



TRANSPARENCY INTERNATIONAL UK

December 2008

Dear Member

November and December have proven to be busy months. At the **AGM** on 17th November we said goodbye and a huge thank you to our Chairman, Laurence Cockcroft, who has worked tirelessly over the past 8 years both for Transparency International (UK) and the wider Movement. He has been a huge source of strength and energy for TI(UK) and I would like to thank him for his hard work, commitment and wise counsel. We are pleased that Laurence will remain an active Board member.

We extend a warm welcome to our **new Chairman John Drysdale**. John, with his broad range of interests and expertise, has made valuable contributions to TI(UK)'s work to date, particularly in the area of combating money laundering. TI(UK)'s management team is looking forward to working with him as Chairman at a time when the spotlight is very much on the UK's approach to tackling corruption.

On an international level, anti-corruption is being tackled extensively by the TI movement and the International Anti-Corruption Conference in Athens in October was a good opportunity to learn and reflect on work being done and the challenges we are facing. More than a thousand individuals from across the globe met to assess progress. Laurence Cockcroft shares his views with you below.

On 20th November the **Law Commission** published its long-awaited **Report on the reform of anti-bribery legislation** in the UK. TI(UK) believes the draft bill proposed by the Law Commission provides an excellent foundation for the Government to enact new legislation. We are working hard to encourage the Government to enact a bill in the fourth session of parliament.

You may have also seen the publication, on World Anti-Corruption Day, 9 December, of Transparency International's **Bribe Payers Index 2008**. A press conference was held at the Guildhall in London followed by a lively panel discussion in the evening. The index received extensive media coverage. Please do read on to learn about the results and the UK's score.

We are in the process of planning our future work programme and I would like to invite you to an informal discussion on TI(UK)'s plans for 2009 – if you are able to join us please do let Jan Lanigan know – full details are provided overleaf.

In the meantime all of us at TI(UK) would like to take this opportunity wish you a happy Christmas break and we look forward to being in touch in 2009.

With best wishes,

Chandrashekhar (Chandu) Krishnan
Executive Director
Transparency International (UK)

**Informal discussion with Members:
Transparency International (UK)'s plans for 2009**

When: 5-6.30 pm February 23rd 2009

Members of TI(UK) are invited to an informal discussion with the Chairman, Executive Director and staff of TI(UK) on the charity's plans for 2009.

This will take place at TI(UK)'s offices at 1 London Bridge at 5pm on Monday, February 23rd, and the session will last for an hour and a half.

RSVP by February 16th to Jan Lanigan jan.lanigan@transparency.org.uk

[please note that we need to know in advance who will attend so that we can arrange entry to the building].

Introducing our new Chairman, John Drysdale



I wanted to introduce myself to you, TI(UK)'s members. I am very much looking forward to my new role and continuing the good work of my predecessor Laurence Cockcroft. The recent OECD Working Group on Bribery highlighted key failings notably the UK's failure to comply with the 1997 Convention. I am looking forward to raising the profile of the fight against corruption both in the UK and abroad and will keep you informed of our progress.

About John

John Drysdale is a Chartered Accountant and former banker who, as Chairman of the Transparency International (UK) Money Laundering Working Group, oversaw the research and production of the 2004 report entitled 'Corruption and Money Laundering in the UK – One Problem, Two Standards'. He was with Robert Fleming, the merchant bank, for 30 years and during that time gained wide experience of banking operations in the Far East, the Middle East as well as the UK and Europe. He became a member of TI(UK) in 2000 and in 2002 he joined the TI(UK) Executive Committee. In the same year he was invited to become a member of the Audit Committee of the TI Secretariat in Berlin.

