



Transparency International Defence and Security

Defence Companies Index

Government Defence Integrity Index

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Speakers: Mia Paukovic and Michael Ofori-Mensah

Transparency International – Defence & Security

Transparency International is the world's leading non-governmental anti-corruption organisation. With more than 100 chapters worldwide, Transparency International has extensive global expertise and understanding of corruption

“Our vision is a world in which government, politics, business, civil society and the daily lives of people are free of corruption”

Transparency International – Defence & Security is one of TI's global programmes and is committed to tackling corruption in the global defence and security sector.

“Our mission is to ensure that defence and security institutions are accountable to their publics, subject to civilian oversight, and that corruption risks are reduced”

<https://ti-defence.org/>

The Defence Companies Index on Anti-Corruption & Corporate Transparency

The DCI sets standards for transparency, accountability and anti-corruption programmes in the defence sector

We seek to drive reform sector-wide, reducing corruption risk and its impact by analysing what companies are publicly committing to in terms of their openness, policies and procedures

The DCI 2020 has changed

- To cover a broader range of corruption risk areas
- To emphasise implementation and higher standards
- To promote transparency and information sharing



The Drive Towards Open Business

Build public, investor, and employee trust

Allow information to be reviewed by suppliers, shareholders, enforcement agencies, employees and the public at large

Create collective benchmarking and action

Set standards for the sector. Facilitate sharing of learning and resources to support collective action

Own your information

Without demonstrating what might already be happening internally, people will make their own assumptions and affect your reputation



Mitigate business to business risk

Set expectations on the company's standards for anyone wishing to engage with the company; prospective employees, customers, suppliers. Show you mean business.


Improve scrutiny and quality of policies






Leverage publication process to create internal momentum and change

Help hold governments to account

Allow oversight bodies such as parliaments, external auditors, and ultimately the public, to hold governments to account

DCI content

	LEADERSHIP AND ORGANISATIONAL CULTURE
	INTERNAL CONTROLS
	SUPPORT TO EMPLOYEES
	CONFLICT OF INTEREST
	CUSTOMER ENGAGEMENT

SUPPLY CHAIN MANAGEMENT	
AGENTS, INTERMEDIARIES AND JOINT VENTURES	
OFFSETS	
HIGH RISK MARKETS	
STATE OWNED ENTERPRISES	

Preliminary findings: Summary

Summary of findings

Better on policy than data

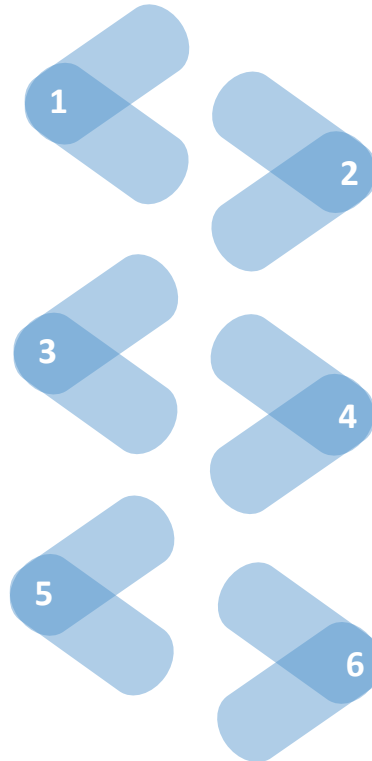
Companies show more transparency on policies than disclosure of procedures and data

High corruption risk

Lowest scores are seen in the highest corruption risk areas (also as seen by corporates)

Learn from those who do it

There is always a good practice example to be found



Lack of assurance

Where policies exist companies do not often show they assure themselves of their effectiveness

Size need not matter

There are excellent examples of 'smaller' companies showing good practice

Dabbling in defence

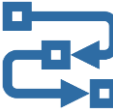
Non A&D companies' policies are not commensurate to operating in this high risk sector

Sections by Average Score



LEADERSHIP AND ORGANISATIONAL CULTURE

STATE OWNED ENTERPRISES



INTERNAL CONTROLS

HIGH RISK MARKETS



SUPPORT TO EMPLOYEES



CONFLICT OF INTEREST

SUPPLY CHAIN MANAGEMENT



CUSTOMER ENGAGEMENT

AGENTS, INTERMEDIARIES AND JOINT VENTURES



OFFSETS

Preliminary findings:

culture and effectiveness

Culture: incentives

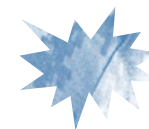
Does the company ensure that its employee incentive schemes are designed so that they promote ethical behaviour and discourage corrupt practices?



