

Working paper

Tackling defence corruption with a 'whole sector' approach

Mark Pyman, November 2019

Abstract

Tackling defence corruption is about much more than stopping dodgy commissions on arms sales. Civilians and soldiers die because of corruption in defence, insecurity rises, peace is compromised, wars extended. This article describes the twenty-year effort by Transparency International's Defence & Security Programme to reduce defence corruption across the whole sector, collaborating with and pressuring defence ministries, military forces, defence companies, NATO, NGOs and others. The defence sector is showing the way in several respects – comparative corruption-risk analyses, technical indexes, the professional communities of ethics officers in the defence companies, the roles of the Offices of Suspension and Debarment and the Inspectors General, the bravery of many government officials and ministers leading defence reform. The progress suggests that a 'whole sector' approach - covering companies, governments, regulators and civil society – can be effective, and may hold lessons for how reform approaches in other sectors can be better conceived and implemented.

Introduction

How do you make an impact on corruption across a whole sector? This paper tells how one programme, at the not-for-profit anti-corruption organisation Transparency International, has focused over twenty years to make a global difference in the defence sector, collaborating with and pressuring defence ministries, military forces, defence companies, NATO, NGOs and others.

The defence sector is not an obvious candidate for change. It combines the 'normal' problems of corruption of any sector together with the secrecy surrounding military technology, the closed nature of the military and the inherently political nature of most defence decisions. The idea that an NGO could have an impact was described as "trying to penetrate the impenetrable", in the words of a senior anti-corruption adviser in the UK Government (Bock et al 2014). Nonetheless, in these first two decades of the 21st century, preventing corruption in the defence sector has moved from being a taboo subject to a mainstream and acceptable subject for discussion and analysis: partly due to broad trends on greater worldwide awareness of the harm done by corruption, but also due to the effort of many committed individuals and initiatives across the sector. Within this trend, the TI Defence and Security Programme (TI-DS) has had considerable influence: taking a global perspective from the outset and

engaging robustly with defence companies, Ministries of Defence, military leaders, diplomats, journalists, civil society and whistleblowers.

The story encompasses eleven distinct elements. Each contributed to the overall sector-wide change in defence and offers lessons for other sectors:

- 1) **Transparency International Defence and Security (TI-DS)**. The presence of a 'sector-specific' anti-corruption NGO was critical in both catalysing and monitoring change.
- 2) **Defence companies worldwide**. Their corporate ethics and compliance systems were of very variable quality in 2004, the US company programmes generally better than the European, in turn better than those of companies from other nations. The defence companies as a whole have dramatically improved their compliance programmes since then. This has also been part of a wider private sector trend; there is now a recognised profession in the private sector of 'ethics and compliance officer'. National and regional defence industry associations also established new collective groupings for strengthening anti-corruption good practice. The narrow-but-deep defence industry structure was, unexpectedly, a key factor in enabling change.
- 3) **NATO**. NATO built up a distinct voice on the topic from 2007, through the programme 'Building Integrity' (BI). NATO-BI has gone on to jointly develop tools and guidance for nations, leading to integrity becoming a formal NATO policy. This was a lesson in how the primary multilateral body for a sector, which can easily be a passive lowest-common-denominator on corruption or can become a force for system-wide improvement.
- 4) **National Ministries of Defence (MODs)**. MODs in Western European countries were initially dismissive of the need to improve, but MODs in countries such as Bulgaria, Colombia and Poland took action to strengthen measures against defence corruption through strong leadership commitment. Other MODs started to change following participating in NATO assessments and many more started to take action after the publication in 2013 of the 'Government Defence Index' of TI-DS, which made both good and bad practices publicly visible. The strong focus on the particularities of defence meant that reformers in ministries felt that their problems were understood and that they were not alone.
- 5) **Defence procurement**. National and EU rules tightened up through this period. In the USA, it became the norm for companies to have compliance programmes after the introduction of the Foreign Corrupt Practices Act (FCPA) and related legislation. In Europe, defence procurement increased greatly in rigour and competitiveness from 2009 through implementation of the EU Defence Procurement Directive and following parallel reforms by European defence ministries. Major scandals in the US (such as the Boeing tanker refuelling contract) and in Europe (such as BAE-Al Yamamah) also led to strengthened national defence procurement practices. Despite the importance of procurement, the broader sector lesson was that there were many other, equally important, corruption issues in the defence sector.
- 6) **Research**. Defence corruption prevention was almost a research-free zone in 2004. The lesson was that small research projects could have a disproportionate impact in raising and deepening understanding of each corruption issue.

- 7) **Independent analyses and indexes.** The development of detailed comparative analyses of the corruption vulnerability of both defence companies and national defence establishments by TI-DS, first published in 2012 and 2013, made corruption vulnerability more visible and more addressable. This was perhaps the single biggest contributor to change: technical indices (i.e. not based on perceptions) comparing countries to their peers. The national 'score' and the quantitative basis for detailed improvement appeal both to the competitiveness and to the pride of those involved.

The work of the Special Inspector General for Afghanistan Reconstruction (SIGAR) in independently analysing US support for reconstruction was also significant in raising the presence of corruption and changing behaviour. Such a strong external monitor could surely be applied in other sectors and contexts.
- 8) **Military forces.** The recognition from about 2009 that corruption was the principal obstacle to progress of the international military mission in Afghanistan accelerated the need for military forces to pay attention to corruption issues in fragile and conflict countries. Western militaries also increasingly recognised the corruption issues connected with giving security assistance to nations.
- 9) **Fragile states, peacekeeping and security policymaking.** Those concerned with national and international security policy had not previously considered corruption as a significant factor, but this changed from about 2008, driven by developments in Afghanistan, Ukraine and the rise of insurgencies. Since about 2014, the relevance of corruption to security policy has become mainstream, for example now being a regular feature at the Munich Security Conference. Fragile states seem to be a special case for all sectors.
- 10) **Building expertise and networks.** Specialist groups with expertise in tackling defence corruption have emerged: besides groups at NATO, TI-DS and SIGAR, there are also anti-corruption training teams at the UK, Norwegian and Ukrainian Military Academies. Networks have been crucial behind the scenes, such as the defence industry associations working cooperatively across borders on anti-corruption standards, the ethics/compliance communities in defence companies sharing good practices, and among smaller groupings of reformers.
- 11) **Budgets and donors.** Companies have to allocate budget to compliance staff and to integrity programmes, governments have to fund integrity units and oversight functions, NGOs need donors. Behind the scenes, the decisions leading to positive funding are crucial for progress. The companies largely already had funding for such staff, driven by the acceptance of the largest customer, the US Department of Defence, for compliance programmes. The main donor supporting the TI-DS team, the UK Department for International Development, provided core funding for the team, rather than project funding. These conditions are often not present in other sectors.

The role played by each of these contributors/mechanisms in defence sector reform is analysed below.

Early years

Between 1995 and 2002, Transparency International UK (TI-UK), the British arm of the not-for-profit organisation Transparency International, had been working in a low-key way to challenge corrupt defence sales to developing countries, such as for a

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radar system sale to Tanzania by Siemens/Plessey, including the explicit support being given by the British government through providing financing credit. TI-UK's expertise included development economist Laurence Cockcroft, business adviser David Murray and former Financial Times journalist Joe Roeber. To build a wider mandate for action they organised conferences on 'Corruption in the arms trade' in Stockholm (TI 2000) and Cambridge (TI 2001), involving governments such as Sweden, companies such as Lockheed Martin, and defence-specific NGOs such as Saferworld and Corner House (Hawley 2003). The issues, summarised in the TI-UK paper by Catherine Courtney (2002), related primarily to the need for reforms to the importing and the exporting of weapons.

In 2003, TI-UK found a readiness at the UK Department for International Development (DFID) to explore the question and was successful in being awarded a small grant to work on 'Corruption in the Official Arms Trade'. The award funded 2-3 people for six months, plus the hosting of a small conference. TI-UK planned three rather ambitious lines of collaboration: 1) Working with a group of major defence companies to develop a defence industry set of standards against bribery and corruption in arms contracts; 2) Working with governments to extend the use of 'Integrity Pacts' to the defence sector; and 3) Engaging with governments that may be ready to collaborate to improve the integrity of defence procurement. The objective of the programme was whole-sector reform, rather grandly stated in the proposal as being 'to reverse the prevalence of corruption in the official arms trade in order to create a corruption free defence sector.' (Pyman 2004a). The team comprised the project leader (the author), a research assistant, and two part-time ex senior military officers. The work on promoting Integrity Pacts made some progress, with Pacts established for defence procurements in Colombia and Poland (see below), but the engagement with European governments, mostly with the national Defence Procurement Chiefs, led nowhere. It was the defence companies, initially the US company Lockheed Martin Corporation and the French company Thales, that responded positively.

Working with defence companies

The defence industry has a distinct structure. The companies that are the 'platform makers' – builders of military planes, vehicles, defensive shields, ships, command and control systems – are at the top of the pyramid, with a high level of power in the industry. Everyone below them, in supply chains that go down dozens of layers, is strongly influenced by them, on ethics as much as on technical and commercial matters.

For any change programme to succeed, it is necessary that these top-level companies feel they want to improve and that they will encourage improvement across and down the supply chain. National initiatives are likely to have limited broader impact, because so many of the supply chains are international. The major exception is the USA, because of its dominant position as being 50% of the global defence market. Having US regulators on board in any global change initiative is thus also essential, because the foreign defence companies all know that they have to line up with US companies, and with US laws, because of their extra-territoriality.