Education

BA, Oxford University

CA, Institute of Chartered Accountants of Scotland

Career

Economist, Food & Agriculture Organisation, Rome 1963 – 1964

Robert Fleming, Merchant Bank, 1966 – 1996

- Investment Manager 1967 – 1969
- Far East, especially Japan 1970 – 1978
- Director, Jardine Fleming 1974 – 1978
- Director, Robert Fleming Holdings 1981 – 1996

Interests

- Director, Garsington Opera, from 1989
- PhD in Musicology, University of Southampton 1997 – 2002
- Chairman, Open University Foundation, from 2002
- Member, TI(UK) Executive Committee, from 2002
- Member, Audit Committee, TI-Secretariat, Berlin, from 2002
- Chairman, TI(UK) Money Laundering Working Group, from 2002

Article: Is Britain serious about International corruption?

By Laurence Cockcroft

This article was published in Ethical Corporation this month

In October more than a thousand individuals from across the globe met at the International Anti-Corruption Conference in Athens to assess progress in attacking the many forms of corruption which continue to undermine economic progress, generate political instability and spawn failed states. This recognition was shared by former Heads of State such as Mary Robinson of Ireland and Festus Mogae of Botswana, current and ex Prime Ministers such as Siim Kallas of Estonia and Kostas Karamanlis of Greece and proponents of inter Faith dialogue such as Prince Hassan of Jordan and Patriarch Bartholomew, Archbishop of Constantinople. In the course of nearly a week the resolve of companies, government and individuals were subject to a remorseless spotlight, and the ability of corruption to facilitate other phenomena such as climate change, ethnic rivalry and even the frailty of financial institutions was established.

The strongest criticism of any country was reserved for the UK – no longer regarded as a bastion of public integrity but rather as the principal danger to the first and most important anti-corruption convention: the OECD Anti-Bribery Convention of 1997. A special session was convened on this topic addressed by the Chairman of the OECD Working Group on Bribery which ten days earlier had condemned the UK's inability to meet its commitments under the Anti-Bribery Convention. The latter required signatory states to ensure that their anti-corruption legislation criminalised bribes paid abroad and that they had in place an effective mechanism for prosecution. The UK has been identified for several years by the OECD as one of the most important laggards in the implementation of this Convention, highlighted by the fact that the suspension of the Al Yamamah investigation in 2006 was in direct contradiction of the 'no exceptions' commitment built into the Convention. Equally importantly, the UK's record of investigating and prosecuting bribery is still extremely poor when compared to G7 peers – a mere two cases to date, compared to 103 in the US, 43 in Germany and 19 in France. This has aroused real anger in those countries whose companies compete with the UK in the international market place, and which have brought prosecutions against large and highly-regarded corporations such as Baker Hughes, Elf and Siemens.

Although the concerns raised at the International Anti Corruption Conference were wide, this extraordinarily feeble performance by the UK was regarded as symptomatic of a profound lack of commitment to addressing corruption. The report of the OECD Working Group on Bribery even went so far as to suggest that the Government's inability to act is creating a situation where UK based companies could behave with impunity in the payment of bribes to win overseas business. It also warned that uncertainty over the UK's legislative framework may trigger a need for increased due diligence over UK companies by their commercial partners or multilateral development banks such as the World Bank. In an earlier report the OECD had raised the question of whether the UK's failure was effectively 'systemic' – implying that the nexus of inadequate legislation, feeble prosecuting agencies and a political willingness to buckle to an ally (Saudi Arabia) made uncomfortable by a criminal investigation constituted an inability to address the issue altogether. This fear was quietly reinforced by the fact that in Transparency International's 'Corruption Perceptions Index' – released in September this year – the UK fell from twelfth to sixteenth place.

Is the Government as feeble and incompetent on this issue as this implies? The fact that the Government has twice published an 'Action Plan' to fight international corruption – in 2006 and 2008 – is outweighed by the fact that there have been no less than three 'Ministerial Champions of anti corruption' in the same number of years (Hilary Benn, John Hutton and now Jack Straw). Closer to the mark appears to be complacency: a political view that the legislation is not really necessary and certainly not urgent, a willingness to bend to a small number of unrepresentative companies who seek to ensure that legislation will not be effective, and a severe reluctance to provide the financial resources necessary to enable the SFO and the Metropolitan police to pursue effective investigation and prosecution.

