

Tackling Defence Corruption: History of a ‘Whole Sector’ Approach. A working paper

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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 analysis shows in some detail what it means to work on reducing corruption through a ‘whole sector’ approach: using sector-specific disaggregation of the corruption problems; embracing action by the industry, the public sector and the regulators equally; taking an international approach; and using a thorough understanding of the sector to create detailed comparative indices of corruption vulnerability. The article describes the history over twenty years of the progress made by Transparency International’s Defence & Security Programme across the whole defence sector: collaborating with, and pressuring, defence ministries, military forces, defence companies, NATO, NGOs and others. The sector is showing the way in several respects – defence-specific corruption issues, comparative 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 achieved suggests that a ‘whole sector’ approach - embracing companies, governments, regulators and civil society – can be effective. The experience holds lessons for how corruption reform in other sectors can be 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 together with other tough issues: 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 Government². Nonetheless, in these first two decades of the 21st century, preventing corruption in the defence sector has moved from being a taboo

¹ Now at [CurbingCorruption](#). For publications, see [MarkPyman.com](#)

² Quoted in T. Bock, M. Pyman and I. Höckerfelt, MEKANIC: Making sense of progress in the defence and security sector – implementing lessons learned. Praxis Note No. 66, INTRAC (2014). Accessed 18 Sept 2019 at <https://www.intrac.org/resources/praxis-note-66-mekanic-making-sense-progress-defence-security-sector-implementing-lessons-learned/>

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 Transparency International 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) **A sector-focused NGO.** The presence throughout the two decades of Transparency International Defence and Security (TI-DS), a ‘sector-specific’ anti-corruption NGO, was critical in both catalysing and monitoring change.

2) **Defence companies worldwide.** The corporate ethics and compliance systems of defence companies 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 also benefited from a wider private sector trend, the growing profession of ethics and compliance officers. 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’ (NATO-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 multilateral bodies within a sector, which can easily be a passive lowest-common-denominator on corruption, 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 have gradually tightened up during the last three decades. 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 from TI-DS' experience was that even the smallest 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 the defence corruption vulnerability of each nation more visible, more comparable and more addressable. This was perhaps the single biggest contributor to change. The national 'score' and the quantitative basis for detailed improvement appealed both to the competitiveness and to the pride of those involved.

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. 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.

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.

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 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 defence companies largely already had funding for such staff, driven by the support 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.

The role played by each, and the impact of each, 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 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 in 2000 and 2001 on 'Corruption in the arms trade' in Stockholm³ and Cambridge⁴ involving governments such as Sweden, companies such as Lockheed Martin, and defence-specific NGOs such as Saferworld and Corner House⁵. The issues, summarised in the TI-UK paper by Catherine Courtney⁶, stressed 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 two to three 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'.⁷ 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.

³ Transparency International, The Stockholm Colloquium on Corruption in the Arms Trade, Feb 4, 2000. Account available in Defence Journal at <http://www.defencejournal.com/2000/mar/arms-trade.htm>. Accessed Nov 12, 2019

⁴ Transparency International, Proceedings of the TI(UK) Conference on Corruption in the Official Arms Trade, Cambridge, April 5-7, 2001

⁵ S. Hawley, Turning a blind eye: corruption and the UK export credits guarantee department; 2003. Corner House UK. Accessed Oct 8 2019 at <http://www.thecornerhouse.org.uk/sites/thecornerhouse.org.uk/files/correcgd.pdf>

⁶ C. Courtney, Corruption in the official arms trade; policy research paper 2003. Transparency International UK. Accessed Oct 8 2019 at <https://curbingcorruption.com/wp-content/uploads/2019/10/191008-Catherine-Courtney-TI-paper-2002.pdf>

⁷ M. Pyman, Transparency International collaborative programme 2004: 'Preventing corruption in the official arms trade. Accessed Oct 8 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Transparency-International-UK-2004-Project-summary-Preventing-corruption-in-the-official-arms-trade-Phase-1.pdf>

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.

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 Force⁸. 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

⁸ S. Shaw and J. Totman, Suspension and debarment: strengthening integrity in international defence contracting; 2015. Transparency International Defence & Security, accessed Oct 8 2019 at <http://ti-defence.org/wp-content/uploads/2016/03/150507-Suspension-and-Debarment.pdf>

headed by the former Lord Chief Justice⁹. Over the following few years this led to large-scale change and improvement across the company¹⁰.

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 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 improve¹¹. 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 earlier¹² (The 'Clovis' principles). 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.

⁹ Woolf Committee, Ethical business conduct in BAE plc, the way forward; 2008. Accessed Sept 28 2020 at https://www.icaew.com/~media/corporate/files/technical/ethics/woolf_report_2008.ashx

¹⁰ Olver, Richard, 'Culture change at BAE Systems'. Lecture at Tomorrow's Company, March 13th 2013. Accessed Oct 8 2019 at http://www.tomorrowscompany.com/wp-content/uploads/2013/03/dick_olver_tomorrows_company_speech-3.pdf

¹¹ M. Pyman, Transparency International collaborative programme: Arundel Conference 2004 – proceedings. Accessed Oct 8 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Transparency-International-UK-2004-Arundel-Conference-Proceedings-for-preventing-corruption-in-the-official-arms-trade.pdf>

¹² M. Pieth, Aeronautics and Defence in 'Confronting Corruption: past concerns, present strategies and future challenges', Heiman, Heiman and Pieth (ed), 2018, Oxford University Press, p150-155.

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 Standard¹³, 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 Companies¹⁴. 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 recording of the network is shown in Figure 1 below. 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 circle¹⁵.