Does the company ensure that its incentive schemes for agents are designed so that they promote ethical behaviour and discourage corrupt practices?



Incentivising ethical performance beyond the Board



Evidence of understanding of the role incentives play in reducing agent risks

Culture: measuring effectiveness

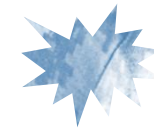
Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?



Does the company commit to, and assure itself of, supporting and protecting employees who refuse to act unethically, even when it might result in a loss of business?



Does the company have a clear policy of non-retaliation against whistleblowers and employees who report bribery and corruption incidents?



Moving beyond completion rates



You may say it, but do they believe it?



Culture in times of changed working practices

Demonstrating effectiveness

Does the company publish high-level results from incident investigations and disciplinary actions against its employees?



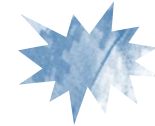
Does the company publish high-level results from ethical incident investigations and disciplinary actions against suppliers?



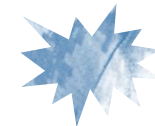
Does the company publish high-level results from incident investigations and sanctions applied against agents?



Established practice for employees



Emerging practice for third parties



Show that the programme is working and consequences exist

Preliminary findings:

high risk areas

Managing market corruption risk

Does the company have enhanced risk management procedures in place for the supply of goods or services to markets or customers in countries identified as at a high risk of corruption?

0

1

2



Market risk high priority



Poorer risk assessment than in other business areas



Ways to assess risk...

Government Defence Integrity Index

Government Defence Integrity Index (GDI)

- Flagship research product of TI-DS, which serves as the basis for evidence-based advocacy in the organization
- The index measures the level of corruption risk in national defence establishments
- Assesses the existence, effectiveness and enforcement of institutional controls
- Focus on 5 specific risk areas: financial risk, personnel risk, political risk, procurement risk, and operational risk
- Both in-law (*de jure*) and in practice (*de facto*) aspects are examined
- The 2020 iteration of the GDI comprises 86 countries across the world



GDI: Major risk categories

Political

E.g. national defence strategy; legislative scrutiny; civil participation; internal and external audit; export controls; lobbying.

Finance

E.g. asset disposals; secret budgets; military-owned businesses; illegal private enterprise.

Personnel

E.g. salary chain; recruitment & promotions; conscription; values & standards; small bribes.