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In 2004, the only part of the corporate defence sector where there was active anti-corruption effort was in the US defence companies, driven by the Foreign and Corrupt Practices Act (FCPA) introduced in the late 1970s following a slew of defence corruption scandals in the USA. Further to the FCPA legislation, the US Department of Defence (DOD) and the Pentagon had implicitly accepted the introduction (and costs) of ethics and compliance systems in US companies. Over the subsequent two decades these ethics and compliance systems had become quite sophisticated, and the Pentagon was also energetic in chasing down non-compliant companies via the Office of Suspension and Debarment (S&D). This S&D system exists across most of US government, but it was only the military that energetically enforced it, particularly the US Air Force (Shaw and Totman 2014). This did not mean that everything was clean, far from it; scandals kept on coming. But on the other hand, it meant that there was institutional corruption prevention machinery in place that could be improved.

When TI-DS made contact with some of the first-tier US companies (Boeing, Lockheed Martin Corporation, Raytheon, United Technologies, Northrop Grumman, Honeywell), explaining that they wanted to catalyse a worldwide association of defence companies ready to act together against corruption, most of the companies were in-principle supportive of TI-DS's efforts.

Meanwhile, UK and European defence companies had less by way of ethics or compliance systems by comparison and were defensive about any engagement with TI-DS or with the US companies. The major UK defence company, BAE plc was actively suspicious of TI-DS at the time. The catalyst for change in Europe came with the growing corruption scandal over the BAE-Saudi Arabia giant 'Al Yamamah' contract. Though some of the bribery prosecutions were stopped by the UK Government, fearful of the impact this might have on UK relations with Saudi Arabia, the aftershocks were profound for BAE. The company changed its Chairman and the new team instituted a major review of all operating practices across the company headed by the former Lord Chief Justice (Wolff Committee 2008). Over the following few years this led to large-scale change and improvement across the company (Olver 2013).

This overhaul of corporate behaviour of BAE following the Saudi scandal was also a factor helping to change the behaviour of the global industry, because the UK was another of the major national arms exporters. Whilst the other major European arms exporters (France, Germany, Italy and pan-European entities like airplane manufacturer Airbus and missile manufacturer MBDA) did not have any equivalent crisis, they were nonetheless prepared to go along with improved industry standards and active cooperation with TI-DS.

These three factors - a narrow but deep industry structure, an energetic regulator in the primary market, and major scandals - together with the way that TI-DS engaged, were crucial to the progress that TI-DS and the industry were able to make.

Bringing the global defence companies together

Transparency International's founder, Peter Eigen, believed that the way to achieve action against corruption was always to engage government and industry and civil society, bringing together people in multiple forms of collaboration. The author followed the same approach for the defence programme, starting with trying to build a

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community of defence companies who would be ready to support good anti-corruption actions and practices. TI-DS organised its first conference at Arundel, England in July 2004, bringing together six defence companies (Thales of France, Lockheed Martin of the USA and four UK companies, BAE amongst them), the US air force suspension and debarment general officer, the UK military, representatives from governments, and civil society groups from many countries to debate how the defence sector could improve (Pyman 2004b). This was followed up with bilateral meetings with many more defence companies.

Through these discussions, some of the tensions hindering defence company cooperation became better understood. The main tension was the divide between the US and the European companies, with the US companies seeing the Europeans as still being supportive of corrupt practices, such as acceptance of facilitation payments, and the Europeans seeing the US companies' adherence to FCPA and compliance programmes as being something of a public show rather than substance. The US-European divide had been evident in the failure of an earlier attempt at enabling industry collaboration led by Mark Pieth at the Basel Institute a few years earlier (The 'Clovis' principles; See Pieth 2018, p150-155). It was also the reason why there was cooperative working of the US defence companies on integrity and anti-corruption topics, but none with companies outside the USA. There was also distrust on corruption matters between the European companies, despite considerable cooperation on technical projects.

TI-DS nonetheless felt that the desire of the companies to cooperate was sincere, and that there was potential for a global defence industry integrity grouping to get off the ground. Being a small player among such large companies, TI-DS sought someone of stature who could act as a neutral node around which the US companies, the European companies and TI-DS could convene. TI-DS was fortunate to find and engage the help of Lord George Robertson, a former NATO Secretary General and former UK Defence Minister, highly respected across the sector. With his energetic involvement and chairing, TI-DS were able to convene a series of four formal meetings between senior defence industry representatives, at which trust was built and the possible forms of a global industry collaboration examined. This gradually bore fruit, initially with a common integrity standard across all European defence companies in 2008 - called, somewhat unimaginatively, the Common Industry Standard (CIS 2008), which then led into a global forum in 2010 of the major defence companies, called the International Forum for Business and Ethical Conduct of Defence and Aerospace Companies (IFBEC 2019). There are currently 28 IFBEC members, all large global defence companies.

Building such a collaboration takes a huge amount of talking between the main participants. In this case there were fourteen people principally involved between 2005 and 2010 in making the efforts bear fruit: four from US companies (Lockheed Martin, Raytheon, Northrop Grumman, Honeywell), five from European companies (Thales, BAE, Rolls Royce, Airbus and Saab), four from defence industry associations (UK, Europe, two from USA associations) and TI-DS (the author).

A detailed insight into how this network evolved is available because a research student made a detailed analysis of the process, speaking at length with the people involved and mapping the interactions. Elize Sakamoto, then a PhD student at the

London School of Economics, tracked who met with who and how the collaboration developed into industry-wide collaboration and the writing of formal codes. Her

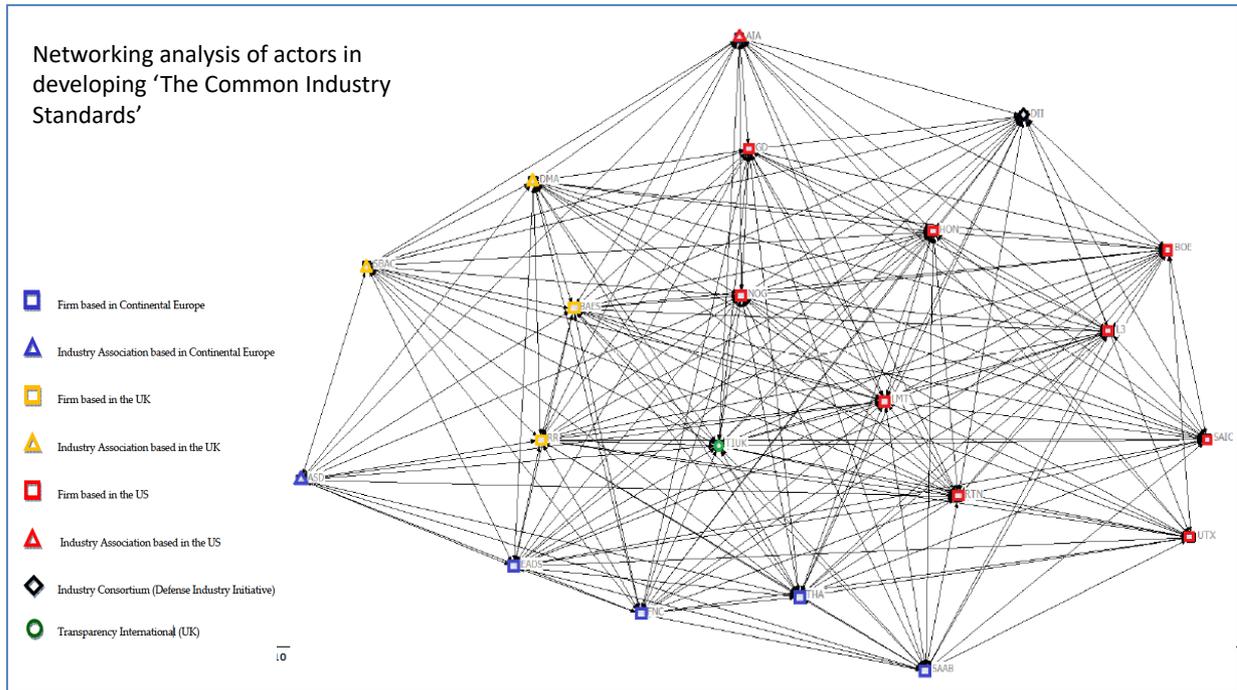


Figure 1 Network analysis of the actors developing the Regional anti-corruption industry standards (from Sakamoto 2010)

recording of the network is shown in Figure 1. Each of the representatives of the European Defence companies are shown as blue squares, European defence industry association representatives as blue triangles), UK defence company representatives as yellow squares, UK industry associations as yellow triangles, US company representatives as red squares, US industry associations as one red and one black triangle, and TI-DS (the author) as a green circle (Sakamoto, 2011).

This analysis shows up the critical role of small groups of people who are ready to go well beyond their formal roles in order to achieve a goal. Despite the different backgrounds— NGO/major company, US/European, UK/French, Sales/Legal - and initial distrust, the fourteen people built up trust in each other and in the desirability of the objective. They did this through regular contact, demonstrable additional effort, continuing the discussions through each setback, and through meeting several times per year.

Why did the participants engage so energetically? On the company side, such engagement rarely happens without being sanctioned at a senior level. The senior influencer behind the scenes was the 'American Industries Association' (AIA), a defence forum where the industry leaders can discuss and agree on taking actions as a group tackling various issues. Most American companies were receptive to an anti-corruption initiative because of their own international experience of losing tenders to competitors suspected of corruption. They also had prior positive experience of creating and sustaining a good ethical practice forum for US defence companies, called the Defence Industries Initiative (DII 2019). This had been created after the defence scandals of the 1970s and, rather surprisingly, had evolved to be the focal point through which industry good practices on ethics and compliance were

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presented, discussed and disseminated. The Chair of the AIA at the time, the CEO of Raytheon, was enthusiastic about this possible forum and actively encouraged participation. There were AIA linkages with the equivalent associations in the UK (ADS) and on the continent (ASD), which were also helpful in giving additional momentum to closing the US-European divide the effort.

Whether the outcome would be worthwhile, or effective, was something the participants were all ready to leave to a later time, believing that 'getting something positive into existence' was a valuable deliverable in its own right. That question, of whether it was worth it, is still with us. Some from that original group still feel that it was a lot of effort for a modest outcome; but we don't know that, and structures once in place can be bent to all sorts of unexpectedly useful new functions.

