

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.

Forum News

Ninth meeting of the Forum

The ninth meeting of the Forum was held on 26 June 2006. The activities of the working groups and other relevant issues were reviewed, and future actions were agreed.

Update on Forum working groups

The Forum has several working groups which develop and promote Forum policy in specific areas. The following is an update on their terms of reference and activities.

1. Debarment Working Group

Terms of reference

Working with OGC, the EU Commission and multi-lateral development banks to try to ensure that the debarment procedures implemented under the EU Public Procurement Directives, the EU Commission regulations and MDB regulations operate transparently, fairly and reasonably, and take proper account of mitigatory circumstances.

Activity

- a) The Forum supports the principle of debarment of companies for corrupt activity, but believes that debarment mechanisms should be fair and reasonable, and take account of mitigatory circumstances. One of the primary aims of debarment should be to encourage behavioural change by companies.
- b) The Forum has serious concerns about the new EU debarment procedures which came into effect in the UK on 1 February 2006, as they do not fall within the above principles. The Forum has been working with OGC since late 2005 with the aim that debarment under Article 45 is introduced in a fair, proportionate and uniform manner by all EU states.
- c) As a result of the Forum's intervention, OGC has taken this issue up with the EU Commission and other EU states. The EU Commission is now considering the issue, and obtaining the views of member states.
- d) A meeting was held between the Forum, OGC, DFID, FCO and Unicom on 6 July 2006 to discuss progress.
- e) The EU Commission has published draft proposals for establishing an EU-wide data-base which would list debarred companies.
- f) It has been agreed that the UK Government and Forum will continue to cooperate on this issue.

2. Developing Countries Working Group

Terms of reference

Promoting and supporting the creation in developing countries of anti-corruption forums similar to the UK Anti-Corruption Forum.

Activity

- a) The Forum is preparing a contact list of associations in Africa which may be interested in the promotion of forums in those countries.
- b) The Forum has developed a strategy to work with these associations, and has prepared an information pack for distribution to interested associations.
- c) The Forum is in discussion with DFID in relation to the establishment of national anti-corruption forums in Africa.
- d) Engineering associations in several developing countries have expressed an interest in working with the UK Forum.

3. Overseas Support Working Group

Terms of reference

- a) Working with FCO to examine ways in which UK embassies can provide greater support and advice to UK companies and individuals working overseas who may be faced with corruption issues. In particular, examining ways in which the FCO or other government bodies can assist companies faced with corrupt competitors or extortion.
- b) Preparing and publishing a guidance document which provides advice to contractors and consulting engineers on how to deal with corrupt competitors or extortion when working overseas.

Activity

- a) The Forum is developing a guidance document.
- b) The Forum will hold a further meeting with FCO in September to establish what types of anti-corruption support FCO could give to UK companies working overseas.

4. Transparency and Reporting Working Group

Terms of reference

- a) Examining ways in which increased transparency and disclosure in the infrastructure sector by governments, project owners, funders, contractors and consulting engineers can help prevent corruption.
- b) Working with DFID to examine whether DFID's proposed Construction Sector Transparency Initiative ("COST Initiative") is workable, and, if so, how the Forum can co-operate with DFID in its implementation.

- c) Examining ways in which increased reporting of corruption can help prevent corruption, paying particular attention to the methods and results of such reporting, and to confidentiality and safety concerns.

Activity

- a) The Forum has agreed and sent to DFID an "Outline Position on Transparency in Infrastructure". This paper was presented by the Forum at the DFID advisors' retreat in July 2006, and states that: "The UK Anti-Corruption Forum believes that greater transparency can help to deter and detect corruption. The Forum therefore recommends mandatory public disclosure of critical information in relation to the identification, financing, procurement, execution and maintenance of infrastructure projects which are wholly or partly publicly owned or publicly financed."
- b) The Forum is working with DFID on the development of the COST Initiative. The Forum supports the COST Initiative but has emphasised to the DFID-COST team that it is vital that transparency is not limited to the procurement phase. Corruption can take place throughout the project cycle (project identification, financing, procurement, execution and maintenance), and emphasis on procurement may merely displace corruption to another phase. Transparency is achievable and desirable in all phases of a construction project.

