TRANSPARENCY INTERNATIONAL
Defence & Security

RESULTS

NATO members & partner states

GOVERNMENT DEFENCE ANTI-CORRUPTION INDEX

GI

2015

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CONTRIBUTING TRANSPARENCY INTERNATIONAL CHAPTERS: Armenia, Austria, Azerbaijan, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, Greece, Denmark, Germany, Finland, Hungary, Italy, Latvia, Lithuania, Netherlands, Norway, Portugal, Serbia, Spain, Sweden, Switzerland, UK, Ukraine and USA. Some contributing Transparency International chapters have chosen to remain anonymous.

DESIGN: Ivo Jongejan, SVI Design, Rational International

Published December 2015 ISBN: 978-1-910778-06-7 Printed on 100% recycled paper.

THANKS

Transparency International Defence & Security would like to thank all the governments and individuals who have encouraged us to do this study and those who engaged with us throughout the process.

Transparency International Defence & Security would like to thank the UK Department for International Development (DFID) for their generous support. This material has been funded by UK aid from the UK government. The views expressed do not reflect the UK government's official policies.

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This index measures the risk of corruption in national defence and security establishments worldwide.

These are the results for NATO members and partner countries.

The results for MENA, Asia-Pacific and the G20 have already been published. Results for Africa and the Americas will follow shortly.

The Government Defence Anti-Corruption Index (GI) assesses the existence, effectiveness, and enforcement of institutional and informal controls to manage the risk of corruption in defence and security institutions. Our team of experts draws together evidence from a wide variety of open-access sources and interviews across 77 indicators to provide governments with detailed assessments of the integrity of their defence institutions. This briefing is the fourth in our GI series and provides the country risk rankings derived from our data for NATO member and partner countries.

Our GI briefings on the Middle East and North Africa, the Asia Pacific, and the G20 as well as our country- specific recommendations can be found at **government.defenceindex.org**. A report with detailed analysis of key trends will be published in 2016.

Results

NATO MEMBERS

UNITED KINGDOM	A
BELGIUM	B
CANADA	B
DENMARK	B
GERMANY	B
LATVIA	B
NETHERLANDS	B
NORWAY	B
POLAND	B
UNITED STATES	B
BULGARIA	C
CROATIA	C
CZECH REPUBLIC	C
FRANCE	C
GREECE	C
HUNGARY	C
ITALY	C
LITHUANIA	C
SPAIN	C
PORTUGAL	D
TURKEY	D

