with Japan in investigating the PCI case.

Asia**ADB blacklists 41 firms and 38 people for corruption**

In February 2009, the Asian Development Bank (ADB) confirmed that it had blacklisted 41 companies and 38 individuals last year for corruption. That brought to 552 the total number of firms and individuals banned from working for the lender since it began investigating corruption allegations in 1998. The matters ranged from a medical-benefit fraud case by a former staff member that involved less than \$100, to alleged collusion in bidding for a road project worth more than \$10 million. The bank does not publish the companies and individuals investigated or sanctioned, but shares the list with ADB staff, international organisations and others with a need to know. The sanctioned firms are prohibited from doing business with ADB for up to seven years, while sanctions against individuals range from a year to an indefinite period.

International**Transparency International Bribe Payers' Index**

In December 2008, Transparency International published its 2008 Bribe Payers' Index. This ranks the perceived likelihood of organisations from the world's dominant economies to pay bribes overseas. Organisations from Belgium and Canada are ranked as the least likely to pay bribes, and organisations from Russia and China as the most likely. The UK is ranked as the 5th least likely to bribe, alongside Germany and Japan. The index also ranks how likely companies in each of 19 sectors are to pay bribes. Public works and construction is rated as the most likely, followed by real estate/property, and oil and gas. Banking and finance, and fisheries are rated as the least corrupt. Defence (which was rated as the second most corrupt sector in the last index) is now rated as the 13th most corrupt sector. The link to the new index is:

http://www.transparency.org/news_room/in_focus/2008/bpi_2008

International**WEF PACI survey**

In December 2008, the World Economic Forum's Partnering against Corruption Initiative (WEF PACI) undertook a survey of its signatory companies to ascertain progress in relation to their implementation of anti-corruption programmes. The results are on line at:

<http://www.weforum.org/en/initiatives/paci/HighlightingAchieversSurvey/index.htm>

International**World Bank debarment**

In January 2009, the World Bank announced the debarment of seven firms and one individual for engaging in collusive practices under a major Bank-financed roads project in the Philippines known as NRIMP 1. Two of the debarments are permanent. The debarments, which prevent the parties from bidding on future World Bank-financed contracts, either indefinitely or for the period of the sanctions listed, result from an in-depth inquiry conducted by the World Bank's Integrity Vice Presidency (INT). INT is responsible for investigating allegations of fraud and corruption in Bank-financed operations.

U.K. News

Bribery Law

On 20 November 2008, the UK Law Commission published its final report on the reform of UK bribery law. Its recommendations include replacing the existing law with two general offences of bribery and one specific offence of bribing a foreign public official. It also recommends a new corporate offence of negligently failing to prevent bribery. A press release is available at:

http://www.lawcom.gov.uk/docs/lc313_press_release2.pdf

and a summary is available at:

http://www.lawcom.gov.uk/docs/lc313_summary.pdf

FSA fines insurer Aon for corruption control failures

The Financial Services Authority (FSA) has levied a record-breaking fine on insurance company Aon for failing to have sufficient internal controls in place to prevent \$5.25m of "suspicious payments" being made to overseas firms and individuals. The fine is intended to be a warning to other firms to establish and maintain effective systems to counter the risks of bribery and corruption. The insurer was able to negotiate a 30% reduction of the potential fine by co-operating with the FSA's investigation. The regulator concluded that Aon had failed to assess properly the risks involved in its dealings with overseas firms and individuals who helped it win business, and had failed to implement effective controls to mitigate those risks. The fine is the sixth-largest in the FSA's league table for any breach of its rules and the largest of its kind for this particular offence.

Peers for sale claim

In January 2009, inquiries began in the House of Lords into claims that four Labour peers were ready to accept sums ranging between £24,000 and £120,000 in exchange for seeking amendments to legislation for clients. There were also calls for a police investigation into the alleged actions for corruption. However, in February, Scotland Yard issued a statement that it would not investigate the allegations because the application of criminal law to members of the unelected upper chamber in such circumstances was "far from clear" and there would be "very clear difficulties" in gathering evidence because of parliamentary privilege, which protects information held by lawmakers.

Deloitte's study - Companies still not admitting corruption

In February 2009, a survey by Deloitte, the accountancy group, found that 41 per cent of executives would not voluntarily disclose a "significant incident of corruption" to an anti-bribery agency such as the Serious Fraud Office (SFO). While the vast majority (93%) of those surveyed said they would order an internal investigation if they discovered evidence of corruption, not all would also routinely report the issue to a regulator. In Britain a company is not obliged to approach the SFO unless it suspects an act of corruption also involves money laundering or has links to terrorism. But the fear of discovery or desire to practice good corporate governance means that many businesses do voluntarily report corruption problems, a practice that experts say the SFO is keen to encourage.

Forum News

Serious Fraud Office addresses Forum

In January 2009, Keith McCarthy, Head of the Overseas Corruption Unit of the Serious Fraud Office, gave an informal talk to Forum members on the proposed new bribery laws. Issues discussed included the possible implementation of proposals for plea bargaining, no prosecution agreements and civil recovery orders; and what the SFO regards as the vital elements of an effective anti-corruption compliance programme.

Eighteenth Meeting of the Forum

The eighteenth meeting of the Forum was held on 7th January 2009. The activities of the working groups and other relevant issues were reviewed, and future actions were agreed.

Meetings: U.K. Government and Forum

A meeting was held in December between the Developing Countries Working Group of the Forum and the UK Government's Department for International Development.

Forum Information

What is the U.K. Anti-Corruption Forum?

The Anti-Corruption Forum is an alliance of U.K. 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.

Membership of 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

coordinator@anticorruptionforum.org.uk

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