¹³ Common Industry Standards, European Common Industry Standards for the prevention of corruption in the Aerospace and Defence sector, Aerospace and Defence Industries Association of Europe; 2012. Accessed Sept 28, 2020 at [https://www.asd-](https://www.asd-europe.org/sites/default/files/atoms/files/ASD_Common_Industry_Standards.pdf)

[europe.org/sites/default/files/atoms/files/ASD_Common_Industry_Standards.pdf](https://www.asd-europe.org/sites/default/files/atoms/files/ASD_Common_Industry_Standards.pdf)

¹⁴ International Forum on Business Ethical Conduct. Website, accessed Sept 28, 2020 at <https://ifbec.info/about/>

¹⁵ E. Sakamoto, Changing the Rules of the Game. A Voluntary Code of Conduct by the Defence and Arms Industry and Transparency International's Defence Against Corruption. Unpublished report 2010. Accessed Oct 8 2019 at <https://curbingcorruption.com/sakamoto-2010-changing-the-rules-of-the-game-a-voluntary-code-of-conduct-by-the-defence-and-arms-industry-and-transparency-international/>

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 - an integrity self-assessment process for national defence establishments¹⁷ and a 5-day training module for military staff and officers¹⁸. 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 languages²⁰.

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’²¹.

¹⁷ TI-DS, NATO and DCAF, An integrity self-assessment process for national defence establishments 2009.

Accessed Sept 28 2020 at https://duckduckgo.com/?q=PAP-DIB+Integrity+assessment+process&t=h_&ia=web

¹⁸ See example application to Moldovan Armed Forces: *Building Integrity Self-Assessment Peer Review Report*, October 2014. Accessed Sep 28, 2020 at <http://www.army.md/img/userfiles/anticoruptie/bisaprr.pdf>

¹⁹ M. Pyman, Building integrity and countering corruption in defence and security: 20 practical reforms; 2011.

Transparency International Defence & Security. Accessed Oct 9 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Pyman-2011-Building-integrity-and-countering-corruption-in-defence-and-security-20-practical-reforms.pdf>

²⁰ DCAF, Building Integrity and Reducing corruption in defence: a compendium of best practice; 2010. Accessed 19 Sept 2019 at

https://www.dcaf.ch/sites/default/files/publications/documents/Compendium_Building_Integrity_and_Reducing_Corruption_in_Defence.pdf

²¹ NATO, Ten years of NATO’s Building Integrity Programme; 2019. Accessed 16 Sept 2019 at

<https://buildingintegrity.hq.nato.int/?AspxAutoDetectCookieSupport=1>

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 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 the European Commission 2016 report²²). 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 influence²³. 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 policy 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

²² European Commission, Report from the Commission to the European Parliament and the Council on the implementation of Directive 2009/81/EC on public procurement in the fields of defence and security, to comply with Article 73(2) of that Directive; 2016. Accessed Nov 12 2019 at <https://ec.europa.eu/docsroom/documents/20376>

²³ S. Shaw and J. Totman, Suspension and debarment: strengthening integrity in international defence contracting; 2015. Transparency International Defence & Security.

of aeroplanes that would improve drug interdiction went ahead²⁴²⁵²⁶, 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’²⁷.

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,

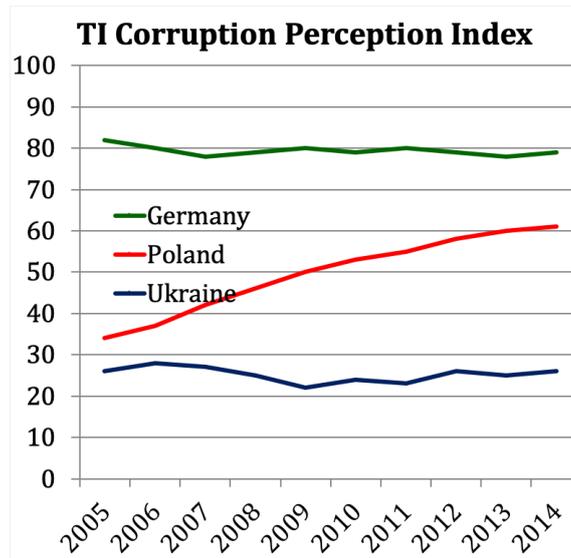


Figure 2 Poland scores on the TI CPI. Data assembled by the author

²⁴ M. Pyman and A. Waldron, Practical application of Defence Integrity Pacts. Experience in Colombia; 2006. Transparency International Defence & Security. Accessed 19 Sept 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Pyman-Waldron-and-Avelia-2006-Practical-application-of-defence-integrity-pacts-Experience-in-Colombia.pdf>

²⁵ M. Pyman and A. Waldron, An independent review of the procurement of military items and the use of Integrity Pacts in those contracts. Lessons that can be applied in the international use of Procurement reviews and Integrity Pacts in defence, based on work done for the Ministry of Defence of the Republic of Colombia. Report ; 2006. Transparency International Defence & Security. Accessed 19 Sept 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/TI-Defence-and-Transparencia-Colombia-2006-Defence-procurement-and-integrity-pacts-in-Colombia-Report-1.pdf>

²⁶ M. Pyman and A. Waldron, Experience with implementing a Defence Integrity Pact In respect of the Procurement of Combat Aircraft for the Republic of Colombia. Report 2; 2006. Transparency International Defence & Security. Accessed 19 Sept 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/TI-defence-and-Transparencia-Colombia-2006-Defence-procurement-and-integrity-pacts-in-Colombia-Report-2-copy.pdf>

²⁷ Transparency International Defence & Security, Government Defence Anti-Corruption Index Colombia; 2016. Accessed Nov 12 2019 at <http://ti-defence.org/wp-content/uploads/2016/09/GI-Colombia-2016.pdf>

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 purchases²⁸. That unit recently celebrated ten years of operation.

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 operations²⁹.

Figure 3 below 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.

²⁸ M. Pyman and M. Wnuk, Reducing corruption, building integrity in defence and security institutions. Transparency International Defence & Security at the XIIth International Anti-Corruption Conference, Guatemala, November 2006. Accessed Oct 8 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Pyman-and-Wnuk-2006-IACC-Conference-Guatemala-Reducing-corruption-and-bulding-integrity-in-defence-and-security.pdf>

²⁹ M. Pyman, Building integrity and countering corruption in defence and security; 2011.