PARTNER STATES

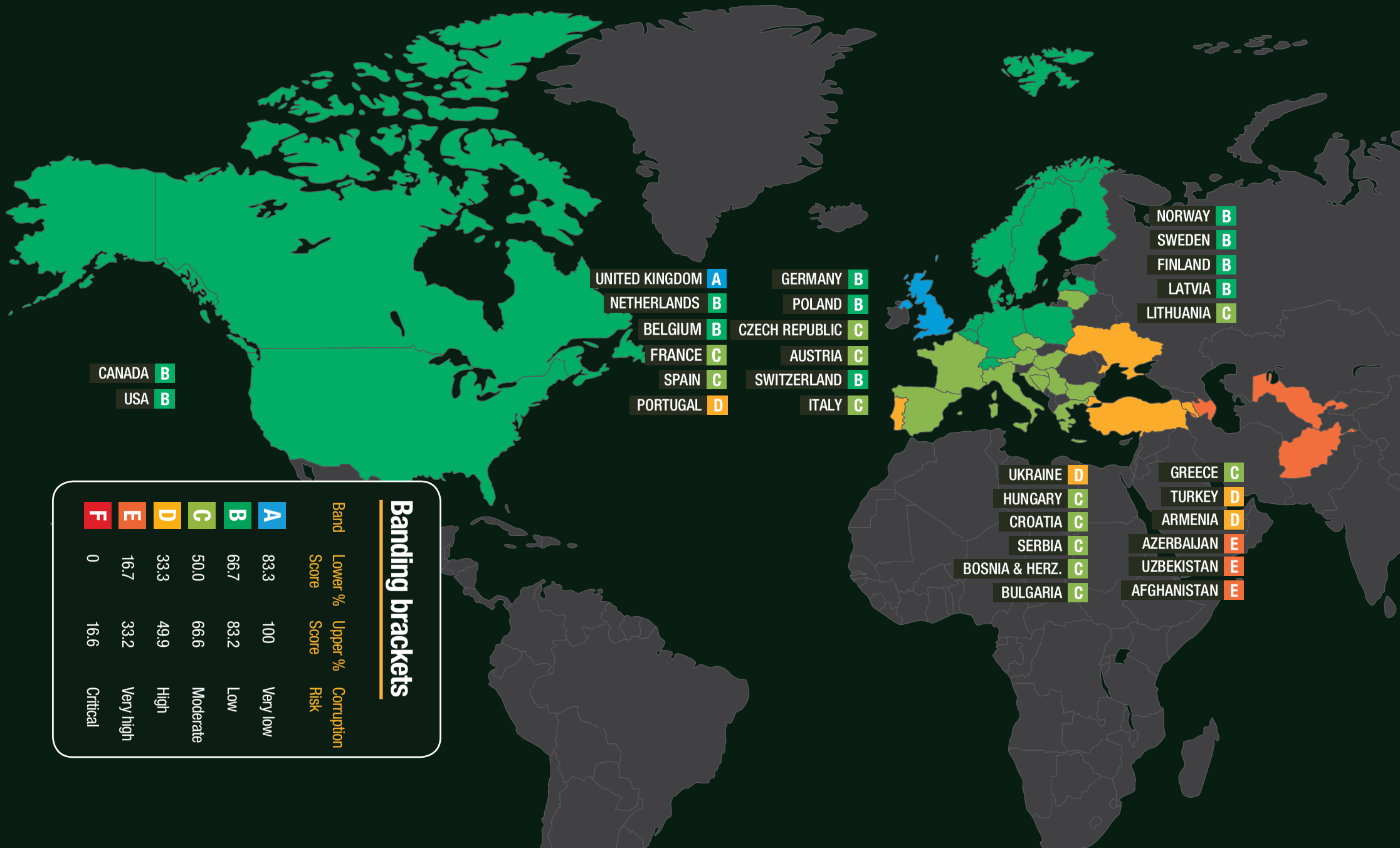
FINLAND	B
SWEDEN	B
SWITZERLAND	B
AUSTRIA	C
BOSNIA & HERZ.	C
GEORGIA	C
SERBIA	C
ARMENIA	D
UKRAINE	D
AFGHANISTAN	E
AZERBAIJAN	E
UZBEKISTAN	E

Full country assessments and data-sets available online:

government.defenceindex.org

Please note that the order in the respective band is alphabetised.

NATO members and partner states



Banding brackets

Band	Lower % Score	Upper % Score	Corruption Risk
A	83.3	100	Very low
B	66.7	83.2	Low
C	50.0	66.6	Moderate
D	33.3	49.9	High
E	16.7	33.2	Very high
F	0	16.6	Critical

1. Defence transparency in NATO and Partner States

The North Atlantic Treaty Organisation (NATO) is the world's largest military and political alliance. Six of its member states are among the world's 15 top defence spenders, with their collective budgets constituting 46.5% of worldwide defence expenditure in 2014. Half of the world's 20 largest arms exporters are NATO members and a further 3 are European partners. But NATO professes to be based on more than just its hard power: as an institution, it prioritises democratic values, upholds civilian control over the armed forces, and requires potential members to establish democratic, accountable institutions.

By enlarging its membership and through its varied programme of partnerships and capacity building, NATO can spread the standards of defence sector govenance alongside operational procedures. Through military deployments, the Alliance and its members exert unparalleled influence in the region and even worldwide. NATO has coordinated large stabilisation and peacekeeping missions: the International Security Assistance Force (ISAF) in Afghanistan, which dwarfed all other operations mandated by the United Nations (UN), the Kosovo Force, and the Stabilisation Force in Bosnia. All countries analysed in this briefing, except Uzbekistan, have deployed troops on peacekeeping and stabilisation missions under UN, NATO, or the European Union (EU) aegis within the last two years.

However, NATO is only as good as its members. Its shared policies, concepts, and doctrines can facilitate acceptance of shared defence governance standards and military interoperability, but only if there is a basic level of common understanding between nations' armed forces and defence sectors and if its members and partners are committed to implementing shared standards. How NATO member states perform on integrity and anti-corruption metrics, and whether they are prepared to tackle corruption in states where they are engaged matters enormously across many regions in the world.

This briefing presents the results for 33 countries which are either NATO members or its European and Central Asian partners. A snapshot of anti-corruption institutions and practices, it focuses on the states themselves rather than Alliance structures.

