

September 2013

# Watchdogs?

The quality of legislative  
oversight of defence  
in 82 countries

**“The defence sector is beset by significant corruption. Failure to effectively investigate defence spending undermines law-makers’ responsibility to their electorate to ensure that every tax dollar is spent honestly and effectively.**

**Legislative oversight of defence has been neglected for too long at the expense of the well-being of citizens.”**

**Andrew Feinstein, former South African Member of Parliament and author of ‘The Shadow World: Inside the Global Arms Trade’**

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# Foreword



The principle that military forces should be under civilian control is well accepted by all nations, except military dictatorships. But in many countries, the reality is that such control is illusory.

Transparency International's Defence and Security Programme (TI-DSP) has been working with governments, defence companies, armed forces, civil society, and policy-makers to improve anti-corruption standards in the defence and security sector since 2004. Our objective is to ensure that strong, effective mechanisms are in place in governments and companies to prevent corruption in defence, and to empower civil society to demand transparency and accountability in this sector.

In January 2013 TI-DSP published the Government Defence Anti-Corruption Index (GI), our most extensive research so far. The Index analyses the vulnerabilities of 82 governments to corruption risk in defence and security and the complete results are published on a dedicated website.

There were 19 questions in the Index that related to the role of parliaments and legislatures in fighting corruption in defence and security.

The results were shocking—two-thirds of countries are at very high risk of corruption due to poor legislative controls over defence and security. Worse, 85 per cent of countries lack effective legislative scrutiny of defence policy.

The ability of the legislature to hold defence and security establishments to account is perhaps the single most important anti-corruption capability that a nation has. If parliamentary defence committees are not holding the armed forces to account, who is?

The purpose of this report is to gain a deeper understanding of the reality of legislative oversight of defence. This study extracts good practices which may be emulated worldwide, to enable clear improvement in parliamentary and legislative controls.

A handwritten signature in black ink that reads "Mark Pyman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark Pyman  
Director  
Defence and Security Programme  
Transparency International UK  
September, 2013

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# Executive summary

**Parliaments and legislatures have a vital role in reducing the risk of corruption in defence and security. Most are not performing.**

**This report shows how they can improve.**

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**Parliaments and legislatures can prevent corruption in the defence sector by drafting laws to tackle it, putting the topic at the level of national debate, and vigorously exercising powers of oversight.**

Transparency International UK's Defence and Security Programme (TI-DSP) published the first ever **Government Defence Anti-Corruption Index (GI)** in January 2013, available at [www.defenceindex.org](http://www.defenceindex.org). This made available an extensive and unprecedented analysis of corruption risk in the defence and security sector in 82 countries around the world.

Building on TI-DSP's work with governments, defence companies, armed forces, civil society, and policy-makers, the Index provides original research by knowledgeable country assessors. It quantifies corruption risks in five key areas: political, financial, personnel, operations and procurement.

The GI analysis finds that 70 per cent of countries leave the door open to waste and threats to security as they lack the tools to prevent corruption in the defence and security sector.

Parliaments and legislatures play a key role in the battle to prevent this risk. They can do this by legislating for laws to prevent it, putting issues of corruption in defence at the level of national debate, and exercising powers of oversight. This report—the first one to take an in-depth look at the results of the GI—examines how effectively they do this. It aims to better understand the strengths and weaknesses of legislative institutions in controlling corruption in the defence and security sector, and to provide clear guidelines on how parliaments and legislatures can do better.

**LEGISLATURES' PERFORMANCE IN CONTROLLING CORRUPTION RISK**

The GI has 19 questions which assess legislative capacity to stem corruption risk in defence and security. These questions are clustered into seven key focus areas, as shown in the box below.