Ten years ago, the international community relied on the UK to be progressive in this arena, not least because of its influence as the world's fourth largest exporter and a major source of foreign direct investment around the world. Now, disappointment at the lack of a serious stand has turned to disbelief, and disbelief to anger – raising the question as to whether other countries (such as the US and France) should now take steps to weaken their legislation. It is not quite too late to salvage the situation, but it will be a hard won fight, without a day to lose.

Law Commission Report on anti-corruption legislation in the UK

In November, and after 18 months the Law Commission issued its long-awaited Report on corruption law, proposing a new draft Bill.

What we think

New anti-corruption legislation is well overdue. We welcome the Law Commission's balanced Report. The draft anti-corruption bill proposed by the Commission is a good foundation for the enactment of new legislation that will be easily understood and enforceable in the UK courts. Most importantly it will satisfy our OECD partners and make the UK fully compliant with the 1997 Anti-Bribery Convention.

What next?

We believe the Government must now adopt these proposals in full and enact a new corruption Bill in the fourth session of Parliament. If the UK is to restore its international reputation the Government must act swiftly.

What are we doing?

We have met with the new Anti-Corruption Champion Jack Straw MP's special adviser and are engaging with all political parties

What do we want to see in a new anti-corruption law?

Transparency International (UK) has made it clear that new legislation must allow the swift prosecution of both companies and individuals; make it a criminal offence for a UK company to bribe a foreign public official through an intermediary who is not a UK national; and not allow the Attorney General to give direction to investigations and prosecutions of foreign bribery. We believe decisions to investigate and prosecute should be left to the Director of Public Prosecutions and/or the Director of the SFO.

Transparency International's Bribe Payers Index 2008

About the BPI

TI's 2008 BPI ranks 22 leading international and regional exporting countries by the tendency of their firms to bribe abroad. The combined global exports of goods and services and outflows of foreign direct investment of these 22 countries represented 75 percent of the world total in 2006. The 2008 BPI is based on the responses of 2,742 senior business executives from companies in 26 developed and developing countries, chosen by the volume of their imports and inflows of foreign direct investment.

The international results: for too many, bribery remains routine business practice

- Companies based in emerging economic giants, such as China, India and Russia, are perceived to routinely engage in bribery when doing business abroad
- Belgium and Canada shared first place in the 2008 BPI with a score of 8.8 out of a very clean 10, indicating that Belgian and Canadian firms are seen as least likely to bribe abroad
- The Netherlands and Switzerland shared third place on the index, each with a score of 8.7
- Russia ranked last with a score of 5.9, just below China (6.5), Mexico (6.6) and India (6.8)

Companies in sectors most willing to bribe public officials:

- public works contracts and construction
- real estate and property development
- oil and gas
- heavy manufacturing
- mining

The cleanest sectors, in terms of bribery of public officials, were identified as information technology, fisheries, and banking and finance.

Companies from the 19 sectors most likely to engage in state capture:

(whereby parties attempt to wield undue influence on government rules, regulations and decision-making through private payments to public officials)

- Public works contracts and construction
- oil and gas
- mining
- real estate and property development

The banking and finance sector is seen to perform considerably worse in terms of state capture than in willingness to bribe public officials, meaning that its companies may exert considerable undue influence on regulators, a significant finding in light of the ongoing global financial crisis.

The sectors where companies are seen as least likely to exert undue pressure on the public policy process are agriculture, fisheries and light manufacturing.

What we want to see

While most of the world's wealthiest countries already subscribe to a ban on foreign bribery, under the OECD Anti-Bribery Convention, there is little awareness of the

convention among the senior business executives interviewed in the Bribe Payers Survey. Governments have a key role to play in ensuring that foreign bribery is stopped at the source – and by making good on commitments to prevent and prosecute such practices.

