

## **Enhancing cooperation across NATO members and NATO partner countries: strengthening defence institutions against corruption**

**Mark Pyman, Transparency International (UK)**

Mr President, Ladies and Gentlemen,

### ***Introduction***

Thank you for inviting me here to speak with you. An especial thanks because I do not work for NATO, or for any of the Governments or defence organisations that form the members and partners of NATO. I work for the organisation Transparency International, or TI for short. TI is an independent, not-for-profit organisation, and the leading civil society organisation focused on addressing corruption. Our approach is constructive and politically non-partisan. We help to find practical ways to reduce corruption, limit bribery, and strengthen institutions; thus making societies better and safer to live in for all their citizens. We have

“We reiterate our commitments to the ideals that inspired the work of *Transparency International*, and express our full confidence and willingness to work together to combat corruption in Mexico and throughout the world” **Vincente Fox, President of Mexico**

been deeply engaged with the United Nations in developing the anti-corruption convention and their practices. We have been similarly engaged with the World Bank and the OECD. We work in cooperation with companies, with

governments, and with international organisations to implement practical and constructive measures that address corruption. We have national chapters in some 100 countries, including most NATO member and partner countries.

I lead a special team that is engaged in work to help to reduce defence corruption internationally. We are a team of some six people, with procurement, finance or senior military backgrounds. We are funded by the UK Government and by the Swedish Government.

Corruption in the defence sector can have many origins. Sometimes it is in the procurement area: too much single sourcing, unhealthy relationships with suppliers, bad offset programmes. It can be within the Ministry: the secrecy around defence that leads easily to a corrupt environment. Sometimes it has developed from the years of state planning, or from autocratic governments. Sometimes it is because a reforming government makes it harder for officials and companies to be corrupt so the corruption gets concentrated in the defence sector.

Sometimes it is just plain greed. There is huge corruption risk in fragile states and in conflict zones.

Whatever the origin, the dangers arising from any significant level of defence corruption are large. Corrupt defence institutions mean that the defence capacity of a country is greatly reduced, that money is spent badly, and trust in that country's capabilities is greatly undermined. Corruption flourishes when the normal checks and balances of a national integrity system break down.

### **Areas of work**

We work in four broad areas:

#### **1. With *defence companies*, bringing them together to raise their company standards to address corruption risk**

- In July of this year, many of them announced at the Farnborough Air Show that they would be forming working groups or a forum to develop their standards further against corruption (see box).
- We are fortunate that **Lord George Robertson**, former Secretary General of NATO, assists us in this work. He strongly supports what we are doing. He Chairs the ad-hoc meeting of international defence companies, which progresses their cooperation.
- Companies believe that the climate is changing decisively against corruption. It may have been a common practice in the past, but factors such as the intense focus on security sector reform, the OECD Anti-Bribery Convention and the competitive aspects of doing business in the US have changed this.
- We have talked intensively to many of the large international defence companies, and we have found them to be sympathetic to this objective. Companies include Lockheed Martin, EADS, BAE Systems, Thales, Saab, Boeing, and Finmeccanica.
- TI's defence team contains a very high level of expertise: senior military officers, ex Ambassadors, and people with good stature internationally. This expertise exists both in the central team and in some of the TI Chapters around the world. This gives us good access, and means that we have the necessary level of expertise to address the issues.

"Major US and European defence contractors are for the first time jointly developing voluntary ethical standards.... Transparency International... has championed the voluntary effort in order to highlight its broader anti-corruption agenda"

Wall Street Journal, 17/07/06

## **2. With *exporting governments*, so that they influence their national defence companies to compete to higher standards**

- The exporting governments we have spoken to so far have been supportive of this work and encourage us to continue.
- We are in discussion with NATO's armaments division with the aim for developing this exporting government support across all NATO members who export major arms.
- We will be speaking of this work to the NATO Industry Advisory Group (NIAG) later this month
- TI has engaged so far with the National Armaments Directors in UK, USA, France, Italy Sweden and Germany, and with other government officials in China, South Africa, India and elsewhere.
- Some exporting governments have encouraged us to run seminars for their national defence companies on this topic. To date we have run such seminars in the UK and in Sweden.

