

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

EBRD debars Lahmeyer

The European Bank for Reconstruction and Development has debarred Lahmeyer International from EBRD projects until it has implemented an anti-corruption programme satisfactory to the EBRD. The reason for the debarment by EBRD was the debarment of Lahmeyer by the World Bank. In November 2006 the World Bank debarred Lahmeyer as a result of its finding that Lahmeyer had engaged in corrupt practices between 1991 and 1997 in the World Bank-financed contracts for the Lesotho Highland Water Project. This is the first case of cross debarment between MDBs.

IDB releases list of sanctioned firms and individuals

The Inter-American Development Bank (IDB) has posted on its website the list of firms and individuals that were found by the Bank's Sanctions Committee to have engaged in fraudulent or corrupt practices in violation of the Bank's anti-corruption policies. Those listed are ineligible to be awarded an IDB-financed contract for the time specified.

<http://www.iadb.org/integrity/SanctionList.cfm?language=English>

Baker Hughes subsidiary fined \$44 million for bribery

Baker Hughes Services International Inc., a subsidiary of Baker Hughes Inc, the oil field contractor, agreed in the USA in April 2007 to pay \$44 million in fines and penalties for allegedly bribing officials within Kazakhstan's national oil company, in order to obtain a contract. The fines and penalties are the largest in such a case. The employees and commercial agents thought to be involved in the case have been terminated.

As part of the agreement, Baker Hughes will pay a criminal fine of \$11 million, serve a three-year term of organisational probation and adopt a comprehensive anti-bribery compliance programme. In addition, Baker Hughes settled a related suit by the Securities and Exchange Commission, alleging civil violations of the anti-bribery law by agreeing to pay some \$23 million in restitution plus interest, and a \$10 million fine for allegedly violating the SEC's 2001 cease-and-desist order in connection with the matter.

Employees of Japanese contractors admit bid-rigging

In March 2007, six defendants admitted rigging bids on prefectural public works projects in Japan. They included a former Wakayama prefectural government treasurer, a former golf course operator; and former advisers, executives or employees of major contractors Obayashi Corp., Hazama Corp., Tokyu Construction Co. and Kumagai Gumi Co. The bid rigging allegedly took place on two tunnel construction projects, and a sewerage construction project.

Wolfsberg Group issues Statement against Corruption

In March 2007, the Wolfsberg Group issued its "Statement against Corruption". This was prepared in association with Transparency International and the Basel Institute on Governance. The Statement against Corruption identifies some of the measures financial institutions may consider in order to prevent corruption in their own operations and protect themselves against the misuse of their operations in relation to corruption. The members of the Wolfsberg Group have expressed their opposition to all forms of corruption and their commitment to abide by laws designed to fight corruption. The Wolfsberg Group members support a publicly led multi-stakeholder approach to preventing corruption.

The Wolfsberg Group is an association of twelve global banks, which aims to develop industry standards in financial services. It comprises ABN AMRO, Banco Santander, Bank of Tokyo-Mitsubishi-UFJ, Barclays, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan Chase, Societe Generale and UBS.

www.wolfsberg-principles.com

Special announcements

Debarment Discussion Paper

The UK Anti-Corruption Forum has published a discussion paper entitled "Fair and Efficient Debarment Procedures". Details on page 4 (Forum News)

Anti-Corruption Training Manual

Transparency International (UK) has published an Anti-Corruption Training Manual specifically for the infrastructure, construction and engineering sectors. Details on page 4 (Forum News).

Former EADS managers jailed for corruption in Germany

Two former managers at the Franco-German European Aeronautic Defence and Space Company (EADS) were sentenced to prison terms in February 2007 for corruption. They allegedly accepted hundreds of thousands of dollars in kickbacks from sub-contractors. They received sentences of four years and three years respectively. A third accused, employed by EADS subsidiary Airbus, was given a one-year suspended sentence. The charges relate to contracts for the digitalisation of technical manuals, including for the Tornado fighter plane produced by an EADS subsidiary.

