TRANSPARENCY INTERNATIONAL UK
Defence and Security Programme

GOVERNMENT DEFENCE ANTI-CORRUPTION INDEX 2013

This Government Defence Anti-Corruption Index is the first ever review of corruption risk and corruption vulnerability in Defence Ministries and Armed Forces.

It offers governments, armed forces, civil society organisations, and citizens detailed knowledge and understanding of the corruption risks in their national defence and security establishments.

Armed with this knowledge they can press for change and improvement.

Foreword

Defence ministries can be secretive, closed and impenetrable establishments, especially when corruption risk is being discussed. This Government Defence Anti-Corruption Index shows the majority of governments do too little do prevent corruption in their defence establishments, leaving them open to waste, inefficiency, and abuse of power.

But, in our work with defence ministries and armed forces since 2004, we have found that many senior defence officials, senior officers and ministers are aware of the corruption risks in defence.

They know that public trust is important, and that secrecy and corruption scandals damage that trust. They know that corruption corrodes operational effectiveness, and means that their soldiers are at risk when deployed with inappropriate or faulty equipment. They are aware that the temptation of large bribes can lead to unnecessary purchases. They are conscious of what a huge waste of money such corruption can be.

The understanding of these risks has made many Defence Ministries ready to address and minimise the corruption risks they face in their ministries. For this, they need benchmarks and guidance. What is 'normal' in defence anti-corruption and integrity building? What should an anti-corruption 'plan' cover? Where are the good practices that can be studied and emulated?

This Index is intended to provide detailed evidence to answer such questions. It is comprehensive, with each country analysed across 77 detailed questions on all aspects of a defence ministry and armed force's integrity-building and anti-corruption systems. It covers 82 countries, from the major arms producing countries through to fragile nations. It provides detailed analyses for each country that describe the mechanisms they have in place to prevent corruption in this sector, and how they could be strengthened. This provides nations with a wealth of material on which to base improvement.

This Index is novel, as it is open to governments providing information and reviewing results. We have been encouraged by how many governments have provided input, and welcome further engagement to help us correct inaccuracies in the research, and work with us to develop reform plans.

There are many countries whose defence ministry remains secretive and closed, and where it can be dangerous even to ask questions about corruption. Bringing transparency to this sector, and accountability to citizens, is another main purpose of this Index. Many of these countries are important players on the world stage, and major exporters and importers of arms. It is to the benefit of the whole world that they be more open and accountable about their defence establishments.

We welcome feedback from governments on their national assessments to help us deepen our understanding, and initiate a dialogue with us on reform.

Mark Pyman
Director
Defence and Security Programme
Transparency International UK
January 29th, 2013

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Executive Summary

Corruption in defence undermines national and global security. It is dangerous, it is divisive, and it is wasteful.

www.defenceindex.org
www.ti-defence.org

Corruption in defence affects citizens, soldiers, nations – and you.

The Defence and Security Programme of Transparency International UK has been working with governments, defence companies, armed forces, civil society and policy-makers to improve anti-corruption standards in the defence sector since 2004. Our objective is to ensure that strong, effective mechanisms are in place in governments and companies to prevent corruption in defence, and to empower civil society to demand transparency and accountability in this sector.

Corruption in defence is a vital issue for many nations and for global security. It is dangerous, it is divisive, and it is wasteful.

IT MATTERS FOR CITIZENS
Corruption often leads to impunity, undermining public trust. It threatens citizens' security, such as when the military's ability to act with impunity puts peoples' lives at risk.

IT MATTERS FOR ARMED FORCES, SOLDIERS, AIRMEN AND SAILORS
They are put at risk by unnecessary or poor-quality defence equipment.

IT MATTERS FOR COUNTRIES
Corruption at the top of a defence establishment can enable capture of the state by a small clique. Military ownership of businesses by the military can stifle the economy. Defence procurement is often subject to less scrutiny than other sectors, and can therefore be much more corruption-prone and wasteful than other sectors.

IT MATTERS FOR WORLD SECURITY
Arms races can be started just to satisfy the greed of individuals; international security can be put at risk through corrupt agendas being pursued under the guise of international cooperation.

There are an increasing number of governments that are concerned that their defence and security establishments are characterised by integrity, public trust, and no tolerance for corruption. We will do everything we can to support such efforts. This Index makes levels of corruption risk across governments visible, and allows decision-makers and citizens to monitor the progress made in reducing this risk.

THE STUDY
This is a brand new tool and is the result of a major two-year study. This Index provides governments and citizens with information on how their defence ministries and armed forces compare to others in tackling defence corruption. It measures the degree of corruption risk and vulnerability in **government defence establishments** – the defence ministry, the armed forces, and other government institutions in that country (such as auditing institutions) that may influence levels of corruption risk in the sector. It forms a basis for reform for concerned governments, and serves as a tool to identify where to concentrate efforts.

As a part of this Index, 82 countries across the globe were subject to expert, independent assessment. These countries accounted for 94 per cent of global military expenditure in 2011 (USD 1.6 trillion).

They were selected according to the size of their arms trade, the absolute and per capita size of their militaries, and a proxy of the size of their security sector.

Each country was assessed using a comprehensive questionnaire of 77 questions, clustered into five risk areas: political risk, finance risk, personnel risk, operations risk, and procurement risk. Each of these five areas in turn has specific risk areas, as shown in the diagram below.

The analysis was subjected to multiple levels of peer review to minimise the risk of bias and inaccuracies in the responses. Governments were given opportunities to comment on the draft and to provide additional commentary if they desired. Each government has received a comprehensive report outlining our findings for each question, with references to all the sources we used. These assessments are made public on our website.

A second index has also been developed that addresses defence companies, analysing the anti-corruption systems of 129 major global companies. This index, the Defence Companies Anti-Corruption Index (**www.companies.defenceindex.org**), was published by Transparency International UK's Defence and Security Programme, on 4th October, 2012.

29 Defence Corruption Risks

POLITICAL	PERSONNEL	PROCUREMENT
Defence and Security Policy	Leadership Behaviour	Technical Requirements / Specifications
Defence Budgets	Payroll, Promotions, Appointments, Rewards	Single Sourcing
Nexus of Defence & National Assets	Conscription	Agents / Brokers
Organised Crime	Salary Chain	Collusive Bidders
Control of Intelligence Services	Values & Standards	Financing Packages
Export Controls	Small Bribes	Offsets
FINANCE	**OPERATIONS**	Contract Award, Delivery
Asset Disposals	Disregard of Corruption in Country	Subcontractors
Secret Budgets	Corruption within Mission	Seller Influence
Military-owned businesses	Contracts	
Illegal Private Enterprises	Private Security Companies	

THE RESULTS
The countries are placed in one of six bands according to their final score. The level of corruption risk associated with each band is as follows:

BAND	COUNTRIES	% IN BAND
A	AUSTRALIA, GERMANY	2%
B	AUSTRIA, NORWAY, SOUTH KOREA, SWEDEN, TAIWAN, UNITED KINGDOM, UNITED STATES OF AMERICA	9%
C	ARGENTINA, BRAZIL, BULGARIA, CHILE, COLOMBIA, CROATIA, CZECH REPUBLIC, FRANCE, GREECE, HUNGARY, ITALY, JAPAN, LATVIA, POLAND, SLOVAKIA, SPAIN	20%
D+	BOSNIA & HERZEGOVINA, CYPRUS, INDIA, ISRAEL, KENYA, KUWAIT, LEBANON, MEXICO, NEPAL, SERBIA, SINGAPORE, SOUTH AFRICA, THAILAND, UKRAINE, UNITED ARAB EMIRATES (UAE)	18%
D		36%
D-	BANGLADESH, BELARUS, CHINA, ETHIOPIA, GEORGIA, GHANA, JORDAN, KAZAKHSTAN, MALAYSIA, PAKISTAN, PALESTINIAN NATIONAL AUTHORITY, RUSSIA, RWANDA, TANZANIA, TURKEY	18%
E	AFGHANISTAN, BAHRAIN, COTE D'IVOIRE, INDONESIA, IRAN, IRAQ, MOROCCO, NIGERIA, OMAN, PHILIPPINES, QATAR, SAUDI ARABIA, SRI LANKA, TUNISIA, UGANDA, UZBEKISTAN, VENEZUELA, ZIMBABWE	22%
F	ALGERIA, ANGOLA, CAMEROON, DEMOCRATIC REPUBLIC OF CONGO, EGYPT, ERITREA, LIBYA, SYRIA, YEMEN	11%

BAND	CORRUPTION RISK
A	VERY LOW
B	LOW
C	MODERATE
D	HIGH*
E	VERY HIGH
F	CRITICAL

*Band D, due to its size, has been further divided into the higher performing Band D countries, D+, and the lower performing Band D countries, D-.

Only two countries, Australia and Germany, have high levels of transparency, and strong, institutionalised activity to address corruption risk (Band A). This unexpectedly small number of countries shows that defence anti-corruption measures are still in their infancy. This holds true even among the many OECD countries that are among the 82 nations analysed, which generally have strong government institutions and rule of law.

About 30 per cent of the countries have generally high or moderate transparency, with some activity to address corruption risks, but with shortcomings (Band B and Band C).

The rest of the nations have poor results, with 57 of the 82 countries, or 69 per cent, scoring in the bottom three bands—D, E and F. This includes 20 of the largest 30 arms importers in the world assessed, and 16 of the largest 30 arms exporters assessed.[1] This disappointing result shows that defence risk in most countries is poorly controlled, with correspondingly high vulnerability to corruption.

TYPES OF CORRUPTION RISK

The index found varying degrees of corruption risks for the five risk areas:

- **Political corruption risk:** The capacity of legislatures to hold defence establishments to account is severely limited. There are minimal formal mechanisms for scrutiny of defence policy in 45 per cent of countries, and evidence of highly effective mechanisms in only 12 per cent of countries studied.
- **Financial corruption risks:** Considerable secrecy surrounds finance in defence and security. Three-quarters of countries examined do not publicly reveal the percentage of secret defence and security expenditure.
- **Personnel corruption risk:** Over 70 per cent of the countries examined possess robust payment systems, and in nearly 90 per cent of countries at least some formal measures are in place for personnel found to have taken part in corruption. However, significant improvements are necessary to support whistle-blowers in the defence sector. Whistle-blower protection is lacking in 76 of the 82 countries examined. In addition, very little attention is paid to better preparing personnel in sensitive positions, such as increasing staff rotation and training.
- **Operations corruption risks:** The overwhelming majority of nations lack any military doctrine addressing corruption risk on operations, and have not institutionalised anti-corruption training or monitoring mechanisms for use in the field.
- **Procurement corruption risks:** Serious challenges are observed in this key risk area. Transparency is largely absent, and proper controls of complex components of the procurement cycle, including sub-contractors, brokers, financing packages, and offsets programmes, are often lacking.

ACTIONS

Defence Leaders: Carry out a detailed analysis of the corruption risks in your defence sector. Publish policies, budgets, and procurement plans, and encourage and respect public and legislative scrutiny. Make secrecy a legitimate exception, not the norm.

Legislators: Ensure a strong committee is in place to monitor and oversee defence, security, and intelligence issues. Establish a suitable sub-committee that can ensure robust questioning of all topics withheld from public oversight in the name of national security.

Civil Society: Bring this subject to the level of national dialogue, and actively monitor and oversee defence policies, budgets, and activities. Act as a conduit between citizens and the defence establishment and demand accountability.

Defence Companies: Ensure strong ethics and compliance systems are in place in your company. Use the benchmark provided by the sister index to this report to evaluate your company's anti-corruption systems.

One-page summaries and detailed country assessments are available on our website: **www.defenceindex.org**

1 2011 data. Source: SIPRI Arms Transfers Database, http://armstrade.sipri.org/armstrade/page/values.php Accessed 6 November 2012.