**7 Parliament-focused themes in GI questions**

|   |   |   |
|---|---|---|
| <b>DEFENCE BUDGETS OVERSIGHT &amp; DEBATE</b> | <b>DEFENCE POLICY</b>                             | <b>INTELLIGENCE</b>                           |
| Oversight of process acquisition planning     | Formal legislative oversight procedures           | Effective & independent oversight             |
| Committee scrutiny of defence budget          | Committee oversight                               | <b>PROCUREMENT MECHANISMS &amp; OVERSIGHT</b> |
| Internal audit of expenditure                 | Defence policy debated                            | Procurement legislation                       |
| <b>DEFENCE BUDGET TRANSPARENCY</b>            | Military exploitation of natural resources        | Procurement oversight                         |
| Budget transparency & detail                  | Arms export controls                              | Disclosure of purchases                       |
| Budget publicly available                     | <b>SECRET BUDGETS</b>                             |   |
| <b>EXTERNAL AUDIT</b>                         | Percentage of budget secret                       |   |
| Effective & transparent external audit        | Legislative access to information on secret items |   |
|   | Legislative access to audit reports               |   |
|   | Mechanisms for classifying information            |   |

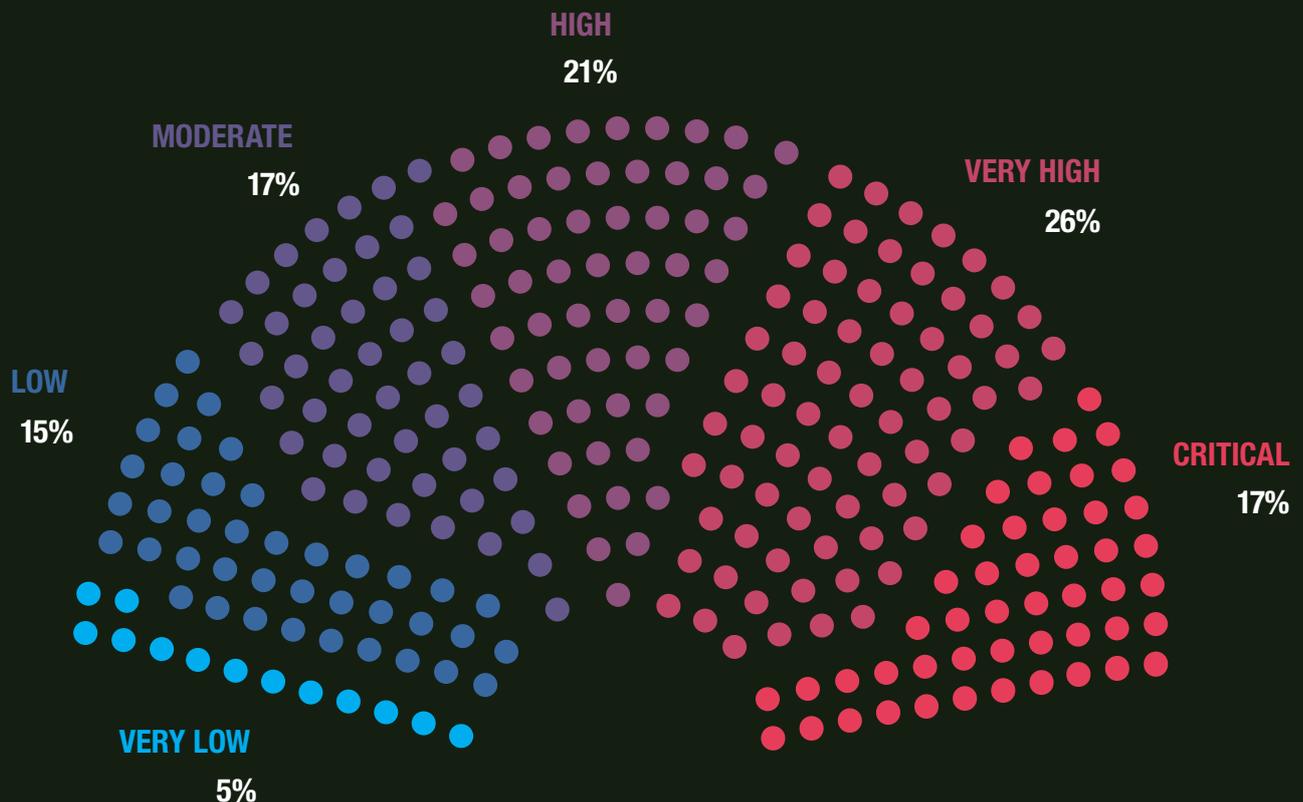
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## The results

