

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

Infrastructure Sector

China

Bridge collapse due to corruption

Sixty-four people were killed when a 42-metre-high stone bridge collapsed in Hunan province in 2007. A preliminary investigation has reported that local government officials allegedly took bribes and failed to halt shoddy construction work at the site. According to the report released by the State Administration of Work Safety and the Ministry of Supervision, the bridge contractor changed the original construction proposal and used inferior material, and officials who were responsible for monitoring the project had turned a blind eye to the defective work after receiving bribes. A criminal investigation is underway.

Egypt

Corruption blamed for Alexandria building collapse

Corruption amongst local government officials is being blamed for the collapse in December of a 12-storey residential building in Alexandria, Egypt, which has so far killed thirty-five people. The collapsed building was originally seven storeys high, but the owner is alleged to have added five additional storeys without a permit. A warrant has been issued for her arrest, and two contractors have already been arrested, along with a local council official. The tragedy has sparked public anger towards allegedly corrupt officials turning a blind eye to illegal construction.

Hong Kong

Corruption reports increase

Hong Kong's Independent Commission against Corruption (ICAC) received 3,278 complaints of corruption in Hong Kong during the first eleven months of 2007, an increase of 6 per cent over the same period the year before. Of these, 2,169 concerned the private sector, a rise of 15 per cent. Organised bribery involving architects, building maintenance companies and contractors is emerging as anti-graft officers investigate more complaints of corruption in building maintenance. There were 879 complaints against building management in the first eleven months of 2007, compared with 743 during the same period in 2006. The figure constituted 41 per cent of total complaints against the private sector. The number of cross-border corruption cases is also increasing. It was stated that more education will be given to owners' corporations, government departments and professional bodies to combat the problem.

Taiwan

Former VP, PM and Minister face corruption charges

Taiwanese prosecutors are seeking a 20-year gaol term against Vice Economics Minister Hou Ho-hsiung, who is accused of accepting bribes and peddling influence in several flood control construction projects. A number of construction contractors and government water policy officials have also been indicted in the same case. The charges against Hou are the latest in a series of corruption allegations against senior government figures, both past and present. In November, former premier Yu Shyi-kun appeared in court to face charges that he misused expense accounts, and a trial against Vice President Annette Lu on similar charges opened. Corruption charges in Taiwan carry a minimum sentence of seven years in prison.

Tanzania

PM and ministers resign over corruption scandal

Tanzania's president dissolved the cabinet in February after accepting the resignation of the prime minister and two cabinet ministers over a corruption scandal. It is alleged that the PM's office improperly awarded a contract to a US-based electricity company. A parliamentary inquiry, launched in November, found that the generators failed to arrive on time, and that when they did, they did not work as required. Despite these alleged failings, the government was contracted to pay the company \$140,000 a day. The inquiry alleges that the PM's office later influenced the government's decision to extend the company's contract despite advice to the contrary from the state-run energy company Tanesco.

Construction Sector Transparency Initiative

The Construction Sector Transparency Initiative (CoST), which is led by the UK's Department for International Development, is intended to reduce corruption and increase value for money on public sector construction projects by making more information available for public scrutiny. It brings together the essential players in public sector construction projects, including government ministries and agencies, funders, construction and engineering companies, business associations, professional institutions, and civil society. Working on the principle of "Get What You Pay For", it centres on disclosure of material project information to the public, and assessment of that information. Such information will include: the purpose and location of a project; its projected cost, programme and specification; any changes to the cost, programme and specification; the contractors involved in the project; and final project quality and cost. During 2007, consultation on the CoST proposals took place in the UK, Tanzania, Zambia, Vietnam and the Philippines. Steps are now being

taken to form an international secretariat, and to pilot the concept in several countries.