The Study

Transparency International UK (TI-UK) has been working to improve anti-corruption standards in the defence sector since 2004. During the course of this work, governments have repeatedly asked us what constitutes good practice in avoiding and preventing corruption risk. The Government Defence Anti-Corruption Index is a key part of answering that question, alongside the Defence Companies Anti-Corruption Index, which was published by TI-UK on 4th October 2012. For a comprehensive explanation of the methodology and questionnaire and the detailed results for both indices, please visit the indices' website at: **www.defenceindex.org**

This Government Defence Anti-Corruption Index seeks to measure the degree of corruption risk in **government defence and security establishments** – the defence and security ministries, the armed forces, and other government institutions in that country (such as auditing institutions) likely to influence levels of corruption risk in the sector.

One important word of caution. This analysis is inevitably based on the information that we can glean from public sources or from MOD officials willing to discuss the topic. Sometimes, our information will be incomplete, inaccurate or out of date. The remedy is part of being an accountable Defence Ministry: all nations should ensure that their integrity systems and controls are transparent and open to public scrutiny.

THE COUNTRIES

We analysed 82 countries across the globe. They were selected according to the size of their arms trade, the absolute and per capita size of the military, a proxy of the size of their security sector, and on ensuring a geographically diverse set of countries.[2]

THE QUESTIONNAIRE

The research for each country was carried out using a detailed questionnaire of 77 questions clustered into **five risk areas**, which follow the TI-UK Defence and Security Programme's typology of risks in the sector. These risk areas are:

1. Political risk: the risk of defence legislation and controls being compromised by corruption.

2. Finance risk: the risk of abuse of large, potentially secretive defence budgets and income.

3. Personnel risk: the risk of corruption among armed forces and defence ministry personnel.

4. Operations risk: the risk of corruption occurring during military operations at home and abroad.

5. Procurement risk: the risk of corruption in the process of purchasing defence equipment and arms.

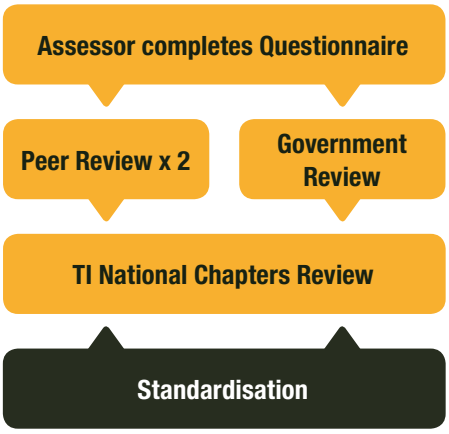
2 It should be noted that although the generic term 'country' is used throughout the study, in two instances we include non-independent territories: Taiwan, and the Palestinian National Authority.

These risk areas, in turn, are associated with particular sub-topics, as shown in the typology that follows. The number of questions that are asked of each topic is also shown on the diagram.

The number of questions within each category and sub-category were deemed representative of the degree of importance of each topic we assigned to each category and sub-category, so no artificial weighting was used. A list of all the questions is also provided at the back of this report.

29 Defence Corruption Risks

POLITICAL		PERSONNEL		PROCUREMENT	
Defence and Security Policy	10	Leadership Behaviour	4	Technical Requirements / Specifications	7
Defence Budgets	7	Payroll, Promotions, Appointments, Rewards	5	Single Sourcing	2
Nexus of Defence & National Assets	1	Conscription	2	Agents / Brokers	1
Organised Crime	2	Salary Chain	2	Collusive Bidders	1
Control of Intelligence Services	2	Values & Standards	4	Financing Packages	1
Export Controls	1	Small Bribes	1	Offsets	3
FINANCE		**OPERATIONS**		Contract Award, Delivery	3
Asset Disposals	2	Disregard of Corruption in Country	2	Subcontractors	1
Secret Budgets	6	Corruption within Mission	1	Seller Influence	1
Military-owned businesses	2	Contracts	1		
Illegal Private Enterprises	1	Private Security Companies	1		



THE ASSESSMENT PROCESS

The questionnaire was answered by a lead country assessor, whose responses were reviewed by two independent peer reviewers. Assessors used a wealth of material to come to their conclusions: media articles, specialist books and papers, and interview research. The researchers recruited were independent specialists across academia, journalism, and the anti-corruption movement, including TI national chapters. We sought individuals based in-country and who had access to knowledge on the ground. In recruiting the set of researchers for each country, we sought to include individuals with varied experience. The country research was carried out across three stages, between July 2011 and November 2012.

The answer to each question is scored from 0 to 4, and detailed model answers were provided for assessors' and reviewers' guidance. They are detailed on the Question and Model Answer Document, available from **www.defenceindex.org**. This helped standardise the responses across countries and ensure a tight focus on defence corruption risk. Assessors were required to provide a paragraph of narrative justification for their scoring, and to list references, for each question. Through in-depth analysis of each risk area, an overall picture of a country's defence corruption risk was developed.

In total we had more than 200 assessors and peer reviewers. The country research was carried out across three stages between July 2011 and November 2012.

GOVERNMENT REVIEW OF THE RESULTS

We encouraged all of the governments to collaborate in the assessment.[3] This original aspect of index methodology enabled valuable dialogue between governments and researchers, and helped ensure accuracy in assessor responses. To encourage dialogue, we sent the draft results to each government where we had been given a point of contact (34 of the 82), and sent the final draft assessment to all Defence Ministers too. Fourteen provided a detailed review (Australia, Austria, Bosnia and Herzegovina, Bulgaria, Cyprus, Czech Republic, Germany, Latvia, Norway, Poland, South Korea, Taiwan, Turkey, and Ukraine). Other governments have responded to the research through acknowledgement or submission of a set of general comments: these are available on our website, **www.defenceindex.org**.

This analysis is based on public information and our information will therefore sometimes be incomplete. This may be remedied simply by up to date information being provided by the Defence Ministry.

In the meantime, we welcome responses from nations on innacuracies and omissions, and we will publish such responses on the Index website.

TRANSPARENCY INTERNATIONAL REVIEW

We invited Transparenct International National Chapters, where present, to undertake a review. In addition, the Transparency International Defence and Security Programme's (TI-DSP) team carried out detailed standardisation and consistency checks across all countries to ensure that the scores for each question were comparable, and in line with the model answers. TI-DSP is ultimately responsible for the finalised scores and banding.

3 Where governments were late in responding to our invitation, they were invited to submit a report in response to the assessment which will be published separately on our website.

THE SCORING

Each question was scored from 0 to 4, using detailed model answers for guidance. Narrative justifications and lists of relevant references were provided by assessors for their scoring.

After being scored from 0 to 4 on each question, countries were scored overall in bands from A to F based on the percentage of marks they were awarded across the entire survey. The number of questions set for each category and sub-category reflected the importance of specific corruption risks, and as such was relied upon instead of any artificial weighting to derive the overall scores.

QUESTION SCORING PRINCIPLES

4 **High transparency**; strong, institutionalised activity to address corruption risks.

3 **Generally high transparency**; activity to address corruption risks, but with shortcomings.

2 **Moderate transparency**; activity to address corruption risk, but with significant shortcomings.

1 **Generally low transparency**; weak activity to address corruption risk.

0 **Low transparency**; very weak or no activity to address corruption risk.

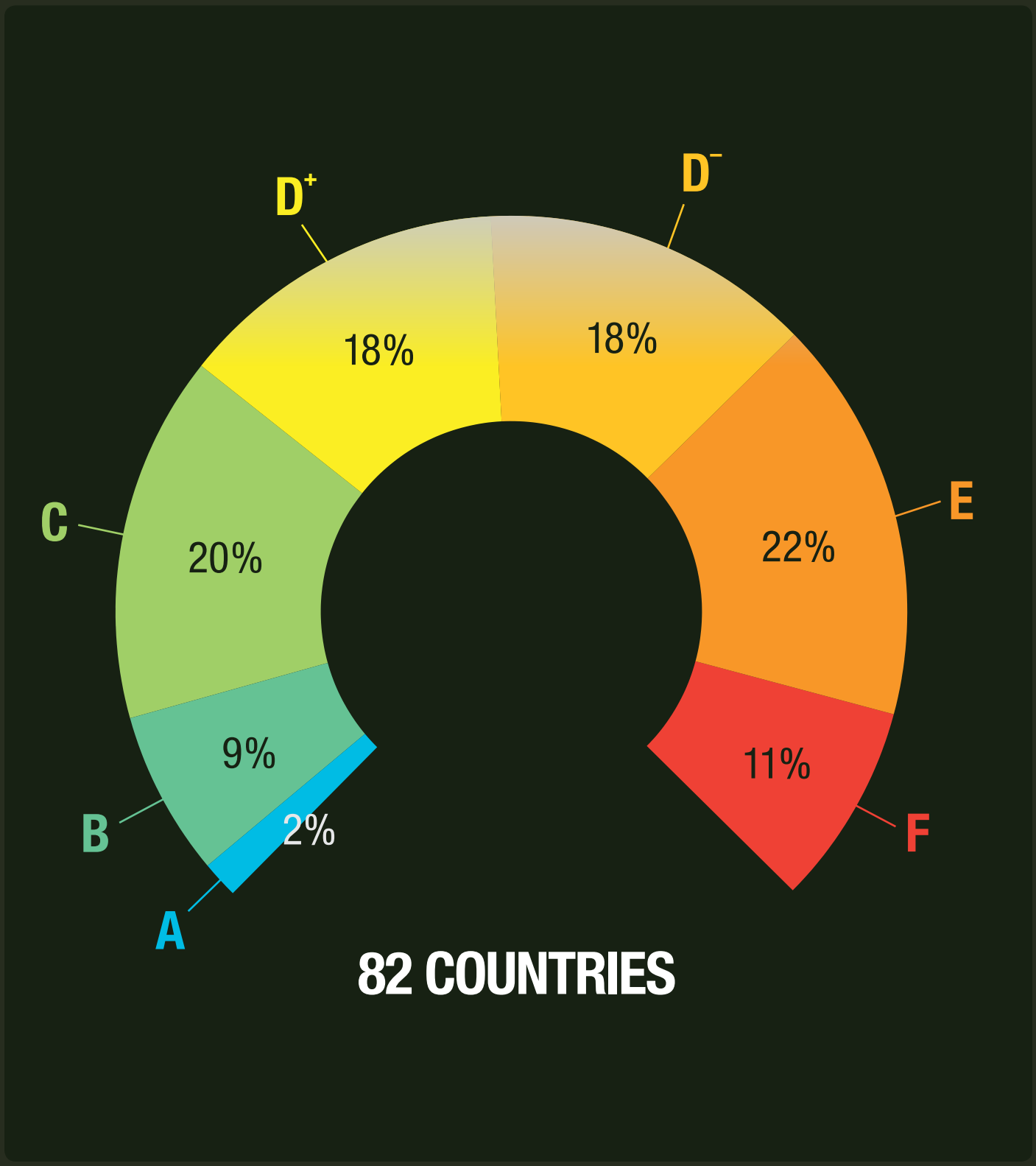
BANDING BRACKETS

Band	Lower % Score	Upper % Score	Corruption Risk
A	83.3	100	Very low
B	66.7	83.2	Low
C	50.0	66.6	Moderate
D	33.3	49.9	High
E	16.7	33.2	Very high
F	0	16.6	Critical

Due to the large number of countries clustered in Band D, countries were subdivided into D+ and D- sub-bands. The cut off mark was 41.6 per cent, the mid-point in the Band D range.

