

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.

Special announcements

Anti-Corruption Workshop

The Forum is holding an anti-corruption workshop in London on 17th October 2008 entitled "Corporate Anti-Corruption Actions". Details on page 5 (Forum News).

Transparency in Public Sector Construction Projects

The Forum has published a paper entitled "Transparency in Public Sector Construction Projects". Details on page 5.

Guidance for Professional Bodies

The Forum has published a paper entitled "Preventing Corruption - Guidance for Professional Bodies". Details on page 6.

Overseas News

Argentina

Former president charged with bribery

A former president, Fernando de la Rúa, was charged with bribery in February. It is alleged that de la Rúa, who took office in 1999, was involved in an attempt by aides to push labour reforms through Congress by paying millions of dollars to key lawmakers. De la Rúa's vice-president resigned and confidence in his government plunged as the scandal grew. An economic implosion in December 2001 finally forced the president to resign, halfway through his four-year term.

Bangladesh

ACC files corruption case against two ex-PMs

The Bangladesh Anti-Corruption Commission (ACC) commenced court proceedings against the former prime minister Khaleda Zia in February. The charge alleges the misappropriation of \$22.7 million through the award of a contract for production management and maintenance of the Barapukuria Coal Mine in the north-west of the country to a highest bidder foreign company. The ACC is also taking action against eight former ministers of Khaleda's government, including the former finance and planning minister, former local government minister, and former industry minister.

This is the third case filed by the ACC against Khaleda. In September 2007, she and her younger son were charged in connection with another corruption case. The ACC also filed a case against Khaleda in December 2007 for her alleged corruption in awarding a gas exploration deal to Niko, a Canadian company. Khaleda, who ruled the country as prime minister in two terms from 1991 to 1996, and from 2001 to 2006, was arrested along with her youngest son in September 2007. Her eldest son was also arrested

in links with different extortion and corruption charges.

In May, a Bangladesh court charged another former prime minister, Sheikh Hasina, with alleged corruption over contracts awarded to a Canadian oil and gas company in 2001. Eight other people, including Hasina's political colleagues, former bureaucrats and a local representative of Calgary-based Niko Resources Ltd., have also been charged with corruption. The ACC contends that Bangladesh lost millions of dollars because of alleged "uneven and illegal deals" that allowed Niko Resources to explore for gas at the Tengratila field in Sunamganj district, 110 miles north-east of the capital, Dhaka. The charges also involve the Feni gas field, which is managed by the company.

Bulgaria

Interior minister resigns amid corruption scandal

Bulgaria's Interior Minister, Rumen Petkov, resigned in April amid a corruption scandal that allegedly exposed links between top law enforcers and suspected criminals. The backdrop to the announcement was a far-reaching corruption scandal and two execution-style killings in Sofia that seriously shook the government and prompted calls for "urgent action" by the European Union. The saga began in mid-March when tapped telephone calls allegedly revealed that high-ranking interior ministry officials had interfered with a number of police operations by leaking information to key criminals under investigation. A top law enforcement chief and a former ministry chief of staff were arrested and charged following the revelations.

China
Shanghai party chief imprisoned

China sentenced the former Communist Party chief of the country's financial capital to 18 years in prison in April. Chen Liangyu, who had been a member of China's powerful 24-seat Politburo, was the highest-level Chinese official to be convicted in a decade. Chen had been accused of being at the centre of a scandal, which involved an estimated \$400 million from a pension fund being improperly invested in real estate, and toll road projects that included Shanghai's new Formula One race track. More than 25 local officials have been detained in the investigation.

European Union
Lobbyists to disclose information

From June 2008, lobbyists seeking to shape policies in the European Union will be asked to sign a register disclosing basic information about their money and motives. The register, which is voluntary, will be accompanied by a binding code of conduct. The aim is to increase the transparency of interest groups that often spend large amounts of cash to try to influence policy. The European Parliament, which already operates a voluntary register, separately approved a proposal to set up a mandatory register of lobbyists that deal with any EU institution. Under that plan, lobbyists could be barred from attempting to influence policy if they breach existing codes of conduct. The names of lobbyists who had a significant input during the preparation of a text would also be made public to leave a "legislative footprint".

