

International News

Australia

Corruption charges against former state premier

Former Western Australia state premier Brian Burke and his business partner Julian Grill were charged in November with corruption after investigations by the Corruption and Crime Commission. Former State government minister Norm Marlborough is also facing allegations of giving false testimony. Mr. Burke faces one charge of corruption, five of giving false testimony, and two of disclosing official information. Mr. Grill faces one charge of corruption and one of disclosing official information. Mr. Marlborough faces two charges of giving false testimony. The charges relate to investigations into Smiths Beach, land re-zoning at Whitby, and lobbying around the pearling industry.

Bangladesh

Court jails three ex-ministers for corruption

Three former members of ex-Prime Minister Khaleda Zia's Cabinet were arrested in Bangladesh in November for alleged corruption after they surrendered to a special anti-corruption court. The former ministers are charged with bribery for alleged irregularities in awarding a contract to a Chinese company, which was the highest bidder, to operate the Barapukuria coal mine. Ms. Zia, who faces several other corruption charges, is free on bail. Another defendant, former Energy Minister Mosharraf Hossain, is in jail. The others accused in the case were either released on bail or are fugitives. Court papers allege that the 2005 coal mine deal with the China National Machinery Import and Export Corp. cost the state nearly Taka 1.6 billion (\$23.72 million).

China

Sentence for Beijing Olympics building chief

A former Beijing official who oversaw construction projects for the 2008 Beijing Olympic Games has been given a suspended death sentence for corruption. The official, Liu Zhihua, was formerly Beijing's vice mayor and chief director of the agency that supervised construction projects, including the city-wide makeover to prepare for the Games. But in June 2006, Mr. Liu was stripped of his post after being linked to a bribery scandal. He was expelled from the governing Communist Party six months later. Mr. Liu was accused of receiving approximately \$1 million in bribes during his tenure as vice mayor and as overseer of construction for a scientific research park in the city's university district from 1999 to 2006.

Dubai

Corruption investigation expands

Seven executives at state-linked companies have been arrested in Dubai since April. Dozens more have been questioned on suspicions of bribe taking, including officials from Nakheel Corp., the Dubai developer. In September, the Dubai government launched another task force to crack down on corruption in the financial sector, and sources in the prosecutor's office said there are more arrests to come.

Finland

Patria ex-CEO and marketing head detained

Jorma Wiitakorpi, former head of Finnish defence company Patria, and Viejo Vartiainen, the company's head of marketing, were detained by Finnish police in November, pending trial. This followed allegations that €21 million were paid through intermediaries to Slovenian officials to win a €278 million contract to supply 135 armoured vehicles to the Slovenian army. Patria is owned by the Finnish state (73%) and the European Aeronautic Defence & Space Co. (27%).

France

'Angolagate' corruption enquiry

France's biggest ever bribery trial commenced in October with 42 leading figures of the French business and political world on trial. They are accused of being involved in illegal transport of arms to Angola in the 1990s. The scandal, known as 'Angolagate', goes back 10 years to when the illegal weapons deals were first revealed. The defendants include Jean-Christophe Mitterrand, the 61-year-old son of the former President, former Interior Minister Charles Pasqua, 81, and Jacques Attali, 64, a former advisor to President Mitterrand who until recently worked for President Nicolas Sarkozy. The defendants face charges that include illegal arms sales, tax evasion and money laundering. The indictment mentions active bribery, embezzlement of assets and the unlawful acceptance of benefits. If found guilty, the defendants could face fines and up to 10 years in prison.

Germany

Siemens books €1 billion provision for bribery cases

Siemens has set aside €1 billion to settle U.S. and German charges that it bribed officials in at least a dozen countries to win contracts. The chairman, chief executive and approximately half of the company's top 100 executives have been replaced.

Indonesia

Prosecutor gets 20 years for bribery

A former top state prosecutor, Urip Tri Gunawan, was sentenced to 20 years in prison in September on charges of taking \$765,000 in bribes and extortion. Gunawan was found guilty of receiving money to drop an investigation into the embezzlement of nearly \$3 billion in Bank Indonesia funds.