Former Siemens executives convicted of bribery

A German court convicted two former Siemens executives of bribery in May 2007, and ordered the company to pay a fine of €38 million. The executives were convicted of paying approximately €6 million in bribes from 1999 to 2002 to help Siemens win gas turbine supply contracts with Enel, an Italian energy company. The contracts were valued at about €450 million. Siemens has stated that the ruling is illegal and that the company will appeal.

World Bank President resigns

Paul Wolfowitz resigned as president of the World Bank in May 2007 after he was found to have breached Bank rules. He had faced widespread calls for his resignation after being accused of a conflict of interest over a pay rise given to ex-Bank employee Shaha Riza. In a statement, the Bank's board of directors said it accepted Mr Wolfowitz's assurances that he had "acted ethically and in good faith" in the handling of Ms Riza's role and remuneration. But it acknowledged that a "number of mistakes" had been made. In response, Mr Wolfowitz said his decision to resign was "in the best interests" of the institution, which has more than 180 member countries worldwide.

Ekurhuleni Declaration

The Africa Forum on Fighting Corruption took place in March 2007. It was attended by over 400 participants from across Africa. The forum issued the Ekurhuleni Declaration which provides a number of anti-corruption recommendations to the African Union, regional economic communities, governments, business communities and civil society organisations. These include:

- the speedy ratification and accession to the African Union Convention on Preventing and Combating Corruption, and the United Nations Convention Against Corruption;
- the establishment, implementation and application of laws that will give practical effect to the letter and spirit of the above anti-corruption instruments;
- increased support to independent national anti-corruption bodies and law enforcement bodies;
- the creation of national compacts between governments, business, the media and civil society organisations, which define the roles and responsibilities of all parties in the fight against corruption;
- the need for inter-state co-operation in the recovery and return of unlawfully appropriated public resources and assets to African states from which they were plundered.

The forum required African Union member states to ratify the AU Anti-corruption Convention by December 2007, to embark on prevention and awareness campaigns, and to create by February 2008 a National Integrity Framework. The AU Commission will establish protocols for improved co-ordination and co-operation with respect to inter-state corruption by July 2008. Regional Economic Communities will establish dedicated systems to provide anti-corruption support to member states as of December 2008.

Africa Progress Panel

The Africa Progress Panel (APP) was launched in Berlin, in April 2007. The APP's mission is to monitor commitments made by bodies such as the G8 and the European Union on aid and Africa. The APP is chaired by former UN Secretary General Kofi Annan and funded by Microsoft Chairman Bill Gates. Its members include Peter Eigen, Bob Geldof, Graça Machel, Michel Camdessus, Robert Rubin and Muhammad Yunus.

FTSE4Good

FTSE4Good is the global responsible investment index series calculated by FTSE Group. FTSE has an in-house Responsible Investment Unit that develops the index's inclusion standards and engages directly with companies in meeting them. Criteria to counter bribery were launched in 2006, and nearly 200 constituent companies will need to meet the FTSE4Good Countering Bribery Criteria in order to remain in the index.

www.ftse.com/ftse4good

International research on corruption

The University of Konstanz is leading a research project on corruption across a range of European countries. It aims to develop means to optimise corruption prevention in the EU. It proceeds from the assumption that the considerably varying perceptions of corruption, determined as they are by cultural traits, have significant influence on a country's awareness of the problem and thereby on the success of any preventative measures. The project investigates the fit between institutionalised prevention policies and how these are perceived in daily practice, as well as how EU candidate countries and EU member countries as a result handle the issue of corruption. In a final step, the research project intends to make specific recommendations for re-adjusting this fit, and to investigate what role the media play within this process in each individual country. The project internet homepage is:

www.uni-konstanz.de/crimeandculture

The Many Faces of Corruption

A new book, "The Many Faces of Corruption", recently published by the World Bank, provides insights into the nature and scale of corruption in various sectors, while offering proposals for remedial measures. A chapter on "making inroads in the transport sector through control and prevention" refers to typical levels of corruption on road projects being between 5% and 20%, and even higher in some countries. When broader governance issues are included, the potential for savings in transport sector expenditure in developing countries is estimated as typically being between 10% and 40%. This is for a sector that normally accounts for between 10% and 20% of national expenditure. The economic consequences are assessed as being higher still, as corruption causes limited resources to be diverted to projects with lower rates of return. In response, the authors propose the use of prototype "road maps" to identify corruption vulnerabilities, with "orange" and "red" warning signals. Specific proposed remedial measures are then set out.