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)

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 USA³⁰. 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, below, 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 source³¹.

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 circumstances³². 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.

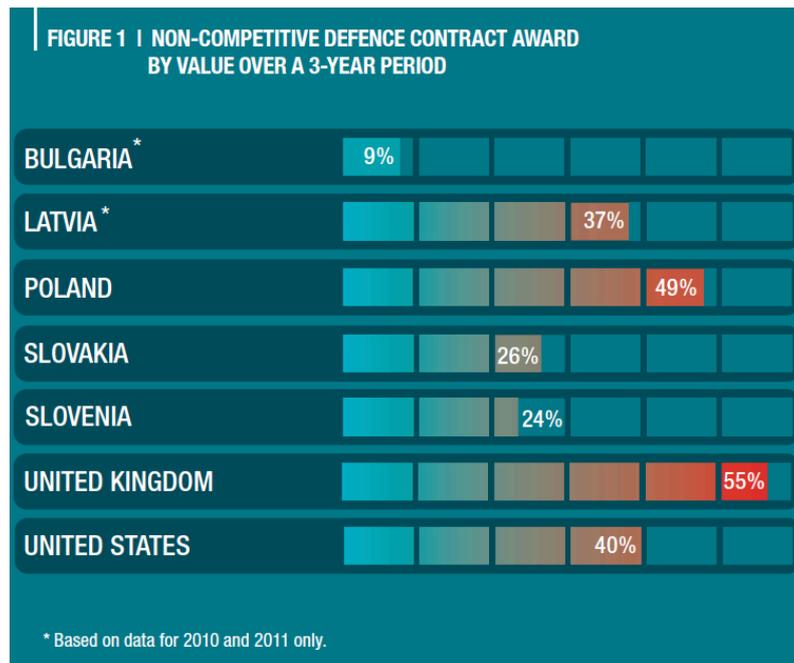


Figure 4 Single source defence procurement as a % of total defence procurement 2010-2012 (from Mustafa et al 2014)

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.

³⁰ M. Pyman, R. Wilson and D. Scott, The extent of single sourcing in defence procurement and its relevance as a corruption risk; 2009. Defence and Peace Economics 20(3), 215-232. Accessed 19 Sept 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Pyman-Wilson-and-Scott-2009-The-extent-of-single-sourcing-in-defence-procurement-and-its-relevance-as-a-corruption-risk.pdf>

³¹ S. Mustafa, S. Schwellenbach, M. Pyman and E. Wright, Single Sourcing: A multi-country analysis of non-competitive defence procurement; 2014. Transparency International Defence & Security, accessed Oct 8, 2019 at <https://TI-DS.org/publications/single-sourcing-a-multi-country-analysis-of-non-competitive-defence-procurement/>

³² M. Pyman, Monitoring, evaluation and learning about Defence Corruption Prevention: Interview with the former Deputy Defence Minister of Bulgaria 2009 – 2013. Accessed Oct 8, 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Pyman-2013-An-interview-with-the-former-Deputy-Defence-Minister-of-Bulgaria-2009-to-2013.pdf>

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 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 2012³³. TI-DS identified this problem, made it public, and was active in campaigning against their use since 2008^{34 35}.

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^{36,37} and again used this research to

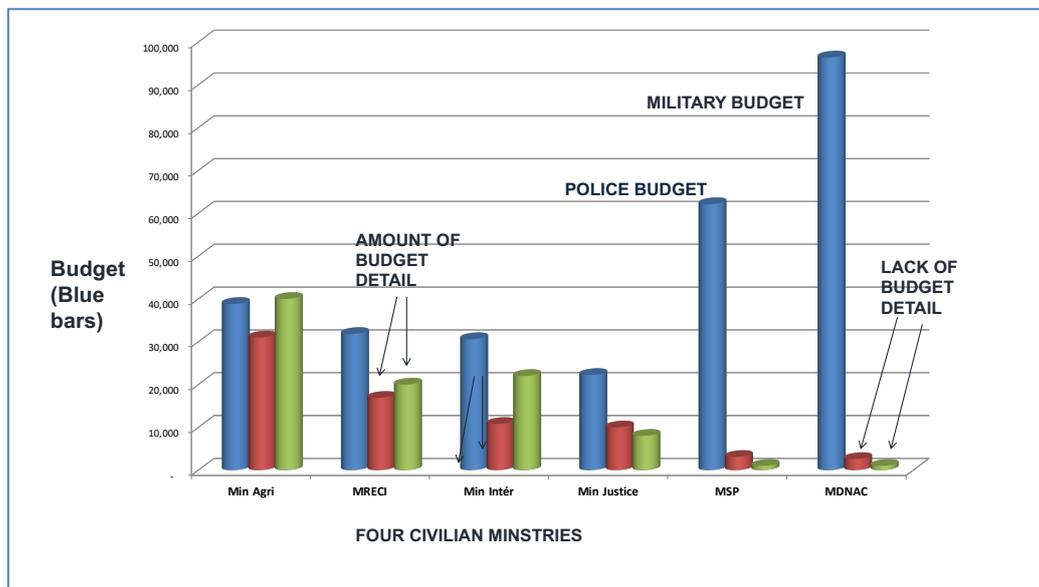


Figure 5 Military and police national budgets plus metrics of amount of budget detail (number of budget headings, budget line items) (from Pyman 2017)

³³ Avascent, The half trillion-dollar challenge. Designing offset strategies to build reputation, promote development; 2012. Accessed Oct 8 2019 at <https://www.avascent.com/wp-content/uploads/2013/02/Avascent-Offsets-2-White-Paper.pdf>

³⁴ B. Magahy, L. Vilhena da Cunha and M. Pyman, Defence offsets: addressing the risks of corruption and raising transparency; 2012. Transparency International Defence & Security. Accessed 19 Sept 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Magahy-Vilhena-Da-Cunha-and-Pyman-2010-Defence-offsets-Addressing-the-risks-of-corruption-and-raising-transparency.pdf>