Linking with NATO

TI-DS realised by 2006 that working with the defence companies could only ever be half of the solution, and that it would be necessary to try again to influence governments and MODs, despite the negative results of the earlier meetings with West European defence procurement chiefs. Progress in doing this was achieved via two routes. First, working through TI national chapters round the world to identify MODs ready to work on corruption, which led to working with Colombia, Latvia and Poland (see below). Second, through one of its senior military advisers, Rear Admiral Hugh Edleston, TI-DS reached out in 2006 to NATO Headquarters. NATO was unexpectedly receptive, thanks to two very supportive Ambassadors to NATO, from UK and Switzerland, and to support among key NATO officials. As a result, a strong relationship developed that led to a formal joint collaboration between TI-DS and NATO, and to a formal NATO initiative in November 2007. TI-DS led in developing products for NATO countries - a methodology for peer reviews, a self-assessment questionnaire for MODs and a 5-day training module for military staff and officers (Pyman et al 2008, Pyman 2011). A Swiss think-tank led in developing a compendium of guidance on integrity building and anti-corruption for nations, which is now available in fourteen languages (DCAF 2009).

NATO developed the Building Integrity (BI) initiative in ways that were intended to bring integrity/anti-corruption thinking 'into the DNA of NATO operations', to use the memorable phrase of Susan Pond, the senior NATO official leading the programme. TI-DS gradually stepped out of the cooperation after about 2011 as the NATO-BI initiative gained institutional traction. The official language illustrates this: 'At the Chicago Summit in 2012, Building Integrity was established as a NATO Education and Training Discipline within the framework of the Allied Command Transformation Global Programming. The 2014 Wales Summit reaffirmed BI as an integral part of NATO's Defence and Related Security Capacity Building Initiative. NATO's BI Policy was endorsed at the NATO Summit in Warsaw in July 2016. Taking part in the 2017 BI Conference, the European Union announced its intentions to contribute to the BI Trust Fund, referring to NATO BI as the partner of choice'. (NATO 2019).

Regulatory influences

Through this period, much work was also underway in the EU to strengthen defence procurement. National defence procurement regulations, which had been largely

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outside EU procurement rules, increased greatly in rigour and competitiveness from about 2009 date through implementation of the EU Defence Procurement Directive. This Directive had come about because of the multiple exemptions from competitive bidding of the defence sector from civil procurement regulations and the desire for a more Europe-wide defence market (for an evaluation of the directive, see European Commission 2016). Separate efforts to set up an electronic defence procurement forum for EU defence tenders also came to fruition.

Another regulatory structure that had a major impact in the defence sector was the Office for Suspension and Debarment (OSD) in the USA. The OSD in the US Air Force was especially active, much more so than most OSDs, due to the strong drive and long tenure of Steven Shaw, the senior suspension and debarment official in charge in the US Air Force. The impact of the OSD went beyond the USA: because of the extra territorial reach of the FCPA, and the massive US defence market, defence companies from almost all other countries wished to do business in the USA and as a consequence were exposed to the OSD. Such OSDs also exist in other countries, but with much less influence (see Shaw and Totman 2015). Here the change driver was not just the legal structure, but the commitment of Steven Shaw in support of the larger-scale change initiative from TI-DS.

Working with defence ministries and militaries

As well as working with defence companies, TI-DS started working with defence ministries. The initial connections came through the national Chapters of TI, seeking to connect the mission of TI-DS with possible reform in their own MODs and militaries. Two countries, Colombia and Poland, were ready to engage on defence reform.

In Colombia in 2005, the military and the security forces were not credible with citizens, being seen – with much justification - as complicit in both the drugs war and the FARC war. Those in charge of the army and the police recognised that unless they tackled corruption in the military, and were seen to do so, they had no chance either of winning the two wars, or of convincing the public that they were going to make progress. As part of a new strategy, they sought assistance from TI Colombia to review strategy, to monitor progress, to train senior officers and various other measures: TI Colombia in turn sought assistance from TI-DS. The planned purchase of aeroplanes that would improve drug interdiction went ahead (Pyman and Waldron 2006 a,b,c), but the integrity-pact did not lead to much change.

Nonetheless, the Colombian military and MOD made substantive, sustained change in the following years. One example from 2005 showed how to make progress: at the time, almost all defence acquisition was secret, even obviously non-secret items like food and fuel. This was not necessarily for corruption reasons; more probably for reasons of bureaucratic convenience. But such convenience and non-accountability quickly becomes corruption. The then-Secretary-General made an administrative order changing this. From the next month, all defence procurement would be public; unless she personally signed the requisition request to say otherwise. This change in practice had an immediate effect and over time contributed to changing the culture. Clearly some things rightly stayed secret. But it was suddenly more perilous for your career to go to the chief of the DOD and argue that an order for 1 million pairs of trousers just had to be done on a secret basis to one supplier. The percentage of secret

procurement dropped dramatically in the following three years. Since then, the Colombian military has made many changes, such as through their 2015 'Plan to Ensure Integrity and Prevention of Corruption' (TI-DS 2016)

Poland in 2005 was the most corrupt country in the EU according to TI's Corruption Perceptions Index, yet by 2014 it had risen to 15th out of 28 EU member states (See Figure 2). This was a significant endeavour by the whole Polish Government but, interestingly, the Polish Defence Ministry, with an energetic minister in charge, was at the forefront of change. TI-DS first worked with Poland on an integrity pact for small logistics aircraft for the Polish military. Like the Colombian example, it did not go smoothly, leading to the cancellation of the contract. At the same time Poland was undertaking many other defence reforms, notably through establishing an Integrity Unit within the MOD to provide independent oversight on all purchases (See Pyman and Wnuk 2006). That unit recently celebrated ten years of operation.

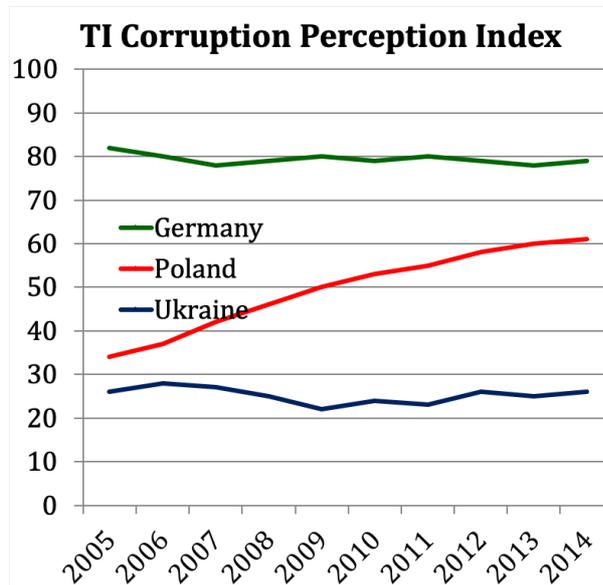


Figure 2 Poland scores on the TI CPI. Data assembled by the author

Between 2006 and 2010, the number of national MODs working with TI-DS expanded as TI-DS joint working with NATO led to cooperation with additional NATO partner countries. After 2012, the number of countries expanded again as TI-DS' Government Defence Anti-Corruption Index raised the prominence of national defence corruption vulnerabilities. By 2015, some sixty countries were cooperating with TI-DS in the preparation of the country analyses that underpinned the Government Defence Index.

Defence corruption issues – more than procurement

TI-DS recognised early that public concern about defence corruption was not translating into detailed analysis of the defence corruption issues and efforts to solve them. To most people, inside and outside the defence sector worldwide, defence corruption meant dodgy defence procurement and little else. But, though corruption in defence procurement is a major issue, it is only one issue among many.

TI-DS' early engagement with national MODs in the period 2006 to 2010 led to a broader and yet more specific understanding of what 'defence corruption issues' were. Multiple conversations with MODs, militaries and defence think-tanks led to a set of 29 issues being defined, and a categorisation of them under 5 headings: political corruption issues, finance-related issues, personnel-related issues, procurement-related issues and corruption issues encountered on operations.

ANALYSIS – 29 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	

Figure 3 Typology of defence sector corruption issues (from Pyman 2011)

Figure 3 shows the 29 issues and the five categories. Each issue is expressed in a highly abbreviated form (the full definition is available elsewhere) for a very practical reason: the table of the 29 issues found immediate popularity as the core discussion tool among groups of military officers or MOD officials. The issues are presented as they are so that they reflect a normal ‘full range’ of corruption issues to be found in a national defence establishment. Some, like (corruption in) defence policy are broad, some are very particular, like (corruption in) financing packages supporting defence procurement. The typology table evolved and improved over the course of discussions in the first four or five countries but then stabilised and has been used in numerous countries as the basis for analysis of the issues in that country. The table forms the starting point for the Government Index questionnaire, in which the broader issues are explored in greater depth through more questions being asked; the number of questions is given by the numbers in the black boxes in Figure 3.

With the benefit of hindsight, this ‘typology’ of corruption issues was the critical first step in developing the indexes, the country analyses and more practical reform strategies. Equivalent typologies for other sectors will hopefully become equally common and useful.

Research: Highlighting corruption issues

There was limited analysis of defence corruption issues in 2004. Small research projects could have a disproportionate impact in raising understanding and TI-DS found that that this was a constructive and evidence-based way to raise defence

corruption issues with governments and companies. Three examples are given here: exposure of the extent of non-competitive procurement, the use of 'offsets' in defence, and the lack of transparency in defence budgets.