Georgia
Former minister jailed for 11 years

A court in Georgia in March found former defence minister and opposition politician, Irakly Okruashvili, guilty of corruption and jailed him for 11 years in absentia. Okruashvili fled to Europe last year after being granted bail in Georgia, and is now in Paris waiting for a French court to decide on a Georgian request for his extradition.

Germany
Siemens corruption probe expands in scope

German prosecutors in April began investigating suspected bribery at Siemens's power-transmission division, expanding the scope of what is already the country's biggest-ever corruption probe. A spokesman for the prosecutor's office said that the investigation, which until now has mainly centred on the company's Communications unit, had been extended to the former Power Transmission and Distribution unit and its then manager. Siemens is being investigated by the Securities and Exchange Commission and Department of Justice in the United States as well as by German prosecutors for suspected bribes that may exceed €1.0 billion. The company has already been fined €201 million by a German court and could be banned from U.S. government tenders. A trial of the suspected ringleaders at its Communications unit begins in late May. Siemens has put new internal compliance procedures in place since the investigations began more than a year ago, and has replaced its chief executive and chairman. It has put the total of "suspect payments" booked as fees paid to consultants at €1.3 billion and has estimated that the affair has cost it €1.6 billion so far.

Germany
VW executives sentenced for corruption

A German court convicted two senior Volkswagen executives for corruption in February. The former head of VW's works council, Klaus Volkert, was sentenced to two years and nine months in prison on incitement of breach of trust charges. Volkert, who represented employees on the company's supervisory board, allegedly received special bonus payments of close to €2 million from the company. It is alleged that Peter Hartz, VW's former personnel director, ordered the money to be paid to executives on the company's works council in order to secure favourable votes in important company decisions taken by the supervisory board. On Friday, the court also sentenced former senior personnel executive Klaus-Joachim Gebauer to one year of probation on 40 counts of breach of trust. Gebauer had allegedly organised lavish pleasure trips abroad and prostitutes for members of the works council. In January, Hartz pleaded guilty to making the secret payments to Volkert between 1995 and 2004 to smooth labour relations and to ensure the works council accepted VW's restructuring plans. Hartz received a two-year suspended sentence.

Indonesia
Suharto's son faces \$440m corruption lawsuit

Indonesia filed a \$440 million civil lawsuit in May against Tommy Suharto, the youngest son of the country's former dictator, for allegedly illegally buying back a car company he surrendered to the government after being unable to pay debts during the Asian financial crisis. The case against Hutomo "Tommy" Mandala Putra and five companies believed to be involved in the deal is the government's third attempt to recoup some of the \$35 billion that corruption watchdogs claim the Suharto family stole during the former president's 32 years in office which ended in 1998. Tommy Suharto defeated the government's previous two suits against him, both linked to an alleged land scam in 1995, but served five years in prison for ordering the assassination of the judge who initially convicted him in the first case.

Ireland
Ahern resigns as prime minister

Bertie Ahern resigned as Ireland's prime minister in April following a financial scandal. Ahern was forced out by a series of alleged financial irregularities uncovered by a tribunal investigating allegations that he received a series of payments from a property developer in the 1990s when he was finance minister. The investigation uncovered four cash payments, which totaled more than €100,000. Ahern claimed that the payments consisted of goodwill loans from friends and cash from Michael Wall, a businessman who let a house to the politician in Dublin.

Japan
Former top defence official admits bribery

Japan's former top defence bureaucrat pleaded guilty in April to taking bribes for military contracts in a scandal that has embarrassed the government. Takemasa Moriya, who was nicknamed "the emperor" for his influence within the defence ministry until he retired last year, admitted to bribery charges at the first hearing of his trial. Moriya has previously admitted that he and his wife accepted fine dining, gifts and golf trips from a military contractor. According to the criminal complaint, he allegedly took \$125,000 in bribes that influenced the awarding of defence contracts, including ¥3.63 million in cash deposited into his wife's and daughter's bank accounts.