The Results

Distribution of countries in bands



A 2 Countries

AUSTRALIA, GERMANY

B 7 Countries

AUSTRIA, NORWAY, SOUTH KOREA, SWEDEN, TAIWAN,
UNITED KINGDOM, UNITED STATES

C 16 Countries

ARGENTINA, BRAZIL, BULGARIA, CHILE, COLOMBIA, CROATIA, CZECH REPUBLIC,
FRANCE, GREECE, HUNGARY, ITALY, JAPAN, LATVIA, POLAND, SLOVAKIA, SPAIN

D 30 Countries

D^{+} BOSNIA AND HERZEGOVINA, CYPRUS, INDIA, ISRAEL, KENYA, KUWAIT, LEBANON, MEXICO, NEPAL, SERBIA, SINGAPORE, SOUTH AFRICA, THAILAND, UKRAINE, UNITED ARAB EMIRATES (UAE)

D^{-} BANGLADESH, BELARUS, CHINA, ETHIOPIA, GEORGIA, GHANA, JORDAN, KAZAKHSTAN, MALAYSIA, PAKISTAN, PALESTINE, RUSSIA, RWANDA, TANZANIA, TURKEY

E 18 Countries

AFGHANISTAN, BAHRAIN, COTE D'IVOIRE, INDONESIA, IRAN, IRAQ, MOROCCO,
NIGERIA, OMAN, PHILIPPINES, QATAR, SAUDI ARABIA, SRI LANKA, TUNISIA,
UGANDA, UZBEKISTAN, VENEZUELA, ZIMBABWE

F 9 Countries

ALGERIA, ANGOLA, CAMEROON, DRC, EGYPT, ERITREA, LIBYA, SYRIA, YEMEN

Results by Band

Only two countries, Australia and Germany, are placed in Band A, indicating a very low level of corruption risk. Nearly 70 per cent of countries score in Bands D, E, or F, indicating high, very high, or critical risk of corruption in defence and security.

A 2 Countries

AUSTRALIA, GERMANY

Only two of the 82 countries assessed demonstrate a **very low** level of corruption risk, placing them in Band A.

These two countries share several characteristics:

• **Strong accountability and high levels of transparency.** Their parliaments are empowered to effectively scrutinise defence and security institutions and policy. Each country is highly transparent regarding all sources of defence income and effective internal audit mechanisms are in place for defence ministry expenditure.

• The nations' intelligence services are held accountable to citizens through strong, independent oversight by parliament.

• There is strong control of financial corruption risk. There is no evidence of off-budget military expenditures in these countries. Accountability is enforced through strong provisions regulating the classification of information.

• Transparent and active defence procurement oversight mechanisms are in place.

• Germany's military owns businesses, but their operations and finances are generally transparent and public.

• **Open publication of pay rates** and allowances of personnel, in conjunction with robust, well-established payment systems in defence institutions.

• **Solid standards for the private sector.** Furthermore, there are requirements (compliance and business conduct programmes) of companies bidding for work for the MODs or armed forces. Nonetheless, even these countries did not score well throughout, highlighting room for improvement:

• **Secrecy.** In Australia, the level of defence budget expenditure allocated to secret spending is not publicly disclosed by their government.

• **CSO Engagement** between Civil Society Organisations and defence and security institutions on topics of defence, including corruption, is a weak point for Germany.

• Operations risk is the most vulnerable area for the band. Neither country directly addresses corruption as a strategic risk in operations through military doctrine.

Variations are apparent between the two countries within the band. Germany performs more poorly in the field of operations, lacking focused systems of anti-corruption training and monitoring in the field. Australia performs more poorly in finance, where transparency concerning secret items in the budget is lacking.

B 7 Countries

AUSTRIA, NORWAY, SOUTH KOREA, SWEDEN, TAIWAN, UNITED KINGDOM, UNITED STATES

Corruption risk for countries in Band B is assessed to be **low**. This group represents only 9 per cent of all countries in the index. They perform strongly in several common areas:

- Salary chains in defence and security establishments are transparent; payment systems are robust.
- Across most countries in the band, defence and security institutions are legally removed from holding any interests in natural resource exploitation.
- In Taiwan and South Korea, the armed forces are to be noted for standards of strictness and discipline, in which behaviours such as receipt of facilitation payments are likely to be punished severely.

Areas of concern among countries in Band B relate to:

- **Secrecy.** Countries in this band, on average, perform worse in the area of control of spending on secret items than countries in Band C. While in Norway, South Korea, and Sweden, the level of secret spending is not publicly available, in the United States, over 8 per cent of the defence budget—a high proportion—is dedicated to secret items and programmes.
- **Corruption Risk Assessment.** Countries in this group tend to do little to regularly assess and identify the greatest corruption risks in defence and security institutions.
- **Operations.** Almost all countries with low overall corruption risk display their weak scores in operations. Within this category, training specific to corruption risks on operations is a particular area that needs to be addressed.
- **Whistle-blowing.** Evidence of robust mechanisms facilitating whistle-blowing, and protecting whistle-blowers, are in place only in Norway, Taiwan, and the United States.
- **Procurement Risk.** Regulation and control over the use of agents and intermediaries within the defence procurement process is not strong. Transparency requirements of defence procurement financing packages, and controls of sub-contractors, are generally weak.

In terms of band variation, there is considerable deviation in the area of finance corruption risk. South Korea and Sweden emerge as the poorest performers in the band in this area. Norway, the UK, Taiwan have more developed controls. There is interesting convergence in procurement corruption risk. In this risk area, robust anti-corruption controls are seen across the band in the fields of government policy, procurement strategy, and contract delivery.

C 16 Countries

ARGENTINA, BRAZIL, BULGARIA, CHILE, COLOMBIA, CROATIA, CZECH REPUBLIC, FRANCE, GREECE, HUNGARY, ITALY, JAPAN, LATVIA, POLAND, SLOVAKIA, SPAIN

Twenty per cent of countries were found to have **moderate** corruption risk, placed in Band C. Overall, countries in Band C exhibit strong performance in comparison to the lower bands in the area of finance. There are strong controls in the South American countries of Argentina and Colombia, and the Eastern European countries of Latvia, Bulgaria, Poland and Slovakia. In Latvia, for example, the State Audit Office conducts effective asset disposal scrutiny, information on secret expenditure is available to the legislature, and there are no off-budget items. Yet this is not an entirely comprehensive finding. Brazil and Greece, in particular, exhibit a lack of adequate controls with regard to asset disposals, spending on secret items, and related legislative scrutiny and audit.

In this group, consistent with countries in Bands A and B, operations corruption risk demands attention. Major problems across Band C countries are seen relating to a lack of anti-corruption guidelines and training in contracting, and the monitoring of corruption risks in the field. The control of procurement risks within the band is also limited. A focus on due diligence requirements by governments with regard to defence procurement offset contracts is lacking in all nations across the band apart from Colombia, Greece, and Poland. In Chile, military exceptions to public procurement laws create corruption risk, as does the handling of offsets by a government agency primarily in place to promote economic production.

Conformity of bidding companies with compliance and business conduct programmes is also lacking in countries in Band C. Government requirements with regard to anti-corruption programmes for subcontractors and subsidiaries are generally lacking. Croatia is noteworthy for its poor performance in managing procurement risk, with either no or very few institutionalised activities to ensure transparency in the defence procurement process.

Some trends are apparent:

- **Limited civil society engagement** with defence and security institutions is highlighted in all countries apart from Argentina and Bulgaria. France, Brazil, and Chile stand out as countries where there is no evidence to suggest any such interaction takes place.
- **Provisions to encourage whistle-blowing** and to protect whistle-blowers, is another weak point for Band C countries. In Czech Republic, France, Hungary and Spain there is little evidence of any mechanisms to facilitate corruption reporting in defence and security institutions.
- All countries in the band except Greece and Poland lack adequate oversight of personnel in **sensitive positions** more vulnerable to impropriety.
- In Band C, defence institutions generally have nothing to do with their country's **natural resource exploitation**. Where they do have controlling or financial interests in it, appropriate scrutiny is undertaken.

D+ 15 Countries

BOSNIA AND HERZEGOVINA, CYPRUS, INDIA, ISRAEL, KENYA, KUWAIT, LEBANON, MEXICO, NEPAL, SERBIA, SINGAPORE, SOUTH AFRICA, THAILAND, UKRAINE, UNITED ARAB EMIRATES

D- 15 Countries

BANGLADESH, BELARUS, CHINA, ETHIOPIA, GEORGIA, GHANA, JORDAN, KAZAKHSTAN, MALAYSIA, PAKISTAN, PALESTINE, RUSSIA, RWANDA, TANZANIA, TURKEY

Thirty-six per cent of the countries assessed by the index are found to have **high corruption risk**, placing them in Band D. They span all five regions.

Band D illustrates variable characteristics, with countries exhibiting strong systems in some areas and very poor systems in others. Some positive features are:

• **Payment systems and personnel receiving pay in a timely manner.** Most countries score well, except Rwanda, Ethiopia and Tanzania. Belarus and Mexico also have shortcomings.

• Mexico, Nepal and Lebanon dedicate less than 1 per cent of defence expenditure to **secret spending.**

• **Ghost soldiers in the military.** There is little evidence of 'ghost soldiers' – fictitious soldiers that exist only on the payroll of defence institutions and can be used as a way to siphon funds. In Russia and Thailand, however, such cases have been reported in the past five years.

• **International anti-corruption instruments.** Most countries in this group have ratified international anti-corruption instruments. Only three countries—Pakistan, Palestine and Kenya—have signed but not ratified them. More than half the countries have shown evidence of compliance.

• **Controlling risks related to organised crime within defence ministries.** High scores are achieved by Kuwait and the UAE, along with Bangladesh and Tanzania.

• **Absence of private military contractors.** Most countries in this group do not use private military contractors– although regulations to ensure strong controls if they are used are almost universally lacking. Kuwait, China, Jordan, Ethiopia, and Rwanda show high corruption risk in this area.

Particularly high risks within this group are associated with:

• **Whistle-blowing.** Several countries—Russia, Cyprus, Turkey, Bosnia and Herzegovina, Kuwait, and Pakistan—have no mechanisms for effective whistle-blowing. Only one country, Singapore, encourages whistle-blowing in defence institutions, illustrating effective and well-established legislation and mechanisms.

• **Risk assessment.** No country applies corruption risk assessment in the sector as a regular practice.

• **Expenditure on secret items and programmes.** Twenty-four of the 30 countries located in Band D do not disclose the level of expenditure dedicated to secret spending.

• **Legislative scrutiny and parliamentary debate.** Many countries do not audit secret budgets. Lack of meaningful scrutiny in China is a notable problem: highly centralised structures ensure a wealth of regulation in the defence sector, but the concentration of power itself creates corruption risk.

• **Evaluation of corrupt risks in the field during operations.** There is little evidence that any country in Band D regularly deploys trained professionals who are able to monitor corruption risk in the field during missions.

• **Guidelines or training on corruption risks in contracting on operations.** Not a single country in Band D trains its staff specifically with regard to this corruption risk, although Bosnia and Herzegovina has relevant guidelines for deployed staff.

• **Robust due diligence requirements for offset programmes –** which are lacking in every country in Band D. Cyprus does, however, ensure that offset contracts are subject to the same level of competition as the main defence contracts, while the UAE displays considerable transparency with regard to offsets.

• **Transparency of financing packages of defence procurement contracts.** Fifteen countries in the band fail to disclose any information at all with regard to the financing packages of defence procurement contracts. Bangladesh and Singapore do, however, provide more information.

• **Control of subcontractors and subsidiaries in defence procurement.** The governments of the vast majority of countries in Band D do not require defence procurement contractors to ensure that their subcontractors and subsidiaries adopt anti-corruption programmes. Among the nations in the band, only India appears to control this risk.