³⁵ L. Fluker, J. Muravska and M. Pyman, Due diligence and corruption risk in defence industry offset programmes; 2012. Transparency International Defence & Security Programme. Accessed Sept 28 2020 at https://ti-defence.org/wp-content/uploads/2016/03/2012-02_DueDiligenceAndCorruptionRiskInOffsets.pdf

³⁶ M. Gorbanova and L. Wawro, The transparency of national defence budgets, 2011. Transparency International Defence & Security. Accessed Sept 28 2020 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Gorbanova-and-Wawro-2011-The-transparency-of-national-defence-budgets.pdf>

³⁷ O. Cover and S. Meran, Watchdogs? The quality of legislative oversight of defence in 82 countries; 2013. Transparency International Defence & Security. Accessed Sept 28, 2020 at <https://ti-defence.org/publications/watchdogs-the-quality-of-legislative-oversight-of-defence-in-82-countries/>

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 striking³⁸. 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 budget³⁹.

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 Committees⁴⁰, military codes of conduct⁴¹, access to information laws relating to defence⁴², peacekeeping⁴³, defence higher education academies⁴⁴, military-owned businesses⁴⁵ and defence housing⁴⁶. 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

³⁸ M. Pyman, *Addressing Corruption in Military Institutions*; 2017.

³⁹ M. Pyman, O. Cover, E. Vidal de la Bache, E. Kerr and K. Fish, *Etudes sur les aspects de l'intégrité de la Force de Défense Nationale du Burundi*; 2013. Transparency International Defence & Security, accessed Oct 8 2019 at <http://ti-defence.org/publications/etude-sur-les-aspects-de-lintegrite-de-la-force-de-defence-nationale-du-burundi/>

⁴⁰ O. Cover and S. Meran, *Watchdogs? The quality of legislative oversight of defence in 82 countries*; 2013. Transparency International Defence & Security.

⁴¹ T. Shipley, A-C Wegener and M. Pyman, *Codes of conduct in defence ministries and armed forces. What makes a good code? A multi-country study*; 2011. Transparency International Defence & Security, accessed Oct 8 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Shipley-Wegener-and-Pyman-2011-Codes-of-conduct-in-defence-ministries-and-armed-forces-What-makes-a-good-code-A-multi-country-study.pdf>

⁴² A. Foldes, *Classified Information: a review of current legislation across 15 countries and the EU*; 2014. Transparency International Defence & Security. Accessed Sept 28 2020 at <https://ti-defence.org/wp-content/uploads/2016/03/140911-Classified-Information.pdf>

⁴³ M. Pyman, S. Elden, N. Seymour, J. Chen, H. Gossaye and B. Webster, *Corruption and Peacekeeping: strengthening peacekeeping and the United Nations*; 2013. Transparency International Defence & Security, accessed Oct 8 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Pyman-Eldon-Seymour-Cohen-Gossaye-and-Webster-2013-Corruption-and-peacekeeping-Strengthening-peacekeeping-and-the-UN-copy.pdf>

⁴⁴ Y. Repilo and S. Tarasov, *Corruption threat assessment in higher military education*; 2013. Transparency International Defence & Security, accessed Oct 8, 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Repilo-and-Tarasov-2013-Corruption-threats-assessment-in-higher-military-education-in-Ukraine.pdf>

⁴⁵ K. Goh and J. Muravska, *Military-owned businesses: corruption and risk reform*; 2012. Transparency International Defence & Security, accessed Oct 8 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Goh-and-Muravska-2012-Military-Owned-businesses-corruption-risk-and-refrom.pdf>

⁴⁶ NAKO, *The Independent Defence Anti-Corruption Committee of Ukraine, Poor governance and corruption in Ukraine's defence housing system: risks and recommendations*; 2018. Transparency International Defence & Security. Accessed Oct 8, 2019 at http://ti-defence.org/wp-content/uploads/2018/10/NAKO_Housing_ENG_web-compressed.pdf

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 others⁴⁷. 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 TI-DS Government Defence Anti-Corruption Index (the ‘GI’)

The team experimented with various approaches⁴⁸, 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.

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.

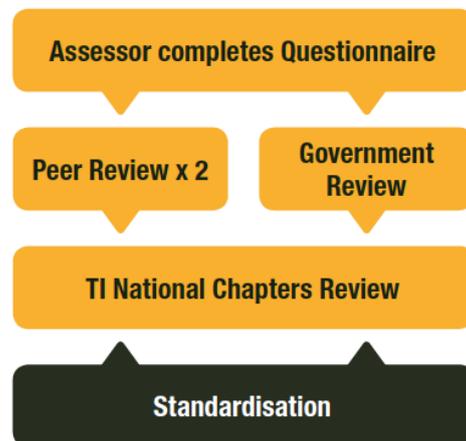


Figure 6 Process for assuring evidence for the GI (from TI-DS 2019a)

⁴⁷ M. Pyman, Addressing Corruption in Military Institutions 2017. *Public Integrity*, 19(5), 513-528.

⁴⁸ K. Reiling, How to Assess Corruption in Defence: A Framework for Designing, Comparing and Interpreting Corruption Measurement Tools; 2009. The Fletcher School, Tufts University, MALD Thesis. Accessed Oct 8 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Reiling-2009-How-to-assess-corruption-in-defence-A-framework.pdf>

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 6⁴⁹) 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 7⁵⁰.