Non-competitive defence procurement by MODs

Purchasing goods and services without competition, also known as non-competitive or single-source procurement, can happen for good reasons: there may be a monopoly (such as buying Microsoft software licenses) or there may be only one national state-owned enterprise, such as a shipyard. However, it can also be an excuse for corruption, or become the start of a corrupt practice. The large extent of non-competitive procurements in defence was not an issue in 2006, though some defence establishments knew about it. Early TI-DS research in 2006 revealed the remarkably large percentage of non-competitive defence procurement in some countries, up to 80% and over in Japan and the Czech Republic, for example and 50% or more in the UK and the USA (Pyman et al 2009). Such research made the scale of the problem evident and stimulated

discussion with MODs of the appropriate circumstances for single sourcing and how better to control it. By 2012, when TI-DS carried out a second round of similar research, national MODs were more aware of the problem. Figure 4, nonetheless, shows for defence procurement in seven countries during the period 2010-2012, how normal it was for at least a quarter of all defence procurement to be single source (Mustafa et al 2014). The low result in Bulgaria, only 9% single source, showed the effect

of government action: it was a consequence of a new defence regulation prohibiting single source procurement in defence except in tightly defined circumstances (Tzvetkova and Pyman 2015). The still-high figure for the UK galvanised a change of practice by the UK MOD for transparent open-book accounting by the winning company.

The dubious use of 'offsets' in defence procurement

A second defence corruption issue that TI-DS publicised was the use of offsets. Offsets are a counter-trade mechanism agreed between purchasing governments and supplying companies, requiring them to put in place a number of additional investments, often unconnected to the main contract, as a condition of undertaking it. Offset programmes consist of a package of contracts valued to a percentage of the main acquisition contract. The value of offsets programmes as a percentage of the

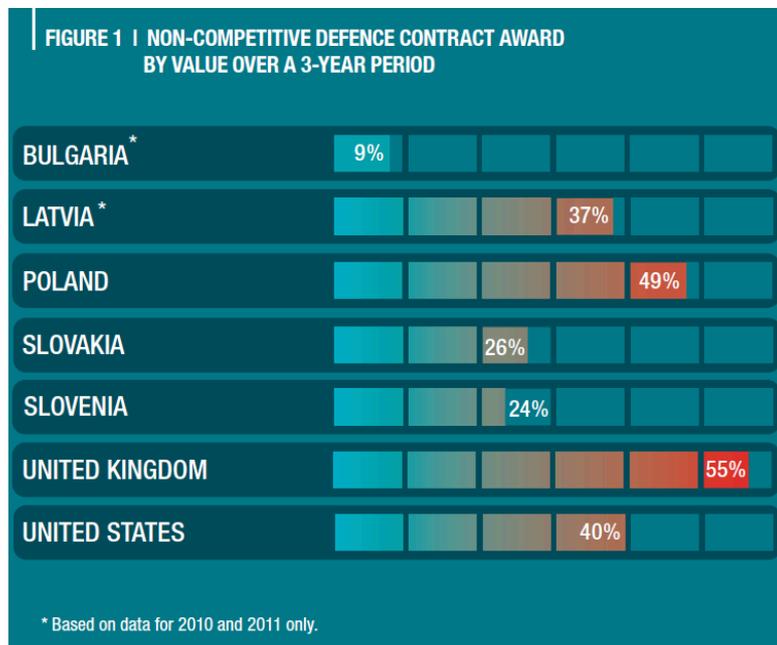


Figure 4 Single source defence procurement as a % of total defence procurement 2010-2012 (from Mustafa et al 2014)

main contract is huge: it can exceed 100 per cent of the value of the main contract. The large size of offset programmes is one of the reasons for the concerns about corruption—they are not 'marginal' additional investments (The other reason was that MODs and contractors had between them kept the visibility of offsets very low). Largely unknown outside of the defence sector, offsets had been growing 40% or so per annum outside of Europe and the USA; outstanding offsets represented about \$500 billion as at 2012 (Avascent, 2012). TI-DS identified this problem, made it public, and was active in campaigning against their use since 2008 (Magahy et al 2010, Fluker et al 2012).

Increasing the transparency of defence and police budgets

National military and police budgets are not only large, they are also usually hidden from public scrutiny and therefore easily diverted, subverted or stolen. TI-DS published analyses of defence budget transparency (Gorbanova and Wawro 2011,

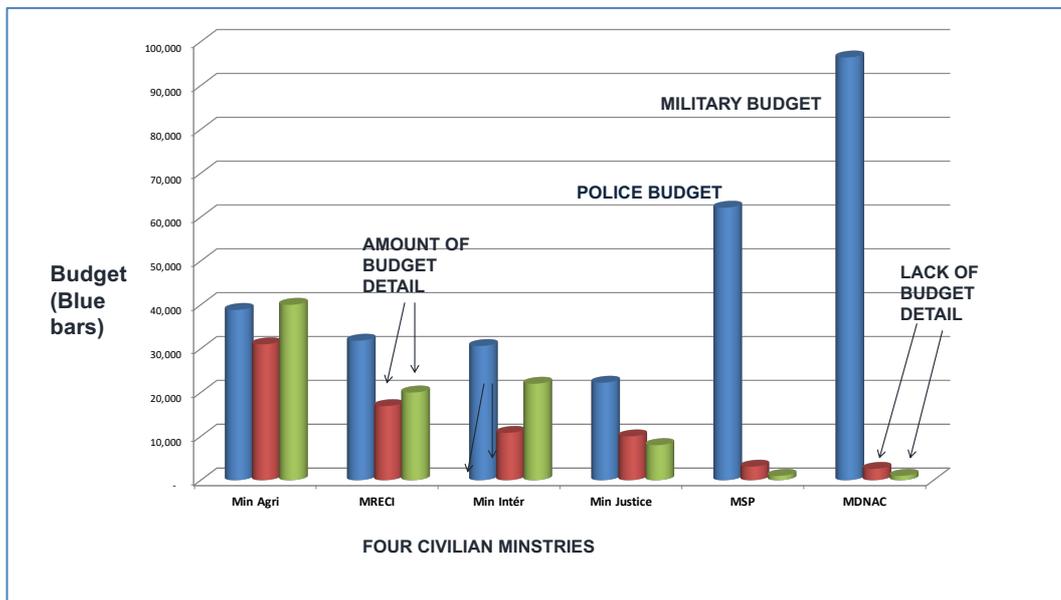


Figure 5 Military and police national budgets plus metrics of amount of budget detail (number of budget headings, budget line items) (from Pyman 2017)

Cover and Meran 2013) and again used this research to press for change within MODs. The chart shown in Figure 5 is from an analysis in Burundi, a small, fragile state in South East Africa. It suffered a smaller version of the genocide that affected Rwanda in the 1990s and is still unstable. The data shows the different budgets of four ministries (Agriculture, Industry, Interior and Justice) plus the police and the military in blue. The red and the green bars show the number of budget headings and the number of budget lines respectively for each ministry's budget (axis heading not shown). The extent to which the police and military budgets are way above the other four ministries depicted, yet have almost zero budget detail, is striking (Pyman 2017). Working through detail of this sort in meetings with the MOD and military in individual countries such as Burundi was a substantive way of proposing reforms to the presentation of that country's defence budget (Pyman et al 2014).

Research on other defence corruption issues

TI-DS investigated current practice and potential reforms in numerous other corruption risk areas. Examples include performance and powers of Parliamentary Defence Committees (Cover and Meran 2013), military codes of conduct (Shipley et al 2011), access to information laws relating to defence (Foldes 2014), peacekeeping (Pyman et al 2014, TI-DS 2019), defence higher education academies (Repilo and Tarasov 2013), military-owned businesses (Goh and Muravska 2011) and defence housing (NAKO 2018). As always, the purpose was to examine the way that the problem manifested itself, put forward evidence, and propose possible reforms; in ways that defence officials and military officers could recognise and respond to.

Creation of the two global defence indexes

The TI-DS strategy of 'constructive engagement' with companies and governments was successful in opening many doors that might otherwise have stayed closed. TI-DS collaboration with global defence companies had led to the creation of the Common European Standards for anti-corruption and to the creation of the global forum IFBEC. TI-DS was actively working with national MODs on reforms, such as in Afghanistan, Bulgaria, Colombia, Georgia, Latvia, Lebanon, Norway, Saudi Arabia, Ukraine and others (Pyman 2017). However, TI-DS came to think that these actions, whilst positive, would probably not lead to large-scale change, because they were too friendly, focusing only on countries and companies that actively wanted to engage. Some way to identify the corruption vulnerabilities in countries and companies and to enable comparison between them was needed, if a suitably robust campaign or approach could be conceived and developed.

The team experimented with various approaches (e.g. Reiling 2009), recruited an expert in technical index construction, and finally developed two methodologies. One enabled detailed analyses of corruption vulnerabilities in national defence establishments, using evidence-based answers to 77 questions plus a system of peer review and checking. This led to detailed, quantified analyses for each country, plus the capability to compare them in a 'Government Corruption Vulnerability Index' (known as GI). In parallel, TI-DS developed a way to analyse each defence company, using a similar semi-quantified methodology, reviewing the theory and practice of each company's ethics and compliance programmes. This too led to quantification of the vulnerabilities for each company and a comparative ranking, entitled the 'Defence Companies Corruption Vulnerability Index' (known as the CI). Both methodologies were based on evidential answers to a set of questions, not on perceptions.

The TI-DS Government Defence Anti-Corruption Index (the 'GI')

In the GI methodology, each country is researched by an independent assessor using a standard set of 77 questions. These are not perception questions, but technical ones, such as 'What percentage of the defence acquisition budget is secret?' or 'What percentage of defence procurement is done single-source, without competition?' In each case the extent of the government measures in place are compared against 'model answers', with scores from 0 to 4. The question scores are first aggregated in the five risk areas: Political risk, Financial risk, Personnel risk, Operations risk, and Procurement Risk.