Some of the issues raised by this book were discussed as part of a brainstorming session held in London on 4th May 2007. Organised by TI (UK) and hosted by BOND, this was attended by representatives of a wide range of groups including DFID, the World Bank, Academics, NGOs, NATO, and the Developing Countries Working Group of the UK Anti-Corruption Forum. Details of the book can be found at:

http://publications.worldbank.org/ecommerce/catalog/product?item_id=5824318

UK News

OECD Anti-bribery Working Group review of UK compliance with OECD Convention

At its March 2007 meeting, the OECD Working Group on Bribery, (which brings together all 36 countries that have signed and ratified the OECD Anti-Bribery Convention) re-affirmed its serious concerns about the United Kingdom's discontinuance of the BAE Al Yamamah investigation and outlined continued shortcomings in UK anti-bribery legislation. It urged the UK to remedy these shortcomings as quickly as possible and has decided to conduct a supplementary review of the United Kingdom. The review will focus on progress in enacting a new foreign bribery law, and will examine whether systemic problems explain the lack of foreign bribery cases brought to prosecution as well as other matters raised in the context of the discontinuance of the BAE Al Yamamah investigation.

Consultation on reform to UK anti-bribery law

The UK Government has for some years been considering reforming the law of bribery. The existing laws are 1889, 1906 and 1916 (as amended for overseas bribery in 2001). The reform process was started several years ago. However, the corruption bill introduced by the Government in 2003 was very hard to understand and was widely criticised. Because of this, the Government then withdrew the previous bill in March 2007, and announced an urgent consultation on a new law. The target to introduce a new bill is October 2008.

Olympic Delivery Authority – Procurement policy

The ODA has published, after a detailed consultation, their Procurement Policy. It is an aspirational document, with the detail to be contained in other documents, many of which have not yet been published. The Procurement Policy contains the following paragraph:

“4.5 The ODA requires a high degree of integrity, transparency and probity, not only from its staff and agents, but from all its designers, contractors and sub-contractors. They will all be required to comply with the ODA's various codes and strategies on probity, audit, fraud, anti-corruption and whistle blowing.”

The UK Anti-Corruption Forum made a submission to the ODA in October 2006 as part of its consultation. The Forum welcomes this commitment by the ODA and has offered to provide a working group to assist the ODA on the preparation, development and implementation of anti-corruption measures.

OFT makes ‘fast track’ offer in biggest ever UK cartel investigation

The Office of Fair Trading (OFT) announced in March 2007 that it was looking to fast track its current bid rigging cartel investigation in the construction industry, by making an offer of reduced financial penalties to all those implicated companies that have not so far applied for leniency but are willing to co-operate with the OFT.

Over the last two years the OFT has been carrying out an investigation into bid rigging by construction companies in England, and during this investigation 57 companies have been raided, and 37 companies have applied for leniency. As a result of the investigation, the OFT has uncovered evidence of bid rigging in thousands of tenders with a combined estimated value approaching £3 billion.

Under the OFT's leniency programme, members of cartels may have their financial penalty reduced substantially or they may be able to avoid a penalty altogether. The OFT wrote to businesses that are a suspect party in the cartel investigation but have not so far applied for leniency, and notified these companies that it will be making them an offer of a reduced financial penalty in exchange for admissions to participation in bid rigging along with certain ancillary promises. The reductions in penalty available to these companies will not be as large as those available to the companies that have applied for leniency, but will still be significant.