E 18 Countries

AFGHANISTAN, BAHRAIN, COTE D'IVOIRE, INDONESIA, IRAN, IRAQ, MOROCCO, NIGERIA, OMAN, PHILIPPINES, QATAR, SAUDI ARABIA, SRI LANKA, TUNISIA, UGANDA, UZBEKISTAN, VENEZUELA, ZIMBABWE

F 9 Countries

ALGERIA, ANGOLA, CAMEROON, DRC, EGYPT, ERITREA, LIBYA, SYRIA, YEMEN

Twenty seven countries - one third of the total - have little or no transparency of their defence anti-corruption mechanisms and controls. Band E and Band F countries are assessed to have **very high** and **critical** risk of corruption respectively. Together, they make up one third of all countries assessed in the index. A majority of the countries in this group are from the Middle East and North Africa (MENA) and Sub-Saharan Africa.

The two principal characteristics of the **MENA** countries in this group are their centralised control with little or no public scrutiny and instability—or proximity to it—which has a bearing on corruption risk in the sector.

Libya, for example, in the aftermath of the Qaddafi regime, lacks institutionalised mechanisms to handle corruption risk in the sector and has a legacy of centralised control in which transparency and scrutiny were anathema.The defence and security sector in Syria, meanwhile, is strongly guarded against any civilian oversight and is tightly the remit of presidential control. Even where legislation exists, it is believed to be ignored. In Yemen, traditionally, defence and security institutions were part of an elite patronage network in the country, with considerable involvement in corrupt activities.

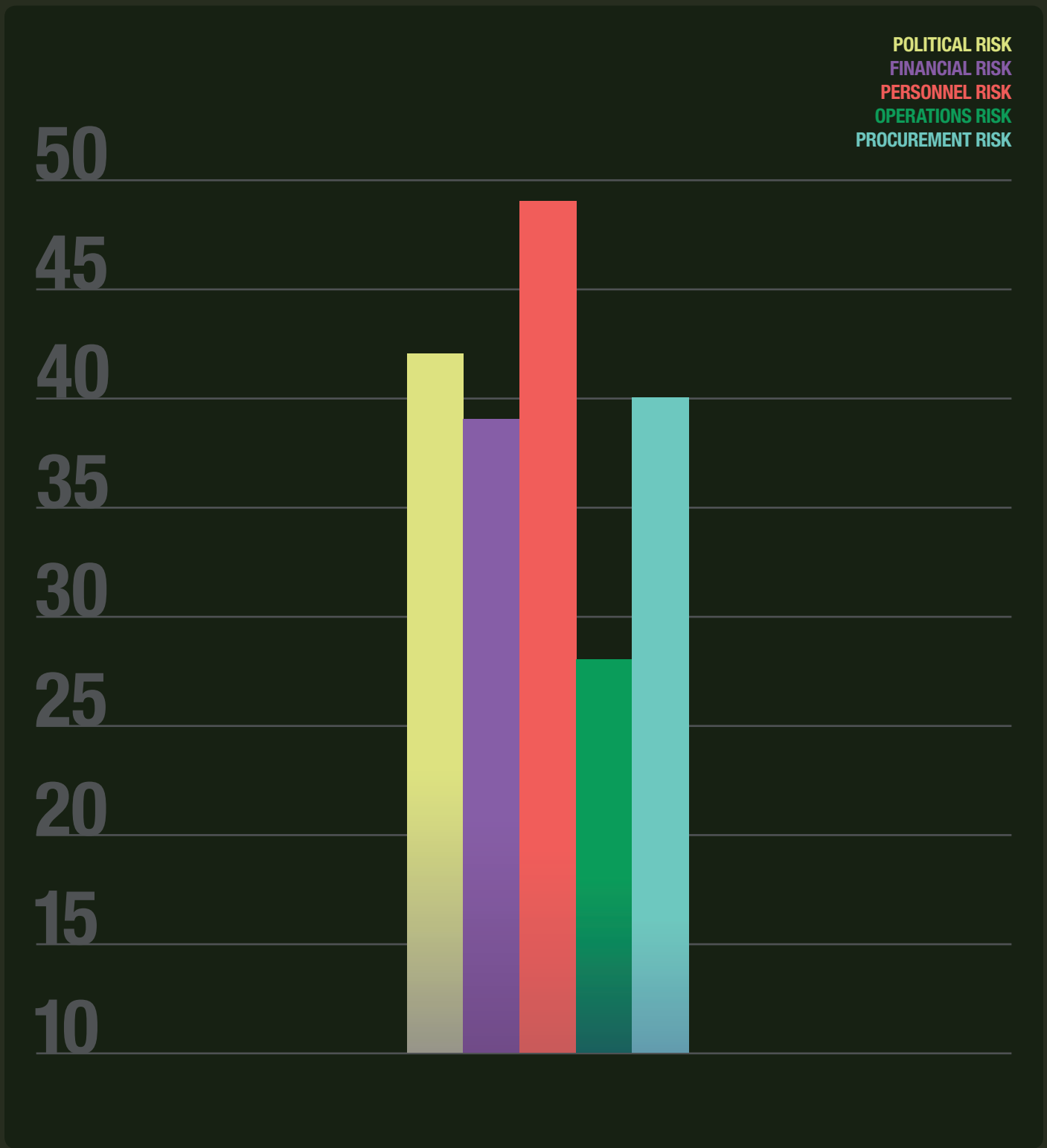
Countries in these bands from **Sub-Saharan Africa**, meanwhile, have often suffered from a legacy of conflict, instability, poor governance, and internal divisions – all of which create or exacerbate corruption risk in the defence sector. In Angola there is a legacy of civil war and political dominance of the central party, along with a lack of transparency, considerable off-budget expenditure, and military interest in commerce. Eritrea exhibits very poor results, beset by networks of patronage, highly secretive government and, again, a legacy of conflict.

Countries from outside of these two principal regions are also represented in this group. Uzbekistan was found to have very high corruption risk, where the propensity for executive control or influence over oversight and debate undermines the potential for corruption to be addressed. In the Philippines and Indonesia, financial corruption risk is a concern. For example, controls of asset disposals are weak, and significant off-budget expenditure creates considerable corruption risk. Sri Lanka exhibits similar flaws in the field of finance, and corruption risk there is exacerbated by centralised presidential control, limited opportunity for scrutiny, and a lack of transparency. Finally, Venezuela demonstrates severe lack of transparency and poor enforcement of existing legislation, leading to weak performance across all five risk categories. Afghanistan's placement in Band E is a positive result, given the instability of the country.

Analysis by Risk Area

This Index helps governments and civil society to tackle corruption in defence and security by analysing the problem in five key risk areas in this sector: political, financial, personnel, operations, and procurement.

Average integrity scores by risk area – all countries



POLITICAL CORRUPTION RISK

There were some positive results in the political context of the defence and security sector. The bulk of governments have signed up to international anti-corruption instruments, though the on-going challenge remains for signatory status to be matched by full compliance. Links between the military and natural resource exploitation are a known corruption risk in the sector; however, in over 55 per cent of the assessed countries with significant natural resources, defence institutions do not have links with natural resource exploitation or, if they do, these links are reported to be subject to credible public and parliamentary scrutiny.

Yet corruption risk in the area is, overall, considerable, with countries awarded an average of just 42 per cent of the available marks. The capacity of legislatures to hold defence establishments to account is severely limited. There are no or few formal mechanisms for scrutiny of defence policy in over 45 per cent of countries, and evidence of highly effective mechanisms in only 12 per cent of countries. Other concerns in the risk area relate to the following:

- There is no evidence of independent external oversight of intelligence services' policies, budgets, and administration in half of the countries assessed.
- Government willingness to engage with civil society organisations on the matter of anti-corruption initiatives in the defence sector is very limited, with only Australia found to have a policy of engagement with them on corruption in defence, and to protect them legally.
- Some degree of regular assessment of areas of greatest corruption risk in the Defence Ministry was found in fewer than 10 per cent of countries.

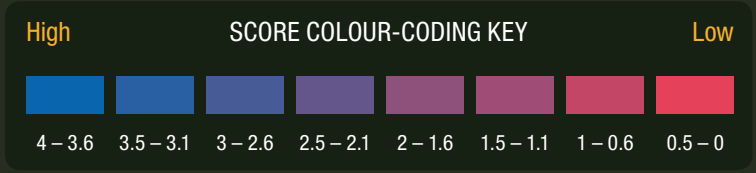
Such results may illuminate why there are largely sceptical public perceptions of corruption in defence. Researchers found evidence that only in 15 per cent of countries do the public trust the defence establishments' commitment to anti-corruption.

POLITICAL CONTROLS ON DEFENCE IN BULGARIA

Bulgaria has strong controls in place to address political corruption risk in defence and security. It has active mechanisms for legislative scrutiny and parliamentary oversight of defence policy. Defence and security institutions show engagement with civil society organisations (CSOs), and from July 2011 the Ministry of Defence has sent a bulletin to CSOs informing them of the latest developments in the Ministry. In addition, the MOD appears to encourage public dialogue of these issues, and draft MOD policy documents are discussed in workshops involving opinion-formers and academia.

Average score for each question by band: Political

	FOCUS OF QUESTION	QUESTION NUMBER	SCORE BAND A	SCORE BAND B	SCORE BAND C	SCORE BAND D	SCORE BAND E	SCORE BAND F
DEFENCE & SCRUTINY POLICING	Legislative Scrutiny	1	3.5	3.3	2.8	1.8	0.8	0
	Defence Committee	2	4	3.3	2.8	1.4	1.2	0.7
	Defence Policy Debated	3	3.5	3.3	2.5	1.3	1.1	0.1
	CSO Engagement	4	2.5	2.3	1.4	0.9	0.5	0.2
	International AC Instruments	5	3.5	3.8	3.1	2.6	2.1	1.6
	Public Debate	6	3.5	3.4	2.3	1.3	0.8	0.3
	AC Policy	7	2.5	2.9	2.1	1.8	1	0.6
	AC Institutions	8	2	2.4	2	1.4	0.8	0.2
	Public Trust	9	2	2.4	2.2	1.4	0.9	0.2
	Risk Assessments	10	3	1.9	1.9	0.7	0.3	0.1
DEFENCE BUDGETS	Acquisition Planning	11	4	3	2.4	1.6	1	0.3
	Budget Transparency & Detail	12	4	3.6	2.8	1.5	1.1	0.3
	Budget Scrutiny	12 A	4	3.6	2.4	1.3	1	0.4
	Budget Publicly Available	12 B	4	3.7	2.9	1.3	1.2	0.1
	Defence Income	13	4	3.4	2.8	1.1	0.7	0.2
	Internal Audit	14	4	2.6	2.2	1.6	0.9	0.2
	External Audit	15	3.5	3.3	2.7	1.7	1.1	0.1
OTHER POLITICAL AREAS	Natural Resources	16	4	3.8	3.4	2.5	1.3	0.2
	Organised Crime Links	17	4	3.4	2.5	2.6	1.4	0.6
	Organised Crime Policing	18	4	2.9	1.9	1.9	1.2	0.7
	Intelligence Services Oversight	19	4	3.4	2.8	1.5	0.6	0.1
	Intelligence Services Recruitment	20	4	3.3	1.8	1.4	0.9	0.3
	Export Controls	21	3	3.3	2.6	1.8	1.1	0.6



FINANCE CORRUPTION RISK

Financial corruption risk in the defence sector takes numerous forms. It concerns the degree to which asset disposals are monitored, controlled, and transparent. It involves potentially illicit use of budgets earmarked as secret, often kept from public and legislative oversight in the name of 'national security', and of spending conducted off the official government budget. It concerns corrupt behaviour associated with both licit and illicit military-owned businesses and with unauthorised private enterprise by military personnel.

The largest overarching problem in the field of financial corruption risk was found to be secrecy. It is common for governments to justify secrecy and opaqueness with reference to national security, yet the criteria for what is justifiably kept secret for legitimate national security purposes is frequently unclear or too broad.