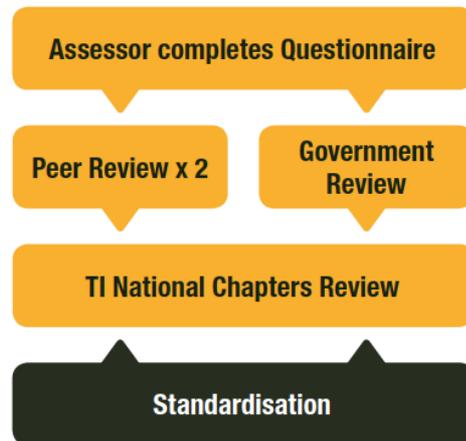


Figure 6 Process for assuring evidence for the GI (from TI-DS 2019a)

Each country assessment is independently reviewed by up to three peer reviewers. TI-DS also invites the government to conduct a review of the assessment and submit additional information and also invites the input of the Transparency International national chapter. Finally, the GI team reviews all answers to all questions for consistency and standardisation. (See Figure 6; TI-DS 2019a). The result is a detailed report for each country, typically 50 pages long, containing the evidence in response to each question, the scores, the input from the peer reviewers and any input from the government.

The overall score for the country varies from A (the best) to F (the worst), which is the score that is shown in the Index. The index was first produced for 82 countries in January 2013, done again in 2015 for 132 countries, and a new version is due for release in late 2019. The Index results for 2015 are shown in Figure 7.

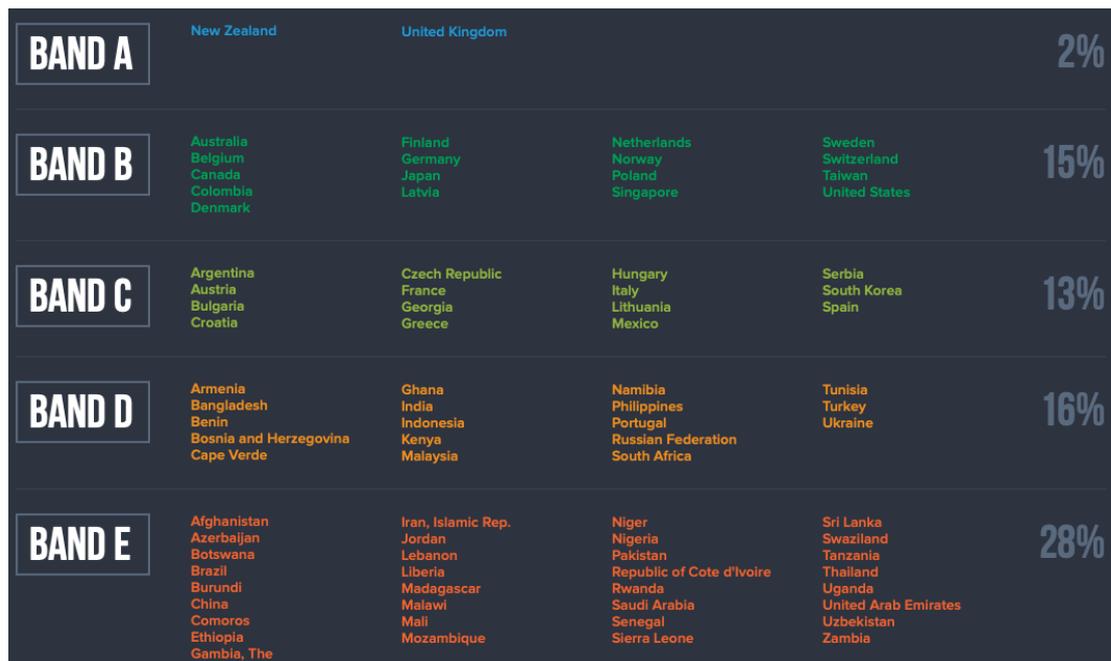


Figure 7 Government Defence Index country results 2015 (from Abbas et al 2015)

When the GI country analyses and Index came out, they had a major impact. The first time in 2013 there was much media coverage and protests from Defence Ministers, after rather little involvement by the MODs of the countries concerned; only 8 countries responded when asked for their input. The second time around in 2015, most countries provided detailed responses and additional evidence. Not all responses were positive. TI-DS deemed that in some countries it was not possible to do any assessment without there being appreciable danger to the analyst(s). Other countries were vehement in their objections to the analysis without providing additional evidence. In some cases, TI-DS's analysis was shown to be flawed, despite the efforts at independent peer review.

This is a tool that is changing the way that defence ministries analyse and address their own corruption risks. TI-DS experience is that most MODs and the military, given a credible tool, are prepared to focus on how they can become more operationally effective, less wasteful and operate with higher integrity in defence procurement. Even if their motivation is to prove TI-DS wrong – and this certainly occurs – the country analysis and the Index has the effect of focusing senior military attention on a subject that was previously taboo.

The tool can also be used to guide reform in individual MODs. Figure 8, for example, shows some of the detailed results for Georgia in 2013. They asked to see only the 'worst' results, where they had been scored 0,1 or 2. The questions where Georgia had scored higher (i.e. 3 or 4) were omitted. The Georgians then worked through this list, together with TI-DS, to assess which issues merited action and which would be left for another time. The tool can also be used to compare categories and questions across countries (See Pyman 2017 for a comparison across North African nations) or to highlight features such as the relative strength of Parliamentary Defence Committees (See Cover and Meran 2013), or of NATO nations (Abbas et al 2015).

DETAILED RESULTS - GEORGIA 0,1, AND 2 SCORES

POLITICAL		PERSONNEL		PROCUREMENT	
Defence Committee	2	Public Commitment	0	Legislation	1
Defence Policy Debated	2	Measures for Corrupt Personnel	2	Transparent Procurement Cycle	1
CSO Engagement	1	Whistleblowing	1	Oversight Mechanisms	1
Public Debate	1	Special Attention to Sensitive Personnel	1	Purchases Disclosed	1
AC Policy	2	Objective Appointments	2	Standards Expected of Companies	0
AC Institutions	1	Objective Promotions	0	Strategy Drives Requirements	1
Risk Assessments	0	Bribery to Avoid Compulsory Conscriptio	2	Requirements Quantified	0
Acquisition Planning	0	Bribery for Preferred Postings	1	Open Competition v. Single-Sourcing	1
Budget Transparency & Detail	2	Code of Conduct Coverage	2	Tender Board Controls	1
Budget Scrutiny	2	Code of Conduct Breaches Addressed	0	Anti-Collusion Controls	1
Budget Publicly Available	1	AC Training	1	Procurement Staff Training	1
Defence Income	1	Prosecution Outcomes Transparent	1	Complaint Mechanisms for Firms	2
Internal Audit	2			Sanctions for Corruption	2
External Audit	2			Controls of Agents	0
Intelligence Services Recruitment	1			Transparency of Financing Packages	0
Export Controls	2			Subsidiaries / Sub-Contractors	0
				Political Influence	1
FINANCE		OPERATIONS			
Asset Disposal Controls	2	Military Doctrine	1		
Asset Disposal Scrutiny	1	Operational Training	1		
Percentage Secret Spending	0	AC Monitoring	1		
Legislative Access to Information	2	Controls on Contracting	0		
Secret Program Auditing	0	Private Military Contractors	2		
Information Classification	1				
Mil. Owned Businesses Exist	2				
Mil. Owned Business Scrutiny	2				

Figure 8 Listing of the low results only (Scores 0,1 and 2) in GI assessment of Georgia 2013 (from author)

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With this country analysis methodology and Index, TI-DS felt confident that they had the sort of benchmarks that could assist and catalyse progress, all the way from specific features of one country defence ministry or defence company, up to broader national or regional trends. The detailed reports, for each of the individual defence establishments, often 50 pages or more of detail, formed national defence leadership to review the corruption issues and discuss possible reform measures, whether with TI-DS, on their own or with others. The index is withstanding the test of time, with the third iteration now starting to be published in late 2019.

Defence Companies Anti-Corruption Index

Having worked with the defence companies from 2004 to 2010, it was clear to TI-DS that some companies were largely sincere, with good programmes in place. On the other hand, there were still thousands of defence companies with minimal programmes, and many who had sophisticated-looking programmes but little substance or intent behind them. How to provide credible public evidence of which were which? There were a few company corruption vulnerability indexes that had been done, notably by TI (See later analyses, e.g. TI 2012, 2016). However, these had several major disadvantages for the defence sector. Firstly, they weren't detailed enough, being more of the nature of yes/no answers, rather than nuanced answers on the extent to which a measure was being applied. TI-DS felt that it was essential to conduct each analysis at the same level of professionalism and knowledge that the ethics professionals in the defence companies were applying. Second, there were various issues that were particular to defence that were not covered by general index questions (e.g. offsets, secrecy). Third, the defence companies argued vigorously that there was a lot of policy or practice that they followed that was not public, and that TI-DS would miss the inside knowledge if it kept to published information only. This was the most controversial issue: could an NGO access this knowledge and evaluate it, without unacceptable confidentiality clauses? TI-DS developed its methodology in a way that answered thoroughly all three questions, and the 'private' information – which was used to create a sort of shadow index, was the most important of all in persuading the defence companies to work with the Index and to support its methodology (though as from 2019, TI-DS decided to discontinue the 'internal knowledge' part of the methodology).

There are 41 questions in the companies' index, covering what TI-DS regards as the basic capability that a global defence company should have in place, divided into five categories: leadership, governance & organisation; risk management; company policies & codes; training; personnel & helplines. For every question, TI-DS provides guidance notes and detailed scoring criteria on what evidence is required to achieve a particular score. The results are shown for each question, then aggregated for each of the five categories. The results for the whole company were ranked into one of six bands—from A (the best) to F (the worst), based on their total scores. Figure 8 below shows the results in each category for an alphabetical sample of the companies.

