

### 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

### Japanese suicides linked to bid-rigging scandals

Seven men and four corporations were indicted in Japan during June 2007 in relation to alleged bid-rigging involving officials of the Agriculture, Forestry and Fisheries Ministry and the Japan Green Resources Agency (J-Green). J-Green allegedly awarded contracts to contractors that employed people through “amakudari” (literally “descent from heaven”, a process whereby government officials retire and are given lucrative key positions in industries they once oversaw). About 230 retirees from the ministry and J-Green were reportedly employed in the 12 corporations that won consulting contracts for planning forestry roads. J-Green allegedly gave guidance to bidders about tender prices, and contract award was allegedly often determined according to the size of political donation made. Four days after the former J-Green head and others were arrested, the agriculture minister, Toshikatsu Matsuoka, committed suicide. He had reportedly received political donations totalling Y13 million (\$130,000) from companies involved in corrupt tendering for work from J-Green. The next day, the former director of J-Green, Shinichi Yamazaki, also killed himself. He was allegedly seen as the architect of the bid-rigging system for J-Green contracts.

### Corrupt drugs chief executed in China

China’s former head of the State Food and Drug Administration, Zheng Xiaoyu, was executed in June 2007, six weeks after being convicted for corruption. This was the first death penalty imposed on a senior minister in seven years. He had been found guilty of taking 6.49 million yuan (US\$850,000) in bribes and dereliction of duty. The court said Zheng had “sought benefits” from eight pharmaceutical companies by approving their drugs and medical devices, and also that six types of medicines were fake, despite being approved by the administration when he was boss. Two of Zheng’s right-hand men in charge of licensing and drug and medical equipment were also involved. One has already been sentenced to 15 years in prison and the other is awaiting trial.

Separately, the ex-chief accountant of Lanzhou’s railway bureau has been sentenced to death for fraud, after losing billions of yuan of public funds in failed investments. Also, the former manager of the Agricultural Bank of China’s branch office in Taian, Shandong province, was given a two-year suspended death sentence for stealing 11.6 million yuan from a social security fund.

### 1,790 officials confess to corruption in China

1,790 officials confessed to corruption in China in June 2007. The officials were taking advantage of a month-long leniency offer. The officials confessed to corruption totaling 77.89m yuan (\$10.2m).

### UN section head convicted of corruption

Mr. Sanjaya Bahel, former head of the Commodity Purchasing Section of the United Nations, was convicted in June 2007 in a U.S. court of steering US\$100 million in U.N. contracts to Indian companies in exchange for cash and other gifts. The U.N.’s Procurement Task Force is reviewing 140 contracts worth US\$1 billion, for waste and fraud.

### US investigation into Al Yamamah contract

The US government has launched a criminal investigation into allegedly corrupt deals between BAE and Saudi Arabia. The US Department of Justice investigation will look at allegations that BAE paid more than £1bn to a Saudi prince in return for awarding the £43 billion al-Yamamah arms contract to BAE. The same deal was the subject of a large-scale corruption inquiry by the UK Serious Fraud Office which was abruptly halted in controversial circumstances last December. The alleged payments come under the jurisdiction of the US Department of Justice because the money allegedly went through a US bank.

## Special announcements

### Anti-Corruption Conference

The UK Anti-Corruption Forum is holding an anti-corruption conference in London on 2<sup>nd</sup> October 2007 entitled “Preventing Corruption in Infrastructure”. Details on page 4 (Forum News).

### Professional Standards Paper

The UK Anti-Corruption Forum has published a paper entitled “Corruption Prevention Should Have Equal Standing with Health and Safety”. Details on page 4 (Forum News).

**US authorities charge army officers with bribery in Iraq**

US authorities in August 2007 charged an army officer stationed in Baghdad with taking a \$50,000 bribe to help a company win military contracts. The FBI arrested Capt. Austin Key, 27, in New York on charges he solicited the bribe from a military contractor. Key is the fifth Army officer charged with bribery related to Iraq contracts this year. Two others have pleaded guilty to corruption charges. The largest case is against Major John Cockerham, who was indicted with his wife and sister on charges he took \$9.6 million in bribes from contractors in Kuwait. The bribery charge carries a maximum penalty of 15 years in prison and a \$250,000 fine.