2. NATO Members: Aligning Might and Right?

As a community committed to the principles of individual liberty, democracy, human rights, and the rule of law, NATO member states are expected to have in place strong institutional and legal measures enabling independent oversight and scrutiny of defence institutions. In line with these expectations, our research found that parliaments in NATO member states have the right to scrutinise and influence defence policy; they are empowered to pass laws and budgets in plenary sessions; and defence committees provide detailed, day-to-day scrutiny of policy decisions. In many cases, this scrutiny by defence committees is matched by institutions which exhibit high levels of integrity across risk areas.

For instance:

- Across the 22 NATO members states studied, 15 have low or very low levels of political risk, indicating strong political oversight systems. The same is true of 3 partner countries.
- The UK, Norway, and Germany have regular, systematic anti-corruption training for defence institutions.
- Norway and Germany have embedded anti-corruption measures in routine management.
- The United States has put in place oversight mechanisms for spending during stabilisation operations.
- Greece and Belgium have regular anti-corruption training for troops deploying on operations.
- Poland's Ministry of Defence (MOD) has established an internal Anti-Corruption Procedures Bureau, which oversees procurement and puts in place anti-corruption regulations and processes.
- Canada has a low risk of corruption among personnel, testifying to strong systems and training.
- Ten member states, of which the five lead nations are Belgium, Bulgaria, Norway, Poland and the UK, fund the Building Integrity programme within NATO, which offers tools and training to prevent corruption to member and partner states. Six member states are engaged in the self-assessment and peer review process offered by the BI (as are 10 partner states).

The only A in NATO

> The UK overall scored top marks, thanks to strong anti-corruption systems in defence institutions, underpinned by effective independent oversight mechanisms, including parliamentary scrutiny. There is open engagement with civil society and robust public debate over defence policy. Personnel and procurement systems exhibit high integrity, though the proportion of equipment sourced without open competition was high.
>
> The MOD has also established a new Fraud Defence Board to identify and mitigate corruption and conducted a comprehensive self-assessment. Despite a large “secret” budget, associated oversight by the Intelligence and Security Committee and the Comptroller and Auditor General is found to be one of the most effective across G20 countries and NATO.

3. Aligning Practice with Principle: Areas for Focus

Legislative Oversight and Anti-Corruption Readiness

Despite Alliance commitments, there are some notable shortcomings across Member States. The prerogatives and effectiveness of parliamentary scrutiny is far from uniform. Only in 5 member states reviewed here do parliamentary committees receive unimpeded access to classified intelligence budgets and documents; oversight is impeded by secrecy, aggregated budgetary information, and a lack of capacity in 7 countries. Even in low-risk countries such as the UK, the US, and the Nordic states, some of anti-corruption regulations fall short of the very highest defence accountability standards. Surprising gaps in oversight exist:

- **Arms exports**: Only two countries – the US and Greece – have adopted provisions requiring parliamentary approval of upcoming arms exports. This leaves 9 NATO members and top arms exporters – France, Germany, the UK, Spain, Italy, the Netherlands, Canada, Norway, and Turkey – with no parliamentary oversight of upcoming exports, despite evidence of exports to countries with weak human rights records and high corruption risks.
- In **Spain**, legislative oversight of budgets is hampered by a highly aggregated defence budget, extra-budgetary defence expenditure provided by other government departments, and a high dependence on contingency funding. The lack of permanent staff for the Defence Committee also impedes oversight.
- In **Canada**, parliamentarians do not have access to classified information and spending, which prevents them from overseeing intelligence agencies. In the **Netherlands**, parliamentarians do not receive audits of intelligence services and rely on summary information conveyed by the Minister of Defence.
- The **French** Parliament only needs to be notified about a military operation within four months of deployment, impeding the prior scrutiny of operations which could have significant regional and worldwide impact.
- The **US** has yet to ratify the Arms Trade Treaty (ATT) and the Department of Defence has not yet been comprehensively audited. US Congressional oversight of intelligence agencies continued to attract criticism with little evidence of in-depth scrutiny.

- **Turkey**'s parliamentary and procurement oversight remains weak, exacerbating corruption risks.
- The **Hungarian** Defence and Law Enforcement Committee has been hobbled by the large parliamentary majority of the ruling party and the refusal to call Committee meetings at the request of opposition parties. Committee members have also criticised the lax scrutiny over procurement of items exempt from normal processes on the basis of national security concerns; one MP estimated that 80% of exceptions granted since 2010 were unwarranted.
- In new member states such as **Bulgaria**, **Hungary**, and **Lithuania**, implementing existing regulations and sustaining the momentum for reform are key challenges.
- **Weaknesses in training**: In most countries, anti-corruption training is mostly either unsystematic or non-existent. Ethics and morality training is often cited as an example of relevant training, but rarely contains tailored content on anti-corruption.