Tanzania Civil Engineering Contractors Association

The Tanzania Civil Engineering Contractors Association (TACECA) has received funds from the Business Environment Strengthening for Tanzania, Advocacy Component, to develop a system to enable them to monitor the effectiveness of anti-corruption initiatives in the construction sector. The intention is to use this information to lobby for improvements in these programmes and government policies. The aim is to influence changes in behaviour and specifically to reduce the incidence of corrupt practices in the sector. Assistance is being provided to TACECA to develop the monitoring approach, which should be implemented during 2008. For further information, contact Rachel Flanary (rachel.flanary@ittransport.co.uk).

Planning Rural Roads

The latest version of the Planning Rural Roads web-site includes an anti-corruption page. Since its original launch in 2000, the web-site has established itself as a significant source of guidance on all aspects of planning rural roads in developing countries. The inclusion of a page on corruption reflects a growing recognition that the socio-economic benefits of roads can be significantly undermined if corruption risks are not addressed from the outset.

<http://www.ruralroads.org/en/corruption.shtml>

UNESCO/SAICE/AEF Workshop

UNESCO, the South African Institution of Civil Engineers and the African Engineers Forum held a workshop in South Africa in November entitled "Engineering for Poverty Eradication and the Millennium Development Goals". Representatives attended from 15 African countries. A key part of the agenda concerned the need for effective anti-corruption mechanisms to be implemented on construction projects.

Global Activities

UN Anti-corruption conference

Over 1,000 people from more than a hundred countries, including government officials, business leaders, law enforcement personnel, journalists and civil society representatives, met in Bali, Indonesia, in January for a United Nations conference on curbing corruption. The five-day meeting of the Parties to the UN Convention against Corruption was opened by Indonesia's President Yudhoyono. The UN Convention came into force on 14 December 2005, and has so far been signed by 140 States and ratified by 107. Among other things, it requires countries to prevent corruption, make corruption a criminal offence, co-operate in stamping it out and return stolen assets. The Conference failed to achieve one of its major purposes, which was to agree on a programme for independent assessment of countries' progress in implementing the Convention. These actions will only be decided at the next Conference on the Convention in late 2009.

Global Corruption Barometer 2007

Transparency International published its Global Corruption Barometer 2007 in December. This reflects the findings of a public opinion survey that looks at perceptions and experience of corruption. Some 63,199 people in sixty countries and territories were interviewed for the survey between June and September 2007. The survey has been carried out on an annual basis since 2003 on behalf of TI by Gallup International Association as part of its Voice of the People Survey. Key findings in the survey are as follows.

- The poor are the most penalised by corruption, in both developed and developing countries.
- Approximately 1 in 10 people around the world had to pay a bribe in the past year.
- Reported bribery has increased in the Asia-Pacific region and in South East Europe.
- Political parties, parliament, the police, the judicial-legal system and registry or permit services are perceived as the most corrupt institutions.
- Half of those interviewed expect corruption to get worse.
- Half of those interviewed believe that their government's efforts to fight corruption are ineffective.

The survey can be found at:

http://www.transparency.org/policy_research/surveys_indices/gcb

Other Sectors

Australia

AWB executives face charges

The Australian Securities and Investments Commission (ASIC) is to bring civil charges against six former directors and executives of AWB (formerly the Australian Wheat Board). AWB, with a legislated monopoly for bulk exports of Australia's wheat, had been found guilty, by a 2006 royal commission, of paying \$A290 million in bribes to the Iraqi regime of Saddam Hussein. The commission recommended that ASIC and police investigate the possibility of civil and criminal proceedings against 12 directors and executives.

China

New anti-corruption website

China's National Bureau of Corruption Prevention (NBCP) founded a web-site in December, on which people can log reports of corruption. The web-site crashed hours after being launched due to the large number of visitors. The enthusiasm that greeted the launch of the website reflects the growing frustration felt by the general public towards corruption at government level, which has been accentuated by several high-profile corruption cases in the last five years. Many senior officials have been found guilty of serious corruption, including the former director of the National Bureau of Statistics, the former food and drug administration head, and former Party head of Shanghai. Last year, more than 90,000 officials were disciplined. The NBCP was established in September 2007.

