

Corruption is a strategic issue in defence and security

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Building Integrity and Defence Institution Building

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Mr Chairman, distinguished guests, ladies and gentlemen,

I am delighted to be here with you today. Our organisation, Transparency International, is passionate about building integrity and addressing corruption risk in organisations across the globe to improve living standards and security for ordinary citizens.

Corruption is not only about the waste of money - it is one of the prime causes of poverty, and a principal barrier to the development of nations.

Theme 1: Changing world – can now address corruption in defence sector

- That we are all gathered here today is testimony to what a rapidly changing world it is. A major international conference like this - on the integrity of defence institutions, and on the readiness to tackle corruption in defence – would have been unthinkable ten years ago.
- The paradigm for a long time has been that defence needs to be shrouded in secrecy. That Defence institutions can make their decisions outside of the public gaze and without regard to the consequences for the public. Indeed, that corruption in defence and security matters is just the way it always has been and always will be.
- When Transparency International was founded, in 1993, its founding members believed that there were three global corruption challenges – in politics, in public spending and in defence. Despite the astonishing growth of our organisation – from nothing to locally established organisations in over 90 countries of the world today – we could make **no** progress in building any sort of coalition to address corruption in defence. Defence companies would not see us, governments could see no point in listening, and civil society regarded defence as mission impossible. Many of our own colleagues regarded engaging with defence as evil and off limits.

- There is increasing recognition that arms-related corruption is a major cause of conflict in frail states and a major constraint on the effective re-building of failed states.
- In our own experience we have seen this change. Almost ten years ago, in 2000, we found, for the first time, several major defence companies ready to engage seriously with civil society on this topic. Since then, we have been working with almost all the large international defence companies. The private sector is key to making progress in defence. I am very pleased that they are engaged, but this engagement needs to be much further advanced. Oil companies, for example, have been under increasing scrutiny in recent years and are relatively more advanced in taking concrete measures for transparency.
- Since 2004 we have witnessed an explosion of governments that regard the public sector side of defence as an important area in need of reform and are eager to engage with us. In the last three years this work has taken off at Transparency International. Our defence project team, with me here today, has found ready audiences in defence ministries around the world, in both developed and developing countries, often to our own surprise.
- The finding is very simple – it really is possible to make serious progress in addressing corruption in defence establishments and strengthening their integrity against it.

Theme 2 – NATO is proving fast and efficient

- That is positive, and a great credit to all the Partnership-for-Peace Nations at NATO, who have supported and promoted some of the work in this area. In our collaboration with NATO, we have been pleased and very surprised at the speed that this project has moved at.

- Since approval in November 2007, a brand new five day anti-corruption course has been developed and trialled three times – in the UK, at the NATO School in Oberammergau and in Sarajevo, with more than 15 nations participating.
- This course has great potential. For example, my colleagues at Transparency International UK who are leading this programme internationally, together with the UK Defence Academy, took this anti-corruption course to Kabul last month, at the request of the Afghan Defence Ministry. It has been well received by the Afghan officers and defence officials, and you will be hearing more about this tomorrow.
- A new method for assessing integrity and corruption risk in a defence ministry has been developed from scratch. It has already been applied in three countries during 2008: Ukraine, Bosnia and Norway.
- This remarkable speed is a credit to NATO and the nations involved. It shows the keenness to develop integrity in defence, and what NATO and its partners can do if they focus on this area.

Theme 3 – There are compelling reasons why you need to tackle defence corruption risk

- But we face major corruption challenges in defence, and I deeply hope that this conference will accelerate the momentum towards solving them. I would like to give you our perspective and outline the ways I believe we should be addressing them jointly.
- There is a simple separation for them: there are defence corruption challenges during **peacetime**, and challenges during **times of conflict**.
- Let me start with peacetime. The desired objective is mostly clear – defence forces under the control of a democratically elected government, with their defence policy and budgets openly agreed and subject to due oversight; Corruption issues

identified by good processes and oversight, and prosecuted appropriately. As a result, citizens have greater confidence and greater trust in their defence forces.