**Eight jailed in Vietnam PMU 18 trial**

In early August The China Post reported that a court in Vietnam had jailed eight people at the centre of a scandal about missing development funds, illegal football betting and bribery. The case centred on Project Management Unit (PMU) 18, a transport ministry agency that builds roads and bridges with foreign aid loans. PMU 18 officials had allegedly embezzled money to finance lavish lifestyles and bet vast sums on European football matches.

The scandal, which first broke in late 2005, forced the former transport minister to resign and saw his deputy jailed, sparking a major anti-corruption drive by Prime Minister Nguyen Tan Dung. The trial was closed to foreign media, but it is reported that the Hanoi people's court sentenced Bui Tien Dung, the former head of the PMU 18, to 13 years' jail: six for illegal gambling and seven for bribery in his attempts to cover up the crime. Seven other state officials, ex-police officers and businessmen were jailed for three to seven years on gambling and bribery charges, while one received a suspended two-year term. The question of whether officials embezzled PMU 18 funds to finance their football bets, large homes and luxury cars, a charge levied in state media reports, is still subject to a separate police investigation.

Donors that have in the past channelled funds into PMU 18 include Japan, the European Union and the World Bank. Some World Bank projects have been co-financed by DFID. The World Bank has said that its own internal inquiry found evidence of irregularities but no evidence of fraud and corruption against PMU 18 officials in the projects the Bank had funded. Speaking in Hanoi a day before the trial verdicts were announced, World Bank president Robert Zoellick said: "...in the past we had some reports of possible corruption... We investigated it. We found problems but not specific corruption, and the government was very quick to try to act on it. The government wants to root out corruption because they realize corruption steals from the people... I think they very wisely understand that it undermines confidence in the government."

Irregularities identified in the Bank report include:

- Bidders on one contract submitting bid securities from the same bank with sequential security numbers;
- Issuance of completion certificates for bridges where work had barely started;
- Separate bid proposals with identical format, layout, font, spelling mistakes and punctuation errors; and
- Sloppy preparation of losing bids, suggesting that their only purpose was to create the illusion of competition.

Further details can be found at:

[http://siteresources.worldbank.org/INTVIETNAM/Resources/dir\\_pre\\_sentation\\_final\\_may07.pdf](http://siteresources.worldbank.org/INTVIETNAM/Resources/dir_pre_sentation_final_may07.pdf)

**Increase in Hong Kong corruption investigations**

The number and scope of corruption inquiries involving Hong Kong businesses is increasing. In the first five months of this year, the Independent Commission Against Corruption (ICAC) investigated 957 cases in the private sector, 18 per cent more than in the corresponding period last year. The ICAC said that during the past year, reports of corruption in the private sector made up 61 per cent of corruption cases, the highest proportion since the commission was set up in the 1970s. Last year, the ICAC's financial investigation section probed 8,200 financial transactions involving HK\$6.46 billion, while the computer forensics section completed 288 data analyses.

**Indonesia files civil suit against Suharto**

Indonesian prosecutors filed a civil suit against former president Suharto in July 2007, seeking US\$1.5 billion from him. He is accused of stealing US\$441 million from a foundation during his 32-year rule. The prosecution is also claiming US\$1.1 billion in damages. A criminal corruption case against Suharto began in 2000, accusing him of mis-using millions of dollars from charitable foundations in addition to the billions in state assets he is accused of siphoning off. The criminal charges were dropped last year after he was declared too ill to stand trial.

**Indonesian minister imprisoned for bribery**

In Indonesia, the former minister of maritime and fishery affairs was sentenced in July 2007 to seven years in prison, for collecting 11.4 billion rupiah (US\$1.26 million) in bribes from fishery offices. In his trial, the minister maintained that some of these funds had been distributed to political parties and candidates for the 2004 presidential election.

**Thailand seeks extradition from Britain of former PM**

Thailand's military government stated in August 2007 that it would seek the extradition from Britain of Thaksin Shinawatra, its former prime minister and the new owner of Manchester City Football Club. A court in Bangkok issued arrest warrants for Mr Thaksin and his wife Pojaman after they failed to appear at the opening of a trial where they face corruption charges.

**286,000 arrested in Bangladesh**

286,000 persons, including former ministers, lawmakers, political leaders and business tycoons, have been arrested in Bangladesh on charges of crime and corruption since the state of emergency was declared on 11 January 2007. Those charged include former prime minister Sheik Hasina Wajed, who is accused of extorting US\$435,000 from a businessman in relation to a power plant.

