

### 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

### Forum launches its web-site

The Forum has launched its web-site:

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

This provides a valuable resource for Forum members, and for other organisations and individuals interested in preventing corruption in the domestic and international infrastructure, construction and engineering sectors.

The web-site provides information on:

- the Forum's objectives, activities and membership;
- how to join the Forum;
- anti-corruption initiatives, tools, reports and indices; and
- anti-corruption training.

### Tenth meeting of the Forum

The tenth meeting of the Forum was held on 3<sup>rd</sup> October 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

The EU Commission has sent a questionnaire to member states asking how they are implementing the exclusion provisions in the Procurement Directives. The Forum has not yet been informed of the responses. The Forum intends to continue to co-operate with OGC and the EU Commission with the aim of achieving fair and uniform exclusion procedures across the EU.

#### 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 continues to receive, respond to and monitor approaches from individuals and associations in developing countries with an interest in establishing their own anti-corruption forums.
- b) The Forum has distributed a draft advisory pack to interested parties in Tanzania and Bhutan.
- c) The Forum is in discussion with DFID in relation to the possibility of support to emerging national anti-corruption forums where strong sustained domestic interest has been demonstrated.
- d) The Forum has agreed to a request by the Institution of Engineers of Tanzania to make a presentation on corruption issues at an International Conference on the Role of Engineering in Poverty Reduction, to be held in Arusha in early December.

#### 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) Representatives of the working group met with FCO on 6<sup>th</sup> September to discuss what types of anti-corruption support FCO could give to UK companies working overseas, what guidance could be issued, and how the Forum and FCO could co-operate in this regard.
- b) The Forum is developing a guidance document.

#### 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") 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, over the last six months, participated in a consultation process in relation to DFID's COST Initiative. DFID has adopted amendments recommended by the Forum with the significant result that the COST Initiative will now have project-wide application, rather than being restricted to the procurement phase.
- b) The purpose of the consultation process was to assist DFID in setting the broad parameters for the COST Initiative with a view to the preparation by DFID of Terms of Reference for its initial design. In its submissions to DFID, the Forum emphasised the importance of ensuring that any transparency initiative should extend across all phases of a project, namely, financing, procurement and execution. To this end, the Forum recommended specific amendments to the draft DFID Terms of Reference. The Terms of Reference in final form were issued by DFID in November and included the amendments proposed by the Forum.
- c) The result is that the COST Initiative will now seek, in its first stage, to obtain transparency of payments between funders, governments and contractors in relation to project financial arrangements (defined as including loan agreements, guarantees, contracts for the provision of goods and services, variations, contract claims, and final accounts). The COST Initiative will, therefore, apply throughout financing, procurement and execution phases.
- d) This is the first stage of the COST Initiative. DFID has indicated that the scope of the COST Initiative may eventually be expanded. The Forum has represented to DFID that there are other important aspects which should be covered in subsequent stages, and that the Forum would be willing to work with DFID in this regard.
- e) The result of this consultation is a demonstration of how government, industry and civil society can successfully work together.

**5. Multi-lateral 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 has reviewed the extent to which education, training and professional development bodies leading to Corporate status cover ethical professional conduct and the prevention of corruption. It was felt that it would be unproductive to pursue a greater emphasis on ethical conduct in university or other higher education curricula, in view of the existing pressures, and that the Group should focus on post-graduate training leading to Corporate status. Most professional bodies require a degree of awareness of professional ethics and the body's own code of conduct, but this is generally far subordinate to technical requirements or health and safety. It was felt that ethical conduct, including the prevention of corruption, should have equal ranking with health and safety in the requirements for Corporate status and in continuing professional development, and should apply to all grades of membership, especially Fellows. To begin to achieve this, the Group is to open dialogue with professional bodies on the way they handle ethical conduct and the prevention of corruption.