Korea
Samsung chairman resigns

Lee Kun-hee, the Samsung Group's chairman, who was indicted on tax evasion charges, announced in April that he would step down. After a three-month investigation, a special counsel with a parliamentary mandate indicted Mr. Lee and nine other Samsung executives on charges of tax evasion and breach of trust. If convicted, Mr. Lee could face up to life in prison. The prosecutor also allegedly uncovered an estimated \$4.6 billion Mr. Lee had kept hidden in stock and bank accounts opened in the names of Samsung executives and managed by his closest aides.

Malawi
Minister jailed for corruption

Former education minister Sam Mpasu was jailed for six years in April for allegedly having received kickbacks for awarding a British company a deal to provide Malawi with millions of notebooks and pencils. The materials were meant for a free primary school programme.

Puerto Rico
Governor indicted

Puerto Rico's governor, Anibal Acevedo Vilá, was charged in March with conspiracy to violate election laws, making false statements, wire fraud, fraudulently obtaining federal funds, conspiracy to defraud the Internal Revenue Service and filing a false tax return. Members of his campaign staff, his administrative aide, his legal advisor, prominent Puerto Rican businessmen, and four people in Philadelphia were also indicted.

Spain
Lanzarote hotels facing demolition

The Canary Islands Supreme Court has annulled the building licences of 22 hotels after it was ruled that two councils had flouted a ban on building hotels. Eight five-star hotels, ten smaller hotels, and four others under construction were declared illegal. In all, they account for 7,721 hotel rooms or apartments on the island. Lanzarote council will now consider whether to grant an amnesty, or demolish the hotels. A police unit which fights organised crime has been called in to investigate whether the former mayors of Yaiza and Teguique granted illegal building licences in return for bribes from property developers. The police investigation comes amid fears of a repeat of the widespread civic corruption scandal that led to the dissolution of Marbella city council in 2006. In Marbella, an international police investigation was launched into claims of civic bribery, cronyism and embezzlement. The mayor, head of urban planning and police chief were arrested and property worth €2.4 million was seized.

Taiwan
Taiwan sues for recovery of alleged corrupt payment

Former French foreign minister, Roland Dumas, allegedly stated in a March 2003 interview with the Paris newspaper "Le Figaro" that to secure the sale of six frigates to Taiwan for nearly \$3 billion, Thales secretly paid a half-billion-dollar kickback to a middleman. While French criminal investigations continue, Taiwan is suing for recovery of that \$500 million, plus \$100 million for damage to its reputation.

Tanzania
Minister quits over corruption investigation

Tanzanian infrastructure minister, Andrew Chenge, resigned in April, following disclosures that he was under investigation in worldwide corruption inquiries involving the supply by BAE to Tanzania of a \$40 million radar system in 2001. Chenge's resignation followed the alleged identification by investigators of more than \$1 million in his offshore accounts in Jersey. The Serious Fraud Office in London has been investigating the Tanzanian deal for more than three years, along with the Tanzanian anti-corruption bureau in Dar es Salaam, and authorities in the Channel Islands and Switzerland.

Thailand
Health minister resigns over corruption scandal

Thailand's health minister resigned in April amid a growing corruption scandal over his alleged failure to disclose his wife's shareholdings. Thai law requires Cabinet ministers to report their personal assets and those of their spouses and children within 30 days of taking office. Government officials and their immediate family are also barred from holding more than 5 percent of a company's equity. His wife, Churai, was allegedly found to hold 25,000 shares in a company worth US\$80,000, which amounted to half the firm's registered stock. The corruption commission is forwarding its ruling to the Supreme Court. If the Supreme Court finds him guilty, Chaiya could face a ban from public office for five years.