Norway

StatoilHydro executives resign in Libya case

Executive vice presidents Tore Torvund and Morten Ruud resigned in October from the management of Norwegian state-controlled oil company StatoilHydro ASA. This was as a result of a probe into possible corruption in Libyan oil contracts. Concern about the

contracts arose a year ago, when Statoil ASA took over the oil and gas unit of Norwegian rival Norsk Hydro ASA, to form StatoilHydro. Both companies ordered separate investigations into millions of dollars worth of questionable payments. Each company turned over its own report to the Norwegian economic crime police. They both concluded that ethical standards had been breached.

Switzerland **Alstom offices raided**

The Swiss police raided a unit of Alstom in August in a widening investigation into alleged corruption. Alstom premises around Zurich and Baden were searched, as were a number of private homes. More than 50 officers from the Federal Criminal Police and several French police officers apparently conducted the search.

Taiwan **Former Taiwan president detained**

Taiwan's former President Chen Shui-bian was detained in November on corruption charges. He is accused of money laundering and illegally using a special presidential fund during his eight years in office, which ended in May. He is under investigation for allegedly embezzling Taiwan dollars 14.8 million (US\$480,500) from the government.

Thailand **Ex-PM guilty of corruption**

Thailand's ex-Prime Minister, Thaksin Shinawatra, was found guilty of corruption, and was sentenced in October to two years in prison by the Thai Supreme Court. He was found to have violated conflict of interest rules in helping his wife buy land from a state agency at a knock-down price. Prior to the conviction, Thaksin and his wife broke their bail conditions, and fled to the UK, seeking asylum. After the conviction, the UK revoked their visas.

U.S.A. **Former head of KBR faces seven years in jail for bribery**

Albert 'Jack' Stanley, former head of Halliburton subsidiary Kellogg Brown & Root (KBR), pleaded guilty in the U.S. in September to bribing Nigerian government officials. He faces seven years in prison after admitting violations of America's Foreign Corrupt Practices Act between 1995 and 2004 when he was head of KBR. Over the nine-year period, KBR was a member of a consortium which won four contracts to construct liquefied natural gas facilities on Nigeria's Bonny Island.

In addition to paying bribes, Mr. Stanley admitted receiving kickbacks of \$10.8 million. He has agreed to pay back the money in addition to serving a prison sentence which will be the longest awarded under laws prohibiting Americans from bribing foreign officials. During the affair, Stanley was KBR's representative on a steering committee for the consortium seeking the contracts. He allegedly admitted hiring two consultants to channel money to Nigerian officials and confessed to meeting a series of senior figures in the African nation to pinpoint a representative who should get the bribes during the regime of Nigeria's late dictator Sani Abacha. The U.S. Department of Justice said KBR and its partner companies paid a total of \$182 million to the consultants.

U.S.A. **Lobbyist jailed for corruption**

Former Washington lobbyist Jack Abramoff was sentenced in September to four years in prison for corruption. Abramoff pleaded guilty in a Washington court to charges of trading expensive gifts, meals and sports trips in exchange for political favours.

U.S.A. **Alaska senator guilty over failure to disclose gifts**

Senator Ted Stevens, Alaska's dominant political figure for more than four decades, was found guilty in October of violating federal ethics laws for failing to report \$250,000 in gifts and services used to renovate his home in Alaska. The indictment charged that he had received some \$250,000 in gifts and services from a long-time friend, Bill Allen, the chairman of VECO Corp., an oil services construction company, and gifts from other friends, including a sled dog and a massage chair. Mr. Allen, who was convicted for his role in a scheme to bribe Alaska state lawmakers to help his oil exploration projects, agreed to co-operate with the government and have his telephone conversations with Mr. Stevens recorded.

Africa **African nations can lose 20% of GDP to corruption**

During an International Conference held in Ethiopia in October on "Institutions, Culture and Corruption in Africa", the United Nations Economic Commission for Africa said corruption cost most African countries over 20 percent of their Gross Domestic Product.