**Argentinean minister resigns after cash found in bathroom**

Argentinean economy minister, Felisa Miceli, resigned in July 2007 after US\$60,000 was allegedly found in her bathroom. She faces charges of corruption for failing to explain the presence of the money. Two other administration officials are also being investigated for allegedly taking bribes from an international contractor.

### **Corruption charges in Spanish property market**

Two former mayors of Marbella and 20 former town councillors were charged in Spain in July 2007 with bribery, graft, embezzlement and fraud in connection with a corruption scandal linked to Spain's property boom. 86 members of the Marbella elite, including lawyers, property developers and politicians, face prosecution. The alleged corruption includes bribes paid by builders to town councillors to rubber-stamp property developments, many in urban green zones. Prosecutors estimate that more than one million illegal building permits were provided.

### **Bribery indictments on Nigerian gas pipeline project**

Jason Steph, a former executive of Willbros Group Inc, a Houston-based company serving the oil, gas and power industries, was indicted in the USA in July 2007 on charges that he allegedly bribed Nigerian officials to obtain a major gas pipeline project. Steph is the second Willbros employee in the last year to have been accused of bribing Nigerian government officials in this alleged scheme. The indictment accuses Steph, two individuals acting in Nigeria as consultants to Willbros, Nigerian-based employees of a German engineering and construction company, and others, of making bribes totalling more than US\$6 million to Nigerian officials between 2003 and March 2005, to help obtain a major gas pipeline project known as the Eastern Gas Gathering System from a joint venture controlled by the Nigerian state oil company. Willbros and its German partner bid about \$387 million for the project. If convicted of all charges, Steph faces up to 20 years in prison and a fine of up to \$500,000 or twice the value of the funds involved in the transfer, whichever is greater.

In September 2006, former Willbros executive Jim Brown was indicted for violating the Foreign Corrupt Practices Act. He has pleaded guilty and is awaiting sentencing. Brown, who worked for Willbros International Inc. in Nigeria and South America, admitted that he and another company executive arranged for the payment of about \$1.5 million in cash in Nigeria in 2005 as part of a conspiracy to obtain gas pipeline construction business there.

### **World Bank Governance Indicators**

The World Bank publishes aggregate and individual governance indicators for 212 countries and territories over the period 1996–2006, for six dimensions of governance:

- Voice and Accountability;
- Political Stability and Absence of Violence;
- Government Effectiveness;
- Regulatory Quality;
- Rule of Law; and
- Control of Corruption.

Further details can be found at:

[http://info.worldbank.org/governance/wgi2007/sc\\_country.asp](http://info.worldbank.org/governance/wgi2007/sc_country.asp)

### **Global construction survey reveals fraud**

KPMG's Global Construction Survey 2007 has found that a fifth of all construction companies' clients claim to have fallen victim to fraud on recent projects. The firm found that 20% of clients – government agencies, private developers and retail groups – were aware of fraudulent activity as part of the delivery of recent projects.

Further details can be found at:

<http://www.kpmg.co.uk/master/pubs.cfm>

### **Project Anti-Corruption System**

The Project Anti-Corruption System (PACS) has been designed by Transparency International to assist in the prevention of corruption on construction projects. It uses a variety of measures that have an impact on all project phases, on all major participants, and at a number of contractual levels. PACS was published as a "Consultative Edition" in January 2007. After six months of international consultation, it has been modified to take account of stakeholder opinion, and was re-issued in July 2007 for further consultation as "Consultative Edition (2)".

A government, a public or a private sector project owner, or funder, may use PACS as follows.

- It can assess its existing project anti-corruption measures against the PACS Standards.
- It can modify its existing measures in accordance with the PACS Standards.
- It can use some or all of the PACS Templates, appropriately customised, in order to implement its anti-corruption measures.

The PACS Executive Summary, PACS Standards and PACS Templates can be downloaded free of charge from:

[www.transparency.org/tools/contracting/construction\\_projects/section\\_a\\_pacs](http://www.transparency.org/tools/contracting/construction_projects/section_a_pacs)

### **BRIBELine**

TRACE has launched BRIBELine, which is a secure and anonymous place to report bribe requests. BRIBELine's purpose is to collect information about the official or quasi-official entities – governments, international organisations, security forces, state-owned enterprises, etc. – around the world that solicit bribes. BRIBELine focuses on demand-side bribery only. It does not request or collect information about those who pay, or offer to pay, bribes, or collect or request any names. The information it collects will not be used to take legal or investigative action. Aggregate information will be made public to shine a spotlight on trouble spots so that they might be improved, and to allow companies to manage risk better.