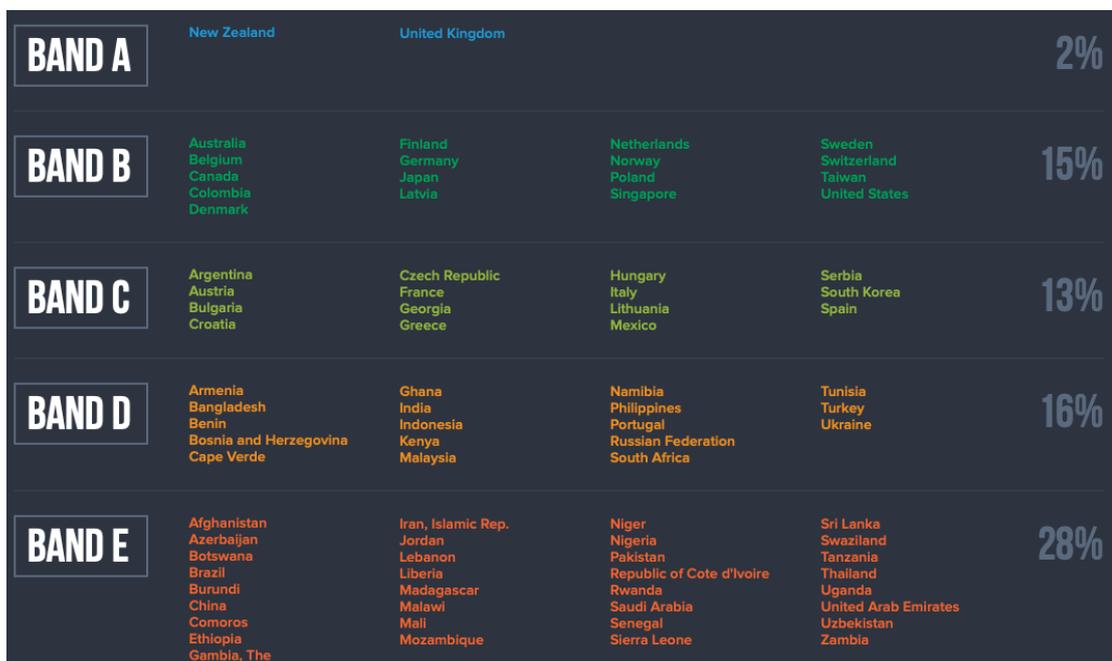


Figure 7 Government Defence Index country results 2015 (from Abbas et al 2015)

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.

⁴⁹ Transparency International Defence & Security, Government Defence Anti-Corruption Index – Methodology; 2019. Accessed Oct 7th 2019, at <https://government.defenceindex.org/methodology/>

⁵⁰ T. Abbas, E. Anderson, K. Dixon and K. MacLachlan, NATO members and partner states: Government Defence Anti-Corruption Index; 2015. Transparency International Defence & Security, accessed Sept 28, 2020 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Government-Defence-Index-2015-NATO-Results.pdf>

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, such as comparing across North African nations⁵¹, or to highlight features such as the relative strength of Parliamentary Defence Committees⁵², or of NATO nations⁵³.

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 Conscription	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)

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

⁵¹ M. Pyman, Addressing Corruption in Military Institutions; 2-17. *Public Integrity*, 19(5), 513-528.

⁵² O. Cover and S. Meran, Watchdogs? The quality of legislative oversight of defence in 82 countries; 2013. Transparency International Defence & Security.

⁵³ T. Abbas, E. Anderson, K. Dixon and K. MacLachlan, NATO members and partner states: Government Defence Anti-Corruption Index; 2015. Transparency International Defence & Security.

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 Index⁵⁴

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 TI⁵⁵. 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 companies⁵⁶.

⁵⁴ Postscript. The 2020 update of the companies index came out in February 2021; [here](#)

⁵⁵ Transparency International, Transparency in Corporate reporting: assessing the world's largest companies; 2012. Accessed Oct 8 2019 at https://www.transparency.org/whatwedo/publication/transparency_in_corporate_reporting_assessing_the_worlds_largest_companies

⁵⁶ K. Fish, M. Man, M. Petkov and M. Pyman, Defence Companies Anti-Corruption Index; 2015. Transparency International Defence & Security. Accessed Sept 28 2020 at <http://companies.defenceindex.org/docs/2015%20Defence%20Companies%20Anti-Corruption%20Index.pdf>

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 Index⁵⁷. 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

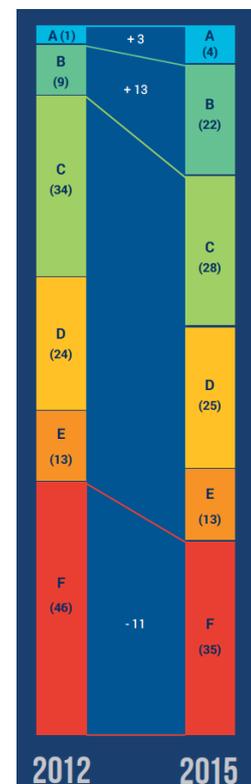


Figure 10 Comparison of companies results 2015 vs 2012 (from Fish et al 2015)

⁵⁷ M. Pyman, K. Dixon, and K. Fis, Defence Companies Index 2015: Launch presentation, London May 2015. Accessed Oct 13th 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/10/150430-Pyman-Dixon-and-Fish-Defence-Companies-Index-2015-launch-London.pdf>

compliance programmes over time, is a powerful tool to drive and encourage sector improvement among the corporates in the sector.

TI-DS developed the analysis further by noting the best practices in each of the five categories⁵⁸ and producing a detailed guide to 104 good practice examples across the industry⁵⁹.

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

⁵⁸ T. Clark and M. Pyman, Raising the bar. Part I: Seven practices that distinguish the best; 2013. Transparency International Defence & Security. Accessed Oct 7 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Clarke-and-Pyman-2013-Raising-the-bar-Good-anti-corruption-practices-in-defence-companies-Part-I.pdf>

⁵⁹ T. Clark and M. Pyman, Raising the bar. Part 2: 104 examples of good defence company practice; 2013. Transparency International Defence & Security. Accessed Oct 7 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Clarke-and-Pyman-2013-Raising-the-Bar-Part-II-104-examples-of-good-defence-company-practice.pdf>

necessity – it’s hard-nosed common sense and militaries need to know how to do it” (General Williams⁶⁰).