Whistleblower Protection

Whistleblowers play a vital role in uncovering and addressing corruption. But a whistleblower will only come forward if effective mechanisms for reporting and protection exist alongside a culture in which allegations are taken seriously. There is particular evidence of shortcomings in whistleblower protection across the Alliance. No NATO member state received the highest score in this area, indicating a lack of robust protection against reprisals and discrimination. In at least 2 countries, whistleblowing among military personnel has led to disciplinary sanctions, and 10 countries have no explicit whistleblower laws in place.

- In **Greece**, whistleblowers have been sued following disclosures.
- In **Spain**, armed forces personnel can only report to a supervisor within the command chain. Officers who have made public disclosures regarding the persistence of corruption have faced prosecution.
- In the **UK**, there are significant discrepancies between protection for civilian and military whistleblowers, as the armed forces personnel have no statutory protection for disclosures. Overall, only 40% of MOD staff trust the system to protect them

from reprisals.In **Lithuania** and **Turkey**, there are no specific protections for whistleblowers.

- In **Czech Republic**, **Poland**, and **Croatia**, there are only very generic legal protections and limited mechanisms of reporting.

Procurement and Acquisiton Planning: Making the Most of the 2%

With several NATO members moving toward the 2% defence spending goal, ensuring that defence budgets are spent efficiently and in line with defence needs is vital for maintaining public support for the military. Fixed levels of spending are not guaranteed to strengthen capability, if they lead to more opportunistic purchasing rather than clear acquisition planning that flows logically from agreed national security priorities.

The good news is that all member states have passed public procurement laws, which contain independent oversight mechanisms, and most have put in place procedures determining exemptions from the laws. But strong formal processes are often undermined by the exemption of defence procurement decisions from regular procedures. Nor are there many examples of government's placing strong anti-corruption requirements on contractors. Since NATO includes some of the largest weapons importers in the world and collectively shapes the military and weapons market, its members are well placed to encourage defence companies to raise industry-wide standards.

For instance:

- In 17 NATO countries, there was little or no evidence of independent oversight over procurement exempt from general procurement laws due to national security considerations.
- While more than half of the countries analysed control the use of companies that have been convicted of corruption through debarment or termination of contracts, only 4 countries – the **US, Greece, Norway,** and **Bulgaria** – require that companies either biding for or awarded contracts by the Ministry of Defence have compliance programmes in place above a certain threshold value.
- **Greece** is the only country that extends this requirements to subcontractors, although the **US** requires that the main contractor ensure that subcontractors are trained in compliance issues to the same extent as its own staff.

- **Canada** and the **UK** apply the same rules barring companies convicted of corruption from becoming subsidiaries but stop short of requiring a full compliance programme.
- The **UK**, placed in Band A, conducts over 50% of its procurement through single-sourcing. This lack of competitive bidding increases the risk of overpricing and corruption.
- Regulating the use of intermediaries and brokers is another area governments generally do badly on. But there is some evidence of good practice: **Greece** and **Germany** prohibit their use outright; **UK, Canada,** and **Poland** have put in place specific rules on the registration and use of agents as lobbyists. Most countries, however, have either no restrictions on the use of agents and intermediaries or only informal, usually non-public, controls.

Full country assessments and individual country-level recommendations can be found on **government.defenceindex.org**.

A Model of Oversight for Anti-Corruption Procedures: Poland

> Following the approval of the Polish Armed Forces Modernisation Plan 2013-2022, the expenditures for modernisation are set to reach 102,1 billion zlotys (about £17.1 billion) in 2017-2022, up to 37.3% of the defence budget. A significant proportion of the expenditure will go toward procurement and at least some of it is likely to be exempt from the provisions of the Law on Procurement. However, oversight is still in place: the MOD's Anti-Corruption Procedures Bureau, an indepedent cell within the MOD answering directly to the Minister, was mandated to oversee all procurement procedures for corruption risks and legality. It can also review particular bids.

4. Building Integrity - NATO's Global Leadership Role

NATO's Building Integrity (BI) programme is a fantastic innovation with the potential to have a transformative effect well beyond NATO's borders. The programme provides practical tools and training courses to help member and partner states to institute measures to improve public accountability of their defence sectors. 31 countries have so far engaged with the BI programme to varying degrees of involvement. The programme brings together a wide variety of states: from Switzerland, which tends to top Transparency International's Corruption Perceptions Index, to Afghanistan and Ukraine, which are grappling with corruption in a conflict environment. Taken together the immediate challenges facing the programme are significant.