- Parliaments and legislatures in two-thirds of the 82 countries assessed have seriously insufficient controls that give rise to high or critical corruption risk in their Ministry of Defence and armed forces.
- Eighty-five per cent of countries lack effective scrutiny of their defence policy.
- More positively, 16 out of the 82 countries assessed have low or very low risk of corruption due to strong legislative mechanisms in place.

If the countries analysed were parliamentarians, and the levels of corruption risk they displayed were political parties, the distribution of seats in this parliament would look like the image below. These results are also available online at <http://government.defenceindex.org/parliaments>.

### DISTRIBUTION OF COUNTRIES BY PARLIAMENTARY LEVEL OF CORRUPTION RISK



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### THE RESULTS:

The table opposite lists countries according to their final score on the parliament-focused questions of the GI. They are placed in one of six bands according to their level of corruption risk, which ranges from very low to critical.

### BANDING BRACKETS

| Corruption Risk | Lower % Score | Upper % Score |
|-----------------|---------------|---------------|
| VERY LOW        | 83.3          | 100           |
| LOW             | 66.7          | 83.2          |
| MODERATE        | 50.0          | 66.6          |
| HIGH            | 33.3          | 49.9          |
| VERY HIGH       | 16.7          | 33.2          |
| CRITICAL        | 0             | 16.6          |

| BAND      | COUNTRIES   |
|-----------|---|
| VERY LOW  | AUSTRALIA, GERMANY, NORWAY, UNITED KINGDOM  |
| LOW       | AUSTRIA, BRAZIL, BULGARIA, COLOMBIA, FRANCE, JAPAN, POLAND, SLOVAKIA, SOUTH KOREA, SWEDEN, TAIWAN, UNITED STATES  |
| MODERATE  | ARGENTINA, BOSNIA AND HERZEGOVINA, CHILE, CROATIA, CYPRUS, CZECH REPUBLIC, HUNGARY, ITALY, LATVIA, MEXICO, SOUTH AFRICA, SPAIN, THAILAND, UKRAINE   |
| HIGH      | GEORGIA, GHANA, GREECE, INDIA, INDONESIA, ISRAEL, KAZAKHSTAN, KENYA, KUWAIT, LEBANON, NEPAL, PHILIPPINES, RUSSIA, SERBIA, TANZANIA, TURKEY, UGANDA  |
| VERY HIGH | AFGHANISTAN, BAHRAIN, BANGLADESH, BELARUS, CHINA, ETHIOPIA, IRAQ, JORDAN, MALAYSIA, MOROCCO, NIGERIA, OMAN, PALESTINE NATIONAL AUTHORITY, PAKISTAN, RWANDA, SINGAPORE, TUNISIA, UNITED ARAB EMIRATES, UZBEKISTAN, VENEZUELA, ZIMBABWE |
| CRITICAL  | ALGERIA, ANGOLA, CAMEROON, COTE D'IVOIRE, DRC, EGYPT, ERITREA, IRAN, LIBYA, QATAR, SRI LANKA, SAUDI ARABIA, SYRIA, YEMEN  |

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### RESULTS IN MORE DETAIL

#### 1. Defence budgets & secret budgets

- Defence budgets in 55 per cent of countries entirely lack transparency or include only limited, aggregated information.
- Seventy five per cent of countries do not publicly reveal defence and security expenditure that is secret.

