GOVERNMENT DEFENCE
ANTI-CORRUPTION INDEX

Public launch: 29th January 2013
Defence Corruption is:

**DANGEROUS**: It undermines operational effectiveness and poor equipment hinders the safety of troops and citizens.

**DIVISIVE**: It destroys trust in government and the armed forces, and between personnel.

**WASTEFUL**: The sector is worth $1.6 trillion a year. Corruption in the sector diverts resources from where they are needed.
We Work With…

- **DEFENCE MINISTRIES**
  - Engaging Leaders
  - Policy
  - Training
  - Codes of Conduct
  - GI Index – setting benchmarks

- **CIVIL SOCIETY**
  - Building skills & knowledge
  - Advocacy tools
  - Supporting them with expertise
  - Comparative results

- **DEFENCE COMPANIES**
  - Defence Industry Initiatives
  - Offsets
  - CI Index – a real tool for improvement
## CORRUPTION RISKS IN DEFENCE

### 29 DEFENCE CORRUPTION RISKS

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Risk Level</th>
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<tbody>
<tr>
<td><strong>POLITICAL</strong></td>
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<tr>
<td>Defence and Security Policy</td>
<td></td>
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<tr>
<td>Defence Budgets</td>
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<tr>
<td>Nexus of Defence &amp; National Assets</td>
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<td>1</td>
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<tr>
<td>Organised Crime</td>
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<td>2</td>
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<tr>
<td>Control of Intelligence Services</td>
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<tr>
<td>Export Controls</td>
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<td><strong>FINANCE</strong></td>
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<td>Asset Disposals</td>
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<td>Secret Budgets</td>
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<td>6</td>
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<tr>
<td>Military-owned businesses</td>
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<td>2</td>
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<tr>
<td>Illegal Private Enterprises</td>
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<tr>
<td><strong>OPERATIONS</strong></td>
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<tr>
<td>Disregard of Corruption in Country</td>
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<td>2</td>
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<tr>
<td>Corruption within Mission</td>
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<td>1</td>
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<tr>
<td>Contracts</td>
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<td>1</td>
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<tr>
<td>Private Security Companies</td>
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<tr>
<td><strong>PERSONNEL</strong></td>
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<tr>
<td>Leadership Behaviour</td>
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<td>Payroll, Promotions, Appointments, Rewards</td>
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<tr>
<td>Conscription</td>
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<td>Salary Chain</td>
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<tr>
<td>Values &amp; Standards</td>
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<td>4</td>
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<tr>
<td>Small Bribes</td>
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<tr>
<td><strong>PROCUREMENT</strong></td>
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<td>Technical Requirements / Specifications</td>
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<tr>
<td>Single Sourcing</td>
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<td>Agents / Brokers</td>
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<td>Collusive Bidders</td>
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<tr>
<td>Financing Packages</td>
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<tr>
<td>Offsets</td>
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<td>Contract Award, Delivery</td>
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<td>Subcontractors</td>
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<td>Seller Influence</td>
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WHY A GOVERNMENT DEFENCE ANTI-CORRUPTION INDEX?

1. There is demand for it among governments
2. Improvement can be tracked over time
3. Comparison between countries promotes good practice
4. A tool for advocacy
5. Builds deeper understanding to enable reforms
This Index shows for the first time the state of corruption controls in the defence sector around the world. And the results are dismal.

Only 2 countries out of 82—Australia, Germany—have strong controls against corruption.

70% have poor or non-existent controls against corruption: they are highly vulnerable.

This includes the world’s biggest arms importers and exporters.

50% do not publish their defence budget or only in a highly aggregated form

85% have no effective legislative scrutiny of defence policy or budgets

90% have no effective system for whistleblowing in defence

However, many MODs are ready to address defence corruption – unlike 10 years ago.
GLOBAL RESULTS

82 COUNTRIES

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

Questionnaire of 77 indicators filled out by an expert independent assessor, reviewed by two independent peer reviewers, a government reviewer where possible, and finally a TI National Chapter reviewer.

Model answers for consistency and relevance.

Use of DSP typology of risks underlies questionnaire.

Research conducted between July – October 2012.

Objective answers where possible; reasoned assumptions acceptable where information is lacking.
Do personnel receive the correct pay on time, and is the system of payment well-established, routine, and published?