The UK

The UK ranked 5th best alongside Germany and Japan with a score of 8.6. This shows that from the perspective of the private sector representatives who were surveyed, the record of UK-based firms is better than some recent reports have suggested.

This is a welcome development and suggests that UK companies are responding to an international regulatory environment that is increasingly becoming tougher on foreign bribery and that increased resources for investigation and prosecution are beginning to have an impact.

However, recent cases in the UK suggest that we should not be complacent. Through our discussions with the corporate sector, we know there is widespread confusion among UK firms about current UK anti-corruption legislation and that many companies do not have state of the art anti-corruption systems. Companies need to improve their systems and, based on the Law Commission's recent proposals, the swift enactment of a new, up-to-date and easily understood anti-corruption law is vital if the UK is to maintain and improve its record in the future. It is noteworthy that 58 per cent of UK respondents in the BPI survey felt that the UK government is either very ineffective or ineffective in the fight against corruption.

To read more information about the BPI visit www.transparency.org.uk

Media coverage

Law Commission

Publication	Title	Hyperlink
Daily Telegraph	Bosses who ignore bribery and corruption face 10 years in jail under new laws	http://www.telegraph.co.uk/finance/3485230/Bosses-who-ignore-bribery-and-corruption-face-10-years-in-jail-under-new-laws.html
Director (IoD website and Magazine)	An overhaul of bribery laws could finally introduce the concept of corporate liability	http://www.director.co.uk/ONLINE/11_08_bribery.html
Whitehall and Westminster World (weekly civil service paper)	Bribery law in need of reform	N/A

Other coverage

Publication	Title	Hyperlink
Daily Telegraph	Letter from Huguette Labelle re development and aid	http://www.telegraph.co.uk/opinion/main.jhtml?menuId=1588&menuItem=-1&view=DISPLAYCONTENT&grid=A1&targetRule=0#head5
Ethical Corporation	Article by Laurence Cockcroft on IACC and future of anti-corruption movement	http://www.ethicalcorp.com/content.asp?ContentID=6233

Bribe payers Index 2008 in UK media

Publication	Title	Hyperlink
Evening Standard	UK firms respectable 5 th in bribery table	http://www.thisislondon.co.uk/standard-business/article-23599116-details/UK+firms+respectable+fifth+in+bribery+table/article.do
Daily Mail	British firms respectable fifth in bribery table	http://www.dailymail.co.uk/money/article-1093193/British-firms-respectable-fifth-bribery-table.html
Ethical Corporation	"Russian companies most prone to bribery"	http://www.ethicalcorp.com/content.asp?ContentID=6243&ContTypeID=64
Press	Briefing note on the wire	N/A

Association	on BPI	
FT	Emerging powers' companies bribe 'routinely'	http://www.ft.com/cms/s/4522296e-c606-11dd-a741-000077b07658,Authorised=false.html? i_location=http%3A%2F%2Fwww.ft.com%2Fcms%2Fs%2F0%2F4522296e-c606-11dd-a741-000077b07658.html& i_referer=
Guardian	Russian firms most likely to pay bribes, says report	http://www.guardian.co.uk/world/2008/dec/09/russia
Economist	Dishing out carrots	http://www.economist.com/daily/chartgallery/displayStory.cfm?story_id=12755472
BBC news online	Russian firms lead bribe list	http://newsvote.bbc.co.uk/1/hi/business/7773069.stm
BBC new business	Russian firms lead bribe list	http://news.bbc.co.uk/1/hi/business/7773069.stm
Telegraph	Russian, Chinese and Indian companies most likely to pay bribes	http://www.telegraph.co.uk/news/worldnews/3690976/Russian-Chinese-and-Indian-companies-most-likely-to-pay-bribes.html

To keep up to date with TI(UK) press releases visit www.transparency.org.uk