## **3. With *arms importing governments***

- Proposing measures to reduce corruption in tendering, and other measures to reduce corruption risk in their defence institutions; reviews of the defence procurement organisation, and reviews of the defence procurement process
- We have been engaged in active discussion with a number of importing countries (eg South Korea, Latvia, South Africa, Colombia, Pakistan) and are currently in discussion with several others.
- In particular, we have been deeply engaged with the Ministry of Defence in Colombia, who have been progressing several innovative means to reduce the impact of corruption in their defence institutions. For example, we have been actively engaged with them in independent reviews of tender specifications, and using civilian oversight of major tenders (see box).

### **Colombia Project 2: Summary**

Transparency International, through their chapters in the UK and in Colombia, has been engaged with the Colombian Ministry of Defense and the Colombian Air Force. The purpose of the cooperation was to strengthen the transparency of a recent tender exercise for 22 drug interdiction aircraft, a tender worth \$237 million, through the introduction of a Defence Integrity Pact. The application of the Pact in this tender is part of a wider international exercise designed to develop and test approaches for reducing corruption in the defence sector generally. The Ministry of Defense was thoroughly supportive of increased transparency for this tender.

#### **4. *With international organisations***

We are working with organisations like the UN, the EU, the OECD and the World Bank, so as to promote common work in reducing corruption in defence institutions. It is this topic that is the subject of the rest of this paper. Institutions like the World Bank, are also engaged in a similar way, for example with fragile states. They too have relevant experience and a need to be better connected with capable defence organisations like NATO, in respect of common work against corruption.

#### **Corruption and corruption risk needs to be explicitly addressed**

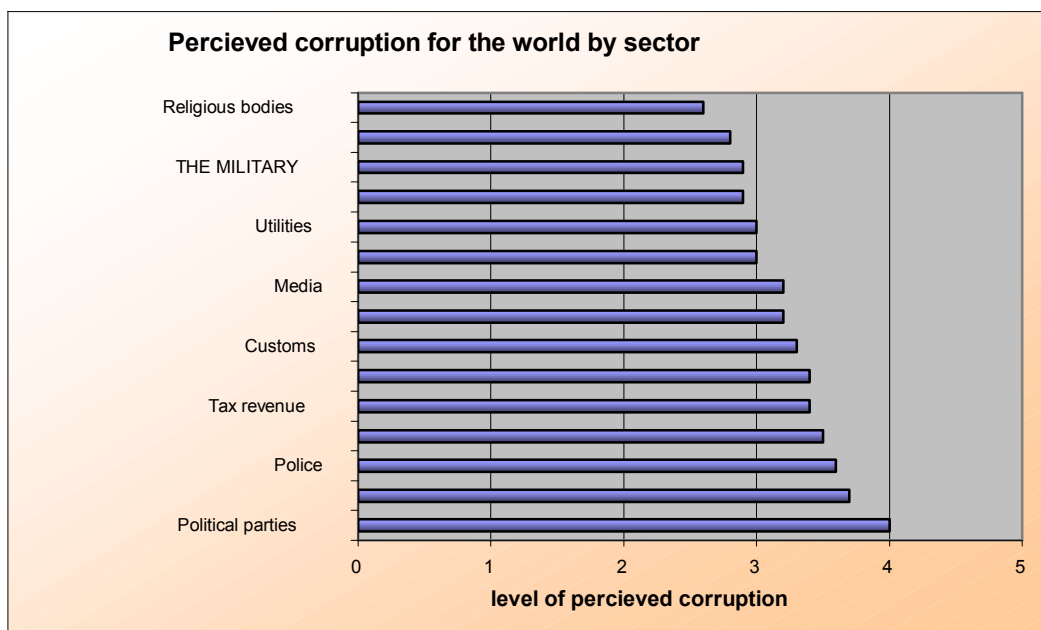
NATO members and NATO partners have a very strong common interest in ensuring that corruption is explicitly addressed. Actual or perceived corruption in a country's defence institutions damages credibility, leads to excessive and sometimes unnecessary spending, and is a major security risk for counter terrorism activities.