China

Shanghai Formula One boss jailed for corruption

A sports magnate credited with bringing Formula One to China was jailed for four years in January for corruption. Yu Zhifei, ex-manager of the Shanghai International Circuit, was convicted of embezzling more than 1 million yuan (£69,500; \$137,500) during the late 1990s. The charges related to his time as head of Shanghai Shenhua Football Club. He is one of a number of the city's top officials arrested and expelled from the Communist Party for corruption. Between 2004 and 2006, Yu helped both to organise the country's first Grand Prix, and to develop Shanghai's Formula One racing track, which cost hundreds of millions of dollars.

India

Court orders probe into French submarine deal

An Indian court in December ordered police to complete a probe into charges that a bribe was allegedly paid in a US\$3 billion deal to buy Scorpene submarines from a French defence firm. The Delhi High Court told the Central Bureau of Investigation (CBI) to complete its inquiry within three months and report back to a two-

judge bench. The judges also told the CBI to press criminal charges if it could establish that an offence had been committed in the deal. Thales and the French government have denied the allegations.

Earlier this month, India said it was scrapping a US\$600 million deal to buy 197 military helicopters from the European Aeronautic Defence and Space Company after allegations of corruption in the bidding process. India banned middlemen in military deals following charges of bribery in a multi-billion-dollar artillery deal in the 1980s with Swedish firm Bofors.

Indonesia

Action to recover Suharto funds will target children

Indonesia's former President Suharto died in January. In 2006, state prosecutors accused the former army general of embezzling US \$600m, much of it allegedly channelled to his inner circle and family. However, in 2006 judges ruled that he was too ill to stand trial. After his death, an Indonesian court stated that a civil lawsuit against him to recover allegedly embezzled funds will now target his children, who are alleged to have received the funds.

Japan

Former minister arrested on bribery charge

Prosecutors arrested former Administrative Vice Defence Minister Takemasa Moriya in November, on suspicion of taking bribes from a former senior managing director of defence contractor Yamada Corp. Prosecutors also arrested Moriya's wife as an accomplice. The investigators allege that both were treated to golf outings worth 3.89 million yen in total, knowing that the entertainment provided was intended to gain favourable treatment for the company in the disbursement of defence equipment procurement contracts. The amount of expenses for the golf trips go beyond a range that society would deem acceptable, the prosecutors judged. Moriya apparently played golf and was otherwise entertained on more than 300 occasions over the past eleven years. Prosecutors alleged that Moriya's wife was an accomplice, as she must have recognised the golf outings as bribes to her husband. Moriya allegedly also received a total of 4 million yen in cash over several occasions in 2004 and 2006, when he was administrative vice defence minister. Investigators have also allegedly found that Tokyo-based Yamada and its U.S. division, Yamada International Corp., amassed slush funds over many years.

Korea

Mayor arrested on charges of vote buying

The Mayor of Cheongdo, Korea, was arrested on charges of vote buying in January. Twenty-one of his campaigners were also detained over alleged illegal electioneering, and two residents have committed suicide over their implication. According to police, the Mayor spent 600 million won (\$638,000) on vote buying. His campaigners allegedly distributed between 50,000 won and 100,000 won to each voter.

Korea

Samsung faces corruption investigation

Prosecutors raided the houses of Samsung Group's chairman and a number of key executives in January, as part of a high-profile probe into the nation's biggest conglomerate. Samsung is accused of bribery and an illegal ownership transfer. The chairman and the executives were banned from leaving the country. The probe allegedly extends to outgoing President Roh Moo-hyun, whose election camp officials are accused of taking congratulatory money from Samsung just after his election in late 2002. Another key allegation involves the ownership transfer of Everland, Samsung's de facto holding company, from the chairman to his heir and son.

The probe came after a lawyer who worked at Samsung from 1997 to 2004 blew the whistle in November, claiming that he took part in creating over 7 trillion won (\$US7.5 billion) in slush funds for Samsung. With fifty-eight affiliates in its group – including Samsung Electronics Co., the world's biggest memory chip maker, and Samsung Heavy Industries, the world's No. 2 shipbuilder – Samsung accounts for nearly a quarter of South Korea's exports and gross national product.