Africa **Governance improving in most of Africa - survey**

The 2008 Ibrahim Index of African Governance published in October found that 31 of 48 sub-Saharan nations recorded higher scores than in last year's survey. Nations were judged by criteria including economic stability, corruption, security, rights, laws, elections, infrastructure, poverty and health. Mauritius was top with a score of 85.1 out of 100. It was followed by Seychelles, Cape Verde, Botswana and South Africa. Somalia was last in 48th place with 18.9 points, followed by the Democratic Republic of Congo, Chad and Sudan. Best improver was Liberia which rose five places to 38th.

<http://www.moibrahimfoundation.org/index-2008/>

Africa **gTKP-Africa governance workshop in Yaounde**

A global Transport Knowledge Partnership-Africa governance workshop was held in Yaounde, Cameroon, in September. The workshop discussed how to mobilise civil society to improve governance in transport. gTKP will be forming a governance community of interest so that the participants in both the Asia and Africa workshops, and others with an active interest in improving governance in transport, will be able to take discussions further.

<http://www.gtkp.com/>

Asia **gTKP-ADB Transport Forum**

The gTKP-ADB Transport Forum was held in Manila, Philippines, in October. The following conclusions were reached by delegates participating in the sessions on governance:

- that although there are many international initiatives to reduce corruption, only limited improvements can be observed so far;
- that there was still the need to 'tip the balance' between risks and rewards, so that there is a greater risk of detection and less opportunity for inappropriate rewards;
- that in the past some initiatives have been over ambitious and under resourced, and effort needs to be focused on the areas of greatest risk;
- that increased transparency and community involvement reduce opportunities for corruption, and measurement and monitoring can be used to assess and drive progress;
- that civil society needs to understand more, and politicians need to provide leadership and set a positive example;
- that low pay scales and poor incentives to improve governance do not assist in achieving progress; and
- that there is widespread acceptance that the situation cannot be improved, for instance acceptance that roads will always deteriorate faster than they should; in such circumstances it is difficult to achieve the ownership and engagement of the people who need to implement improvements.

EU

Disclosure of beneficiaries of EU funding

The European Union has introduced a new system of web portals for disclosing the beneficiaries of EU funds. These are available at:
http://ec.europa.eu/agriculture/funding/index_en.htm
http://ec.europa.eu/europeaid/work/funding/beneficiaries_en.htm
http://ec.europa.eu/grants/search/index_en.htm
http://ec.europa.eu/regional_policy/country/commu/beneficiaries/index_en.htm

International

Interpol and UN create anti-corruption school

Interpol and the U.N. Office on Drugs and Crime have set up a special academy to teach officials around the world how to fight corruption. The International Anti-Corruption Academy will open in Vienna in the autumn of 2009. By the time the new school is fully operational, it will instruct 1,000 people a year in corruption-fighting techniques. Many of the courses will last only one to three weeks, and will be attended by higher-ranking officials.

International

13th International Anti-Corruption Conference

The 13th International Anti-Corruption Conference was held in Athens, Greece from 30 October to 2 November 2008 under the banner 'Global Transparency: Fighting corruption for a sustainable future'. More than 1,300 people, from 135 countries and from the private, public and non-profit sectors, attended the conference. There were numerous workshops, including some on preventing corruption on construction projects, preventing corruption in the water sector, and independent certification of corporate anti-corruption programmes.

<http://www.13iacc.org/>

International

Business case for an effective anti-corruption programme

PricewaterhouseCoopers has published a report 'Confronting Corruption', which examines what companies are currently doing to manage the risk of corruption, and the steps they can consider to

protect themselves better in the future. A summary of the report's findings are as follows:

- (a) There is a strong business case for having an anti-corruption strategy.
- (b) An increasing number of companies recognise their vulnerability to corruption and the benefits of effective anti-corruption programmes and controls:
 - 63% indicated that they had experienced some form of actual or attempted corruption;
 - 39% say their company has lost a bid because of corrupt officials;
 - 65% believe a level playing field is crucial to their company's future business activities;
 - Reputational (brand) damage from corruption can be crippling;
 - Having an anti-corruption programme in place and publicising it is seen as valuable or very valuable to a company's brand by 86% of respondents; and
 - 55% say the most severe impact would be to the corporate reputation (greater than the combined total of those who say legal, financial and regulatory impacts would be the most severe).
- (c) Companies are losing real and significant business opportunities because of corruption risks:
 - 45% of respondents have not entered a specific market or pursued a particular opportunity because of corruption risks;
 - 42% believe their competitors pay bribes; and
 - 70% believe a better understanding of corruption will help them compete more effectively, make better decisions, improve corporate social responsibility and enter new markets
- (d) Despite being aware of corruption, many companies' underlying policies and controls currently do little to identify and mitigate risk due to poor design or implementation:
 - While 80% say they have some form of anti-corruption programme in place, only 22% are confident of their effectiveness;
 - Slightly less than half say their programme is clearly communicated and enforced; and
 - Only 40% of respondents believe their current controls are effective at identifying high-risk business partners or suspect disbursements.

<http://www.pwc.com/extweb/pwcpublications.nsf/docid/974053FED579A78ACA2573EF002CC5E9>

International

Survey finds that fraud bills climb 22%

A survey of nearly 900 international companies, undertaken by the Economist Intelligence Unit for Kroll, found that they had lost an average of \$8.2 million to fraud during the past three years, with 85% reporting at least one serious incident in the period. The average loss was up 22% from a similar survey last year. Improved monitoring, much of it sparked by fears of U.S. regulatory crackdowns, has increased the reporting of issues such as bribery. Companies with annual sales above \$5 billion, which accounted for 29% of the 877 respondents, were more likely to be victims, with 9 out of 10 suffering an incident. Their average loss was \$23 million. While loss of physical assets remains the most common problem, with 37% of companies reporting an incident, information theft is rising fast - 27% reported an episode in this survey, up from 22% last year. Companies doing business in the Middle East and Africa had the highest or second highest incidence of fraud in every category except regulatory and compliance breaches, and theft of intellectual property.

<http://www.kroll.com/news/releases/index.aspx?id=20229>

Middle East**The Arab Anti-corruption and Integrity Network**

Representatives from 60 governmental bodies from 17 Arab countries met in Amman, Jordan in July to declare the establishment of the Arab Anti-Corruption and Integrity Network (ACINET). They included specialised anti-corruption agencies and commissions, audit bodies, inspection bodies, ministries of justice, ministries of administrative development and higher judicial councils. ACINET, which will be supported by UNDP's Programme on Governance in the Arab Region (POGAR) together with its partners, the OECD, UNODC and the League of Arab States (LoAs), is expected to provide Arab governmental anti-corruption bodies with:

- (a) a permanent forum for exchanging knowledge, expertise and experiences on anti-corruption issues; and
- (b) a regional platform to support national efforts aimed at implementing related regional and international best practices and instruments, especially the UN Convention against Corruption (UNCAC).

ACINET will be supported by a parallel network composed of parliamentarians and representatives of non-governmental actors, including civil society organisations and the private sector, with whom ACINET will consult and meet at least once a year during an annual forum organised to support anti-corruption and the promotion of integrity, transparency and accountability in the Arab region. The

establishment of this parallel network is currently underway, with the first annual forum expected to be taking place in mid 2009, with the aim of bringing the two networks together.

<http://www.arabanticorruption.org/News/FeaturedItemsDetails.aspx?FeaturedItemID=475>

U.N.**US\$20 million in fraud cases**

A U.N. task force has uncovered five new cases of corruption, fraud and mismanagement involving \$20 million in U.N. contracts, according to the unit's annual report to the U.N. General Assembly presented in October. The cases in the U.N. Procurement Task Force's report include air charter services in Congo, office supplies in Kenya, consulting jobs in Greece and payroll services at the New York headquarters. They are the latest cases in a three-year investigation into U.N. purchasing that has exposed more than \$630 million in contracts tainted by fraud, corruption or mismanagement at the U.N. The task force, headed by former U.S. federal prosecutor Robert Appleton and staffed by up to 18 white-collar crime experts, plans to examine at least eight more cases before its mandate expires in December. It will leave behind 150 incomplete cases, including 50 cases involving fraud or corruption.