4. Personnel receive the correct pay on time. The payment system is well-established, routine, and published, and basic pay is non-discretionary.

3. Personnel generally receive the correct pay on time. However, there may be minor shortcomings in the clarity or transparency of the payment system, and basic pay may occasionally be subject to discretionary adjustments.

2. There are occasional indications of late payment (of up to 3 months) though payments are generally of the correct amount. There are considerable shortcomings in the clarity and transparency of the payment system.

1. There are regular indications of late payment (of up to up to 3 months) and payment amounts may regularly be incorrect. The payment system is not clear or published.

0. There are widespread and significant delays in payment (of over 3 months), and personnel are not guaranteed to receive the correct salary.
Of all 82 Country Assessments, 37% included MOD / military official interviewees as sources for the research.

Of those assessors who explained why they did not include MoD / military official interviewees, 52% reported that it would be too dangerous, while 14% said their requests were ignored.

A quarter of country assessments consisted only of public information; another quarter were heavily reliant on interviews (MOD and/or other), with the remainder featuring in between.

31% of assessors requested anonymity, 13% chose to provide pseudonyms instead of publishing their own names, and the remaining 56% of the Country Assessors were happy to have their names published.
• A comprehensive assessment for each country, question-by-question, published online.

• A country summary that draws out the key findings for each country, and priorities for reform.

• An overall report spelling out the key learnings across the entire index, and a MENA-specific report.

• Spin-off research: articles covering country-specific and regional analysis, country clusters, methodological developments, and typology tests.

• Country banding from A-F based on overall score.

• Integrity scores for each of the five major corruption risks
HOW WE DID IT & OUTPUTS

- 77 questions, scored on a five-point scale, answered by an independent assessor
- Two independent peer reviewers, two TI reviewers, government reviewer
- Model answers to promote consistency and relevance
- Questions structured according to our typology of corruption risks
- Key risk areas: Political, Financial, Personnel, Operations, and Procurement
- Overall score derived banding for each country, from A-F
- Outputs: full assessments online; country summaries; two reports; spin-off work
KEY FINDINGS

• Half of countries’ defence budgets lack transparency entirely, or include only very limited, aggregated information.

• Only 15% of countries assessed possess political oversight of defence policy that is comprehensive, accountable, and effective.

• 90% of countries don’t have effective legislation in place to support and protect whistle-blowers, making reporting corruption a dangerous exercise within the Armed Forces.

• 70% of countries citizens are denied a simple indication of how much is spent by their government on secret items – let alone what they might be.

• The risk of corruption while militaries are on operations is poorly understood and controlled worldwide, with few monitors, training, or doctrine to reduce it.

• More positively, in the field of personnel risk, payment systems are generally robust.
THE WEBSITE: WWW.DEFENCEINDEX.ORG
International Defence & Security Programme

Country: Taiwan
Band: B
Risk Area: Political
Category: Array
Question Score: 4

Question 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? Hint: Natural resources are defined broadly, and include oil, gas, minerals, timber, fish, and precious stones. This is likely to be a hard question to answer; information could be found on Global Witness's website, in national newspaper articles, and on websites of NGOs that deal with resource exploitation.

Sources and References

Comments
As far as can be ascertained, the Ministry of National Defence is not involved in any way in natural resource exploitation businesses. The real estate of military bases, the facilities, and dependents housing are considered profitable assets owned by military, especially while the military is downsizing. However, the management and disposal of those properties are under close scrutiny by legislature and regulated by law, the "Regulations of Sale and Disposal of Military Real Estate of Dependent Housing and Closed Barracks." All the income and expenditures generated through disposal of the properties are managed by a fund, which is also regulated by law and is under legislative scrutiny.

Peer Review Comments
REGIONAL RESULTS | EUROPE & CENTRAL ASIA

Greece, Hungary, Italy, Latvia, Poland, Slovakia, Spain

Bosnia, Cyprus, Serbia, Ukraine

Belarus, Georgia, Kazakhstan, Russia, Turkey

Uzbekistan

GERMANY

Austria, Norway, Sweden, UK
OVER-PERFORM RELATIVE TO THE CPI

UNDER-PERFORM RELATIVE TO THE CPI

GI v CPI 2012 Scores (Correlation 0.71)
RESULTS FOR COUNTRIES WITH HIGH MILITARY EXPENDITURE AS % GDP

Source of data: SIPRI
TRENDS IN MILITARY EXPENDITURE: GLOBAL

SOURCE: SIPRI

Milex by region 1988-2011

Year


Africa
Latin America
Middle East
Eastern Europe
Asia and Oceania
W & C Europe
North America
Clear growth over time in the region.