COMPANY	COUNTRY	2012	2015	LEADERSHIP, GOVERNANCE & ORGANISATION	RISK MANAGEMENT	COMPANY POLICIES & CODES	TRAINING	PERSONNEL & HELPLINES
Navantia, S.A.	Spain (Europe & Central Asia)	F	E	0%	0%	58%	0%	36%
Navistar International Corporation	USA (North America)	D	D	30%	10%	63%	0%	50%
NEC Corporation	Japan (Asia Pacific)	D	C	60%	40%	42%	60%	64%
<i>incl. internal information</i>		-	B	65%	90%	79%	70%	86%
Nexter Group	France (Europe & Central Asia)	F	F	10%	0%	0%	0%	0%
Northrop Grumman Corporation	USA (North America)	B	B	75%	43%	92%	80%	86%
Oshkosh Corporation	USA (North America)	C	C	35%	29%	63%	40%	79%
<i>incl. internal information</i>		-	C	40%	50%	75%	80%	79%
Otokar Otomotiv ve Savunma Sanayi A.Ş	Turkey (Europe & Central Asia)	F	D	30%	10%	54%	0%	50%
Pakistan Ordnance Factories	Pakistan (Asia Pacific)	F	F	0%	0%	0%	0%	0%
Patria Oyj	Finland (Europe & Central Asia)	F	C	50%	14%	63%	60%	57%
<i>incl. internal information</i>		-	B	65%	79%	79%	70%	71%
Polish Defence Holding	Poland (Europe & Central Asia)	F	F	0%	0%	0%	0%	0%
Poongsan Corporation	South Korea (Asia Pacific)	F	F	0%	0%	0%	0%	0%
Precision Castparts Corp.	USA (North America)	-	D	25%	10%	63%	10%	79%
PT Dirgantara Indonesia (Indonesian Aerospace)	Indonesia (Asia Pacific)	-	F	0%	0%	0%	0%	0%
QinetiQ Group Plc	UK (Europe & Central Asia)	C	B	60%	60%	63%	90%	93%
<i>incl. internal information</i>		-	A	95%	100%	83%	90%	93%

Figure 9 Extract from the results for defence companies 2015 (from Fish et al 2015)

For example, as shown in Figure 9, an extract from the defence company results list, Patria Oyj, a Finnish armoured vehicle company, scored very poorly in 2012 (Band F), but had improved significantly on substance and transparency by 2015 (to Band C, based on public information and to Band B if internal information is also taken into account).

It was clear from comparing the 2015 analysis with the 2012 analysis that many companies in the industry were paying closer attention to corruption risks. Despite increasing the rigour of the questionnaire - Five questions were more rigorous, the scoring criteria for 14 questions were tougher, and detailed modelling indicated that the 2015 index was up to 7% more demanding than 2012 - there was significant net improvement in the results of the second Defence Companies Anti-Corruption Index (Pyman et al 2015). This improvement occurred both among the companies that already had substantive anti-corruption programmes in place in 2012, and those that showed almost no evidence of anti-corruption programmes. Figure 10 shows the improvement. Such a metric, being able to compare the relative quality of compliance programmes over time, is a powerful tool to drive and encourage sector improvement among the corporates in the sector.

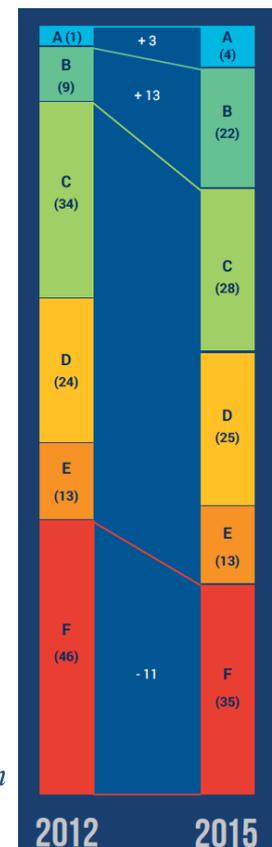


Figure 10 Comparison of companies results 2015 vs 2012 (from Fish et al 2015)

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TI-DS developed the analysis further by noting the best practices in each of the five categories (Clark and Pyman 2013a) and producing a detailed guide to 104 good practice examples across the industry (Clark and Pyman 2013b).

Is this index having a significant impact? Anecdotally, there has been much feedback from numerous companies on the beneficial effect of the Index. The main feedback was that it encouraged the dissemination and application of good practice. Sometimes it enabled the Integrity unit at the company to have more influence, usually through presenting credible evidence to their Board that others view the company poorly. It is also evident, though to be expected, that some companies were visibly trying to game the index, changing the wording of their policies and procedures to match that of better-ranked companies, whilst not noticeably changing actual behaviour. Ministries and regulators have also appreciated the Index, both where it identifies deficiencies and through giving feedback where TI-DS has overstated the case for a company. Overall, the conclusion of the author is that independent analyses and indices, like this one, have a powerful effect in 'moving the dial' of acceptable behaviour.

Engagement with Afghanistan

In the defence sector, tackling corruption on 'operations' means addressing corruption either during war or during military deployments overseas. The wars in Iraq and Afghanistan threw up multiple corruption challenges, both inside the military forces, whether of the nation concerned or of the supporting deployed nations, and also in the way that military forces reacted to and were affected by the environment of endemic corruption. The challenges showed up that the western forces were quite unprepared for such high-corruption environments. Nowadays, for example, everyone takes it as a commonplace that the threat from corruption significantly damaged the ISAF mission. But almost no one believed this until about 2009.

By 2009, ISAF and the US military were sufficiently concerned about the impact of corruption on the war that they developed various task forces for tackling corruption issues. The principal task force, named 'Shafafiyat' (which means transparency in the Afghan language, Dari), was instrumental in placing counter-corruption more at the centre of ISAF's mission than it had been before under the early leadership of general HR McMaster. From then on, ISAF Commanders such as Generals Allen and Petraeus were increasingly public on the issue as were others such as the EU: "Corruption threatens international missions and countering it is a strategic necessity – it's hard-nosed common sense and militaries need to know how to do it" (General Williams, quoted in Pyman et al 2014).

TI-DS developed guidance in these areas, training militaries and publishing various guidance documents and assisting in developing military doctrine. The TI-DS report 'Corruption Threats and International (military) Missions – practical guidance for leaders' outlined the ten corrupt pathways that would be encountered and gave guidance on how national military forces preparing for international missions should be organised and trained to be prepared for them (Pyman et al 2014b). The NATO Joint Analysis and Lessons Learned Centre also evaluated the NATO approach to tackling corruption (NATO JALLC 2011). TI-DS also carried out reviews of ISAF's effectiveness in relation to tackling corruption (Pyman and Waldron 2013).

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TI-DS also engaged with the Afghanistan Security and Defence Forces (ASDF), facilitating a 'leadership day' in 2009 on corruption priorities with the Afghan military leadership (see Pyman 2009), and gradually expanding to encompass corruption prevention training courses for Afghan military (Cohen et al 2013a, 2013b), organising conferences on how to better deal with corruption in fragile states (Transparency International Defence 2011) and researching corruption issues in war zones (Alexander et al 2012, Pyman et al 2014a, 2014b), and analysing the reasons why ISAF was so slow to recognize the corruption threat to the mission (Pyman 2015). However, whilst such inputs were well received, they were not at a large enough scale to have more than a small impact. It was hard for TI-DS as to gain access to a war zone and even when international forces were supportive of the TI initiatives, as they were, priorities for places on military flights were always low for a civilian NGO.

The other major influence in the way that the international community tackled corruption in Afghanistan was the organisation of the Special Inspector General for Afghanistan (SIGAR 2019). After a hesitant start in 2009-2011 they became a powerful independent voice under IG John Sopko, seeking out corruption in the way that US funds were being used for the reconstruction of Afghanistan and being ready to hold the US government and the US military accountable, as well as pursuing corruption by US companies (See for example Sopko 2019 on lessons from reconstruction).

In terms of the whole defence sector, these setbacks in Iraq and Afghanistan led to broader agreement that corruption issues in fragile states and on military operations were central to military strategy and security policymaking. But it also seems that little of that recognition has yet translated into changes to military doctrine or training.

Fragile states, peacekeeping and security policy

As corruption-related experience from Afghanistan grew, so the importance of recognising corruption in other fragile states grew. TI-DS had been involved with the Ukrainian military and the Ukrainian Security services since 2009, having trained hundreds of their Colonels in corruption prevention and taking ten Ukrainian Colonels and civilians on three-month secondments to the TI-DS offices in London, so they can form the core of an anti-corruption unit in the Ukrainian MOD, subsequently established as 'BITEC'. One such Ukrainian who worked for the NATO Liaison Office in Kiev and was on one of the three-month secondment to the TI-DS offices in London put it well: "Corruption can be just as deadly as bullets," He had received his call-up papers and immediately faced a dilemma. He could either pay \$2,500 to get a medical certificate saying that he was unfit to fight. Or he could pay \$2,500 to buy a functioning AK47, body armour, night sights and a first aid kit. He needed to do this because all the money for the 'official' such equipment from the MOD had been stolen by the Ukrainian military hierarchy.

In countries like Ukraine, corruption is not a pathology, or some sort of deviant behaviour from the normal: it is the norm. For the armed forces, who are no more and no less corrupt than the rest of the state, who are trying to fight a war against the separatists and the Russians in the East, this sets up really tough issues. Tackling such corruption issues takes years, needs local expertise teams, and long-term support. The

effectiveness of such support is much reduced if threatened by short term sanctions by supportive nations like the USA, as at present.