Norway

Police probe army chiefs and suppliers for corruption

Norwegian police commenced investigations in December, into alleged corruption involving more than ten top military officers and army contractors. Police have searched the suspects' homes and offices. The alleged corruption centres around sponsored trips and other favours in connection with contracts for computer material supplies.

Singapore

Driver jailed for visa bribery

A lorry driver who bribed a policeman to get illegal special pass extensions in Singapore for fifty-three China and Vietnamese women was jailed for 18 months in December. The driver also admitted to receiving bribes totalling \$5,440 from seven of the women in return for getting them the extensions from the Immigration and Checkpoints Authority (ICA).

South Africa

Police Chief charged with corruption

South Africa's police commissioner, Jackie Selebi, was charged in February with accepting bribes worth US\$160,000 and "defeating the course of justice". The allegations concern Mr. Selebi's relationship with Glen Agliotti, a convicted drug smuggler, who is charged also with the murder of a prominent mining magnate, Brett Kebble, who was gunned down in a Russian mafia-style hit in 2005. The National Prosecuting Authority (NPA) has alleged that Mr Agliotti paid bribes and gifts to the police commissioner in exchange for turning a blind eye to drugs trafficking.

USA

Couple arrested for paying bribes to Thai tourism official

A Los Angeles film executive and his wife were arrested in the USA in December on charges of paying US\$1.7 million in bribes to a Thai tourism official for the rights to run the Bangkok International Film Festival.

USA

Prosecutions of foreign bribery increase

US Federal prosecutors are expanding their enforcement of laws against bribing foreign officials, targeting both US and non-US companies. The Justice Department filed a record fourteen overseas-bribery cases in 2007 – more than in the previous two years combined – and has 77 investigations under way, according to the Federal Bureau of Investigation, which has created a new unit to handle the mounting workload. The initiative relies on the 1977 Foreign Corrupt Practices Act, which until recently was used infrequently to conduct prosecutions. The law lets the US government assert jurisdiction over a foreign-based company whose shares trade in US markets or if any suspected fraud occurred in the United States.

USA**Government pays \$2 billion in whistle-blower rewards**

The US government has paid over \$2 billion in rewards to citizens for reporting fraud. The average whistleblower reward was \$1.5 million. The largest reward exceeded \$100 million. In 2007, the US government spent more than \$2.5 trillion dollars. Under many of its programmes it is losing 10% to corporate fraud, with the total amount of fraud exceeding \$150 billion each year. In response, Congress authorised the Department of Justice to create the Whistleblower Reward Program and pay up to 25% of what it collects against cheating companies as rewards to private citizens who report fraud. Without the help of whistleblowers, the government catches only 1% of corporations who defraud more than

twenty government agencies, such as the military, the post office, Medicare, and Homeland Security. Under the reward programme, the Department of Justice has already recovered \$12.5 billion.

Whistleblowers are now responsible for half of all recoveries for fraud against the government. There is no limit to the amount of rewards paid and there is no cap to the dollar amount paid to an individual. The reward is a formula based on the size of the fraud case you report. Recently, the US Internal Revenue Service adopted its own whistleblower reward programme. It hopes to be able to start paying billions of dollars in rewards because it estimates that companies are evading taxes by over \$300 billion each year.

UK News

OFT investigates bid rigging in UK construction sector

The UK Office of Fair Trading (OFT) is currently investigating 3,000 contracts worth £3 billion in the UK construction sector. Thirty-eight firms have already confessed to bid rigging in an attempt to get their OFT fines reduced under the mitigatory measures offered by the OFT in return for co-operation. A number of other contractors have also admitted guilt under new “fast track” rules which will lead to a 25 per cent reduction in future fines. The OFT has focused on finding examples of cover pricing, where firms submit a price which is not intended to win the contract, but which gives the impression of competition in the market.