5. Multi-lateral Development Bank Working Group

Terms of reference

- a) Examining ways in which improved MDB procedures may help reduce corruption.
- b) Examining ways in which MDBs could provide greater assistance to contractors and consulting engineers on MDB funded projects, who are faced with extortion demands, or who have difficulty in receiving permits, certificates and payments.

Update

- a) The Forum is preparing a position paper on proposed actions by MDBs.

- b) The World Bank is currently undertaking a review of its anti-corruption policies. The Forum has informed the World Bank that it would like to work with it in this regard.

6. Professional Standards Working Group

Terms of reference

Examining ways in which improved training, professional standards and professional institution disciplinary mechanisms may help reduce corruption.

Update

The Professional Standards Working Group met for the first time in August 2006. This initial meeting agreed the working group objectives, each of which will be covered in detail at subsequent meetings of the group. The next two meetings will examine how education and training leading to corporate status in professional bodies cover ethical, non-corrupt activities, and how the codes of conduct of professional bodies deal with preventing corruption.

Forum/TI Report - Corruption in the financing of infrastructure projects

In July 2006 the Forum and TI jointly completed and published a report, commissioned by DFID, on the prevention of corruption in the financing of infrastructure projects. The report looks at all aspects of project financing, including equity investment, MDB finance, bank finance, export credits, guarantees, sureties, bonds and insurance. It examines to what extent the terms on which these are offered can be affected by corruption, and how the funders can be affected by underlying corruption in the project. It recommends corruption prevention practices. It has been widely circulated internationally. DFID will be using this report as recommended best practice for the Private Infrastructure Development Group. As far as the Forum is aware, this is the first occasion anywhere in the world that a report of this nature has been produced by an alliance of government, industry and civil society.

UK News

UK Parliament International Development Committee's Report "Private Sector Development"

The UK Parliament International Development Committee has published its Report on "Private Sector Development". The report does not deal in any detail with corruption, and makes no reference to the recommended actions contained in the Forum's "Anti-Corruption Action Statement" which was submitted in evidence to the Committee. Of most relevance is the committee's recommendation (paragraph 56, page 29) that "DFID should continue to place the eradication of corruption high on the donor agenda and lobby at the global level for commitment to anti-corruption measures".

New UK Anti-Corruption Measures

The UK has announced new measures to tackle international corruption, identified as one of the priorities at the Gleneagles G8 summit a year ago.

- a) Hilary Benn has been appointed as Ministerial "champion" for addressing international corruption. The new role, complementing Mr. Benn's position as International Development Secretary, will see him working with other Ministers across government to tackle corruption wherever it threatens to undermine the fight against poverty. Representatives of the Forum will meet Mr. Benn on 6 September 2006.
- b) The Government will establish a new dedicated team for investigating international corruption, including money laundering in the UK by corrupt politicians from developing

countries, and bribery by UK businesses overseas. The new taskforce will include members from the City of London Police and the Metropolitan Police Service, and the Department for International Development will provide funding.

No Bribery Warranties

The Africa All Party Parliamentary Group's report "The Other Side of the Coin - The UK and Corruption in Africa", states as follows in relation to "no bribery warranties":

- a) (Page 8 - Recommendation 16): "Require companies receiving Government trade support and advocacy or companies seeking government funded contracts to sign no bribery warranties from mid 2006 onwards."
- b) (Pages 27 and 28 - "Prevention"): "The UK Government plays a central role in facilitating UK companies seeking contracts and trading opportunities abroad, including through trade missions. In the USA such export advocacy is dependent on US companies making a no bribery undertaking in writing, or 'no bribery warranty', which applies to it and its affiliates. The AAPPG sees no practical reason why any UK Government export advocacy, whether involving the FCO, DTI, ECGD, MOD or other department should not be subject to the signing of comprehensive no bribery warranties.

Furthermore, such warranties, together with robust internal anti-corruption guidelines, should be applied to Government procurement both at home and abroad. Few companies would wish to automatically debar themselves from lucrative government procurement contracts by declining to sign no-bribery warranties."

DFID has asked the Forum for its views on what would constitute a no bribery warranty, and how such a system would work. At a meeting between the Forum and DFID on 6th July 2006, the Forum put forward its preliminary oral views on this issue.