**Meeting between Hilary Benn and the Forum**

On 6<sup>th</sup> September 2006, representatives of the Forum met Hilary Benn in his new capacity as anti-corruption "czar", with responsibility for co-ordinating the UK Government's anti-corruption policies. This meeting with the Forum was the first meeting which Mr. Benn had held with any party in his new capacity. The Forum was represented by a nine-strong delegation drawn from the whole cross section of the Forum's membership, namely business associations, professional institutions, consulting engineering firms, contractors and NGOs. The Forum explained to Mr. Benn its objectives, concerns and activities. Mr. Benn outlined the UK Government's commitment and intentions in the fight against corruption. It was agreed that the UK Government and the Forum should work closely together.

**UK News**

**Olympic Delivery Authority's Draft Procurement Policy**

The Olympic Delivery Authority ("ODA") is consulting on a draft Procurement Policy for the London 2012 Olympics. The Forum believes that the anti-corruption measures contained in the Procurement Policy do not adequately deal with the risk of corruption on the Olympic project. The Forum therefore in October made a submission in the consultation which contained a number of detailed anti-corruption recommendations, and which offered to participate in a working-group that would work with and advise the ODA in its preparation, development and implementation of anti-corruption measures.

**CIOB corruption survey**

The Chartered Institute of Building published a survey in October, of corruption in the UK construction industry. It shows a significant level of corruption. It also shows a significant difference in perception between participants in the industry as to what practices are actually corrupt.

The survey asked over 1,400 construction professionals what type of corrupt practice was most commonly found, and examined attitudes of how corrupt they deemed a variety of practices to be. The study

also looked at the areas in which respondents felt that corrupt practice was most likely to occur.

The survey revealed that 51% of UK construction professionals felt that corruption is commonplace within the UK construction industry. 76% of respondents regarded the employment of illegal workers as widespread in UK construction. 60% felt that fraud within the industry was prevalent. 41% had been personally offered a bribe.

The survey can be obtained from the following link:  
<http://www.ciob.org.uk/resources/research>

### **WEDC Training Course**

The Commonwealth Secretariat and Loughborough University's Water, Engineering and Development Centre (WEDC) held a 5 day course in September for 25 government officials from 20 developing countries on "Combating Corruption in the Delivery of Infrastructure Services".

### **World Bank Voluntary Disclosure Programme**

On 16<sup>th</sup> October British Expertise hosted a well-attended lunchtime meeting in London at which Pascale Dubois from the World Bank described, then responded to questions about, the Bank's Voluntary

Disclosure Programme. Details of this programme, described in ACF Newsletter 3, can be found at:

<http://www.worldbank.org/vdp>

### **DFID lunchtime meeting**

On 14<sup>th</sup> November representatives of two Forum member companies led a lunchtime meeting on the theme of corruption, at the DFID offices in a developing country. The well-attended meeting generated valuable discussion about practical challenges associated with first identifying and then curbing corruption. It was later suggested by a donor representative that in the course of their international travels Forum members could offer to lead or facilitate similar short lunchtime meetings where donor interest exists.

### **Launch of Anti-Corruption Film**

At the start of Responsible Business Month, Hilary Benn and Ian McCartney launched an FCO-produced anti-corruption film, 'Crimes of the Establishment'. The film aims to raise awareness of the systemic challenge which corruption presents to good governance and sustainable development, especially in poorer parts of the world. It also aims to counter the assumption that corruption is culturally hard-wired in certain societies, and therefore cannot be fought.

---

## **Overseas News**

---

### **World Bank Consultation on Governance and Anti-Corruption Work Plan**

The World Bank is launching the next phase of external consultations on the strengthening of its governance and anti-corruption work.

The consultations, based on the Development Committee paper and a new work plan, will take place over the coming months, and the findings will be reflected in a progress report to be sent to the Bank's Board before the Spring Meetings in 2007. Key stakeholders—among them government, the private sector, and civil society organisations—will be asked to review and provide feedback on the Development Committee paper.

The key questions being asked by the World Bank in this consultation are as follows:

1. Engagement Strategy: What should the Bank do in countries with weak governance and severe corruption, where government leadership is not consistent in tackling these problems? In such circumstances, how should the Bank remain engaged to help reduce poverty? Are there circumstances under which the Bank should restrict or stop lending? How can the Bank ensure consistent treatment?
2. A Multi-stakeholder Approach: While government is the key counterpart of the Bank, how can the World Bank Group better engage non-governmental stakeholders, including civil society, media, and the private sector?
3. Mitigating Fiduciary Risk: How can the Bank ensure that its grant and loan proceeds are used for their intended purposes, while helping countries build their own systems and capacity?
4. Global Collective Action: Should donors have a more common approach? How can mixed signals by donors be avoided? How can the role be addressed of multi-nationals from industrialised countries in corruption?
5. Tracking Change: How should progress be monitored?