More specifically:

- Three-quarters of the countries examined do not publicly reveal the percentage of defence and security expenditure dedicated to secret items related to national security and the intelligence services.
- In 40 per cent of countries assessed, a legislative committee is provided with no information on secret spending and in half of countries, legislators are not provided with audit reports on secret items – or secret programs are not audited at all.
- There are no controls of asset disposals in four-tenths of the countries assessed, or very little public knowledge of such controls.

CONTROLS ON DEFENCE SPENDING IN COLOMBIA

In Colombia, less than 1 per cent of the overall defence budget is spent on secret items. The very small proportion of the budget that is spent on secret items is subject to audits that are available to the legislature.

There are also robust controls of military asset disposals, and off-budget expenditure is illegal, resulting in a strong score for Colombia in the area of financial corruption risk control.

Average score for each question by band: Finance

	FOCUS OF QUESTION	QUESTION NUMBER	SCORE BAND A	SCORE BAND B	SCORE BAND C	SCORE BAND D	SCORE BAND E	SCORE BAND F
ASSET DISPOSALS	Asset Disposal Controls	22	4	3.3	2.5	1.9	0.8	0
	Asset Disposal Scrutiny	23	3	2.7	2.6	1.4	0.4	0.1
SECRET BUDGETS	Percentage Secret Spending	24	2	1.1	1.8	0.4	0.1	0
	Legislative Access to Information	25	3	3.4	2.4	1.2	0.3	0
	Secret Program Auditing	26	4	3.6	1.9	1.2	0.3	0
	Off-budget Spending in Law	27	3.5	3.4	3.2	1.6	0.4	0
	Off-budget Spending in Practice	28	4	2.7	2.3	1.9	1.1	0.3
	Information Classification	29	3	3.1	2	1.1	0.7	0.2
LINKS TO BUSINESS	Mil. Owned Business Exist	30	3.5	3.9	2.6	1.8	1.8	0.1
	Mil. Owned Business Scrutiny	31	4	2	2.3	1.6	0.5	0
	Unauthorised Private Enterprise	32	3	3.3	2.6	2.4	1.3	0.7

Secret budgets were one of the most problematic areas. Only a few countries have found a good balance between necessary secrecy and secure legislative scrutiny.

PERSONNEL CORRUPTION RISK

Corruption risk in personnel relates to control of impropriety among armed forces and civilian personnel in the defence and security sector. It was in this risk area that countries performed best relative to the others. Over half of the countries in the index were awarded 50 per cent or more of the available marks in this area.

Defence Ministries performed best on the following:

- Having a well-established payment system for personnel characterised by timeliness and accuracy. Over 70 per cent of the countries examined possess robust payment systems, and the development of automated systems for payment of salaries and allowances was found to be a driving force in preventing such risk in modern armed forces and defence ministries.
- Avoidance of the problem of non-existent, 'ghost' soldiers on the payroll. Over 40 per cent of nations analysed seem not to have this problem at all; in only 10 per cent of nations does this seem to be an unaddressed issue.
- In nearly 90 per cent of countries at least some formal measures are in place for personnel found to have taken part in corruption.

Yet there remain major areas in which most governments perform poorly.

In most countries, there is little evidence that whistle-blowers are protected from reprisal when they attempt to report impropriety. Significant improvements are necessary to ensure effective legislation exists to support whistle-blowers in the defence sector, which was lacking in 76 of the 82 countries examined.

Across the majority of countries, there is also a marked lack of special attention paid to personnel in positions particularly vulnerable to corruption risk, such as special vetting, rotation of personnel, or extra training. With respect to the Index question identifying this particular risk, countries are awarded, overall, only slightly over 30 per cent of the available marks. In 53 of the 82 countries analysed, such special attention either does not exist, or its existence is unverifiable.

CONTROL OF PERSONNEL CORRUPTION RISK

- In Australia, robust legislation is in place to deal with personnel proven to be corrupt. Code of Conduct breaches often lead to employment termination.
- In the USA, the Defense Department's Encyclopaedia of Ethical Failure includes a collection of cases of corruption and resultant actions. The Standards of Conduct Office oversees codes of conduct throughout the Department of Defense

Average score for each question by band: Personnel

	FOCUS OF QUESTION	QUESTION NUMBER	SCORE BAND A	SCORE BAND B	SCORE BAND C	SCORE BAND D	SCORE BAND E	SCORE BAND F
LEADERSHIP	Public Commitment	34	3	2.9	2.4	1.7	0.9	0.4
	Measures for Corrupt Personnel	35	4	3.4	2.5	2.5	1.8	1
	Whistleblowing	36	3.5	2.4	1.2	1.1	0.8	0.1
PAYROLL AND RECRUITMENT	Special Attention to Sensitive Personnel	37	4	2.7	1.5	1.5	0.7	0.1
	Numbers of Personnel Known	38	4	3.6	3.3	2.3	1.2	0.4
	Pay Rates Openly Published	39	4	3.7	2.8	2.4	1.9	0.7
	Well-established Payment System	40	4	3.7	3.4	3.3	2.6	1.4
	Objective Appointments	41	4	3.1	2.3	2.1	1.8	0.8
	Objective Promotions	42	3.5	3.1	2.4	2	1.3	0.6
CONSCRIPTION	Bribery to Avoid Compulsory Conscription	43	–	3	1.8	1.9	0.8	1
	Bribery for Preferred Postings	44	4	3.3	2.2	1.4	0.7	0.3
SALARY CHAIN	Ghost Soldiers	45	4	4	3.7	3	1.9	1.2
	Chains of Command and Payment	46	4	3.9	3.4	2.6	1.8	0.2
VALUES, STANDARDS, OTHER	Code of Conduct Coverage	47	4	3.3	2.3	1.8	1.2	0.7
	Code of Conduct Breaches Addressed	48	4	3.1	2.2	1.8	0.8	0.2
	AC Training	49	3.5	2.4	1.7	1.3	0.9	0.4
	Prosecution Outcomes Transparent	50	3.5	3	2.3	1.5	0.8	0.4
	Facilitation Payments	51	3	2.7	2.6	2.4	1.4	0.3

OPERATIONS CORRUPTION RISK

The corruption risks involved in the complexities of military operations are poorly understood as well as poorly controlled. The average operations integrity score across countries is 28 per cent, which is telling in terms of the lack of controls countries have installed that embrace corruption as a strategic issue, institutionalise operational training and operational corruption monitoring, and control contracting while in theatre.

- Just two countries have comprehensive military doctrine addressing corruption issues.
- In two-thirds of countries, there is no known training in corruption issues for commanders to ensure they are clear on the corruption issues they may face during deployment.
- Over 90 per cent of countries do not deploy personnel for corruption monitoring on operations or peacekeeping missions on a regular basis.

Countries only performed better regarding the use of private military contractors. The use of private military contractors increases the risk of corruption if democratic and formalised controls are lacking, and if the activities and operations of these organisations lack transparency. Nevertheless, this result was often because countries do not use private military contractors, rather than because there was evidence of effective legislation that either outlaws them completely or controls their use and the attendant corruption risk.

MIXED OPERATIONAL CONTROLS IN SWEDEN

While corruption is not explicitly referred to as a strategic issue in operations in Sweden's military doctrine, there is comprehensive anti-corruption training for commanders, and legal advisors qualified to report back on corruption risks are deployed in missions. There is, however, a lack of transparency with relation to the activities of private military contractors operating in Sweden, although laws in place are capable of punishing them for wrongdoing.

Average score for each question by band: Operations

	FOCUS OF QUESTION	QUESTION NUMBER	SCORE BAND A	SCORE BAND B	SCORE BAND C	SCORE BAND D	SCORE BAND E	SCORE BAND F
CONTROLS IN THE FIELD	Military Doctrine	52	1.5	2.1	1.4	0.7	0.3	0
	Operational Training	53	3	2.4	1.7	1.1	0.4	0
	AC Monitoring	54	2.5	2.7	1.3	1	0.5	0.1
	Controls on Contracting	55	2.5	2.4	1.2	0.8	0.3	0.1
	Private Military Contractors	56	3.5	2.4	2.1	1.9	1.3	1

In two-thirds of countries, training and doctrine to inform commanders about the corruption issues they may face during deployment are lacking.

PROCUREMENT CORRUPTION RISK

Procurement risk is a complex area. The procurement cycle is elaborate, involving decision-making about procurement requirements, which may be opportunistic or politicised or, alternatively, quantified and democratically planned. It may involve tendering processes for large and elaborate contracts. The execution of the deal may involve complicated financing packages, offsets programmes, and brokers.

The bulk of countries do well in certain procurement sub-risks. In over 45 per cent of the countries in the index there are mechanisms for companies to complain about malpractice in procurement and companies do not, in these countries, believe it to be dangerous to complain. In 27 countries included in the index, there is a policy to disclose defence purchases.

Yet the results suggest that the overall performance of countries with regard to procurement corruption risk in the defence sector is weak:

- There is either no evidence of procurement oversight mechanisms, or only evidence of highly opaque and inactive procurement oversight mechanisms, in 40 per cent of the countries analysed.
- Where offsets contracts are used, 30 per cent of governments are not known to impose any due diligence or auditing requirements on these complex arrangements at all. Transparency concerning these contracts is at best very restricted in 60 per cent of these countries.
- In 45 per cent of countries, details of the financing package of defence procurement contracts are not made publicly available.
- In over 65 per cent of countries, there is no evidence that the government formally or informally requires the main contractor to ensure that its subsidiaries and subcontractors adopt anti-corruption programmes.

Thus unique risks associated with the arms trade drive the poor result. Where there are chains of sub-contractors, brokers and intermediaries, large rents to be sought and elaborate contracts subject to mixed degrees of transparency, the potential for corruption is clear.

SECRECY IN SINGAPOREAN DEFENCE PROCUREMENT

In Singapore, the defence and security sector is characterised by the absence of transparency, particularly in the fields of procurement and finance corruption risk. In procurement, only abbreviated information on the procurement cycle process is made public, and details are released about actual or intended purchases only sporadically. The lack of transparency made it troublesome to identify procurement oversight, lowering the Singaporean procurement integrity score further.