Parliaments and legislatures promoting low corruption risk share the following attributes:

- a. Feature properly resourced defence committee with formal powers to veto the defence budget and the authority to hold public officials to account.
- b. Possess parliamentary committees with decision-making and veto power over the secret budget. They are provided with comprehensive and classified information.
- c. Disclose the defence budget in both its technical and non-technical forms, which are easily accessible to the public.

#### 2. Policy oversight and debate

- Parliaments and legislatures in almost half of the countries analysed only have minimal formal mechanisms to scrutinise and debate defence policy.
- Evidence of highly effective mechanisms were found in less than 15 per cent of the countries studied.
- In a third of the countries analysed, any external auditing of the defence budget that takes place is either ineffective or its independence is fully undermined by the government.

Parliaments and legislatures promoting low corruption risk share the following attributes:

- a. The parliaments, legislatures, and committees are independent, able to call witnesses, and to decide on lines of inquiry to inform powers that can veto defence policy.
- b. They possess independent audit bodies and parliamentary committees with the specific remit of analysing audit findings and the power to call audit officials for questioning.

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### 3. Intelligence services oversight

- There is no evidence of independent external oversight of intelligence services' policies, budgets, and administration in half of the countries assessed.

Parliaments and legislatures promoting low corruption risk share the following attributes:

- a. Its defence or security committees are legally granted oversight of the intelligence services. Parliaments and legislatures have access to classified information, the power to call on intelligence service personnel for evidence, and adequate support resources.

### 4. Procurement oversight

- In 40 per cent of the countries assessed there is either no evidence of procurement oversight mechanisms, or those in place are highly opaque and inactive.

Parliaments and legislatures promoting low corruption risk share the following attributes:

- a. They have full and transparent oversight of defence procurement. The relevant parliamentary committee—and potentially sub-committees dedicated to specific parts of the military—is fully resourced and able to question procurement officials.

### 5. External Audit

- Three-quarters of countries either have external auditing processes with questionable effectiveness, or there is uncertainty as to whether external auditing occurs at all.

Parliaments and legislatures promoting low corruption risk share the following attributes:

- a. Together with independent audit bodies, they have the specific remit of analysing audit findings, with the power to call audit officials for questioning.

### FACTORS MAKING A DIFFERENCE

There are several national-level characteristics that help explain the degree to which parliaments and legislatures can affect the risk of corruption:

- **Broader political freedoms, and truly democratic systems, mean more effective defence procurement committees, better able to prevent corruption from occurring.**
- **High levels of military per capita tend to increase the risk of corruption. This may result from the armed forces in more militarised societies having strong influence or lobbying power with decision-makers. In such situations, parliaments and legislatures may be undermined and sidelined.**
- **Increased military spending promotes reduced corruption risk. An interesting result deserving of further research, which might be explained by parliamentarians being motivated to push for better and deeper oversight when spending of taxpayers' money on the sector is particularly high.**
- **Presidential systems have higher defence corruption risk than parliamentary systems.**

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# What to do?

## Tools

This report shows that there are major, dangerous weaknesses in legislative oversight of defence worldwide. But what specific actions can be taken to improve oversight?

There are recommendations for parliamentarians, governments, audit bodies, and civil society and the media which may facilitate better scrutiny of defence. In some countries, it is too convenient for politicians, military, and government officials to avoid serious scrutiny of this sector. In other countries, it is too sensitive for parliamentarians to question defence matters, as it means that they may be questioning their own party leadership. Two innovative tools that may catalyse change are to empower a defence expert consulting group, and to set up a secure system for anonymous reporting:

### 1. DEFENCE EXPERT CONSULTING GROUP

Convening a group comprising concerned technical experts from diverse backgrounds who come together to assist legislators and press for change is one way that the legislative committee can strengthen its capability.

The defence expert consulting group may include members of civil society, retired military personnel, retired defence industry personnel, and subject matter experts or academics that legislators in the defence committee can regularly draw upon for their expertise.