### **ADB launches new anti-corruption plan for aid to Asia**

All contracts awarded by the Asian Development Bank are to be made public as part of a new anti-corruption plan announced by the ADB in August.

Under the plan, borrowers will be required to make public all contract awards, and to publish on the ADB's website contracts worth more than US\$1 million. The move is part of an anti-corruption review carried out by the bank. Facilities to report allegations of fraud and corruption will also be improved. The new anti-corruption plan will focus on improving assessments of the risks that corruption and poor governance pose to a country's economic and social development, and ensuring that such risks are taken into account when aid projects are designed.

Earlier this year, the ADB said that fighting corruption would be one of its key priorities in aid programmes. Last year, it banned 40 firms and 33 individuals from working for it due to corruption.

### **Water Integrity Network (WIN) established to fight water sector corruption**

Water experts and businesses have teamed up to fight corruption which siphons off billions of dollars from projects to supply drinking water to developing countries. The Water Integrity Network (WIN) was launched in August at a meeting of 1,000 water experts in Stockholm.

About 1.2 billion people, 20 percent of the world's population, do not have access to clean water. The World Bank estimates that 20 to 40 percent of water sector finances are lost to corruption. That would mean a projected loss of about \$20 billion from needed investments in sub-Saharan Africa over the coming decade. One study in India found that 41 percent of customers had made a small payment in the past 6 months to falsify a meter reading to cut bills.

WIN will seek legal and financial reforms to allow greater competition and insight into contracts, and will try to inform the public about how corruption is sapping investments. The network is open to all.

### **WFEO forms Anti-Corruption Task Group**

The World Federation of Engineering Organisations (WFEO) has formed an Anti-Corruption Task Group which held its inaugural meeting in Chicago in October. The Task Group has 20 members from 15 countries in America, Asia, Africa and Europe. The task group has agreed:

- To create an Editorial Sub-group to maintain the anti-corruption section of the WFEO e-Newsletter.
- To update the Code of Ethics of WFEO in order to take the anti-corruption issue into consideration.
- To support the World Bank in its anti-corruption actions.

WFEO represents engineering associations from over 90 countries, which in turn represent 8 million engineers.

### **Pan-American Academy of Engineering anti-corruption declaration**

The Pan-American Academy of Engineering issued a declaration in September which called on engineers to:

- “Act with determination to prevent, dissuade, and in necessary cases to denounce acts of bribery, extortion, fraud, and/or any other form of corruption.
- Work to adopt within their countries, a Code of Ethics prepared with the concept of zero-tolerance for bribery and corruption, and to support the Inter-American Convention against Corruption.
- Acknowledge and act on reports of unethical behaviour and practices of individuals and members of business entities.
- Reject unethical acts by governments and their agents that force engineering firms and their officers to act contrary to the engineering code of ethics.”

### **Inter-American Development Bank Conference**

The IADB conference in Guatemala in November was attended by over 200 delegates from Government and business, mainly from the Americas.

Considerable major infrastructure developments are planned in Central America. Particularly large projects are:

- a) Panama Canal Extension (US\$ 6 billion).
- b) Central American Refinery (US\$ 6 billion).
- c) Central American Telecommunications Highway.

The President of the Inter-American Development Bank, Luis Alberto Moreno, acknowledged that corruption in infrastructure was a major problem in the region, and needed to be defeated. He called for the use of anti-corruption agreements, full transparency on projects and independent monitoring.

The representative of the Panama Canal Company stated that the project would be executed with full transparency.

### **International Anti-Corruption Conference**

The IACC conference in Guatemala in November was attended by over 1,000 delegates from government, business and civil society from around the world.