Defence assistance to fragile states, a core element of the security policy of numerous countries and organisations, is a second tricky area (Pyman et al 2014a). Such assistance is easily diverted or stolen on the ground. In a study of security assistance to Mali between 2001 and 2011, when there was a coup, TI-DS found that people on the ground knew full well the weakness of the Malian army, whilst those providing the assistance, despite good intentions, were absolutely not focused on the corruption threat. *"The weakness of the Malian army...came as little surprise to anyone who had been watching the steady erosion of state institutions, largely as a result of widespread corruption."* (Lebovich, *Foreign Policy*, March 2013). The international training missions were no match for those wishing to divert - and indeed subvert - the assistance and use it to support the 2012 coup. "We were focusing our training almost exclusively on tactical or technical matters... We didn't spend probably the requisite time focusing on values, ethics and a military ethos." (General Carter Ham, *Commander AFRICOM*, 2013) (All quotes from MacLachlan 2015).

Peacekeeping was a related area where corruption was little examined and routinely passed over as an issue. TI-DS' first report on the subject in 2013 led to a very defensive reaction from the UN Department of Peacekeeping Operations UNDPKO (Pyman et al 2013). Since then, UNDPKO and the UN more generally are being more proactive and attentive to tackling corruption in peacekeeping (See TI-DS 2019b and c, for example).

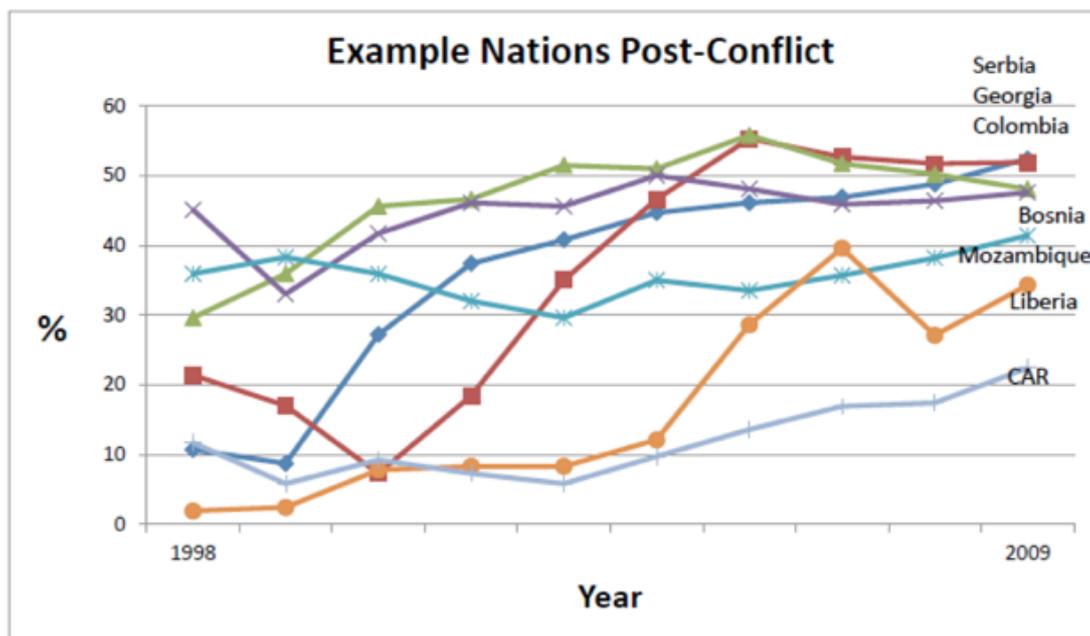


Figure 11 World Bank Institute data 'Control of corruption' from selected fragile states 1998-2008 (data from author)

On the other hand, all is not negative. The core purpose of the anti-corruption community is to give hope to reformers and to help solve the problems in fragile states, not simply to list the endless difficulties. Figure 12 shows the 'Control of Corruption' metric from the World Bank for a number of fragile and conflict

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countries (From TI-DS 2011). For this particular group of countries, the graph shows that Control of Corruption was improving in the ten-year period 1998-2008. This figure does not claim to be objective – the same data source shows the worsening control of corruption for another group of fragile states, but it does nonetheless indicate that progress is possible.

Finally, TI-DS, working together with DFID, was active in the multi-country efforts to develop and implement the UN Arms Trade Treaty, whose purpose is to promote responsibility in the international transfers of conventional arms. TI-DS worked with representatives of 75 states to influence their views and to ensure that attention to corruption was included in the treaty. As the external evaluation of TI-DS points out: 'The single most important is expertise. Many – perhaps most – of the diplomats taking part in the conference were generalists.... Rob Wright, one of the two TI-DSP representatives at the conference, had long professional experience precisely in the field of export controls'. (Channel Research 2012, pp19-22). The Arms Trade treaty, entering into force in 2014, faced immense opposition and indeed has many weaknesses. Nonetheless, perhaps like the industry ethics forums, even modest collective efforts help to change international norms and build platforms for change. The fifth conference of States Parties, held in August 2019 in Geneva, was attended by 106 nations.

Budgets and donors

Looking behind the actions of the various contributors to the way they are funded shows several important features. First, as already explained above, the US Department of Defence (DOD) and the Pentagon had implicitly accepted the introduction (and costs) of ethics and compliance systems in US companies after the US scandals of the 1970s and 1980s. This meant that there was institutional corruption prevention machinery in place in the companies that could be built on. There was no such positive factor for the MODs and the militaries. They tended not to have few anti-corruption mechanisms in place, and rarely did they have any form of Integrity Unit. Those that did develop initially, such as in the MODs of Poland and Colombia, tended to comprise just a few staff (though they were remarkably effective). For TI-DS, the funding came largely from DFID in the form of core funding. Though this was subject to competitive re-bidding at the end of each contract (variously of 6, 12, 18 and 36 months duration) and periodic evaluation, it funded the team and their chosen priorities. Crucially, it was not project based. The external evaluation done on TI-DS in 2012 summarised the benefits of this form of funding as follows:

The (DFID funding mechanism) has allowed TI-DS to work systematically on all four designated outcomes. TI-DS has been able to conduct research, publish papers and develop practical tools which constitute an important source for building concrete reforms in the defence and security sectors. Training is a key activity that can be adapted and introduced in stable, conflict affected and fragile states. It has the potential to raise the scope and impact of the programme. TI-DS is going through an extended process of consolidating and disseminating learning experience of defence and security reforms that are and are not effective. In MEKANIC, TI-DSP has developed an innovative learning tool that is unique to the organisation and that other NGOs do not have. The first particular advantage of the (DFID funding

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mechanism) as distinct from other funding mechanisms – is that it has provided TI-DS with a financial basis from which to conduct strategic development work, notably the work on the two indexes. These provide a structured basis for comparison between different government entities and companies and, in doing so, establish an agenda for reform. (Channel Research 2012, p45)

Estimating the impact

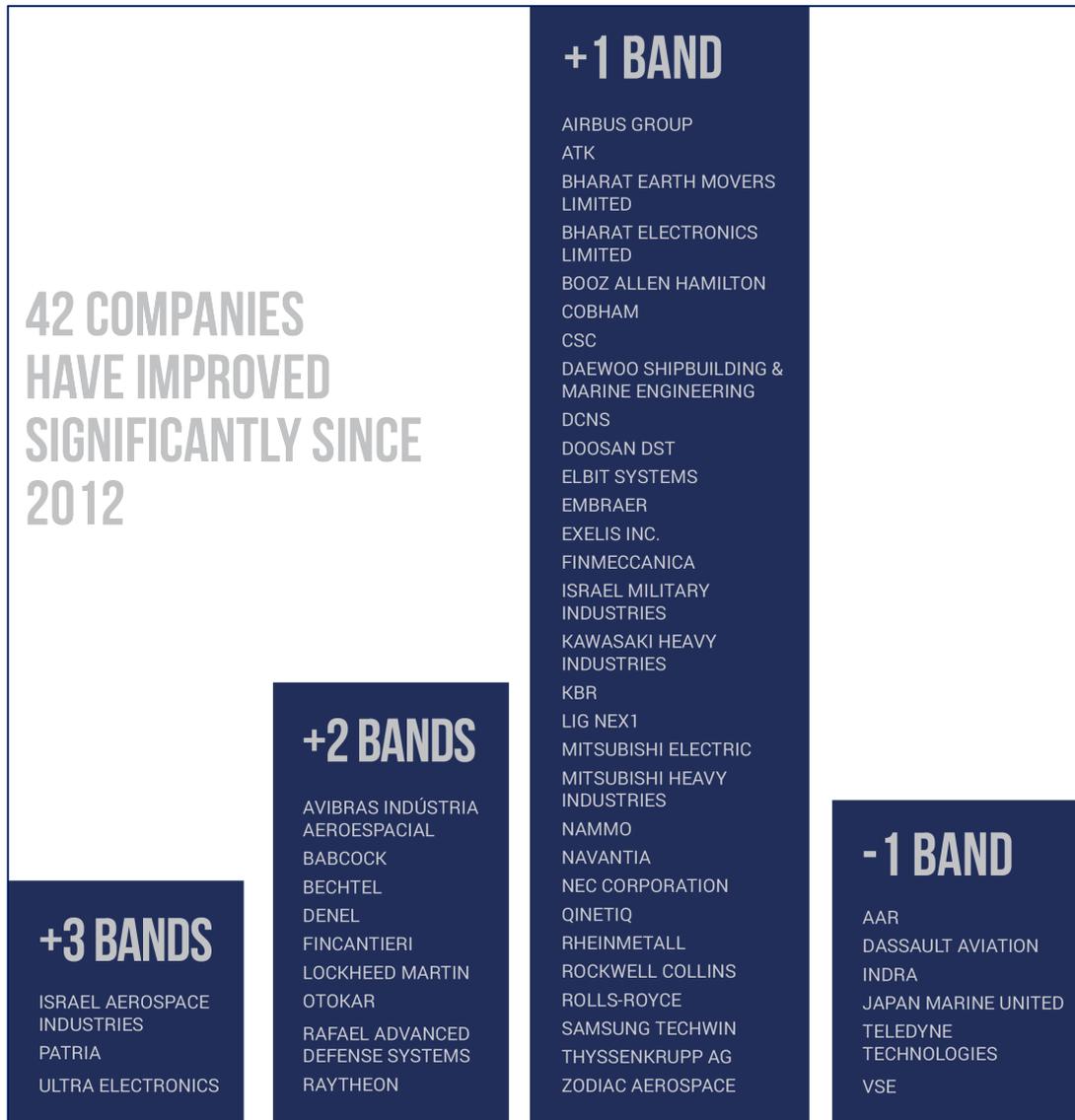
A great deal of progress has been made in the last twenty years in tackling corruption in the defence sector, and TI-DS has played a significant role in this. But has there been an appreciable improvement? Or is this defence sector story yet another saga of 'great expectations and humble results', to quote one expert on initiatives to tackle corruption (Mungiu-Pippidi 2015, p207).