USA
Pension fund sues Alcoa over Bahrain bribery allegations

The Hawaii Structural Ironworkers Pension Trust Fund in May started proceedings against aluminium maker Alcoa Inc. and its board of directors. In the lawsuit, it accuses Alcoa's board of "causing and/or failing to prevent Alcoa's illegal payment of hundreds of millions of dollars in illegal bribe payments" to senior Bahraini government officials. The pension fund, which owns Alcoa shares, is seeking unspecified damages for financial losses incurred by the alleged bribery. It also wants reforms intended to broaden shareholder rights and tighten the company's governance and accounting practices. The bribery allegations first surfaced in February, when a company controlled by the Bahrain government, Aluminum Bahrain B.S.C. or Alba, filed a civil lawsuit against Alcoa and affiliates, seeking more than \$1 billion in damages. The Bahraini company accused Alcoa, the world's third-largest aluminium producer, of bribing officials through overseas shell companies to secure hundreds of millions of dollars in overpayments over a 15-year period starting in 1993.

USA
FBI corruption investigations increase

The FBI currently has 2,500 cases of public corruption under investigation, an increase of 50 percent from five years ago. Corporate fraud cases have increased by more than 80 percent. The FBI is investigating an estimated 1,300 mortgage fraud cases, including 19 into sub-prime lending practices by U.S. financial institutions.

USA**Defence contractor convicted of corruption**

Brent Wilkes, a defence contractor, was sentenced to 12 years prison in the USA in February on 13 counts of bribery, conspiracy, wire fraud and money laundering. Prosecutors alleged that Wilkes bribed former Republican congressman Randy "Duke" Cunningham with more than \$700,000 in perks, including cash, submachine gun shooting lessons and the services of prostitutes. In return, they said, Cunningham helped Wilkes secure \$87 million in Pentagon contracts, mainly for scanning paper documents. Cunningham, an eight-term Republican congressman and Vietnam War flying ace, pleaded guilty in 2005 to accepting \$2.4 million in bribes from Wilkes and others - including antiques, boats, a used Rolls-Royce and cash to pay the mortgage on his mansion.

Zambia**Former president to face corruption trial**

A Zambian court ruled in February that former president Frederick Chiluba must stand trial on charges of stealing \$488,000 in public funds during his tenure as president from 1991 to 2001. He faces a minimum of five years in jail if found guilty. Zambia's Parliament removed Chiluba's immunity from prosecution in 2002. Chiluba has said some of the funds were his own money, given to him by his friends, while the rest was for national duties undertaken by the intelligence agency. He is also fighting in a Zambian court to block authorities from recovering \$58 million that a London high court ruled last year that he had to repay, with interest, for allegedly stealing while in office. Zambia lodged the civil case in British courts with the aim of recovering properties allegedly purchased with stolen funds, and owned by Chiluba and 19 other defendants in Britain and other European countries.

United Nations**Official sentenced to 8 years for corruption**

A former United Nations procurement official was sentenced in April to eight years in prison on charges of fraud and accepting corrupt payments for steering contracts to two companies represented by his friend Nishan Kohli. Prosecutors said Bahel gave inside information and expert advice to help secure contracts for two companies, the Indian government-owned Telecommunications Consultants India Ltd. and Thunderbird Industries LLC, represented by Kohli. In return Bahel was awarded 10 percent of Kohli's profits earned through U.N. business, first-class plane tickets and reduced prices as a renter, and then buyer, of a \$1.5 million luxury apartment close to the U.N. headquarters in Manhattan. Kohli, who pleaded guilty in exchange for leniency and is expected to be sentenced within a month, testified during the trial that he gave Bahel cash and the apartment deal and also paid off other officials with visits to strip clubs and prostitutes. Bahel served as chief of the Commodity Procurement Section within the Procurement Division of the U.N. from 1999 to 2003.

**Construction Sector Transparency Initiative
Launch of CoST**

The Launch of the CoST Pilot Phase took place in Dar es Salaam, Tanzania on 22-23 May 2008. The Initiative is promoted by the UK Department for International Development and the World Bank. The Launch was attended by representatives from the four pilot countries, Tanzania, Zambia, Vietnam and the Philippines, and representatives from potential pilot countries. The objective of CoST is to increase transparency in the construction sector.