They can assist parliamentarians by providing them with knowledge and information on a specific and often technical sector. It will also help to ensure the information that parliamentarians receive is independent of the current military institutions they are overseeing. Well-respected members of the group may also raise public support and understanding for effective parliamentary activity.

### 2. BIPARTISAN REPORTING BODY

Governments can create such a body, perhaps run by the Auditor General, to take the role of regularly soliciting concerns about misuse of defence funds, both from legislators themselves and the public. This committee would encourage anonymous reporting, and would have power to investigate and to report the list of concerns. It should be required to present its findings annually to parliament.

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## **Actions**

### **PARLIAMENTARIANS**

- 1. Establish a well-resourced and cross-party parliamentary defence committee, and be bold in demanding that government and defence officials attend and give evidence to it.**
- 2. Establish a closed parliamentary committee that scrutinises secret spending and the intelligence services.**
- 3. Lobby the government to introduce laws ensuring that parliaments and legislatures have the legal authority to scrutinise, legislate and debate defence matters, including secret defence budgets and the intelligence services, as well as defence institutions and sites.**
- 4. Press for budget support to employ technical experts with specialist knowledge that can be deployed to help reduce corruption risk by, for example, identifying financial anomalies.**

### **THE EXECUTIVE**

- 1. Allocate the resources for legislatures to scrutinise, legislate and debate defence matters, including secret defence budgets and the intelligence services.**
- 2. Provide parliament with the full range of defence budget, procurement and audit documents. The executive should also respond to parliamentary questions according to a strict timeframe, yet allow sufficient time for scrutiny.**
- 3. Empower the legislature defence committee with formal powers to review and veto the defence budget, defence policy and laws. These powers should extend to secret budgets, and should include the option of freezing defence spending.**
- 4. Introduce laws that clearly define when defence information may be classified and prohibit secrecy unless justifiably required to protect national security.**
- 5. Establish an independent audit office with the legal authority to examine government defence expenditure. It should produce publicly available and accessible audit reports.**

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## AUDIT OFFICES

- 1. Produce detailed, timely audit reports of government defence expenditure that are clear, transparent and easily accessible to the legislature and the general public.**
- 2. Consult with the legislature before conducting audits in order to understand where parliaments and legislatures may lack technical expertise on defence, and therefore require additional support.**
- 3. Attend legislature committee meetings upon request to offer the audit office's opinions and explain audit reports.**

## CIVIL SOCIETY & MEDIA

- 1. Lobby the government to introduce laws to create a legislature with effective legal authority to scrutinise, legislate and debate defence matters, including secret defence budgets and the intelligence services.**
- 2. Act as a source of defence expertise that the legislature can call upon, and provide support to those parliamentarians acting to improve oversight of the sector.**
- 3. Initiate public debate and discussion about defence spending and weak oversight.**

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# Defence corruption & legislatures

Parliaments and legislatures have an important role in preventing corruption in defence and security. This sector tends to be closed and secretive. As a central source of representation and legitimacy in government, parliaments and legislatures can hold governments and defence establishments to account and increase transparency. As the legislative body, they may pass laws that stop corruption from occurring, and scrutinise the effectiveness of a government's attempts to enforce this legislation.

The report is timely. Along with the launch of the Government Defence Anti-Corruption Index (GI) 2013, it comes at a point when we are better equipped to analyse the ability of governments to stem corruption risk in defence and security than ever before. This study is also available online at <http://government.defenceindex.org/parliaments>.

## **WHY DOES DEFENCE CORRUPTION MATTER?**

Corruption in the defence sector infringes upon the integrity of the state and undermines the authority of its institutions. It also leads to the loss of public trust and creates insecurity among citizens. Corruption in defence is dangerous and costly. It negatively impacts society and governments, and poses a threat to global security.

Governments exist to serve their people, and defence and security establishments to protect them. When defence and security establishments are corrupt, the integrity of the government is undermined as those with entrusted power abuse it for personal gain.