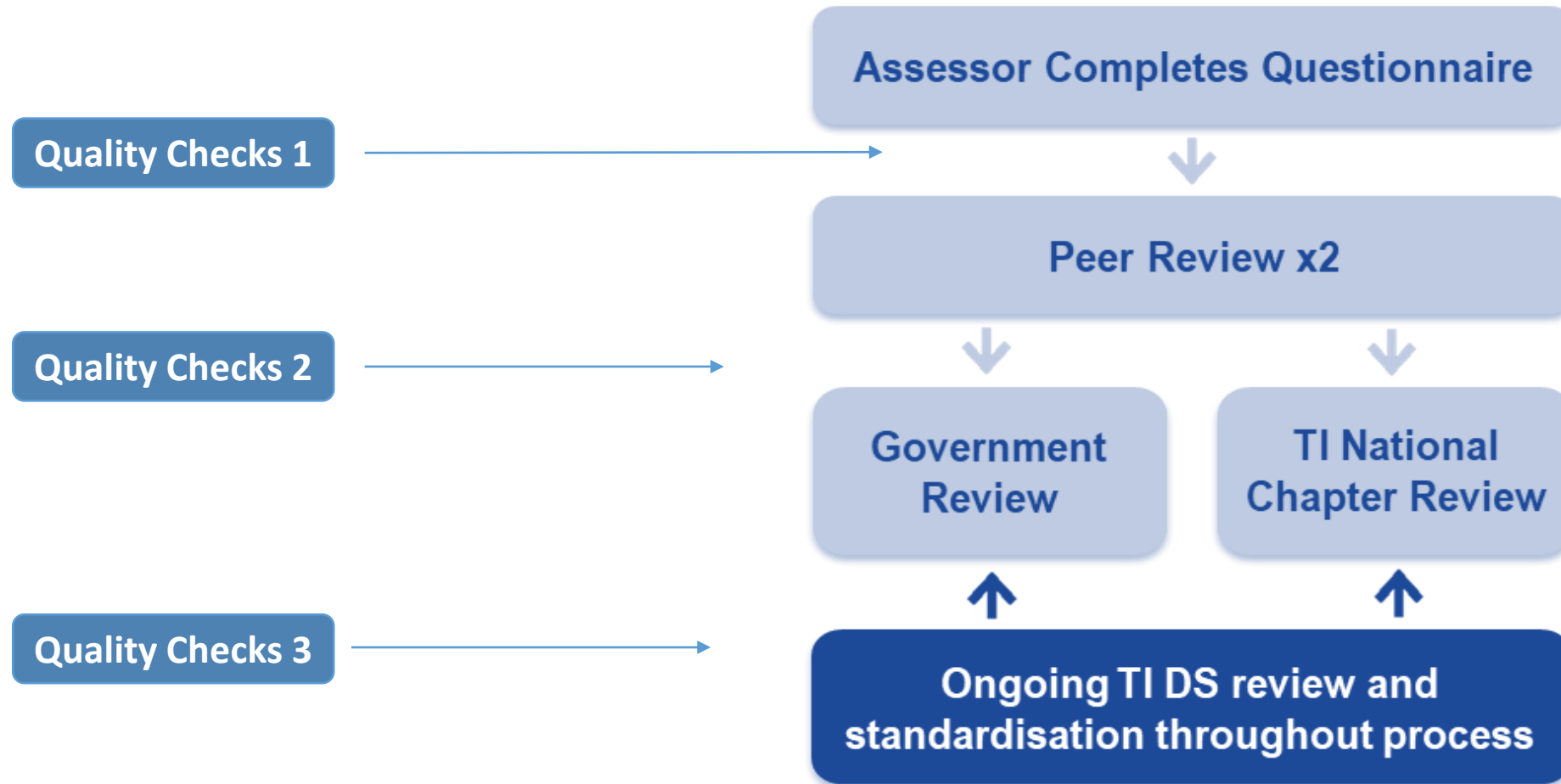
Operations

E.g. military doctrine; training for personnel; sustainment & contracting; private security companies







Procurement

E.g. requirements definition; tender assessment & award; contract delivery; offset contracts; agents; financing package.

GDI Research Process



GDI Score Bands

Range of Scores			Corruption Risk	
F	0	- 16		Critical
E	17	- 32		Very high
D	33	- 49		High
C	50	- 66		Moderate
B	67	- 82		Low
A	83	- 100		Very low

Government Defence Integrity Index

Example of results

COUNTRY SCORECARD: GHANA

Overall Country Score

E

23

Very High Risk

Political Risk		E	32
Q20	Organised Crime Policing	B	67
Q13	Budget Scrutiny	C	63
Q17	External Audit	C	58
Q18	Natural Resources	C	56
Q4	CSO Engagement	C	50
Q5	International Instruments	C	63
Q1	Legislative Scrutiny	D	33
Q12	Budget Transparency & Detail	D	38
Q14	Budget Availability	D	42
Q16	Internal Audit	D	38
Q6	Public Debate	D	38
Q7	Anticorruption Policy	D	38
Q11	Acquisition Planning	E	17
Q15	Defence Income	E	25
Q19	Organised Crime Links	E	25
Q2	Defence Committee	E	21
Q8	Anticorruption Institutions	E	25
Q10	Risk Assessments	F	0
Q21	Intelligence Services Oversight	F	0
Q22	Intelligence Services Recruitment	F	0
Q3	Defence Policy Debate	F	0
Q76	Lobbying	F	0
Q23	Export Controls	NEI	
Q9	Public Trust in Institutions	NS	

Financial Risk		E	28
Q24	Asset Disposal Controls	B	75
Q32	Military-Owned Business Scrutiny	C	50
Q33	Unauthorised Private Enterprise	C	50
Q30	Access to Information	D	38
Q76	Defence Spending	D	38
Q25	Asset Disposal Scrutiny	E	17
Q26	Secret Spending	E	0
Q29	Off-budget Spending	E	17
Q28	Secret Program Auditing	F	0
Q31	Beneficial Ownership	F	0
Q27	Legislative Access to Information	NEI	

Personnel Risk		E	31
Q44	Bribery for Preferred Postings	A	83
Q34	Public Commitment to Integrity	C	50
Q35	Disciplinary Measures for Personnel	C	63
Q40	Payment System	C	50
Q45	Chains of Command and Payment	C	50
Q46	Military Code of Conduct	C	50
Q50	Facilitation Payments	C	50
Q36	Whistleblowing	E	25
Q37	High-risk Positions	F	0
Q38	Numbers of Personnel	F	0
Q39	Pay Rates and Allowances	F	13
Q41	Objective Appointments	F	0
Q42	Objective Promotions	F	0
Q48	Anticorruption Training	F	0
Q43	Bribery to Avoid Conscriptio	NA	
Q47	Civilian Code of Conduct	NEI	
Q49	Corruption Prosecutions	NEI	