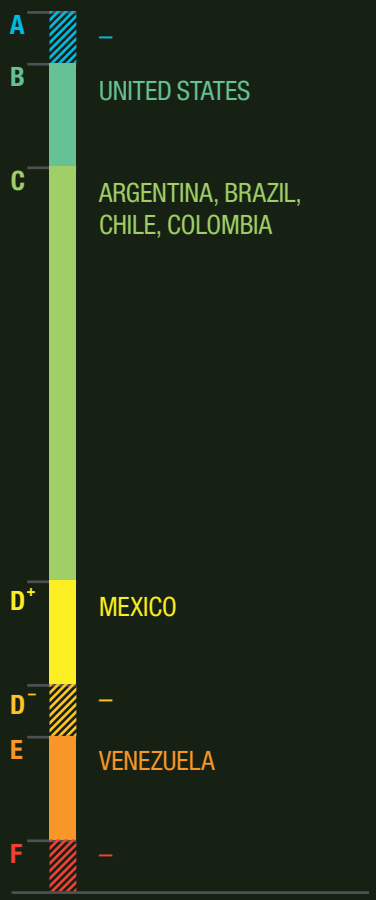
Average score for each question by band: Procurement

	FOCUS OF QUESTION	QUESTION NUMBER	SCORE BAND A	SCORE BAND B	SCORE BAND C	SCORE BAND D	SCORE BAND E	SCORE BAND F
GOVERNMENT POLICY	Legislation	57	3	3.4	2.4	2.1	1	0.7
	Transparent Procurement Cycle	58	4	3	2.6	1.4	0.5	0.4
	Oversight Mechanisms	59	4	3.3	2.6	1.7	0.9	0.3
	Purchases Disclosed	60	3.5	3.3	2.8	1.8	1.3	0.6
	Standards Expected of Companies	61	4	3.3	1.4	1	0.8	0.1
CAPABILITY GAP	Strategy Drives Requirements	62	4	3.1	2.4	1.3	0.4	0.2
	Requirements Quantified	63	4	3.1	2.7	1.8	1.1	0.4
TENDERING	Open Competition vs Single-Sourcing	64	3.5	2.3	2.4	2.2	1.2	0.2
	Tender Board Controls	65	3	2.9	2.6	1.8	0.9	0.2
	Anti-Collusion Controls	66	4	3.1	2.1	1.2	1	0.6
CONTRACT DELIVERY / SUPPORT	Procurement Staff Training	67	3.5	3	2.6	1.8	0.9	0.2
	Complaint Mechanisms for Firms	68	3.5	3.3	2.9	2.3	1.8	0.8
	Sanctions for Corruption	69	4	3.3	2	1.9	1.4	0.3
OFFSETS	Due Diligence	70	3	2.8	1.4	0.9	0.6	0
	Transparency	71	4	2.8	1.5	1.1	0.6	0
	Competition Regulation	72	3.5	2.4	1.9	1	0.6	0
OTHER	Controls of Agents	73	4	2.4	2.2	1.6	0.3	0.4
	Transparency of Financing Packages	74	2.5	2	2	0.9	0.2	0.2
	Subsidiaries / Sub-Contractors	75	3.5	2.3	0.8	0.4	0	0.2
	Political Influence	76	3	3	2.5	1.9	1.6	0.9

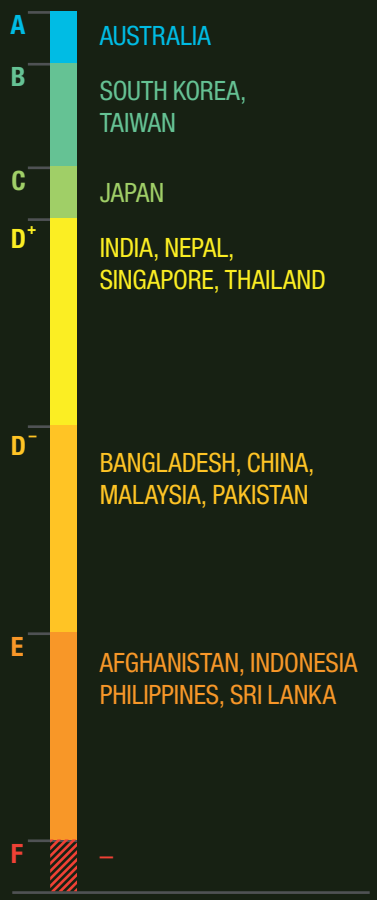
Regional and Thematic Comparisons

Regional bandings

AMERICAS



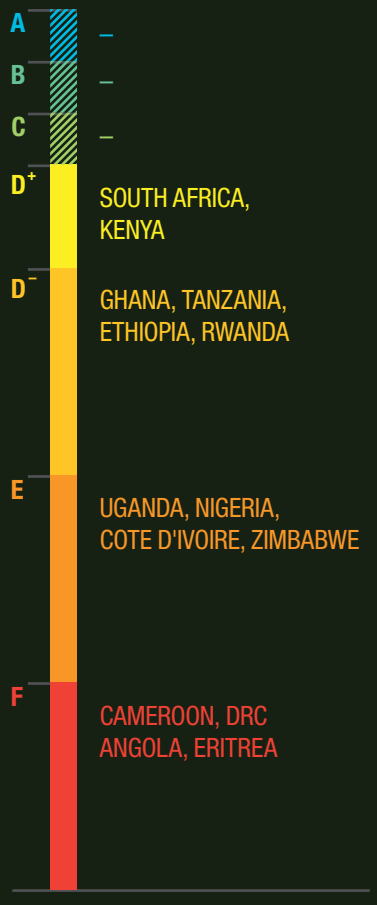
ASIA-PACIFIC



EUROPE & CENTRAL ASIA

MIDDLE EAST & NORTH AFRICA

SUB-SAHARAN AFRICA

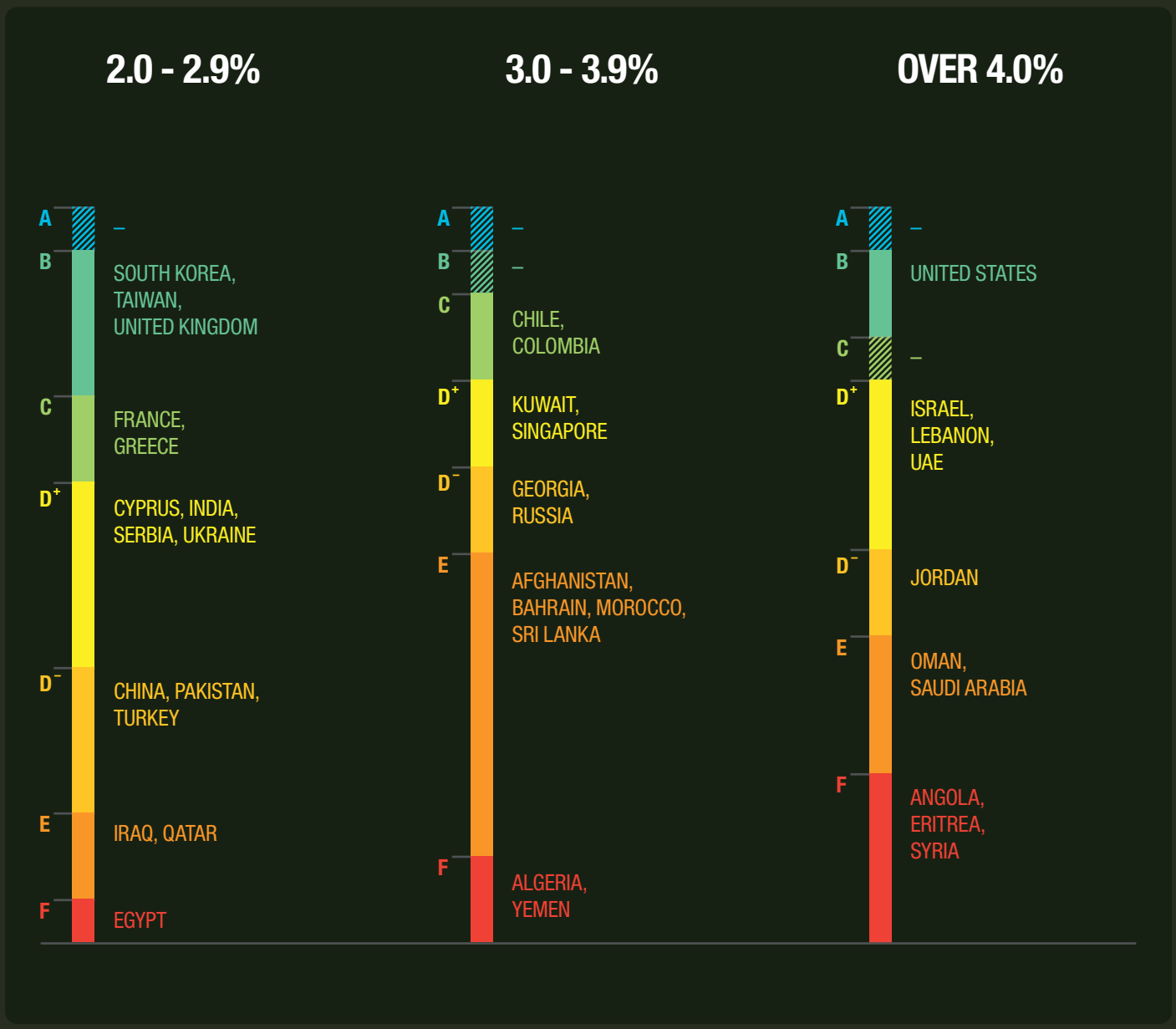


Countries with high military expenditure as % GDP, 2010[4]

• Six of the nine countries in Band F have military expenditure as a proportion of GDP in excess of 2 per cent; no countries that have military expenditure of this magnitude are located in Band A.

• All but two of the twelve countries that spend between 3 and 3.9 per cent of their GDP on military expenditure are also clustered in the lowest three bands.

• All but one of the ten countries that spend over 4 per cent of their GDP on military expenditure (the USA) are located in Bands D, E, or F.



Top arms importers by volume of imports, 2011[5]

• Twenty of the biggest arms importers by volume imported over $500 million of arms in 2011. Of these, only five countries showed very low or low corruption risks (Bands A and B).

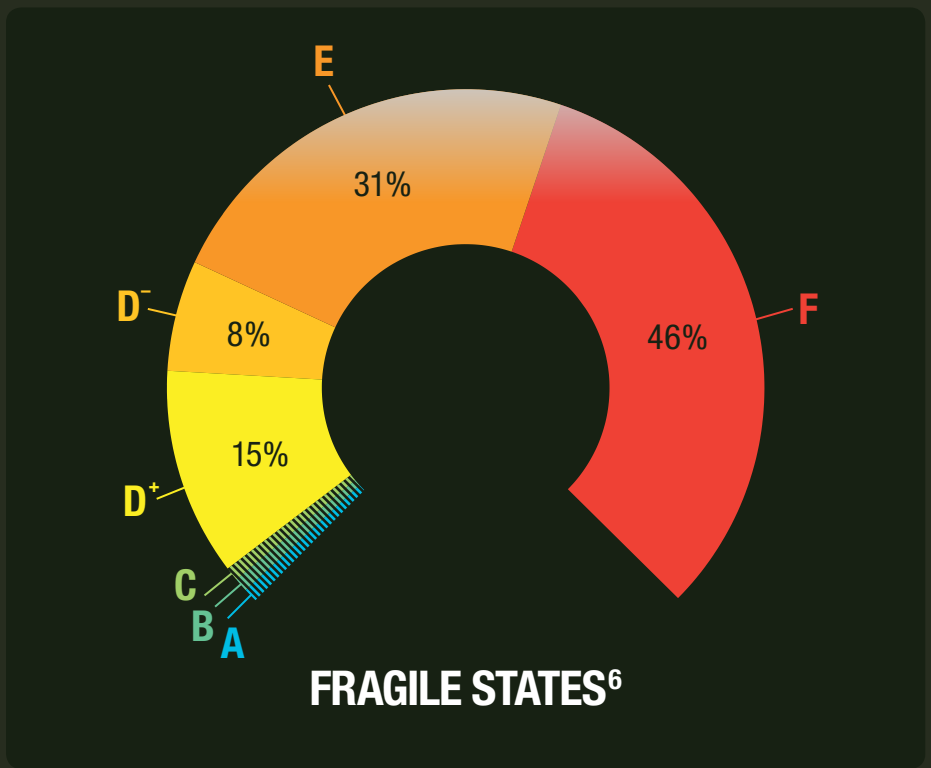
• Among the very highest importers by volume, countries are clustered in Band D and Band E, indicating clear need for improvement.

4 Or nearest year for which data is available. Source of defence as proportion of GDP data: SIPRI Military Expenditure Database, http://milexdata.sipri.org, Accessed 2 November 2012.

5 Source of arms import data: SIPRI Arms Transfers Database, http://www.sipri.org/databases/armstransfers, Accessed 1 November 2012.