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 them⁶¹. The NATO Joint Analysis and Lessons Learned Centre also evaluated the NATO approach to tackling corruption⁶². TI-DS also carried out reviews of ISAF’s effectiveness in relation to tackling corruption⁶³.

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 leadership⁶⁴, and gradually expanding to encompass corruption prevention training courses for Afghan military^{65,66}, organising conferences on how to better deal with corruption in fragile states⁶⁷, and researching corruption issues in war zones^{68,69,70}, and analysing the reasons why ISAF was so slow to recognize the

⁶⁰ Quoted in M. Pyman et al, Corruption as a threat to stability and peace; 2014. Transparency International Defence & Security, accessed Oct 8 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Pyman-Bock-Vidal-Mustafa-and-Zaum-2014-Corruption-as-a-threat-to-stability-and-peace-copy.pdf>

⁶¹ M. Pyman, J. Vittori, A. Waldron and N. Seymour, Corruption threats and international missions: practical guidance for leaders; 2014. Transparency International Defence & Security, accessed Oct 10th 2019 at <http://TI-DS.org/publications/corruption-threats-international-missions-practical-guidance-for-leaders/>

⁶² NATO Joint Analysis and Lessons Learned Centre JALLC, ISAF Counter and Anti- Corruption: theory and practice from NATO operations; 2013. Accessed Oct 8th 2019 at http://www.jallc.nato.int/products/docs/jallc_report_corruption_releasable.pdf

⁶³ M. Pyman and A. Waldron, Improving transparency accountability and counter-corruption in ISAF and the Afghan MOD and MOI; 2013. Transparency International Defence & Security. Accessed 19 Sept 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Pyman-and-Waldron-2013-Afghanistan-Improving-transparency-accountability-and-counter-corruption-TACC-in-the-Afghan-ANSF-MOD-and-MOI.pdf>

⁶⁴ M. Pyman, Addressing Corruption in Military Institutions; 2017. *Public Integrity*, 19(5), 513-528.

⁶⁵ J. Cohen, M. Pyman and A. Waldron, Training military and defence officials in understanding and preventing corruption: evaluating the impact; 2013. Transparency International Defence & Security. Accessed 19 Sept 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Cohen-Pyman-and-Waldron-2013-Training-military-and-defence-officials-in-understanding-and-preventing-corruption-Evaluating-the-impact.pdf>

⁶⁶ J. Cohen, M. Isakzady and A. Waldron, Anti-corruption training courses in Kabul for MOD and MOI senior officers; 2013. Transparency International Defence & Security. Accessed 19 Sept 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Cohen-Isakzadeh-Mohammed-and-Waldron-2013-Anti-corruption-training-courses-in-Kabul-for-MOD-and-MOI-senior-officers-A-review.pdf>

⁶⁷ Transparency International Defence & Security, Afghanistan in transition: Governance, counter-corruption and reshaping priorities; 2011. Accessed 19 Sept 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/TI-DS-with-RUSI-and-KAF-2011-Afghanistan-in-Transition-Governance-Counter-Corruption-and-Development-Re-Shaping-Priorities-for-2015-and-Beyond-copy.pdf>

⁶⁸ K. Alexander, C. Croslin, J. Moktar and F. Weyman, Overview of the political economy, contracting and corruption in Afghanistan: a case study in Kandahar; 2012. Transparency International Defence & Security, accessed Oct 8, 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Kyle-et-al-2012-Overview-of-political-economy-contracting-and-corruption-in-Afghanistan-A-case-study-in-Kandahar.pdf>

⁶⁹ M. Pyman, J. Vittori, A. Waldron and N. Seymour, Corruption threats and international missions: practical guidance for leaders; 2014. Transparency International Defence & Security, accessed Oct 10th 2019 at <http://TI-DS.org/publications/corruption-threats-international-missions-practical-guidance-for-leaders/>

⁷⁰ M. Pyman, T. Bock, E. Vidal de la Bache and D. Zaum, Corruption as a threat to stability and peace; 2011. Transparency International Defence & Security, accessed Oct 8 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/Pyman-Bock-Vidal-Mustafa-and-Zaum-2014-Corruption-as-a-threat-to-stability-and-peace-copy.pdf>

corruption threat to the mission⁷¹. 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 Afghanistan⁷². 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 companies⁷³.

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

⁷¹ M. Pyman, Corruption: lessons from the international experience in Afghanistan; 2015. Transparency International Defence & Security. Accessed Oct 9 2019 at <http://ti-defence.org/wp-content/uploads/2016/03/150217-Corruption-Lessons-from-the-international-mission-in-Afghanistan.pdf>

⁷² SIGAR Special Inspector General for Afghanistan Reconstruction. Accessed Oct 8th 2019 at <https://www.sigar.mil>

⁷³ J. Sopko, Lessons from Afghanistan's Reconstruction: 2001-2019 at the US Naval Academy, Maryland USA, January 17, 2019. Accessed Oct 8 2019 at https://www.sigar.mil/pdf/speeches/SIGAR_USNA_Speech_2019-01-17.pdf

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 area⁷⁴. 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*)⁷⁵. 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*)⁷⁶.

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 UNDPKO⁷⁷. Since then, UNDPKO and the UN more generally are being more proactive and attentive to tackling corruption in peacekeeping⁷⁸.

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 11 below shows the 'Control of Corruption' metric from the World Bank for a number of fragile and conflict countries⁷⁹. 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.

⁷⁴ M. Pyman, T. Bock, E. Vidal de la Bache and D. Zaum, *Corruption as a threat to stability and peace*; 2014. Transparency International Defence & Security.

⁷⁵ Quoted in K. MacLachlan, *Security assistance, corruption and fragile environments: Exploring the case of Mali 2001-2012*; 2015. Transparency International Defence & Security. Accessed Sept 28 2020 at <https://ti-defence.org/wp-content/uploads/2016/03/150818-150817-Security-assistance-corruption-and-fragile-environments-Exploring-the-case-of-Mali-2001-2012.pdf>

⁷⁶ Quoted in K. MacLachlan.