Operational Risk		F	5
Q51	Military Doctrine	E	25
Q52	Operational Training	F	0
Q53	Forward Planning	F	0
Q54	Corruption Monitoring in Operations	F	0
Q55	Controls in Contracting	F	0
Q56	Private Military Contractors	NS	

Procurement Risk		E	20
Q57	Procurement Legislation	C	50
Q61	Actual Purchases Disclosed	C	50
Q69	Supplier Sanctions	C	50
Q66	Anti-Collusion Controls	D	38
Q68	Complaint Mechanisms	D	33
Q59	Procurement Oversight Mechanisms	E	17
Q62	Business Compliance Standards	E	25
Q63	Procurement Requirements	E	17
Q65	Tender Board Controls	E	25

Q67	Contract Award / Delivery	E	31
Q60	Potential Purchases Disclosed	F	13
Q64	Open Competition v. Single Sourcing	F	0
Q70	Offset Contracts	F	0
Q71	Offset Contract Monitoring	F	0
Q72	Offset Competition	F	0
Q73	Agents and Intermediaries	F	0
Q74	Financing Packages	F	0
Q58	Procurement Cycle	NEI	
Q75	Political Pressure in Acquisitions	NS	

Legend	Range of Scores	Corruption Risk
A	83 - 100	Very Low
B	67 - 82	Low
C	50 - 66	Moderate
D	33 - 49	High
E	17 - 32	Very High
F	0 - 16	Critical

Key

NEI - Not enough information to score indicator.
 NS - Indicator is not scored for any country
 NA - Not applicable

Transparency International Defence & Security
www.ti-defence.org/gdi



Trends: GDI results for MENA and West Africa

- **Implementation gap** – Policy v. practice
- **Limited transparency/defence exceptionalism** – National security remains an area of secrecy
- **Weak legislative oversight**
- **Personnel** – Unavailable ethics codes; prosecution for corruption not disclosed
- **Operations** – No explicit military doctrine addressing corruption as a strategic issue
- **Procurement** – Single sourcing and limited information about acquisitions



Trends in Procurement Risks: Competition

NIGERIA

- The government provides almost no information on competition in defence procurement.
- No published audit reports and no scrutiny of the selection of contractors in the defence sector.
- There is indication that single sourcing is a common practice.

TUNISIA

- A large proportion of defence procurement is single-sourced.
- While the legislation states that procurement must be conducted through open competition, single sourcing is allowed for national security reasons.
- There is some superficial scrutiny from a government committee.

SOUTH KOREA*

- Competition in defence procurement is strictly limited.
- Single-sourced procurement is allowed and widely used. Over 90 defence suppliers were designated exempt from open competition.
- There is some ineffective scrutiny of single-source procurement by the government.

ARMENIA*

- While single-source procurement is legal, it must be thoroughly justified.
- The Audit Chamber scrutinises all defence procurement, including both single-source and open competition.
- The Ministry of Finance conducts training on corruption risks in single-sourced purchases.

Trends in Procurement Risks: Complaint Mechanism

NIGERIA

- There is no formal mechanism to make a complaint in the procurement procedure.
- Complaints can technically be made to either senior officials or the High Court, but this rarely, if ever, occurs.
- Companies often do not complain out of fear of retaliation.

TUNISIA

- There are formal mechanisms for companies to complain. Disputes can be resolved through an internal committee, arbitration, or litigation.
- The internal mechanism is inexpensive and accessible.
- There are very few complaints. This may be due to a fear of retaliation.

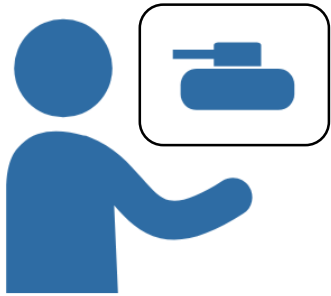
SOUTH KOREA*

- Formalised complaints mechanism are in place. Companies can file complaints about procurement through an ombudsman.
- While it is accessible, it is not very effective.
- Complainants aren't sufficiently protected and often fear retaliation.

ARMENIA*

- There is a formalised complaints procedure. Companies can also complain through the courts.
- The system is accessible and affordable for companies.
- There are still very few complaints. Companies want to maintain good relations with the MoD.

How the GDI is used



By Ministries of
Defence and
armed forces



By internal and
external
oversight bodies



By companies,
investors and
donors



By researchers,
academics, think
tanks and CSOs

Thank you

<http://ti-defence.org/>