For instance:

- Three NATO partner states – **Ukraine, Switzerland,** and **Sweden** – are among the top 20 arms exporters. But only **Sweden** has provisions for a consultative role for parliament over upcoming exports; none of their parliaments has the authority to stop exports. Among other partner states analysed here, only **Bosnia and Herzegovina** has put in place provisions for parliamentary debate of upcoming exports.
- Partner states such as **Uzbekistan, Armenia,** and **Azerbaijan** have very low levels of oversight and transparency. In **Uzbekistan**, the president's influence on laws practically nullifies parliamentary prerogatives and not even the overall defence budget is publicly known. In **Armenia** and **Azerbaijan**, details of defence budgets and procurement decisions are routinely classified, with very little oversight from parliaments.
- In **Georgia**, the major challenge is sustaining the momentrum for reform and implementing the much-improved legal and institutional regulations. Good practice – such as inclusion of representatives of civil society organisations in procurement oversight – are accompanied by significant shortcomings, for instance in parliamentary oversight. The Defence and Security Committee has become more active since the anti-corruption drive begun in 2012: the Chairman of the Committee visits military bases and Committee members participate in workshops and training on oversight. A subset of the Committee, the Group on Confidence, was established to provide oversight of classified procurement and intelligence activities. However, the Group has not yet started functioning effectively following a reorganisation in 2014 and it appears to have been bypassed during the recent acquisition of air defence systems from a French company: the Group was to be engaged in overseeing the acquisition, but was instead provided with a finalised deal.

- In **Afghanistan** and **Ukraine**, tackling corruption risks is a matter of urgency. Corruption is an existential threat to the state: it hollows out defence forces, hurting operational efficiency as resources are diverted from frontlines and conscripts pay bribes to either avoid service or secure a preferred post. In Ukraine, there is no oversight over procurement of weapons, and it is estimated that 10-15% of resources are lost due to corrupt practices.

NATO's Impact on Operations

Tackling corruption is vital for securing stability on operations. Corruption destroys the legitimacy of governments, fuels instability, and helps insurgencies recruit fighters. It hollows out security institutions which should be prepared to address insecurity, including the armed forces. The activities of NATO's stabilisation missions, including establishment of supply chains, assistance to local armed forces, and impact on land rights through construction of bases, can inadvertently foster or create criminal patronage networks and undermine development.

All but 2 countries analysed for this briefing participated in the International Security Assistance Force (ISAF) in Afghanistan, where corruption derailed the progress of the mission and fuelled insurgency. In the majority of countries (28), assessors have found evidence that corruption is recognised as a factor that can affect mission success, but a much smaller number have used this awareness to put in place concrete doctrine and pre-deployment training.

- **Greece, Norway, United Kingdom** and the **United States** include corruption issues in doctrines and field manuals. Even those who do have doctrines, however, are yet to develop specific guidelines and corruption reporting chains in theatre.
- **France**, which currently deploys over 10,000 troops in stabilisation and training operations worldwide and which co-finances peacekeeping training centres in African countries, has no known operational anti-corruption doctrine.
- …and neither does **Germany**, despite its long experience in Afghanistan.
- Only three countries - **Bosnia and Herzegovina**, **Greece**, and **Belgium** - systematically include corruption issues in pre-deployment training for officers joining peacekeeping missions. **Georgia** includes BI modules in all its pre-deployment training and in October NATO BI supported the Peace Support Operations Training Centre in Sarajevo (PSOTC) to deliver the BI in Peace Support

Operations to Georgian troops deploying to Afghanistan.

- Monitors with anti-corruption mandates are only systematically deployed in five countries: **Denmark, Belgium, Greece, Germany,** and the **US**. The **US** commitment to ensure that its presence in Afghanistan does not fuel corruption, in particular deployment of task forces tracing flows of assistance and military spending to stop it strengthening the insurgency, is an example of good practice on which to build.
- **Operational contracting is a significant area of weakness**. The **US** Congressional Commission on Wartime Contracting has reviewed the weaknesses of operational contracting practices, and six other countries have some guidance and training on operational contracting. In most countries, however, general procurement guidelines tend to apply. Lack of tailoring to the operational context and the challenges of managing supply lines during a mission can render those guidelines only marginally useful.