U.K. News**First conviction under new overseas bribery laws**

A Ugandan government official who received bribes from a British company director became the first person to be convicted in the U.K. of overseas corruption. Ananias Tumukunde, adviser to Uganda's president, Yoweri Museveni, was jailed in September for a year. Niels Tobiasen, managing director of U.K. firm CBRN, pleaded guilty to paying £80,000 in bribes and received a 5 month suspended jail sentence. In May 2007, CBRN was given a £210,000 contract by the Ugandan government to supply training and equipment to guard the Commonwealth meeting, attended by 50 world leaders and 4,000 delegates. The prosecution alleged that Tumukunde demanded extra payments for what he called 'local tax'. The contract was one of six worth a total of £500,000 that were given to the company. By February this year, Tobiasen had allegedly sent five payments worth £83,000 to Tumukunde and a Ugandan military officer, Rusoke Tagaswire, who is still wanted by police.

Ex-BA chief faces jail over price-fixing

A former British Airways (BA) executive faces jail in the U.S. after agreeing to plead guilty to playing a role in a global conspiracy to fix prices for air cargo shipments. The U.S. justice department announced in September that Keith Packer, former commercial general manager of BA World Cargo, would serve eight months in prison and pay a fine of \$20,000. Mr Packer, a British citizen, is the first foreign national to be charged by U.S. authorities as part of an ongoing investigation into airline industry price-fixing. BA has already been fined by U.S. and U.K. authorities for its role in separate conspiracies to fix both cargo rates and passenger fares. Several former and current BA executives remain under investigation in the U.S. and the U.K.

Mr Packer is the third air cargo industry executive to be jailed for his part in the conspiracy, after the prison sentences given earlier this year to one former executive from Qantas and one from SAS Scandinavian Airlines. Competition officials from around the world

are investigating the air freight industry in what has become one of the world's biggest cartel probes. Further charges are expected to be brought by the E.U. against airlines. In August, four former and present BA executives were charged with cartel offences in connection with the U.K. Office of Fair Trading's (OFT) criminal investigation into the price-fixing of fuel surcharges for long-haul passenger flights. BA was fined £121.5 million in July 1997 by the OFT for its role in the passenger surcharge price fixing, and \$300 million by the U.S. justice department over its roles in the separate conspiracies to fix fuel surcharges on air cargo rates and passenger fares. In total, 10 present or former BA executives were denied protection from prosecution and were carved out of the plea agreement reached by BA with the U.S. authorities in August 2007, when it pleaded guilty to the conspiracy and accepted the \$300 million fines.

SFO plans to introduce plea bargaining

In September, the U.K. Serious Fraud Office announced plans to introduce U.S.-style plea-bargaining for overseas corruption cases. It hopes this will persuade firms to disclose problems to investigators. In return, companies could avoid prosecution for paying foreign bribes.

SFO and Balfour Beatty agree Civil Recovery Order

The U.K. Serious Fraud Office in October deployed new powers for the first time, under which the SFO can recover property obtained by unlawful conduct. These provisions do not require a specific offence to be established against any particular company or individual, merely that the property sought is the proceeds of unlawful conduct.

In early 2005, Balfour Beatty identified payment irregularities in respect of the execution of its joint venture contract to build the Bibliotheca Alexandrina in Egypt. The contract to build the Bibliotheca was entered into in 1996 and was completed in 2001 by a

Balfour Beatty business which was discontinued over seven years ago. Balfour Beatty self-reported the issue to the SFO in 2005. The SFO determined that there was a failure to keep accurate records within a subsidiary of Balfour Beatty in respect of the contract, and that no proceedings should be commenced against any individual or corporate body.

Balfour Beatty agreed with the SFO to pay a sum of £2.25 million under a Civil Recovery Order. The agreement expressly recognised that Balfour Beatty acted promptly and responsibly in connection with the matter, that Balfour Beatty has co-operated with the SFO throughout the investigation, and that appropriate steps had been taken to ensure no recurrence could take place in the future.