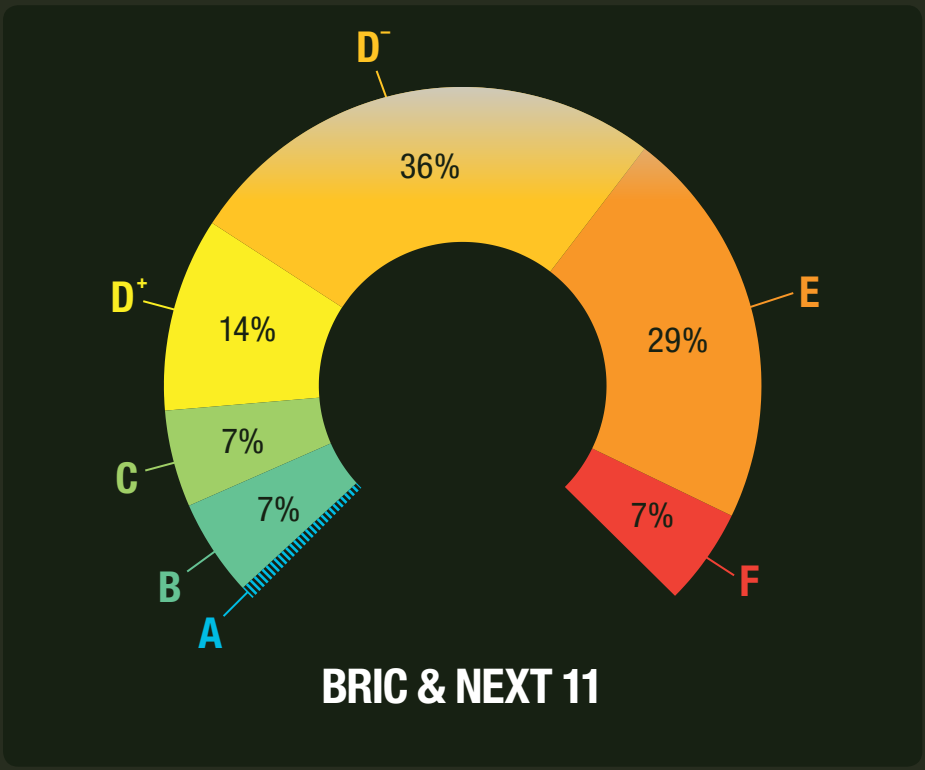
Analysis by country cluster

Accountable defence forces are vital for building citizens' trust in a new or transitional government.

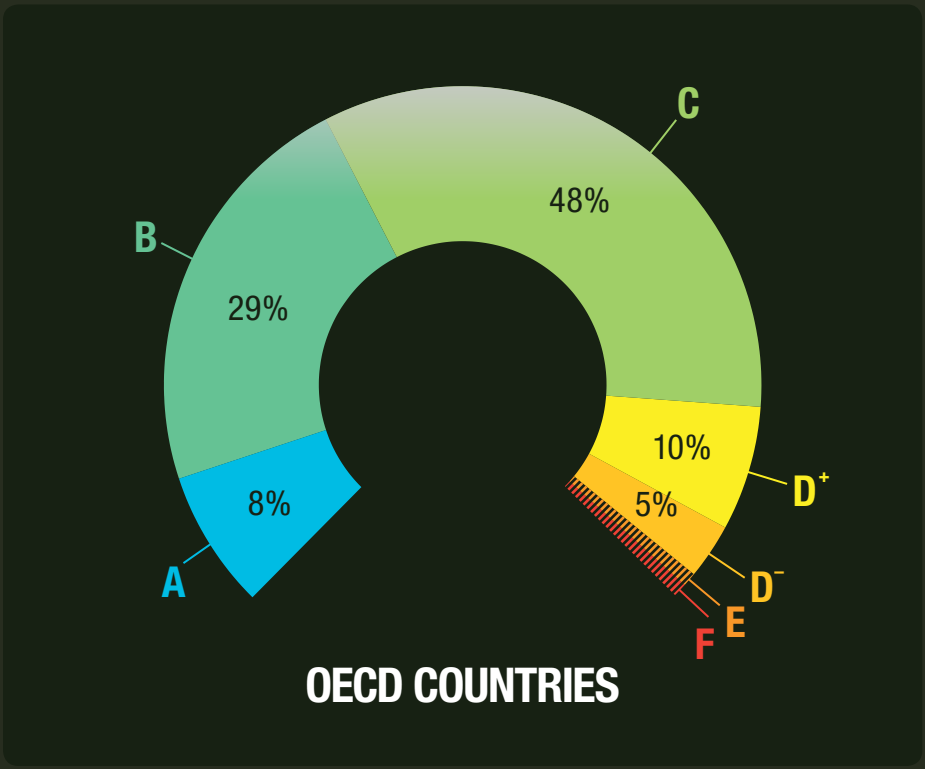


All the fragile states examined in the Index displayed high to critical levels of corruption risk, located in Band D (23 per cent), Band E (31 per cent), or Band F (46 per cent). The weak institutional structures in fragile states and high risk of conflict create uncertainty and an unstable environment where opportunities for illicit practice are frequent. This promotes corruption, and, consequently, more instability. Corruption and conflict are mutually reinforcing.

6 The World Bank definition of 'fragile states' is used for the purpose of this report. See: World Bank (2012) Harmonized List of Fragile Situations, http://siteresources.worldbank.org/EXTLICUS/Resources/511777-1269623894864/FCSHarmonizedListFY13.pdf Accessed 10 December 2012. This terminology is used for countries facing particularly severe development challenges: weak institutions, poor governance, and political instability. Ongoing violence is often a remainder of past severe conflict in these countries. Ongoing armed conflicts affect three out of four fragile states.



With high levels of projected growth, BRIC and Next 11 countries face particularly relevant corruption risks in the defence sector, which are likely to become more significant over time. For example, economic growth and greater market activity may increase the potential and incentive for military participation in commerce, creating attendant corruption risk. More diligence in defence anti-corruption is highly necessary, in view of the clustering of the BRIC / Next 11 countries in Band D- and Band E in particular.



Most OECD countries are parliamentary democracies with willingness to promote transparent government and market-based economic activity, and almost all possess a free civil society and media. OECD countries account for eight of the nine countries in the top two bands. However; complacency is a major issue — 62 per cent of OECD countries are not in Bands A or B, and, as the analysis of these bands showed, even countries performing well have concrete areas needing improvement. Furthermore, many of these OECD countries are major arms exporters. They have often been similarly complacent about their responsibility to ensure high standards among their national defence companies.

Actions

DEFENCE & SECURITY MINISTERS, MINISTRY HEADS & CHIEFS OF DEFENCE

1. **Analyse the corruption risks** in your national defence and security establishments, and **develop and implement an action plan** to tackle the identified risks. Use the detailed information in this index as a starting point. Consider setting up a dedicated unit within the Defence Ministry, charged with overseeing anti-corruption initiative and controls. Consider also setting up a Taskforce that can develop a common understanding of the corruption risks and remedies across the armed forces and MOD.Invite civil society or academic experts into a committee that will have oversight of progress of the anti-corruption initiative.

2. **Make secrecy the exception, not the norm**. Publish the defence budget in detail each year, including the percentage of the budget that is secret. Ensure that secret spending is subject to oversight that is secure but nonetheless is independent of the military and the executive.

3. **Engage civil society organisations** in the process of increasing transparency and accountability. They can be valuable partners in carrying out reform. Open discussion demonstrates to the outside world, and within your ministries, that you are serious about addressing the issue of corruption.

4. Develop an accessible **code of conduct**, and provide **regular, in-depth anti-corruption training** on integrity and countering corruption.

5. **Address procurement corruption risks**. Ensure that procurement and policy decisions are open and based on published strategic needs. Promote fair competition between bidding companies, and ensure that offsets contracts are subject to due diligence and auditing. Publish information on agents and intermediaries used by the government, as well as financing packages. Require bidding companies to ensure that their subsidiaries and sub-contracted companies have anti-corruption mechanisms in place. Subsequent to purchase, conduct independent audits of all major defence procurements.

6. **Strengthen personnel management mechanisms**. Set up robust whistle-blowing channels and protection for whistle-blowers. Identify sensitive positions associated with high corruption risks and institutionalise appropriate vetting, rotation, and post-retirement restrictions.

7. **Address corruption as a strategic issue on operations**. Ensure military doctrine contains provisions on addressing corruption risk, and acknowledges the impact corruption can have on operational abilities. Reduce the risk corruption poses to troops by setting up controls of suppliers in the field and providing rigorous anti-corruption monitoring during deployment.

8. **Demand high anti-corruption standards of the other governments and companies when exporting equipment**. Exporting governments have a responsibility to ensure that transactions are not corrupt on the purchasing side by importing governments and defence companies.

LEGISLATORS

1. Use this Index as a tool for monitoring corruption risk in this sector, and to open a dialogue about the subject in parliament and with the defence establishment. Identify allies in civil society and the media, as well as defence establishments, and work together to investigate any cases of defence corruption, research issues, and develop reform plans.

2. Set up or strengthen a committee that oversees defence. This needs to be staffed with members with defence expertise, and provided with sufficient powers to check executive power on defence policy. Where levels of legislature oversight in your country fall below international best practice, push for greater controls.

3. Question topics withheld from your scrutiny in the name of national security. Legislate only for provisions that ensure secretive practices are subject to secure independent oversight. Ensure that citizens are able to access information on the size of the armed forces, and on assets owned by the Ministry of Defence and the armed forces, such as land, housing, and equipment.

4. Ensure that that there is a well-established and functioning process for defence budgeting which clearly provides for legislative oversight and independent control. Citizens should be able to access detailed defence budget information in a timely manner.

5. Equip procurement oversight bodies with the capacity to carry out effective monitoring. Review procurement rules and practices to close loopholes. Ensure that legislators have access to information on the procurement and life cycle management of equipment. Where this is sensitive information, there should be a group of security-cleared legislators who can access this information.

CIVIL SOCIETY

1. Demand that defence and security establishments be accountable and open. Assume an active role in monitoring and overseeing defence policies, budgets, and activities. Use the information in this index to advocate for reform in the sector, and to bring this subject into the national dialogue. Work with the media and citizens to use the information in this Index to make demands for greater accountability in this crucial area.

2. Seek engagement with the defence and security establishment. This may include members of the armed forces or the MOD/MOI, legislative committees on defence and security, or auditors. Few defence establishments work actively with civil society, so initiate contact through meetings, workshops, or conferences, and find allies committed to reform. As a representative of citizens, encourage accountability by the national defence establishment, and be a link between the two.

3. Advocate for a transparent defence budgeting and procurement process that can be easily understood by citizens and the media.

4. Lobby governments to remove unnecessary 'secrecy clauses' in the name of national security.

5. Develop further research, using the Index as a starting point. Look into areas of vulnerability for your country, and work with other organisations, think tanks and academics to discover more about the problems—and potential solutions. Use this research to connect with government institutions, with the media, and with any other interested organisations.

DEFENCE COMPANIES

1. **Initiate discussions with governments on joint ways to strengthen integrity and reducing corruption risk in defence**. Encourage dialogue and recognise that the problem of corruption in defence will only be eradicated through joint efforts.

2. Use the data in this Index, and in the Defence Companies Anti-Corruption Index, to **develop a detailed** understanding of where corruption risks lie.

3. **Commission an independent assessment** of your company's ethics and compliance systems and publish the report. This will help governments determine which suppliers have the most robust anti-corruption programmes.

4. **Disclose your agents, intermediaries, and subcontractors**. Corruption is associated with opaque middlemen and chains of sub-contractors. Make it easier for governments to identify the brokers and companies you use, and work with them to ensure all transactions are clean.

5. **Publicly declare offset obligations and publish offset performance annually**. Conduct thorough due diligence on offsets contracts, and ensure they are audited.

A more detailed set of recommendations for companies can be found in our Defence Companies Anti-Corruption Index 2012

Glossary

Agents and Brokers: Middlemen used by governments and companies in the procurement process.

Asset Disposals: The process of selling, auctioning or otherwise disposing of military assets, which can include: land and buildings, single use military equipment (which cannot be used for civilian purposes), equipment or materiel in construction, transportation equipment, plants and machinery, and IT or communications software.