Corrupt defence and security establishments likewise fail to fulfil their primary duty, as they may become a threat to the individuals they are supposed to protect. The military themselves also suffer as a result of corruption. Personnel are put at risk by unnecessary or poor quality defence equipment when purchases are made according to how much individuals stand to personally gain, rather than to develop the defence capabilities that a country genuinely needs.

Corruption involves the theft of public money. As defence and security tends to occupy a large portion of the national budget, it may attract those interested in profiteering improperly. Government money lost through defence and security corruption means less money to spend on health, education, infrastructure, and development.

Defence corruption also matters for world security. Arms races, many times kick-started by individual greed, can potentially destabilise delicate regional and international balances. Corruption may act as a disincentive to ending conflict, since it enables people to profit from the instability of war.

Corruption in the defence and security sector harms citizens, governments and defence establishments. It also has the potential to cause or intensify regional or global instability.

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### WHERE CAN PARLIAMENTS AND LEGISLATURES MAKE A DIFFERENCE?

To understand exactly how parliaments and legislatures can help reduce corruption risk in defence and security, it is helpful to consider what corruption in defence actually is.

When defining corruption in defence, most people think about procurement, as scandals involving the arms trade tend to make the headlines most often.

In fact, defence corruption is much broader than this. Over the past nine years of discussing the subject with governments, TI-DSP has identified 29 specific corruption risks. These are mapped out in five main areas: political risk, finance risk, personnel risk, operations risk and procurement risk. The full list is shown in the diagram below.

### 29 Defence corruption risks

| POLITICAL                          | PERSONNEL                                  | PROCUREMENT                             |
|------------------------------------|--|---|
| Defence and Security Policy        | Leadership Behaviour                       | Technical Requirements / Specifications |
| Defence Budgets                    | Payroll, Promotions, Appointments, Rewards | Single Sourcing                         |
| Nexus of Defence & National Assets | Conscription                               | Agents / Brokers                        |
| Organised Crime                    | Salary Chain                               | Collusive Bidders                       |
| Control of Intelligence Services   | Values & Standards                         | Financing Packages                      |
| Export Controls                    | Small Bribes                               | Offsets                                 |
| FINANCE                            | OPERATIONS                                 | Contract Award, Delivery                |
| Asset Disposals                    | Disregard of Corruption in Country         | Subcontractors                          |
| Secret Budgets                     | Corruption within Mission                  | Seller Influence                        |
| Military-owned businesses          | Contracts                                  |   |
| Illegal Private Enterprises        | Private Security Companies                 |   |

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Parliaments and legislatures play a particularly crucial role in reducing political, finance, and procurement corruption risk:

- **Political risk:** Defence establishments are less vulnerable to corruption when they are under the democratic control of a political authority that is accountable to its population. In practice, this means that parliaments and legislatures should be able to exercise oversight of the defence sector and effectively scrutinise and contribute to the government's defence policy and budget.
- **Finance risk:** In the defence sector, a culture of secrecy justified on the grounds of national security means that good financial practice may be compromised. Parliaments and legislatures should have the authority and capacity to scrutinise the spending of all public money, including secret budgets.
- **Procurement risk:** Defence procurement is characterised by secrecy and technical complexity. Through enacting legislation and establishing adequate legislative oversight mechanisms, parliaments and legislatures can reduce the vulnerability of defence procurement to corruption.

Parliaments and legislatures do play a role in reducing operations and personnel risk. For example, the national parliament may have the power to decide when a country goes to war and pass legislation setting the accompanying regulations.

A national parliament may also pass laws from which more detailed regulations governing military personnel are constructed. Examples of these could be implementing conscription programmes or separating salary and command chains in the military. However, the scope of a parliament's role in tackling political, finance and procurement risk is more substantial, and consequently the focus of this report.

### THREE KEY LEGISLATIVE FUNCTIONS

Parliaments and legislatures may reduce the risks of corruption in these areas through the exercise of three key functions: legislative, deliberative, and oversight, described in the boxes opposite.