⁷⁷ M. Pyman, S. Elden, N. Seymour, J. Chen, H. Gossaye and B. Webster, *Corruption and Peacekeeping: strengthening peacekeeping and the United Nations*; 2013. Transparency International Defence & Security.

⁷⁸ Transparency International Defence & Security, *An assessment of corruption risks in peacekeeping operations*; 2019. Accessed Oct 8, 2019 at <http://ti-defence.org/wp-content/uploads/2019/07/TIDS-CorruptionRisksinUNPeacekeeping.pdf>

⁷⁹ Transparency International Defence & Security, *Afghanistan in transition: Governance, counter-corruption and reshaping priorities*; 2011. Accessed 19 Sept 2019 at <https://curbingcorruption.com/wp-content/uploads/2018/07/TI-DS-with-RUSI-and-KAF-2011-Afghanistan-in-Transition-Governance-Counter-Corruption-and-Development-Re-Shaping-Priorities-for-2015-and-Beyond-copy.pdf>

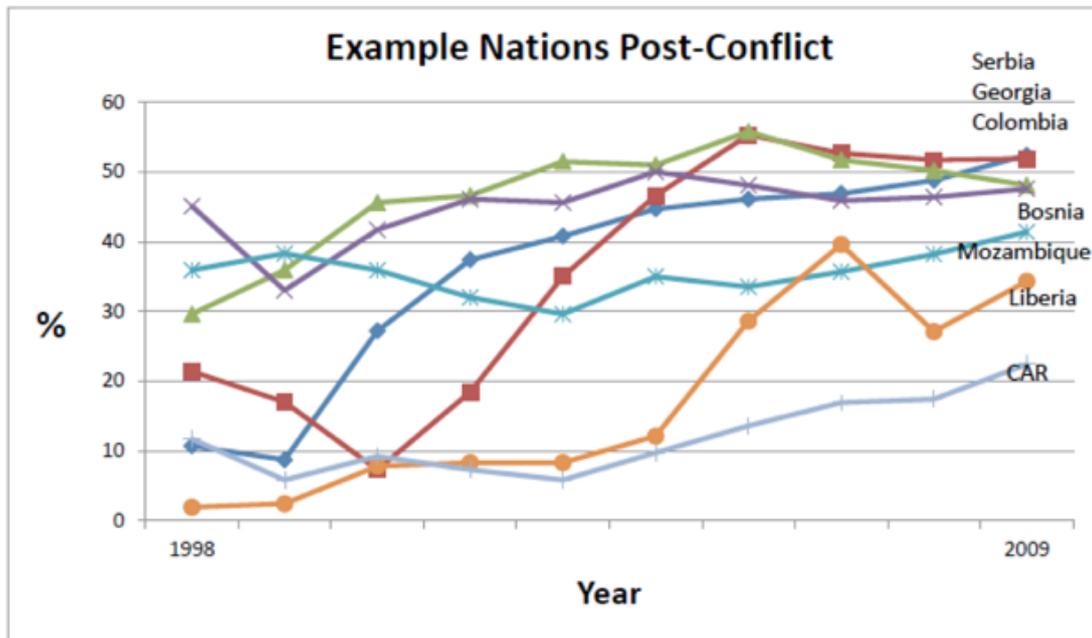


Figure 11 World Bank Institute data 'Control of corruption' from selected fragile states 1998-2008 (data from author)

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’⁸⁰. 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

⁸⁰ Channel Research, Independent Progress Review (IPR) of the DFID Programme Partnership Arrangement (PPA), 2011-2012. FINAL REPORT. On Behalf of Transparency International UK – Defence and Security Programme’. Accessed Oct 9 2019 at <http://kluyskensconsulting.com/wp-content/uploads/2018/07/121015-Channel-Research-TI-DSP-CHASE-PPA-IPR-Final-Report.pdf> pp19-22

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 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.⁸¹

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 corruption⁸².

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 worse⁸³. 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

⁸¹ Channel Research, p45

⁸² A. Mungiu-Pippidi, *The quest for good governance: how societies develop control of corruption*, Cambridge, UK, Cambridge University Press; 2015. p207

⁸³ Transparency International, Bribe Payers Survey 1999. Accessed Oct 13 2019 at https://www.transparency.org/news/pressrelease/transparency_international_releases_new_bribe_payers_index_bp_i_2002

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 businessmen⁸⁴. 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 12, 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 2021, 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 2021.

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.