- The reality is often far different. Defence budgets are not clear or transparent in the majority of nations. Both defence budgets and policy are subject to major manipulation for corrupt purposes. Defence companies are often treated as arms of exporting government and exempted from normal rule of law. Or, worse, the international defence companies shun corrupt economies, thereby limiting choice.
- This leads to a decline in public trust in the armed forces. The consequence is so often for the poor - suffer the most from all the petty bribery and predatory behaviour that results
- Even in the most sophisticated economies, such as the United States, corruption issues are common. The consequence is a large waste of money, military personnel using inappropriate and often unsafe equipment. In the more mature economies, the problem is often exacerbated by increasing the levels of oversight, making the acquisition processes slower and often with no increase in integrity.

Theme 4 – You really can make progress on defence corruption risk in Peacetime

- These problems matter. They affect people and economies. They must be addressed more imaginatively than they have been in the past. Let me outline three areas where we can get most leverage:
- First, we need a better diagnosis of corruption risk in defence establishments. Corruption is a multi-headed monster, and we cannot make good progress unless we have common diagnostic tools. We at TI have developed one defence corruption typology, and an integrity self-assessment framework is underway at

NATO. Defence ministries multilateral organisations and to apply them regularly to their own establishments.

- Let me tell you why this is real, and not just an academic thing: it is SO easy to take money corruptly out of defence in many countries. So easy that it is being used by corrupt governments to fund not only their lifestyles, but also their own re-elections. I believe that the simplicity of diverting money from defence means that the corruption infrastructure – the bankers, the lawyers, and the agents – gets a base load of work. As a result, corruption spreads across government and is much, much harder to eradicate.
- Second, defence establishments must engage much more actively with civil society. The openness is like a breath of fresh air in a stale room. They should be engaged in public consultation on defence policy and the defence budgets, on key acquisitions, and on standards of behaviour. In many countries, it is still personally very dangerous to advocate such engagement. There are tools being developed to structure this engagement. We passionately believe that using independent civil society monitors in scrutinising major acquisitions is one such practice. This tool – called Integrity Pacts – has been used a lot outside of defence. We are encouraged that it is already being applied to defence purchases.
- For example, Transparency International has worked in Colombia, together with the country's Ministry of Defence, to apply Integrity Pacts to the purchase of drug-interdiction aeroplanes.
- Let me give you a specific example from this Colombia work. This was for the procurement of drug interdiction aeroplanes. In the draft tender documents, the evaluation criterion was going to be 60 per cent operational, 40 per cent financial. This split has a big flaw: the operational judgements were going to be made by pilots. Pilots are very junior in a military hierarchy, and it was highly likely that they

would be instructed how to make their judgements. On our advice, the tender criteria were amended.

- Let me give you another example, from Croatia. Last year, the Croatian Presidency and Defence Minister agreed to hold a public discussion on the integrity of a major upcoming procurement on armoured vehicles. The potential bidders and their ambassadors were present, and the discussion revolved around the integrity measures that were going to be taken to ensure that this was a clean procurement. Transparency International facilitated the meeting. Making defence procurements more transparent is a quick – and cheap – way of raising integrity.
- Third, engagement by the private sector is essential. Whether they are huge defence companies, or smaller national suppliers, they have a **major** role to play in helping to raise the integrity of the whole defence acquisition process. Our experience is that this is NOT the view that most defence ministries take – they just see the private sector as having to obey the rules and – often as not – as the prime source of corruption. I can tell you that the big defence companies ARE beginning to take action. We at Transparency International are working with all major US and European defence companies to facilitate a new anti-corruption standard that all the defence companies will adhere to in foreign arms sales. This is a positive first step by the defence industry, with great potential to be picked up and used by purchasing governments. You will hear more about that this afternoon as well.
- Fourth, where multilateral institutions are engaged in a country, it is wholly unacceptable that scrutiny of their financial management should exclude defence and national security. This is the case today, for example in most countries where the World Bank - or the IMF or the IADB - are active. Aid and development donors must demand transparency of defence and security budgets.
- Working together we can make a step change in the integrity of defence and security. It is not that difficult. We need NATO members and partner countries,

along with your national academies, to work in partnership with one another, with civil society and with leading groups within NATO. The UK Defence Academy is a good example of a defence institution that is working hard to raise its capability in this area. The groundwork has been done; it needs you to scale it up.