Under the Competition Act 1998 and Article 81 of the EC Treaty, cartels are prohibited. Any business found to be a member of a cartel could be fined up to 10 per cent of its worldwide turnover. Involvement in a cartel can also result in criminal conviction and up to 5 years imprisonment under the Enterprise Act 2002. To date the OFT has imposed aggregated financial penalties of just over £4 million for bid rigging in the roofing industry.

MoD official jailed for accepting bribes

A Ministry of Defence official who took bribes to help an American company win a multi-million pound contract was jailed for two years in April 2007. The official bought a Spanish villa after he received more than £200,000 in secret payments. He was a senior employee at the MoD in charge of contracts for gas supplies and equipment. He enjoyed lavish hospitality from the California-based Pacific Consolidated Industries (PCI), the company that was eventually awarded a contract. The company paid for the official and his wife to travel to the US, put them up in hotels, entertained them on a yacht, and paid him more than £217,000 over a four-year period. In return, the official provided the company with information crucial to winning a £4.5 million contract to supply gas and gas containers to Britain's armed forces over several years. The official was arrested when auditors noticed suspicious accounting in the books of the American company following a takeover. The information was passed on to the MoD and the official was arrested.

**Combating International Corruption:
UK Action Plan for 2006/07**

In March 2007 the UK Government published “Combating International Corruption - UK Action Plan for 2006/07 - Interim Progress Report”. It summarises the UK Government's achievements and aspirations in relation to:

- investigating and prosecuting bribery overseas;
- eliminating money laundering and recovering stolen assets;
- promoting responsible business conduct in developing countries;
- supporting international efforts to fight corruption

www.dfid.gov.uk/news/files/combating-corruption-action-progress-news.asp

Forum News

UK Anti-Corruption Conference – 2nd October 2007

The Forum is holding a major anti-corruption conference in London on 2nd October 2007, entitled “Preventing Corruption in Infrastructure”. Hilary Benn will open it. 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. Once the programme is finalised, details will be published on the Forum’s website.

**Forum Discussion Paper
“Fair and Efficient Debarment Procedures”**

In May 2007, the Forum published a discussion paper entitled “Fair and Efficient Debarment Procedures”. The Forum supports the use of debarment as one of a range of anti-corruption actions provided that debarment is implemented in a fair and efficient manner. This discussion paper recommends certain minimum requirements. In particular, the paper states that it is vital that debarment procedures are implemented in accordance with good judicial practice, are transparent, are uniformly applied, and provide incentives as well as penalties. The Forum calls in the paper for international guidelines on debarment to be drawn up and agreed.

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

Twelfth Meeting of the Forum

The twelfth meeting of the Forum was held on 4th April 2007. The activities of the working groups and other relevant issues were reviewed, and future actions were agreed.

Anti-Corruption Training Manual

Transparency International (UK) has published an Anti-Corruption Training Manual specifically for the infrastructure, construction and engineering sectors. The Manual aims to help users achieve a better understanding of corruption and how to avoid it. It can be used by individuals, and by companies as part of their corporate training.

- Section 1 provides an overview of what constitutes corruption, who may be liable for corruption, and how it may be avoided.
- Section 2 provides 47 detailed examples of corruption throughout the project cycle. Each example also lists the possible criminal offences which may have been committed under the law of England and Wales.
- Section 3 provides some simple anti-corruption rules which individuals should follow (and which companies could impose on their employees) to try to ensure that no corruption offences are committed.
- Section 4 provides practical advice as to what individuals and companies should do when faced with a potentially corrupt situation.
- Section 5 provides an explanation of the relevant criminal law of England and Wales (with cross references to the examples in Section 2).

The Anti-Corruption Forum, in its 12th Meeting on 4th April 2007, recommended that this Training Manual should be used by industry participants.

<http://www.anticorruptionforum.org.uk/acf/fs/training/>

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

Or contact Neill Stansbury, Forum Co-ordinator, at
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