OECD criticises U.K. on corporate bribery

The Organisation for Economic Co-operation and Development (OECD) issued a critical report in October on the U.K.'s failure to combat corporate foreign bribery. The report stated that the OECD working group was 'disappointed and seriously concerned' by Britain's failure to honour the OECD anti-bribery convention. The group called for swift reform to inadequate corruption laws and for tougher action against U.K. companies bribing overseas. The report also noted some progress in Britain during the period of the investigation, including the first conviction last month achieved by a new City of London Police specialist anti-corruption unit.

Austrian count arrested amid bribery probe

Count Alfons Mensdorff-Pouilly was arrested in the U.K. in October as part of a multi-country investigation into allegations of bribery to win European arms deals. The Serious Fraud Office interviewed

Count Mensdorff-Pouilly and another man on suspicion of corruption, later releasing the pair on police bail to appear early next year. Investigators also raided Mensdorff-Pouilly's home, and three residential addresses in London. Investigators are probing whether Count Mensdorff-Pouilly's company used money received from BAE to bribe people in positions of power over arms contracts in countries including Austria and the Czech Republic.

Procurement fraud costs taxpayers almost £500k

A study of 47 central government departments by the U.K. Treasury has found fraudulent activity totalling nearly £4.3 million in the period between April 2007 and March 2008. Procurement fraud accounted for £446,900 of this sum and was almost four times as high as had been recorded in the previous survey. There were 70 instances of purchasing corruption, with two cases accounting for over half the total. The most costly procurement scam defrauded the taxpayer of £182,000 and was discovered following a review of a purchasing project. It involved 'widespread' collusion resulting in the defrauding of money and materials, the theft of fuel and 'manipulation' of accounting records. The incident was blamed on 'a lack of management oversight'. The second largest case involved the misuse of a procurement card by a senior manager over a four-year period, which cost the government £78,000. The irregularities were reported by another member of staff and the official was later sacked. The police are currently considering a criminal prosecution against the individual. The Treasury review also noted examples of external fraud. Seven cases involving government suppliers were reported, with losses totalling £1.4 million. One contractor defrauded £297,600 after over-claiming for payments, while another incident saw a vendor secure £367,500 by submitting false time sheets.

Forum News

Forum Anti-Corruption Workshop

In October, the UK Anti-Corruption Forum held a one day anti-corruption Workshop in London entitled 'Corporate Anti-Corruption Actions'. Seventy-five senior delegates attended from 9 countries. The Workshop was divided into four consecutive sessions: Gifts, hospitality and facilitation payments; Due diligence; Internal monitoring and whistle blowing; and Crisis management. Each session commenced with a panel discussion on the topic, led by senior and experienced industry representatives. The topic was then thrown open for floor discussion. The purpose of the Workshop was to exchange ideas on how best to deal at corporate level with some of the key challenges in this area.

Seventeenth Meeting of the Forum

The seventeenth meeting of the Forum was held on 10th September 2008. The activities of the working groups and other relevant issues were reviewed, and future actions were agreed.

Meetings: U.K. Government and Forum

Members of the Forum have held meetings with representatives of the U.K. Government.

- A meeting between the Forum and BERR in July to follow up on the issues discussed at the June Forum-Government meeting.
- A meeting between the Forum and OGC, BERR, DFID and ECGD in September to discuss U.K. and E.U. debarment.

Forum paper

'Proposed Anti-Corruption Actions for UK Government'

As a follow up to the meetings between the Forum and Government, and in order to assist the Government develop and enhance its anti-corruption strategy, the Forum has prepared and submitted a paper to the Government entitled 'Proposed Anti-Corruption Actions for UK Government'. This paper summarises the Forum's position on various anti-corruption issues.

Forum Information

What is the U.K. Anti-Corruption Forum?

The Anti-Corruption Forum is an alliance of U.K. 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.

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

Newsletter Editorial Panel

Editor: John Howell

Hamish Goldie-Scot

Tom Osorio

Catherine Stansbury

Neill Stansbury

Andy Walker

For comments on this Newsletter, or contributions and suggestions for future editions, please contact John Howell at

Living.Resources@gmail.com

The next edition is due in February 2009.