Further details can be found at:

<https://www.bribeline.org/bribeline.jsp?langRequested=0>

## UK News

**Construction Sector Transparency Initiative (CoST)**

An international stakeholder meeting was held at DfID's offices in June to discuss the design and piloting of the DfID-led CoST Initiative. The design had been developed after consultations carried out with stakeholders in Ghana, Tanzania, Vietnam and the UK. The stakeholder meeting was attended by representatives from the above countries, and from Zambia, Vietnam and India.

Further details can be found at:

[http://www.dfid.gov.uk/News/files/pressreleases/construction\\_transparency.asp](http://www.dfid.gov.uk/News/files/pressreleases/construction_transparency.asp)

**CSR: FCO Strategy 2007-08**

The Foreign & Commonwealth Office of the UK Government has published a paper "Corporate Social Responsibility: An FCO Strategy 2007-08". One of the FCO's top ten aims is "the eradication of international bribery, corruption and extortion" (page 3 para iv).

The paper can be found at:

[www.fco.gov.uk/Files/KFile/CSR%20Strategy%202007-08%20\(2\).pdf](http://www.fco.gov.uk/Files/KFile/CSR%20Strategy%202007-08%20(2).pdf)

**Statement of Ethical Principles**

The Royal Academy of Engineering has issued a revised "Statement of Ethical Principles". The Statement establishes the standard which members of the engineering profession should adopt to regulate their working habits and relationships. The four fundamental principles specified by the Royal Academy are:

- Accuracy and veracity;
- Honesty and integrity;
- Respect for life, law and the public good; and
- Responsible leadership: listening and informing.

Under "honesty and integrity", engineers are required to:

- Avoid deceptive acts and take steps to prevent corrupt practices and professional misconduct;
- Declare conflicts of interest; and
- Reject bribery or improper influence.

Further details can be found at:

[www.raeng.org.uk/news/releases/pdf/RAE\\_Statement\\_of\\_Ethical\\_Principles.pdf](http://www.raeng.org.uk/news/releases/pdf/RAE_Statement_of_Ethical_Principles.pdf)

## Forum News

**Anti-Corruption Conference – 2<sup>nd</sup> October 2007**

The Forum is holding a major international anti-corruption conference in London on 2<sup>nd</sup> October 2007, entitled "Preventing Corruption in Infrastructure". The conference will focus on practical aspects of corruption prevention, and will include senior speakers from the UK and Tanzanian Governments, contractors, consultants, professional institutions, the Beijing and London Olympics, the World Bank and EU Commission. The conference is open to non-Forum members.

For details of the programme and registration form, see:

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

**New Forum Paper**

In August 2007, the Forum published a paper entitled "Corruption Prevention Should Have Equal Standing with Health and Safety". The paper recommends that the prevention of corruption, including any form of bribery, extortion, fraud or deception, should have equal standing with health and safety in the requirements for professional status, and in continuing professional development, for all professionals in the infrastructure, construction and engineering sectors. The paper lists a number of specific actions that the Anti-Corruption Forum intends to take, through its Professional Standards Working Group, to promote the implementation of this recommendation.

The paper can be found at:

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

**Thirteenth Meeting of the Forum**

The thirteenth meeting of the Forum was held on 17<sup>th</sup> July 2007. The activities of the working groups and other relevant issues were reviewed, and future actions were agreed.

**Meeting – Developing Countries Working Group**

Members of the Forum hosted 2 meetings in London in June 2007 with representatives from India, Vietnam, Tanzania, Ghana and Zambia. Participants discussed various ideas for co-operation on anti-corruption activities.

**Meeting – World Bank sanctions**

Members of the Forum attended a meeting in London in June at which the World Bank updated participants on the latest developments on the World Bank's sanctions, debarment and voluntary disclosure procedures.

**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](http://www.anticorruptionforum.org.uk)

Or contact Neill Stansbury, Forum Co-ordinator, at [coordinator@anticorruptionforum.org.uk](mailto:coordinator@anticorruptionforum.org.uk)

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