In August 2006, The Forum submitted a position paper to DFID, and offered to work with DFID to develop a comprehensive and effective warranty and related provisions. In summary, the Forum's position is as follows.

- (i) The Forum supports in principle the introduction of a no bribery warranty in UK Government contracts provided that the scope of the warranty and results of breach are clear, fair and reasonable.
- (ii) This is a complex and important area, and further detailed research should be undertaken before implementation (e.g. what other organisations and countries use such warranties; what is the scope of warranties already in force; what the consequences of breach should be; to what extent warranties can be given in relation to JV partners and sub-contractors etc; how a warranty would impact on existing laws and contractual provisions).

UK Parliament Trade and Industry Committee's Report on ECGD's July 2006 Anti-Bribery Procedures

In May 2004, the UK Government's Export Credits Guarantee Department (ECGD) issued revised anti-bribery procedures which were considerably stronger than its previous procedures. These were welcomed by civil society groups, accepted without complaint by many sectors of industry, and opposed by some industry interests (in particular defence and aerospace). After lobbying by the defence and aerospace sector, ECGD issued revised and significantly weaker anti-bribery procedures in December 2004.

A legal challenge by the NGO Corner House resulted in ECGD agreeing to a full public consultation on its procedures. The consultation ended with ECGD issuing new July 2006 procedures, which were stronger than the December 2004 procedures, but weaker than the May 2004 procedures.

In May 2006, the OECD Working Party on Export Credits and Credit Guarantees issued its "2006 Action Statement on Bribery and Officially Supported Export Credits". This laid down minimum anti-bribery standards which had to be complied with by all OECD export credit agencies. ECGD's July 2006 procedures appear to be compliant with the new OECD Action Statement.

The UK Parliament's Trade and Industry Committee in 2006 held an enquiry which examined the process by which ECGD issued its various procedures, and the effectiveness of ECGD's July 2006 procedures. It released its report in July 2006. In summary, the Committee in its Report:

- (i) states that the changes made by ECGD to its procedures in December 2004 were not merely "clarifications" as claimed by ECGD, but were substantial revisions which watered down the May 2004 procedures;
- (ii) states that the July 2006 procedures strengthen the December 2004 procedures, but not completely to the level of the May 2004 procedures;
- (iii) states that neither exporters nor NGOs are completely satisfied with the July 2006 procedures, but believes that they have the potential to be workable;

- (iv) believes that, given the tortuous history of the anti-bribery procedures, the July 2006 procedures go as far as could reasonably be expected to ensure that transactions supported by ECGD are not tainted with corruption;
- (v) criticises ECGD for the manner in which it issued its May 2004 and December 2004 anti-bribery procedures without public consultation;
- (vi) states that had ECGD carried out a public consultation exercise in 2004, it would have saved a great deal of time and money for all parties;
- (vii) believes that any future changes should be subject to consultation;
- (viii) welcomes the Government's commitment to review the procedures in three years time;
- (ix) recommends that the Government review should look at both the operation and effectiveness of the procedures, and at whether ECGD needs to take on regulatory and investigative powers;
- (x) recommends that the Government monitors the operation of the procedures and publicly reports once a year to the Export Guarantees Advisory Council on the outcome of this monitoring.

UK Defence Industry Anti-Corruption Forum

The UK defence sector has established the "UK Defence Industry Anti-Corruption Forum". Participants in the Defence Forum are the Defence Manufacturers Association, Society of British Aerospace Companies, AgustaWestland, BAE Systems, Marshall Aerospace, Martin Baker, MBDA, Rolls-Royce, SELEX, Smiths Aerospace, Thales UK and VT Group plc. The Defence Forum is a separate entity from the UK Anti-Corruption Forum.

DFID White Paper on International Development

On 13 July DFID issued its new White Paper on International Development, "Eliminating World Poverty: Making Governance Work for the Poor".

The paper can be downloaded from:
<http://www.dfid.gov.uk/wp2006/default.asp>

"Half of all construction firms are corruption victims"

An article appeared in New Civil Engineer for the week ending 21 July, under the heading "Half of all construction firms are corruption victims – report". The following is adapted from it.