**Global Infrastructure Anti-Corruption Centre
Anti-corruption information and tools**

The GIACC Resource Centre is a web-based resource which provides free access to information, advice and tools designed to help stakeholders understand, prevent and identify corruption in the infrastructure, construction and engineering sectors. The resources include information on corruption; examples of corruption; anti-corruption programmes for governments, funders, project owners and companies; and project, corporate and individual anti-corruption tools. The Resource Centre is provided by the Global Infrastructure Anti-Corruption Centre, which is an independent not-for-profit organisation established in May 2008.

To access the GIACC Resource Centre, please visit:

www.giacentre.org

**Global Transport Knowledge Partnership
gTKP workshops - civil society and transport governance**

The governance theme of the global Transport Knowledge Partnership (gTKP) is organising an Asia region workshop in Manila on the subject of "Mobilising civil society to improve governance in transport" to be hosted by the Asian Development Bank on 25-27 June 2008. A similar workshop is being planned in Africa. Other current activities include the development of road benchmarks for comparisons between countries, an initiative to capture case studies of good governance, and the education of road stakeholders who are not road sector specialists to assist in improving governance. gTKP is working in developing and transition countries to improve knowledge sharing, particularly for road transport. The governance theme is working together with the other gTKP core themes of rural transport, urban transport, road safety, social development, environment and climate change, and finance and economics.

For further details, please see:

www.gtkp.com > Core Theme > Governance

or send an e-mail to:

asiagovernance@gtkp.com

**Transparency International
TI launches anti-bribery code for SMEs**

Transparency International has launched a new tool, designed specifically to help small and medium-sized enterprises (SMEs) to develop policies and procedures to counter bribery. The SME Edition was developed through a process of consultation which smaller businesses. In addition to anti-bribery principles, the SME Edition includes practical guidance on how to develop an anti-bribery programme that is tailored to the size and resources of individual businesses and example rules on gifts and entertainment.

The new SME Edition is available at:

www.transparency.org/global_priorities/private_sector/business_principles

World Bank**New head of Department of Institutional Integrity**

Leonard McCarthy, the head of South Africa's crime fighting unit, the Scorpions, was appointed in May as head of the World Bank's Department of Institutional Integrity, which investigates allegations of fraud and corruption in development projects.

UK News

Court rules SFO wrong to drop BAE inquiry

The English High Court ruled in April that the Serious Fraud Office (SFO) acted unlawfully in dropping an investigation into alleged bribery in an arms deal between BAE Systems and Saudi Arabia. Campaign Against Arms Trade (CAAT) and Corner House Research had sought a review of the decision by the SFO director, Robert Wardle, in December 2006, to drop the investigation into allegations of bribery and corruption over the £43bn Al-Yamamah arms deal. The SFO is appealing the court's decision.

Increase in City police in bid to stop fraud

The City of London police is increasing the number of its fraud squad investigators from 120 to 160, and there will be moves to centralise inquiries. In recent years there has been concern over regional variations in the numbers of officers attached to fraud divisions as economic crime in the UK escalates.

Birmingham City directors arrested

Birmingham City Football Club directors David Sullivan and Karren Brady were arrested in April as part of a police investigation into corruption in English football. They were arrested on suspicion of conspiracy to defraud and false accounting. A total of seven other people remain on bail in connection with the investigation. Previous arrests include Harry Redknapp, manager of FA Cup finalists Portsmouth. Clubs investigated last year include Newcastle United and Rangers.

Office of Fair Trading construction cartel investigation

Following one of the largest ever Competition Act investigations, the UK Office of Fair Trading (OFT) issued a Statement of Objections (SO) in April against 112 firms in the construction sector in England.

The OFT alleges that the construction companies engaged in bid rigging activities, and in particular cover pricing. As described by the OFT, cover pricing is a situation where one or more bidders collude with a competitor during a tender process to obtain a price or prices that are intended to be too high to win the contract. The OFT also alleges that a minority of the named construction companies entered into arrangements whereby it was agreed that the successful tenderer would pay an agreed sum of money to the unsuccessful tenderers. The allegations cover a diverse range of projects, including tenders for schools, universities and hospitals.