At the conference, the Presidents of Guatemala, Honduras, Nicaragua, El Salvador, Costa Rica and Panama signed the “Declaration of Guatemala for a Region Free of Corruption”.

The IACC Declaration agreed at the end of the Conference contained the following paragraph in relation to the private sector:

*Private Sector: Delegates emphasized the need for businesses adopting voluntary anti-bribery policies to implement detailed anti-corruption systems, and to move toward independent verification processes, to enhance the credibility of the systems. Such verified systems will reassure banks and business partners of the enterprise’s integrity. The IACC called on the parties to major infrastructure projects to implement effective anti-corruption systems. They must include full transparency and expert independent monitoring involving civil society throughout the project cycle. Major businesses, including financial services firms, should create incentives throughout their supply chain and lending policies for small and medium enterprises that adopt integrity standards. The conference also called for greater efforts to clean up corruption in businesses and associations engaged in sports. The OECD structure of “National Contact Points” provides a mechanism for civil society to report on business behavior.”*

### **Bribe Payers’ Index**

TI published its Bribe Payers' Index 2006 in October. The BPI looks at the perceived propensity of companies from the 30 leading exporting countries to bribe abroad, and ranks them on a table. Companies from Switzerland, Sweden and Australia are perceived to be least likely to bribe. Companies from Russia, China and India are perceived to be most likely to bribe. Companies from the UK are perceived as the 6<sup>th</sup> least likely to bribe. The index can be obtained on the following link:

[http://www.transparency.org/news\\_room/in\\_focus/2006/bpi\\_2006](http://www.transparency.org/news_room/in_focus/2006/bpi_2006)

### **Corruption Perceptions Index**

In November, TI published its Corruption Perceptions Index 2006. The CPI measures the perceived level of corruption in 163 countries. Finland, Iceland and New Zealand are perceived as the least corrupt, with a score of 9.6 out of 10. The UK is perceived as the 11th least corrupt, with a score of 8.6 out of 10. Haiti is perceived as the most corrupt with a score of 1.8 out of 10. The index can be obtained on the following link:

[http://www.transparency.org/news\\_room/in\\_focus/cpi\\_2006/cpi\\_table](http://www.transparency.org/news_room/in_focus/cpi_2006/cpi_table)

### **Business Anti-Corruption Portal**

The Business Anti-Corruption Portal has been launched in Denmark by the Global Advice Network co-funded by the Danish International Development Agency (Danida). The purpose of this portal is to support small and medium sized enterprises (SMEs) in avoiding and fighting corruption and creating a better business environment. As small and medium sized companies typically possess fewer resources than larger companies, these tools have been developed to support them in fighting corruption.

The following information and tools are available on the portal:

- **About Corruption:** Definitions, interpretations and references to international and national legislation and initiatives relevant to businesses.
- **Integrity Systems:** A model Code of Conduct.
- **Examples of key procedures:** A guidance question list serving as a basis for a risk analysis, and a model risk assessment tool.

- **Due diligence tools:** Related to seeking and vetting an agent or a consultant, setting up a joint venture and implementing a project.
- **Country profiles:** Detailed information of strategic importance for businesses. This is presented as a business intelligence system which contains a short introduction to corruption and anti-corruption experiences in the country in question.
- **Information networks:** Contact information for local help.
- **Links:** to relevant documents and websites for further reference.

The link to the Portal is  
<http://www.business-anti-corruption.com>

**World Bank debars Lahmeyer International for corrupt activities in relation to the Lesotho Highlands Water Project**

The World Bank has declared Lahmeyer International GmbH, a German company, ineligible to be awarded Bank-financed contracts for a period of seven years, because of corrupt activities in connection with the Lesotho Highlands Water Project (LHWP). This period may be reduced by four years if the Bank determines that Lahmeyer has met specific compliance conditions and fully co-operated with the Bank in disclosing past sanctionable misconduct.

The World Bank's Sanctions Committee found that Lahmeyer engaged in corrupt activities by bribing the Lesotho Highlands Development Authority's Chief Executive, Mr. Masupha Sole, the government official responsible for contract award and implementation under the LHWP, in violation of the Bank's procurement guidelines. In July 2004, the World Bank debarred Acres International, another firm convicted of paying bribes under the LHWP, for a period of three years. Two other European firms were also convicted in Lesotho in relation to the LHWP, although they were not involved in the Bank-financed portions of the project.