Nearly half of all engineering and construction companies have been a victim of economic crime in the past year, reveals a report written by Price Waterhouse Coopers' (PWC) global engineering and construction leader Jonathan Hook. Despite the EU's free market, companies working within it are equally susceptible to corruption and fraud as they would be in the rest of the world. They are also likely to suffer much greater losses because of the higher project values, warned the report's author. On average each firm polled had lost £600,000 to various forms of corruption, but the EU average was £1.25 million.

PWC sent a survey to all the prominent names in the industry worldwide and got responses from 180 companies in 26 different countries. Increasing demand in the industry is likely to increase the problem, warned Hook: "Skills shortages might mean companies have to go outside their normal comfort zone, and clients need to be particularly vigilant."

Despite all this only 18% of the firms polled believe they are likely to suffer from economic crime in the next five years. "Given 43% of

engineering and construction companies have experienced economic crime over the past two years; this optimism may be somewhat misplaced unless the companies work to implement more concrete fraud prevention measures,” said Hook.

More details may be found at:

http://www.nceplus.co.uk/news/news_article/?pid=3&aid=53155&sid=47&channelID=4&newscomingfrom=civil_engineering

BBC World Service

During August, the BBC World Service broadcast two programmes about the supply side of corruption in international construction projects:

- “Analysis” looked at the recent wave of international anti-corruption agreements, and referred to growing pressure on signatories to be more vigorous in pursuing prosecutions.
- “World Business Review” explored this in more depth, citing anecdotal evidence that levels of corruption have been growing as a result of globalisation, assessing its cost in social, economic and

financial terms, and asking whether the World Bank's new Voluntary Disclosure Programme might help reverse the trend.

Anti-Corruption Surveys

The Chartered Institute of Builders is running a survey about corruption in the UK construction industry.

See <http://www.ciob.org.uk/polls/corruption>

The “Ethical Edinburgh” website recently ran a small survey about experiences of corruption in international construction projects. The survey results, based on responses from 17 different countries, can be found at www.ethicaledinburgh.org. A follow-up more detailed survey planned for September hopes to elicit responses from demand-side as well as supply-side respondents. The survey has been designed to be anonymous and non-attributable.

Overseas News

Why is corruption still blocking the way? 12th International Anti-Corruption Conference, 15 to 18 November 2006, Guatemala

The following announcement has been received from the IACC Team at the TI Secretariat in Berlin.

The 12th International Anti-Corruption Conference is the premier global forum for the networking and cross-fertilisation that is indispensable to effective global and national advocacy and action. It brings together more than 1,000 anti-corruption professionals from all sectors to share experiences, discuss strategies and develop action plans. The Conferences are conducted under the auspices of the IACC Council in close cooperation with the official host country. The IACC Council provides support and guidance to Conference organisers.

The key objectives of the 12th IACC are as follows.

- To improve the understanding of what works in the anti-corruption movement by taking stock of the successes, failures and challenges of the last two decades of anti-corruption work.
- To strengthen the ability of the anti-corruption movement to act efficiently and effectively by analysing the stumbling blocks that impede the reduction of corruption.
- To amplify the voices of the movement and strengthen the implementation of its work by conceiving innovative and effective solutions, and daring advocacy strategies.

The 12th IACC will be jointly hosted by Acción Ciudadana, TI's National Chapter in Guatemala and the Government of Guatemala.

More details may be found at <http://www.12iacc.org>

African Union Convention on Preventing and Combating Corruption

The African Union Convention on Preventing and Combating Corruption and Related Offences (AU Convention) became effective on 5 August 2006. It was first agreed by African Heads of State and Government in July 2003 at the AU summit in Maputo, Mozambique. Fifteen countries have now ratified the AU Convention and have made a binding commitment to implement its provisions. Thirteen other African countries have so far failed to sign or ratify, and the

remaining twenty-five have signed, but not yet ratified, the Convention.

The Convention requires African government officials to declare their assets, adhere to ethical codes of conduct, provide citizens access to government information about budget spending and protect those who blow the whistle on state fraud. It establishes standards for procurement, accounting and transparency in the funding of political parties, and recognises the need for civil society participation. The Convention also requires African countries to establish as criminal offences bribery, diversion of property, trading in influence, illicit enrichment, money laundering and concealment of property. In addition, a framework is provided for cross-border law enforcement co-operation within Africa.