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 percent of its worldwide turnover. In calculating financial penalties, the OFT takes into account a number of factors including seriousness of the infringement(s), turnover in the relevant market and any mitigating and/or aggravating factors. The basis of the OFT's considerations are set out in OFT's guidance as to the appropriate amount of a penalty:

http://www.offt.gov.uk/shared_offt/business_leaflets/ca98_guidelines/oft423.pdf

Under the OFT's leniency policy, an undertaking may be granted immunity from penalties or a significant reduction in penalty in return for reporting certain categories of Competition Act infringement and assisting the OFT with its investigation.

The OFT has a policy under which it will pay financial incentives of up to £100,000 in return for information which helps it to identify and take action against illegal cartels. Rewards will be paid only where information is accurate, verifiable and proves to be useful in the OFT's anti-cartel enforcement work, and will be calculated according to a set formula and not subject to negotiation.

The OFT asks anyone who has information about cartels to call the cartels hotline: 0800 085 1664

Or send an e-mail to:

cartelshotline@oft.gsi.gov.uk

Forum News

Forum Workshop – 17th October 2008

The Forum will hold a one day anti-corruption Workshop in London on 17th October 2008, entitled “**Corporate Anti-Corruption Actions**”. The Workshop will be divided into four consecutive sessions: 1. Gifts, hospitality and facilitation payments; 2. Due diligence; 3. Internal monitoring and whistle blowing; and 4. Crisis management. Each session will commence with a panel discussion on the topic, led by senior and experienced industry representatives. The topic will then be thrown open for floor discussion. The purpose of the Workshop will be to exchange ideas on how best to deal at corporate level with some of the key challenges in this area. The Workshop will be held under the Chatham House Rule to enable free exchange of ideas and experiences. The Programme and Registration Form will be published in June, and will be available at:

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

Review of bribery law

In November 2007, the UK Law Commission issued a consultation paper on reforming English/Welsh anti-bribery law. The press release and consultation paper can be obtained from:

<http://www.lawcom.gov.uk/bribery.htm>

In March 2008, the Forum made a submission in the consultation which recommended various improvements to the Law Commission's proposals. The Forum's submission “Comments by the UK Anti-Corruption Forum on the Law Commission's ‘Reforming Bribery: A Consultation Paper’” can be viewed at:

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

**Publication of Forum Discussion Paper
Transparency in Public Sector Construction Projects**

In March 2008, the Forum published a discussion paper entitled “Transparency in Public Sector Construction Projects”. The Forum believes that greater transparency in public sector construction projects would help reduce corruption, and that governments should require the provision of such transparency. The discussion paper sets out the Forum's views, and identifies a number of issues which need consideration. A schedule of suggested disclosures is attached to the paper. The Forum is publishing the paper to promote discussion of the transparency issue. It has requested comments by 31st July 2008. Following consideration of all comments, the Forum will publish a position paper on transparency. The discussion paper can be viewed at:

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

**Publication of Forum Paper
Preventing Corruption - Guidance for Professional Bodies**

In May 2008, the Forum published a paper entitled "Preventing Corruption - Guidance for Professional Bodies". The purpose of this guidance is as follows.

- a) To assist professional bodies in the infrastructure, construction and engineering sector to establish effective rules and procedures to reduce the incidence of corruption involving their members, and to deal effectively with those incidents that do arise.
- b) To help professional bodies to adopt a consistent approach in how they deal with cases of corruption involving their members.
- c) To encourage professional bodies to raise awareness amongst members that corrupt activity, in addition to being unethical and

against the professional body's rules, may also constitute a criminal offence for which members could incur personal liability.

The paper can be viewed at:

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

Sixteenth Meeting of the Forum

The sixteenth meeting of the Forum was held on 30th April 2008. The activities of the working groups and other relevant issues were reviewed, and future actions were agreed.

Membership of 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

Or contact Neill Stansbury, Forum Co-ordinator, at

coordinator@anticorruptionforum.org.uk

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The next edition is due in August 2008.