The case is a re-opening of 2001 debarment proceedings against Lahmeyer in relation to the LHWP. The Government of Lesotho announced criminal indictments of Lahmeyer and Mr. Sole in 1999. Following the announcement of the indictments, the World Bank's Department of Institutional Integrity initiated an investigation into whether Lahmeyer had engaged in corrupt practices in relation to its contracts with the Bank. In October 2001, the Sanctions Committee found that the evidence was not sufficient to make a determination, and said that it would re-examine its findings in light of any additional relevant information. In 2002 and 2003, the High Court of Lesotho convicted Mr. Sole and Lahmeyer of bribery. The Court of Appeal of Lesotho affirmed Mr. Sole's conviction in April 2003, and Lahmeyer's conviction on six of seven counts in April 2004. In light of the information obtained from these decisions, the World Bank re-opened debarment proceedings against Lahmeyer in August 2005.

The LHWP is a multi-billion dollar water transfer and hydropower project implemented by governments of Lesotho and South Africa. The project is designed principally to transfer water from the Maluti Mountains in eastern and central Lesotho to the Gauteng Province of South Africa. In connection with the LHWP, Lahmeyer was found to have arranged bribery payments to Mr. Sole. Lahmeyer received two World Bank contracts pertaining to the water transfer component that related to detailed design work, construction supervision, project studies and technical assistance in connection with the Water Delivery Tunnel South and the Mohale Tunnel.

In making its recommendation to World Bank President Paul Wolfowitz, the Committee took into account several factors, including Lahmeyer's lack of co-operation with respect to the World Bank's investigation, as well as Lahmeyer's payment of a criminal fine in Lesotho and its co-operation with the Lesotho authorities.

Accordingly, the Bank decided to allow for a possible four-year reduction in the debarment period if Lahmeyer puts in place a satisfactory corporate compliance and ethics programme, and co-operates fully with the Bank in disclosing any past misconduct, including through a review of its Bank-financed contracts.

For more information on the World Bank's anti-corruption policies and activities, see:

<http://www.worldbank.org/anticorruption>

**Bitumen cartel operators fined €266 million by EU Commission**

On 13<sup>th</sup> September 2006 the European Commission announced that it had fined 14 companies a total of €266.717 million for their participation in a cartel to fix prices of road bitumen, which is used to make asphalt. Of the 14 companies fined, 8 were suppliers of bitumen and 6 were purchasers (construction companies). The cartel operated by fixing the gross price of all road bitumen sold in the Netherlands, while also agreeing uniform minimum rebates for the construction companies which were cartel members, and smaller maximum rebates for all other road builders.

The cartel operated from at least 1994 to 2002. The Commission's investigation was triggered by a cartel member blowing the whistle on the cartel and applying for lenient treatment. For two of the cartellists, the Commission increased the fines imposed, as the companies had instigated and led the cartel. In addition, one of these two had its fine further increased for having tried to obstruct the Commission's investigation. The Commission noted that the company twice refused to allow Commission inspectors to gain access to its premises "forcing the Commission to invoke the aid of the Dutch Competition Authority and Dutch police".

**Launch of UN Global Compact website**

On 6<sup>th</sup> December, the UK network of members of the UN Global Compact, which includes the principle that *businesses should work against corruption in all its forms, including extortion and bribery*, launches its website:

[www.unglobalcompact.org](http://www.unglobalcompact.org)

Don't forget **International Anti-Corruption Day:**  
Saturday 9<sup>th</sup> December!

**Joining the 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 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

[neill.stansbury@transparency.org.uk](mailto:neill.stansbury@transparency.org.uk)

**Editorial Panel**

Editor: John Howell  
Hamish Goldie-Scot  
Tom Osorio  
Neill Stansbury  
Andy Walker

For comments on this Newsletter, or contributions and suggestions for future editions, please contact John Howell at [Living\\_Resources@compuserve.com](mailto:Living_Resources@compuserve.com)

The next edition is due in February 2007.