Countries signed and ratified (15): Algeria, Burkina Faso, Burundi, Comoros, Congo, Libya, Lesotho, Madagascar, Mali, Namibia, Niger, Rwanda, South Africa, Tanzania, Uganda.

Countries only signed (25): Benin, Chad, Côte d'Ivoire, Djibouti, D.R. of Congo, Equatorial Guinea, Ethiopia, Gabon, Gambia, Ghana, Guinea-Bissau, Guinea, Kenya, Liberia, Mozambique, Mauritania, Mauritius, Nigeria, Senegal, Sierra Leone, Somalia, Swaziland, Togo, Zambia, Zimbabwe.

Countries still to sign and ratify (13): Angola, Botswana, Cameroon, Central African Rep., Cape Verde, Egypt, Eritrea, Malawi, Sahrawi A.D.R., Seychelles, São Tome & Príncipe, Sudan, Tunisia.

World Bank Voluntary Disclosure Programme

The World Bank has launched a Voluntary Disclosure Programme (VDP) under which any company that discovers that its staff have participated in a corrupt activity during the execution of a Bank-funded or supported programme may disclose the details to the Bank's Department of Institutional Integrity in strict confidence, in return for a guarantee that the company will not be debarred from World Bank work.

Under the VDP, participants commit to cease paying bribes or engaging in fraud, corruption, collusion or coercion. They must disclose to the Bank all such past misconduct in Bank-supported projects or contracts, implement a robust and monitored compliance programme, and pay the bulk of the costs associated with participation in the VDP. Participants can be firms or other entities,

such as NGOs or individuals. Those under active investigation by the World Bank are not eligible to enter the programme.

In exchange for full cooperation, VDP participants avoid public debarment for disclosed past misconduct, and benefit from the Bank's assurances of confidentiality. The World Bank has publicly debarred more than 330 firms and individuals, whose names and terms of sanction are posted on the Bank's website.

OECD Risk Awareness Tool

The OECD has issued the "OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones". This tool aims to help companies that invest in countries where governments are unwilling or unable to assume their responsibilities. It addresses risks and ethical dilemmas which companies are likely to face, including obeying the law, knowing business partners and clients, dealing with public sector officials, and speaking out against corruption.

American Society of Civil Engineers revised Code of Ethics

The American Society of Civil Engineers has revised its Code of Ethics in relation to corruption. The ASCE represents more than 139,000 civil engineers worldwide and is America's oldest national engineering society. It has Agreements of Cooperation with 67 civil engineering organisations worldwide. The revised Code states that: "Engineers shall act in such a manner as to uphold and enhance the honour, integrity, and dignity of the engineering profession and shall act with zero-tolerance for bribery, fraud, and corruption." It also calls for engineers to:

- Not knowingly engage in business or professional practices of a fraudulent, dishonest or unethical nature;
- Be scrupulously honest in their control and spending of monies, and promote effective use of resources through open, honest and impartial service with fidelity to the public, employers, associates and clients;

- Act with zero-tolerance for bribery, fraud and corruption in all engineering or construction activities in which they are engaged;
- Be especially vigilant in maintaining appropriate ethical behaviour where payments of gratuities or bribes are institutionalised practices;
- Strive for transparency in the procurement and execution of projects, including disclosure of names, addresses, purposes and fees or commissions paid for all agents facilitating projects; and
- Encourage the use of certifications specifying zero-tolerance for bribery, fraud and corruption in all contracts.

USA unveils plan to tackle global corruption

President Bush launched a new global campaign in August 2006 to combat government corruption. The "National Strategy To Internationalize Efforts Against Kleptocracy" follows the agreement by the Group of Eight powers at their summit in St. Petersburg, Russia, to co-ordinate legal and financial policies to fight corruption. The objective is to defeat high-level public corruption in all its forms, and to deny corrupt officials access to the international financial system as a means of defrauding their people and hiding their gains.

"Business against Corruption - A Framework for Action"

The UN Global Compact, Transparency International and the International Business Leaders' Forum have issued "Business against Corruption - A Framework for Action", which is a guide to companies preparing to implement anti-corruption policies consistent with the UN Global Compact's 10th Principle.

Joining the Anti-Corruption Forum

For information on how to join the Forum, contact Neill Stansbury, Forum Co-ordinator, at neill.stansbury@transparency.org.uk

Information on the Anti-Corruption Forum

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