Collusive bidding: Also known as collusion, this is a phenomenon that occurs when supplier companies supposedly competing against one another secretly agree on who will win the contract. These companies may have agreements for sharing the profits, for rotating the contract between the bidders, or for agreeing who is to be the successful bidder in a range of different contracts.

Compulsory Conscription: Mandatory military service, usually for individuals of a set age.

Corruption Within Mission: When international forces intervene in a country, they can be a source of corruption. Corruption within mission refers to corruption by an intervening force and is linked to disregard of corruption in country.

Disregard of Corruption In-Country: When on military operations abroad, the failure of a country's armed forces to address the corruption risks in the country they are operating in.

Export Controls: Legal mechanisms in place, enforced by governments, to limit and control the export of arms.

Financing Package: The detailed way in which purchases are paid for, which may include interest rates, commercial loans or export credit agreements, and may cover things like a fixed price for equipment maintenance fees. It may specify time periods for a government to pay for the equipment, for example, and penalties incurred for late payment.

Ghost Soldiers: Fake soldiers that exist only on the payroll of defence institutions and can be used as a way of siphoning funds.

Illegal Private Enterprises: A form of misuse of assets whereby an individual uses defence assets or connections to profiteer; for example, the payment of exorbitant fees to cronies for consultancy or other services, or the use of service personnel for private work.

Military-Owned Businesses: Civilian businesses or defence companies owned, in whole or part, by the government defence establishment or the armed forces. This does not include private businesses lawfully owned by individuals in the defence establishment.

Offsets: Arrangements made by governments and companies when entering a procurement contract requiring the company to reinvest a percentage of the value of the deal in the importing country.

Salary Chain: The path that money takes from the national treasury to individual soldiers.

Seller Influence: Pressure or lobbying by one government to another, in order to encourage the purchasing government to award a contract to a company due to a company's nationality or due to political issues, rather than due to the merit of the company's bid.

Single Sourcing: Also known as non-competitive defence procurement, single sourcing refers to procurement carried out without a usual competitive bidding process between companies; instead, one supplier is used and its bid is not compared to others.

Small Bribes / Facilitation Payments: Bribes paid or demanded in order to receive basic services, pass checkpoints, or to speed administrative procedures.

Subcontractors: When a company hired to do a project contracts a company to undertake some or all of the work associated with the project, the company is said to be subcontracted; this subcontractor may, in turn, subcontract that work further, leading to a chain of subcontractors.

Voluntary Conscription: an established period or programme of military service that individuals of a certain age may opt in or out of; this may form a part of a wider national service programme.

Private Military Contractors: see Private Security Companies.

Private Security Companies: Companies that provide security and related services, such as training, either to governments or private institutions. The term may also be used to refer to Private Military Contractors, whose activities may extend to providing soldiers-for-hire and mercenary activity.

List of Questions

POLITICAL

1. Is there formal provision for effective and independent legislative scrutiny of defence policy?
2. Does the country have an identifiable and effective parliamentary defence and security committee (or similar such organisation) to exercise oversight?
3. Is the country's national defence policy debated and publicly available?
4. Do defence and security institutions have a policy, or evidence, of openness towards civil society organisations (CSOs) when dealing with issues of corruption? If no, is there precedent for CSO involvement in general government anti-corruption initiatives?
5. Has the country signed up to international anti-corruption instruments such as, but not exclusively or necessarily, UNCAC and the OECD Convention?
6. Is there evidence of regular, active public debate on issues of defence? If yes, does the government participate in this debate?
7. Does the country have an openly stated and actively implemented anti-corruption policy for the defence sector?
8. Are there independent, well-resourced, and effective institutions within defence and security tasked with building integrity and countering corruption?
9. Does the public trust the institutions of defence and security to tackle the issue of bribery and corruption in their establishments?
10. Are there regular assessments by the defence ministry or another government agency of the areas of greatest corruption risk for ministry and armed forces personnel, and do they put in place measures for mitigating such risks?
11. Does the country have a process for acquisition planning that involves clear oversight, and is it publicly available?
12. Is the defence budget transparent, showing key items of expenditure? This would include comprehensive information on military R&D, training, construction, personnel expenditures, acquisitions, disposal of assets, and maintenance.
12a. Is there a legislative committee (or other appropriate body) responsible for defence budget scrutiny and analysis in an effective way, and is this body provided with detailed, extensive, and timely information on the defence budget?
12b. Is the approved defence budget made publicly available? In practice, can citizens, civil society, and the media obtain detailed information on the defence budget?
13. Are sources of defence income other than from central government allocation (from equipment sales or property disposal, for example) published and scrutinised?
14. Is there an effective internal audit process for defence ministry expenditure (that is, for example, transparent, conducted by appropriately skilled individuals, and subject to parliamentary oversight)?
15. Is there effective and transparent external auditing of military defence expenditure?
16. Is there evidence that the country's defence institutions have controlling or financial interests in businesses associated with the country's natural resource exploitation and, if so, are these interests publicly stated and subject to scrutiny?
17. Is there evidence, for example through media investigations or prosecution reports, of a penetration of organised crime into the defence and security sector? If no, is there evidence that the government is alert and prepared for this risk?
18. Is there policing to investigate corruption and organised crime within the defence services and is there evidence of the effectiveness of this policing?

19. Are the policies, administration, and budgets of the intelligence services subject to effective, properly resourced, and independent oversight?
20. Are senior positions within the intelligence services filled on the basis of objective selection criteria, and are appointees subject to investigation of their suitability and prior conduct?
21. Does the government have a transparent and well-scrutinised process for arms control decisions that align with international protocols?

FINANCIAL

22. How effective are controls over the disposal of assets, and is information on these disposals, and the proceeds of their sale, transparent?
23. Is independent and transparent scrutiny of asset disposals conducted by defence establishments, and are the reports of such scrutiny publicly available?
24. What percentage of defence and security expenditure in the budget year is dedicated to spending on secret items relating to national security and the intelligence services?
25. Is the legislature (or the appropriate legislative committee or members of the legislature) given full information for the budget year on the spending of all secret items relating to national security and military intelligence?
26. Are audit reports of the annual accounts of the security sector (the military, police, and intelligence services) and other secret programs provided to the legislature (or relevant committee) and are they subsequently subject to parliamentary debate?
27. Off-budget military expenditures are those that are not formally authorised within a country's official defence budget, often considered to operate through the 'back-door'. In law, are off-budget military expenditures permitted, and if so, are they exceptional occurrences that are well-controlled?
28. In practice, are there any off-budget military expenditures? If so, does evidence suggest this involves illicit economic activity?
29. In law, are mechanisms for classifying information on the grounds of protecting national security subject to effective scrutiny?
30. Do national defence and security institutions have beneficial ownership of commercial businesses? If so, how transparent are details of the operations and finances of such businesses?
31. Are military-owned businesses subject to transparent independent scrutiny at a recognised international standard?
32. Is there evidence of unauthorised private enterprise by military or other defence ministry employees?

PERSONNEL

34. Do the Defence Ministry, Defence Minister, Chiefs of Defence, and Single Service Chiefs publicly commit—through, for example, speeches, media interviews, or political mandates—to anti-corruption and integrity measures?
35. Are there effective measures in place for personnel found to have taken part in forms of bribery and corruption, and is there public evidence that these measures are being carried out?
36. Is whistle-blowing encouraged by the government, and are whistle-blowers in military and defence ministries afforded adequate protection from reprisal for reporting evidence of corruption, in both law and practice?

37. Is special attention paid to the selection, time in post, and oversight of personnel in sensitive positions, including officials and personnel in defence procurement, contracting, financial management, and commercial management?
38. Is the number of civilian and military personnel accurately known and publicly available?
39. Are pay rates and allowances for civilian and military personnel openly published?
40. Do personnel receive the correct pay on time, and is the system of payment well-established, routine, and published?
41. Is there an established, independent, transparent, and objective appointment system for the selection of military personnel at middle and top management level?
42. Are personnel promoted through an objective, meritocratic process? Such a process would include promotion boards outside of the command chain, strong formal appraisal processes, and independent oversight.
43. Where compulsory conscription occurs, is there a policy of not accepting bribes for avoiding conscription? Are there appropriate procedures in place to deal with such bribery, and are they applied?
44. With regard to compulsory or voluntary conscription, is there a policy of refusing bribes to gain preferred postings in the recruitment process? Are there appropriate procedures in place to deal with such bribery, and are they applied?
45. Is there evidence of 'ghost soldiers', or non-existent soldiers on the payroll?
46. Are chains of command separate from chains of payment?
47. Is there a Code of Conduct for all military and civilian personnel that includes, but is not limited to, guidance with respect to bribery, gifts and hospitality, conflicts of interest, and post-separation activities?
48. Is there evidence that breaches of the Code of Conduct are effectively addressed, and are the results of prosecutions made publicly available?
49. Does regular anti-corruption training take place for military and civilian personnel?
50. Is there a policy to make public outcomes of the prosecution of defence services personnel for corrupt activities, and is there evidence of effective prosecutions in recent years?
51. Are there effective measures in place to discourage facilitation payments (which are illegal in almost all countries)?

OPERATIONS

52. Do the armed forces have military doctrine addressing corruption as a strategic issue on operations?
53. Is there training in corruption issues for commanders at all levels in order to ensure that these commanders are clear on the corruption issues they may face during deployment? If so, is there evidence that they apply this knowledge in the field?
54. Are trained professionals regularly deployed to monitor corruption risk in the field (whether deployed on operations or peacekeeping missions)?
55. Are there guidelines, and staff training, on addressing corruption risks in contracting whilst on deployed operations or peacekeeping missions?
56. Are private military contractors employed and if so, are they subject to a similar level of scrutiny as for the armed forces?

PROCUREMENT

57. Does the country have legislation covering defence and security procurement with clauses specific to corruption risks, and are any items exempt from these laws?
58. Is the defence procurement cycle process, from assessment of needs, through contract implementation and sign-off, all the way to asset disposal, disclosed to the public?
59. Are defence procurement oversight mechanisms in place and are these oversight mechanisms active and transparent?
60. Are actual and potential defence purchases made public?
61. What procedures and standards are companies required to have – such as compliance programmes and business conduct programmes – in order to be able to bid for work for the Ministry of Defence or armed forces?
62. Are procurement requirements derived from an open, well-audited national defence and security strategy?
63. Are defence purchases based on clearly identified and quantified requirements?
64. Is defence procurement generally conducted as open competition or is there a significant element of single-sourcing (that is, without competition)?
65. Are tender boards subject to regulations and codes of conduct and are their decisions subject to independent audit to ensure due process and fairness?
66. Does the country have legislation in place to discourage and punish collusion between bidders for defence and security contracts?
67. Are procurement staff, in particular project and contract managers, specifically trained and empowered to ensure that defence contractors meet their obligations on reporting and delivery?
68. Are there mechanisms in place to allow companies to complain about perceived malpractice in procurement, and are companies protected from discrimination when they use these mechanisms?
69. What sanctions are used to punish the corrupt activities of a supplier?
70. When negotiating offset contracts, does the government specifically address corruption risk by imposing anti-corruption due diligence requirements on contractors? Does the government follow up on offset contract performance and perform audits to check performance and integrity?
71. Does the government require high standards of transparency of all offset contracts and programmes?
72. Are offset contracts subject to the same level of competition regulation as the main contract?
73. How strongly does the government control the company's use of agents and intermediaries in the procurement cycle?
74. Are all principal aspects of the financing package, including payment timelines, interest rates, commercial loans or export credit agreements (and others, as applicable), publicly available prior to the signing of procurement contracts?
75. Does the government formally require that the main contractor ensures subsidiaries and sub-contractors adopt anti-corruption programmes, and is there evidence that this is enforced?
76. How common is it for defence acquisition decisions to be based on political influence by selling nations?

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