A Model in Monitoring Abroad: United States

> The set of corruption-monitoring institutions the US introduced during the missions in Iraq and Afghanistan – including the Special Inspectors General for both missions, the Congressional Commission on Wartime Contracting, and in-country task forces monitoring the impact of US assistance on corruption in theatre, are all examples of good practice which should be developed. Combined with detailed doctrine and anti-corruption training for officers, these measures offer a way to reduce the risk of missions entrenching or fostering corrupt practices such as criminal patronage networks.

Leading Through Building Integrity

Through its partnerships and military deployments NATO exerts unparalleled global influence. Whether NATO member states are prepared to hold themselves to the highest standards of integrity and whether they are prepared to tackle corruption in states where they are engaged matters enormously to international security. NATO could do more to build on its now well-established Building Integrity Programme.

Recommendations:

- **Expanding impact:** Only 12 of 33 countries analysed here - Afghanistan, Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Hungary, Latvia, Norway, Poland, Serbia, and Ukraine – have engaged with the NATO Building Integrity tools. While institutional regulations are the first step toward anti-corruption reform, regular and comprehensive training is indispensable if capacity to implement and apply those regulations is to be formed. The BI programme does provide this; however, the challenge now is to ensure sustainability. The assessor for Serbia, for example, noted that 'training is too dependent on cooperation with foreign partners and most often limited to selected personnel with good English skills.'
- **Demonstrating the highest standards at home:** Transparent and accountable defence institutions should be the heart of what NATO stands for as an Alliance. At a time of renewed focus on collective defence, NATO needs to be absolutely clear what it is there to defend - societies characterised by the highest democratic standards with clear checks and balances over military force.
- **Tackling the root causes of conflict:** The BI programme is integrated with existing NATO policies and principles at the political-military and strategic levels (such as the Partnership Action Plan for Defence Institution Building) but as yet is not integrated into concepts and doctrine (the operational and tactical levels). On 30th October 2015, the North Atlantic Council (NAC) agreed the need to develop a stand-alone BI policy by the time of the June 2016 summit, the scope and content of which are currently under the discussion with Allies. A BI policy will allow concepts and doctrine to be be developed. This is vital in light of weaknesses in tackling corruption on operations across the board, despite the recognition by many NATO members states of the role corruption has played in fuelling instability and undermining security institutions in the Afghan mission.
- **Values-driven leadership:** Our findings across the Middle East, Asia, and the G20 all demonstrate that global military expenditure is rising dramatically in exactly those places where governance is weakest. This widening gulf between growing military spending and adequate checks and balances on military power poses a long term

threat to international peace and stability. NATO and European powers should think more broadly about their approach to countries without strong systems of accountability and transparency. For example, the export of military capability to countries where the military does not enjoy a strong foundation for legitimacy is an export to a fundamentally unstable environment and is unlikely to be in the longer-term interest of the Alliance.

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Most of the findings in this paper are based on data from the Government Defence Anti-Corruption Index individual country assessments.

Methodology

The Government Defence Anti-Corruption Index measures levels of corruption risk in national defence establishments and scores each country from A (the best) to F (the most vulnerable). Each country band is derived from a technical assessment of 77 questions all related to institutional protocols and practices and divided between five principal risk areas: political risk, financial risk, personnel risk, operations risk, and procurement risk. For each question, the government received a score from 0-4. The percentage of marks determines both the overall risk band the government received, as well the band specific to each risk area.

Each country is researched by an expert assessor using a standard set of questions and model answers. The assessment is then independently reviewed by up to three peer reviewers and, where possible, the the local chapter of Transparency International. We also invite the government to conduct a review of the assessment and submit additional information. Only 9 NATO member and partner governments did not provide a reviewer: Azerbaijan; Canada; United States; France; Portugal; Spain; Sweden; Turkey; and Uzbekistan.

All information and evidence presented in this report is sourced and publicly available through the individual GI country assessments. Please visit government.defenceindex.org.

Assessor completes Questionnaire

Peer Review x 2

Government Review

TI National Chapters Review

Standardisation

QUESTION SCORING PRINCIPLES

4 **High transparency;** strong, institutionalised activity to address corruption risks.

3 **Generally high transparency;** activity to address corruption risks, but with shortcomings.

2 **Moderate transparency;** activity to address corruption risk, but with significant shortcomings.

1 **Generally low transparency;** weak activity to address corruption risk.

0 **Low transparency;** very weak or no activity to address corruption risk.

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