- Spending in the region has almost doubled in real terms from 1988-2011.
- China’s spending has increased threefold in the last ten years, reaching $143bn in 2011 (Band D-).
- Japan (Band C) is the second biggest spender in the region, spending approximately $60bn a year, a figure that has stayed fairly stable over last ten years.
- India (Band D+) is the third biggest spender, spending nearly $50bn a year in 2011, almost double what they spent in 2002.
**TRENDS IN MILITARY EXPENDITURE: AFRICA & AMERICAS**

**Source:** SIPRI

- **North Africa - biggest spenders in Index:**
  1. Algeria, and 186% increase in last 10 years. Band F.
  2. Morocco, and 50% increase in last 10 years. Band E.

- **Sub-Saharan Africa - biggest spenders in Index:**
  1. South Africa, and 28% increase in last 10 years. Band D+ 
  2. Angola, and 169% increase in last 10 years. Band F.

- **Americas - biggest spenders in Index:**
  1. USA (in 2011, 20x bigger spender than any other Americas country), and 65% increase in last ten years. Band B.
  2. Brazil, and 35% increase in last ten years. Band C.
  3. Colombia, and 65% increase in last ten years. Band C.
• Huge decline in spending after 1990 due to cut in Russian military spending subsequent to end of Cold War.
• Quite a flat picture overall from the early 1990s onwards.
• Top three spenders in 2011: Russia $71bn (Band D-), UK $62bn (Band B), France $62bn (Band C)

• Middle East – biggest spenders in the Index:
  1. Saudi Arabia, and 100% increase in spending in the last ten years. Band E.
  2. Israel, though spending has been flat in real terms over the last ten years. Band D+.
  3. Iraq, whose spending has increased by over 3x from 2004-2011. Band E.
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<tbody>
<tr>
<td>Global</td>
<td>+66%</td>
<td>$30 billion*</td>
<td>100%</td>
</tr>
<tr>
<td>MENA</td>
<td>+97%</td>
<td>$7.2 billion</td>
<td>24%</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>+156%</td>
<td>$1 billion</td>
<td>3%</td>
</tr>
<tr>
<td>ECA</td>
<td>+15%</td>
<td>$4.6 billion</td>
<td>16%</td>
</tr>
<tr>
<td>Americas</td>
<td>+74%</td>
<td>$2.7 billion</td>
<td>9%</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>+71%</td>
<td>$14.1 billion</td>
<td>47%</td>
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1. Discuss corruption risks with your defence leadership – builds common understanding
2. Analyse the corruption risks in your particular defence context; develop a plan.
3. Publish the defence policy and the defence budget; encourage public debate
4. Change the processes on secrecy/confidentiality; where secrecy is really necessary
5. Put in place a robust Code of Conduct and implement anti-corruption training
6. Implement strong controls over your procurement strategy; to be needs-based
7. Improve your whistle-blowing systems for personnel – and protect those who report it
8. Change military doctrine to include analysis of corruption issues on operations
9. Demand high standards of your defence contractors – national and international
10. Be open with the public in what you are doing: work with civil society
RECOMMENDATIONS FOR LEGISLATORS, CIVIL SOCIETY, AND DEFENCE COMPANIES

- **Legislators:**
  Ensure a strong committee exercises oversight over defence. Ensure a sub-committee analyses items withheld from the public on the premise of ‘national security’.

- **Civil Society:**
  Open the dialogue with the Defence Ministry and Armed Forces. Offer to contribute to oversight and policy making. Demand public availability of the full defence budget.

- **Defence Companies:**
  Establish strong ethics and compliance systems. Use this index and its sister index to work with governments to reduce corruption in the sector.
NEXT STEPS

- THANK YOU -

- QUESTIONS? -

Visit [www.defenceindex.org](http://www.defenceindex.org) for full findings and results

Visit [www.ti-defence.org](http://www.ti-defence.org) for more information about our programme