Evidence is available that the improvement in the defence sector has been significant during this period. The data comes from TI's 'Bribe Payers Survey' operated by TI from 1999 to 2011 (though not since). A quite different survey from the Corruption Perceptions Index, this one involves asking a sample of businessmen around the world about their experience of bribery in different national markets and different industry sectors. In 1999, the arms and defence sector scored as the second worst sector, with only the public works/construction sector being worse (TI 1999). The same result was found in 2002, with no improvement. However, by 2008, though public works/ construction was still ranked the worst, arms and defence was being rated more highly – 13 sectors higher than public works, with sectors like oil and gas, pharmaceuticals, forestry and telecoms being seen as more prone to bribery by businessmen (TI 2008, p11). In 2011, public works was once again the worst sector; this time the arms and defence sector were ten sectors better (though the list of sectors covered was not the same), with a similar score to 2008.

There is also the evidence from the two defence indexes of variations over time. For defence companies, the aggregate improvement across all 127 companies was shown in Figure 10 above, despite the index questions being somewhat harder. That improvement can be seen company by company in Figure 13, along with the few companies whose compliance programmes appeared to have diminished in quality over the period. A new iteration of the index, due from TI-DS in early 2020, may show further improvement. Similar comparisons may be able to be made for government defence establishments once the Government Defence Index comes out for the third time in 2020.

One of the original defence company executives who worked to set up CIS and IFBEC, when asked to comment on this article, added that some of the defence companies used the index as a basis for discussions with poorly ranked companies, to get additional information and assurance before working with them as partners.

Figure 12 Defence Companies improvement 2012 to 2015 (from Pyman et al 2015)



Another source of evidence comes from the external evaluations carried out on TI-DS by DFID. TI-DS benefitted immensely from having a supportive funder in DFID, who continued their support even after TI-DS diversified their funding as from 2012. DFID commissioned independent evaluations from time to time, which provided insights into both the impact of TI-DS and the opinions of multiple stakeholders. The evaluation team in 2012 point to three themes of the TI-DS programme that led to its successful impact: *“The first, and perhaps most important, is its holistic nature. ...The defence sector—and defence sector corruption—is quintessentially interconnected, nationally and internationally. TI-DS addresses the different ingredients that make up these interconnections, individually and as part of a wider picture. In particular, it engages with both companies and governments, and in both developed and emerging economies. It is hard to think of any other organisation in any sector that can draw together these different ingredients with the same authority. The second is TI-DS’s approach of constructive but critical engagement. As one of our interviewees put it, some NGOs simply issue criticism from the sidelines. By contrast, TI-DS is seen as being much more constructive. It offers solutions, not just criticism. The third is its technical expertise. At the outset of the evaluation, one of the*

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interviewees requested us to identify TI-DSP's 'magic ingredient'. There is of course no single ingredient, but one of the programme's most distinctive characteristics is the combination of younger, highly talented staff members with older professionals who can draw on a lifetime's experience in their countries' defence establishments and ministries. Again and again, interviewees commented on the power and effectiveness of this combination."

Concluding thoughts: changing complex systems

Like any complex system, there are thousands of changes going on all the time in this corruption reform process in the defence sector, both positive and negative. On the positive side, there are the efforts by well-intended individuals - in companies, governments, NATO, militaries, regulators and NGOs – collective peer pressure, such as the support of the industry associations, and the changes on the larger macro scale, such as the tougher climate of public opinion towards wrong-doing by defence companies, some huge arms scandals, the Iraq and Afghan wars, the rise in insecurity and fragility in many countries. How do we make sense of these changes? Which elements were the most significant? How do we construct a plausible narrative of how positive change took place, which could in turn point the way to further reform in defence and perhaps give ideas and inspiration for reform in other sectors?

This article goes some way to identifying the change-inducing factors as viewed from the perspective of the principal NGO involved, TI-DS. Viewed from the perspective of how to influence change, the narrative underlying the approach of TI-DS to change in the sector has four elements.

First, small groups of individuals working together can and do make a huge difference, as exemplified by the network of individuals who between them catalysed the creation of the Common Industry Standards. What is needed for change to be possible is a vehicle, or a person, or a process through which trust can develop across that group and be sustained over time.

Second, the structure of the global industry is an important factor in looking at the possible impact across a whole sector. In this case, the defence industry has been a kind of oligopoly in which only a small number of players have a high degree of leverage. This has been a positive factor for change in the defence sector in this narrative.

Furthermore, the well-established ethics and compliance structures of the defence companies had created a resource that not only could do good in its own right, but could also be leveraged to press for better behaviour and problem-solving across the industry: such as when the companies were pressed on the corruption issues inherent in offsets, and such as when the better systems of the US defence companies stimulated the European companies into developing their own integrity standards. There is also a regional narrative at work. For US defence companies, the US government and the Department of Defence, as the principal customer of defence materiel, implicitly counterbalances its active enforcement of ethics and compliance by accepting the costs of such programmes within the tendering process. That narrative supporting strong company ethics and compliance systems only partly operates in Europe (the pressures on European companies arguably come more from their presence in the US market) and less still outside of Europe. Other leverage strategies are probably needed in these markets.

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This industry structure effect may be in the process of changing. For example, the strength of the huge Chinese defence industry and its very active sales programme may undermine this kind of effort unless China's anti-corruption drive is extended to a strategic area such as this. The structure of other industries may be less malleable. For example, in construction and in Pharmaceuticals. In the latter case there is a kind of global oligopoly, but its leverage is undermined by many thousands of smaller manufactures who do not wish to align with them and do not need to.

Third, reform in ministries of defence and military forces generally only came about because of the drive and leadership of key individuals, sometimes the Minister and sometimes the senior officials in the Ministry; they would take the form of struggles between competing groups fought inside the bureaucracy with little impact from outside. To make such changes bigger and more open required the introduction of external frictions. One was to introduce a powerful metric that opened up the corruption vulnerabilities to comparison and peer pressure, in the form of the TI-DS Government Defence Index. A second was the gentler pressure of NATO, gradually changing the rules of the game to one where integrity became one of the accepted values of a defence establishment and could be followed up in routine NATO processes.

Fourth, small entities or individuals are needed around which new ideas and new groups can come into being or coalesce. Those new ideas/groups may develop through all sorts of different mechanisms. They may emerge through a constructive process characterised by agreement among committed people, or via influence and persuasion in the classic forming of coalitions, or by causing friction that irritates until some solution starts to emerge, or by stimulating outrage that challenges conventional thinking head on. In the defence sector, TI-DS played a role that was mostly the first and second of these but covered all four at times, especially in relation to the Indexes, which caused anger across both companies and governments in the first few years. In the external evaluation quoted above, one defence company interviewee expressed the ambiguity well: "is it (TI-DS) to be seen as a collegial source of helpful advice or as a potentially problematic external critic? (Channel Research 2012, p12).

There are also other less visible coalescence mechanisms. These include the role of professional pride in acting as a common glue across the profession, such as the strong training of military officers to act with integrity, a training approach which is common worldwide; developing a whole profession cadre around integrity and anti-corruption, in this case, ethics professionals in the defence sector; training courses on anti-corruption, very important in building up a common narrative across a given segment: see an example of the training of 1200 Colonels from the Ukraine security and defence forces, in Pyman 2017; and common public signs and statements of integrity, such as has been introduced throughout the Colombian military.

We see some of these coalescence mechanisms operating in anti-corruption efforts in other sectors. For example, there is a vibrant community of anti-corruption professionals in the water sector world-wide, anchored by a secretariat at a multilateral body (OECD 2019) along with an active sector NGO, the Water Integrity Network (2019). In the extractives sector there is the Extractives Industry

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Transparency Initiative (EITI 2019), a multi-country sector initiative among enthusiast countries. But they are not yet common.

Finally, scandals. There have been numerous defence corruption scandals, involving not just the companies but their governments too. Besides the US examples already mentioned that led to the FCPA, the early involvement of the Swedish government in this reform effort was at least partly driven by the aftermath of the Bofors corruption scandal. Similarly, France was impacted by the long drawn-out follow up to the sale of frigates to Taiwan by CSF-Thomson (now Thales). It is not the purpose of this paper to analyse the scandals, but they are a reminder of the mantra of the former White House Chief of Staff Rahm Emmanuel “Never let a good crisis go to waste when it’s an opportunity to do things you had never considered or you didn’t think were possible.” (Matthews 2013)

Tackling defence corruption is about much more than stopping dodgy commissions on arms sales. Civilians and soldiers die because of corruption in defence, regional security is compromised. This analysis has placed these measures to tackle corruption in the defence sector in the context of a ‘whole sector’ approach, with multiple groups collaborating with and pressuring defence ministries, military forces, defence companies, NATO, NGOs and others. The defence sector is showing the way in several respects – comparative analyses, indexes, the professional communities of ethics officers in the defence companies and the roles of the Offices of Suspension and Debarment and the Inspectors General. The progress suggests that a ‘whole sector’ approach - covering companies, governments, regulators and civil society – can be effective. The more that practitioners and researchers utilise and analyse the positive mechanisms for change across a whole sector, the more that they can catalyse whole sector change.

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