Theme 5 – Corruption in times of conflict is a major strategic issue that is absolutely not being addressed at present

Let me turn to the other side of the coin: addressing corruption in times of conflict. My message to you is simple and urgent: Corruption in times of conflict is a major strategic issue that is definitely not being addressed at present.

- In conflict countries, corruption serves both to facilitate and to cause security risks nationally and regionally. In such an environment, links with organised crime are strengthened, and these become a major factor, if not the dominant factor, in the war of public influence between opposing sides. The daily security of citizens is threatened as is their faith in the rule of law. This may have more of an impact on the outcome of the intervention than any direct military response. Nations are usually all too well aware that corruption can completely invalidate their strategies, yet plans rarely reflect the corruption reality or any developed framework of how to address the issue. The failure to address corruption as a strategic issue in Iraq and Afghanistan are glaring examples.
- As with peacetime corruption, what we need first is a reasonable understanding of the different sorts of corruption issues involved. From the point of view of any intervention or stabilisation force, I think corruption needs to be treated at five hierarchical levels:
- First, at the very top political level. Is there any substantive discussion of addressing the corruption issues between the top intervention force commander, the president or highest elected official, national governments and the leaders of

other civilian multilateral organisations? Presently, such efforts tend to be tossed into the 'too difficult' box.

- Second, individual Ministries, often newly reformed, have to address corruption as an issue. This applies not just to the justice ministry, and to the defence and interior ministries, but also to those involved in large spending programmes, like health or agriculture.
- Third, there will be active state-building discussions underway. Do these discussions include any framework for considering corruption issues in the country and the impact of their decisions? State builders may see their work as inevitably requiring an acceptance of a high level of corruption among some of the parties, but the consequences, such as the deepening organised crime, or public distrust, must be considered much more rigorously than they are today. The framework has to apply across the military civilian divide. At present, neither side has any doctrine to guide it.
- Fourth, what about the hundreds of issues that must be addressed within a specific country as the billions of dollars pour in? This challenge just has not been addressed properly, as the recent Inspector General's report on Iraq testifies. The same goes for Afghanistan and other conflicts elsewhere.
- Finally, what is the diagnosis at the level of commanders of field forces and of ordinary citizens? They will have neither the role nor the timeframe to be addressing the strategic questions. However, their conduct in relation to corruption and the local population is a critical part of the perceived role of the intervention forces. There are thousands of examples – money demands at roadblocks, obviously corrupt local police, multiple kickbacks after the construction contract has been awarded? Field commander conduct is critical in shaping public opinion. The experience of the Transparency International team is that all those who have served in conflict environments have stories of how they dealt well, or failed to deal, with

local corruption issues. But there is no institutional way – no doctrine – of how to deal with the issue. This must be addressed.

- These issues are, I believe, at a much earlier level of understanding than tackling corruption in peacetime, which is unfortunate given the number of conflicts going on around the world and the fact that the security of many depends on how defence in conflict is handled. I suggest two sets of actions are needed. First, military organisations must be thinking about corruption as a doctrine issue. What will you teach your officers about it? What is your intellectual framework for tackling the subject, or minimising its impact? Second, there is work to be done on the broader areas of better state-building and better security sector reform, working with civil society, on evaluating corruption as a CORE DYNAMIC of conflict environments; not as an afterthought.

Ladies and gentlemen, there is a pressing need to do more in tackling corruption in defence. Engaging civil society is a part of the way forward, and Transparency International is firmly committed to contributing. I applaud the work that NATO has initiated and I urge you to use this conference to make **a radical step change** in the way that our nations respond to it.

Thank You