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

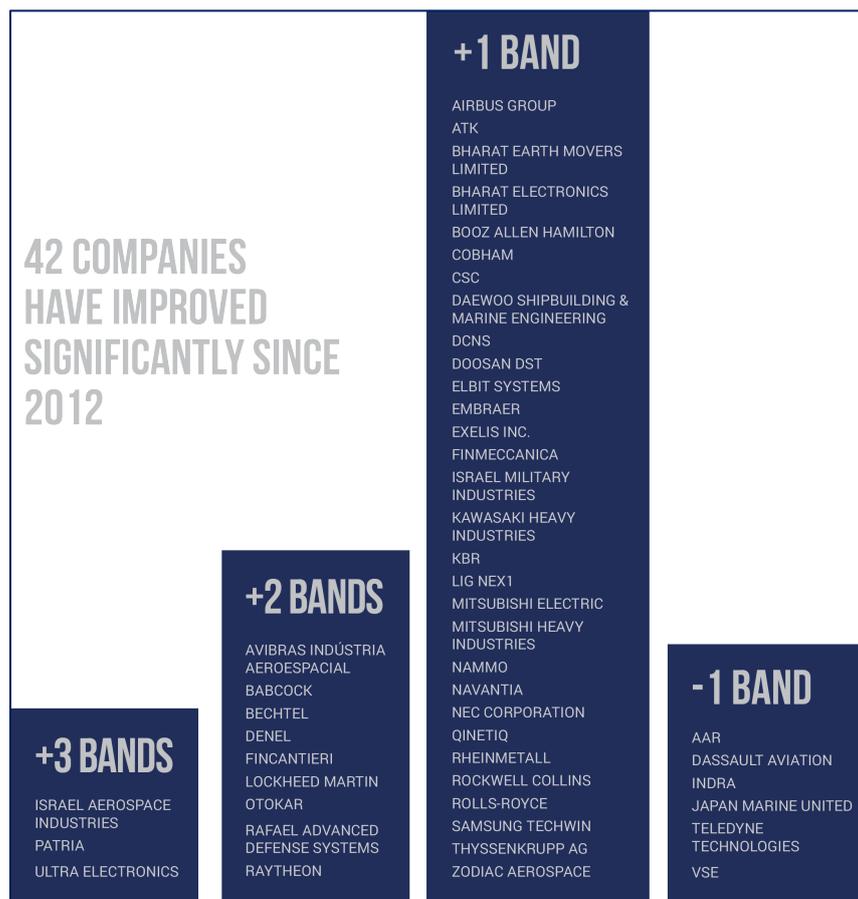


Figure 12 Defence Companies improvement 2012 to 2015 (from Pyman et al 2015)

⁸⁴ Transparency International, Bribe Payers Index 2008. Accessed Oct 13 2019 2002 at https://issuu.com/transparencyinternational/docs/2008_bpi_report_final_08_12-1?mode=window&backgroundColor=%23222222_p11

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 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: making sense of change

There are thousands of changes going on every day in the defence sector, both positive and negative, in relation to corruption reform. There are positive 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 larger macro scale pressures such as the tougher climate of public opinion towards wrong doing by defence companies, huge arms scandals and the rise in insecurity and fragility in many countries. How do we make sense of the corruption improvements, and identify which elements were the most significant? Can 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? From my perspective as the leader of the principal NGO involved, TI-DS, there have been five sets of change-inducing factors.

The first factor is the most obvious one: 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). 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.”⁸⁵ But scandals are unsatisfactory as a sole basis for change: incremental change is also important.

Second, small groups of committed individuals, collaborating over a sustained period, make a huge difference. This was exemplified in the defence sector by the network of individuals, mostly senior executives working inside defence companies but also regulators, officials and civil society, who between them catalysed the creation of the Common Industry Standards, the global industry forum IFBEC, and improvements in the individual standards and practices of the companies. Making it as easy as possible for such groups to collaborate is also part of the mix. In the case of the defence industry collaboration, we can identify the creation of a convening body for the early industry meetings (the meetings convened by Lord Robertson), the longevity in-post of many of those in the industry, the active support for reform from the CEOs of at least some of the defence companies, and the sustained engagement with the industry by TI-DS over many years.

A similar effect of collaborating individuals could be seen in relation to reform in ministries of defence and military forces, which also saw 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.

There are also other motivations encouraging individuals to advance reform in defence. 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 examples of the training of 1200 Colonels from the Ukraine security and defence forces⁸⁶; and common public signs and statements of integrity, such as has been introduced throughout the Colombian military. (We see similar 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 body⁸⁷ along with an active sector NGO, the Water Integrity Network).

Third, the economic structure of the sector is important. The defence industry has a narrow-but-deep structure, with many, many layers of subcontracting. The effect of this is a kind of oligopoly, in which a small number of the larger players have a high degree of leverage. This has been a positive factor for change in the defence sector in this narrative. The national importance of defence similarly means that the state has strong influence at the top of that hierarchy in each country. Whilst that influence may be negative, it also means that efforts to change that point of view can be concentrated. Third, the preponderance of the US as a buyer in the defence sector means that companies from all countries that hope to do business with the US

⁸⁵ M. Matthews, 'Never Let A Good Scandal Go To Waste, As Conservatives Push Their Agenda'. *Forbes* magazine; 2019. Accessed Nov 12 2019 at <https://www.forbes.com/sites/merrillmatthews/2013/05/16/never-let-a-good-scandal-go-to-waste-as-conservatives-push-their-agenda/>

⁸⁶ M. Pyman, Addressing Corruption in Military Institutions; 2017. *Public Integrity*, 19(5), 513-528.

⁸⁷ OECD, The OECD water governance initiative; 2019. Accessed Oct 13 2019 at <http://www.oecd.org/cfe/regional-policy/water-governance-initiative.htm>

Department of Defence (DOD) must pay attention to the US standards of compliance. The presence of active reformers within the DOD, as was the case with the US offices of Suspension and Debarment in the Armed Forces, amplifies this effect

Fourth, comparative international indexes - the Government Defence Index and the Defence Companies Indexes, really catalyse change. The catalytic effect in the defence sector was partly the result of peer pressure - Generals, Ministers and defence officials comparing themselves to their neighbours and competitors - and partly the fact that the indexes could be used for prioritising and monitoring incremental improvement. This latter effect is a powerful argument for the use and promotion of technical indexes, where the underlying reason for poor scores could be examined and worked upon, rather than indexes based on perceptions. A similar peer pressure effect came from the gentler integrity self-assessments promoted by NATO, gradually changing the rules of the game to one where integrity became one of the accepted values of a defence establishment and which could be followed up in routine NATO processes.

Fifth and finally, change is rarely random or accidental. New ideas, new groups, new reactions to old stimuli are encouraged through influential individuals, novel coalitions, by stimulating friction that irritates until some solution starts to emerge. TI-DS was an active change-maker in all these roles. This was a difficult balancing position for TI-DS, pressing for corruption reform, being neither a 'consultant' to the industry, nor taking sides against the industry. One defence company interviewee (for the external evaluation quoted above) expressed this ambiguity well: "is TI-DS... a collegial source of helpful advice or a potentially problematic external critic"⁸⁸?

This analysis shows in some detail what it means to work on reducing corruption through a 'whole sector' approach: using sector-specific disaggregation of the corruption problems; embracing action by the industry, the public sector and the regulators equally; taking an international approach; and using a thorough understanding of the sector to create detailed comparative indices of corruption vulnerability. 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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⁸⁸ Channel Research, p12

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