The investigations have looked at contracts up to December 2006. Fifty-seven construction companies have received dawn raids from the OFT, with a further forty-five also questioned. The individual contracts range in value from £30,000 to £25 million. The OFT has accessed deleted emails and documents to assist in their investigation which is now nearly complete. Once the OFT has completed its findings, it will send out a “Statement of Objections” to firms. Firms will then present their case to the OFT, with some prosecutions expected in 2009. Companies can challenge the decision with the Competition Appeals Tribunal. Fines can be up to 10 per cent of turnover, and individuals can face up to five years’ imprisonment.

CIOB seminar on cartels

The Chartered Institute of Building and law firm Berwin Leighton Paisner held a seminar in November 2007 on cartels in the UK construction industry. The seminar examined the UK law on cartels, the progress being made by the OFT in investigations (see article above), and the implications for the UK construction industry. UK local authorities appear to be the main victims of cartels. The CIOB seminar can be viewed online at:

<http://www.multichanneltv.com/ciob/>

UK overseas bribery investigations increase

The UK Serious Fraud Office (SFO) is currently undertaking nineteen investigations into alleged bribery by UK companies working overseas. One case has been referred to the Attorney General for a decision on whether to prosecute. The number of reports submitted to the SFO about alleged corruption increased appreciably during 2007. In addition to investigations by the SFO, the Economic Crime Unit of the City of London Police (formed last year) is investigating twenty-one cases of alleged overseas bribery. On nine of these cases, it is co-operating with the SFO.

UK political funding and expense scandals

The police and a parliamentary committee are investigating several cases of alleged funding and expense abuse involving UK politicians. Cases of funding abuse centre on allegations that funds were paid to MPs without being disclosed, or without the proper source being disclosed. Expense abuse claims centre on the alleged use by MPs of their expenses allowance to pay family members for work which they may not have carried out, or for which they may not have been qualified. These scandals follow on from the “Loans for Honours” scandal in 2006-2007, which led to a police investigation and several arrests, but which did not lead to any prosecution being brought.

Corruption Investigation course

The UK Ministry of Defence Police has developed a two-day corruption investigation course. Following its successful delivery, it is being extended to a three-day course in partnership with Greater Manchester Police. This is one of a number of fraud-related training courses which are co-ordinated by the ACPO National Working Group on Fraud Training. The corruption investigation course is intended to offer investigators the opportunity to develop their knowledge of corruption and its impact on the global community. It equips the investigator with the tools to undertake corruption investigations in the UK and gain evidence from overseas jurisdictions. The syllabus for the course covers both theoretical and practical aspects of corruption investigation. The course is thematic concerning allegations of bribery by a UK National of an overseas official and examines the practicalities of such an investigation. The course is delivered at both the MDP Agency Training College near Braintree in Essex and in partnership with GMP at Sedgley Park in Manchester. The next course is on 2nd to 4th June 2008 in Manchester. For further information contact:

Detective Sgt. Mike Betts at michael.betts546@mdpga.mod.uk; or
Detective Sgt. Martin Baldwin at martin.baldwin@gmp.pnn.police.uk

KPMG Corruption Survey 2007

KPMG has published its “Overseas Bribery and Corruption Survey 2007”. This survey examines the awareness of the UK Anti-Terrorism Crime and Security Act 2001 and US Foreign Corrupt Practices Act 1977, and the impact of these regulations on companies operating in multiple jurisdictions. The survey finds that a significant number of businesses lack adequate knowledge of the UK and US anti-bribery laws. It summarises the relevant UK and US laws, and provides advice on implementing a compliance programme. The survey can be found at:

www.kpmg.co.uk/pubs/?PubID=2286&m1=1

Membership of the UK Anti-Corruption Forum

The membership of the Forum continues to expand and to broaden in its scope. The Forum is not a legal entity, but is an informal alliance between its members. There are no legal obligations or liabilities, but membership means endorsing the Forum's principal objective, "*to create a business environment that is free from corruption, giving rise to fair competition*". Becoming a member does not mean that the member agrees with every statement or publication issued by the 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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