Tackling corruption also has to be a major factor in the success or failure of post conflict stabilisation and reconstruction efforts. Only too often it is not explicitly addressed. It might be that nobody thought much about it or prepared for it – like the immediate aftermath of conflict in Iraq. It might be that it is so endemic that it is difficult to know where to try – like Afghanistan. It is also a major element of the civil reconstruction effort, particularly in safeguarding national income and aid funding.

Organisations like the UN and the World Bank have also been leading the way in proposing practical ways to address corruption directly in fragile states. For example, joint signing authority over financial spending between the government and an outside independent person in Liberia. NATO can learn from these organisations.

#### **Measuring effectiveness in addressing defence integrity**

TI has published various global indexes of corruption perception. These indexes are available in some countries as well, listing how the public and business perceive different national institutions. One of the interesting ones is to see how the integrity of the Military are perceived in a country, as in the picture below. In some countries they are one of the most trusted institutions. For example, in Colombia, the Air Force and the Army were well regarded nationally (9<sup>th</sup> and 11<sup>th</sup> respectively out of 150 public institutions). However, Defence Ministries are often badly regarded, as in this example of Colombia of some years ago. Within one government, it is possible to gauge the level of integrity via a range of measures, and via interviewing those involved, for example interviewing successful and failed bidders for defence tenders.



### A NATO anti-corruption policy

We have been in discussion with the **Partners for Peace** Programme within NATO on this topic. A proposal is under consideration, in which NATO would establish an anti-corruption policy. This policy would, of itself, be fairly short and straightforward, be based on the recently ratified UN Convention against Corruption, and committing NATO, NATO members and NATO partners to actively follow the requirements of that Convention. We hope that you and your governments will be enthusiastic to support, and to sponsor this policy. The policy could be brought to the North Atlantic Council for approval in 2007.

Once such a policy has been approved, NATO would be able to follow it up in many constructive and useful ways, for example:

- Developing a capability to identify and tackle corruption in defence institutions and in the defence activity, post conflict, during stabilisation and reconstruction.
- Offering support to partner countries on this topic through the established Partners for Peace Programme: the Partnership Action Plans for Defence Institution Building. These Partnership Action Plans are a formal part of the agreement between EAPC Partners and NATO. These plans are the practical way in which Partner countries commit themselves to dialogue, experience sharing and practical cooperation with NATO, the objective being to develop effective and transparent arrangements for democratic control over defence activities.

- Raising the standards of defence procurement, where appropriate. Despite many controls, defence procurement is still often plagued by corruption
- Sharing capability and intelligence with other institutions in the same post conflict environment (eg UN, World Bank, African Union, EBRD)
- Developing a capability that can be directly used in missions to NATO operating areas

These are just a few ideas, I am sure that many of you will have more thoughts on how such a policy can be used constructively across NATO and Partners.

### ***Concluding remarks***

Mr President, Ladies and Gentlemen,

Corruption risk in defence institutions, in conflict environments and in addressing terrorism is just one element in everything that you do. But it is important to you, your governments and to citizens.

NATO is a key body in defence institution building and in addressing corruption risk in operations in fragile states. We think it is vital that NATO takes a lead in this area.

The work we have done with companies and with governments over the last three years demonstrates that it is realistic to tackle corruption and corruption risk in defence and security areas. The Transparency International defence team is ready to assist in making this a reality.

NATO and its Partners can make a lot of progress from the simple starting steps of **a NATO anti-corruption policy** and a commitment to follow through. We hope that you will put this topic on your agenda for Riga and for 2007.

Thank You.

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