Through the proper performance of these three parliamentary functions, a state is able to exercise democratic control over the defence sector. It also helps to prevent abuse of power from those who are entrusted with its protection, averting them from becoming a threat to the people they are supposed to protect.

In addition, parliaments' and legislatures' deliberative and oversight functions work to ensure that the substantial amount of public funds allocated to defence are spent according to people's genuine security needs. Such money should not be allowed to disappear behind closed doors where parliament—as the locus of accountability and legitimacy—is shut out.

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## LEGISLATIVE FUNCTION

As the principal law-making institution in democratic states, parliaments and legislatures pass the laws that set the boundaries within which governments must operate.

In the field of defence, parliaments and legislatures have a central role to play in legislating both to protect against corruption and to enable proper scrutiny of the executive. This may be through ensuring that laws relating to defence and security procurement contain anti-corruption clauses, for example. It may also be through legislating for rigorous criteria to determine when a government is permitted to keep information classified.

## DELIBERATIVE FUNCTION

Parliaments and legislatures act as forums for the debate and reasoned consideration of policy. In performing this role, parliaments and legislatures can bring much-needed transparency to the area of defence and help hold the executive to account.

Without open debate in defence, governments are able to operate behind closed doors, and outside the glare of the public eye, creating an environment for corruption to occur.

The deliberative role played by parliaments and legislatures helps ensure that the defence sector operates in the public interest. Self-seeking interests are unlikely to be proposed if defence is discussed in the open.

## OVERSIGHT FUNCTION

Parliamentary oversight is a further function that is crucial in reducing corruption risk. By checking excesses of executive power and ensuring the government operates lawfully, parliaments and legislatures play a key role in holding this secretive sector to account.

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## Data & methodology

The Government Defence Anti-Corruption Index (GI) 2013 features in-depth analysis of corruption risks.

Various indicators pertain to the capacity for parliaments and legislatures to control such risk in defence and security.

Analysis goes beyond quantitative scores to in-depth qualitative explanations, which will be drawn upon in this report.

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### OVERALL GOVERNMENT DEFENCE ANTI-CORRUPTION INDEX (GI) RESULTS

The countries were placed in one of six bands according to their final score. To construct the banding—which runs from A to F—the scores for all 77 questions were aggregated and expressed as percentages of the total available scores. These scores were then mapped against the schema below. The dial and box on the following page show the global results.

| 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       |

Due to the large number of countries clustered in **Band D**, countries were subdivided into D+ and D- sub-bands. The cut off mark was 41.6 per cent, the mid-point in the Band D range.

| BAND                 | COUNTRIES   | % IN BAND  |
|----------------------|---|------------|
| <b>A</b>             | AUSTRALIA, GERMANY  | <b>2%</b>  |
| <b>B</b>             | AUSTRIA, NORWAY, SOUTH KOREA, SWEDEN, TAIWAN, UNITED KINGDOM, UNITED STATES OF AMERICA  | <b>9%</b>  |
| <b>C</b>             | ARGENTINA, BRAZIL, BULGARIA, CHILE, COLOMBIA, CROATIA, CZECH REPUBLIC, FRANCE, GREECE, HUNGARY, ITALY, JAPAN, LATVIA, POLAND, SLOVAKIA, SPAIN                                     | <b>20%</b> |
| <b>D<sup>+</sup></b> | BOSNIA & HERZEGOVINA, CYPRUS, INDIA, ISRAEL, KENYA, KUWAIT, LEBANON, MEXICO, NEPAL, SERBIA, SINGAPORE, SOUTH AFRICA, THAILAND, UKRAINE, UNITED ARAB EMIRATES (UAE)                | <b>18%</b> |
| <b>D<sup>-</sup></b> | BANGLADESH, BELARUS, CHINA, ETHIOPIA, GEORGIA, GHANA, JORDAN, KAZAKHSTAN, MALAYSIA, PAKISTAN, PALESTINIAN NATIONAL AUTHORITY, RUSSIA, RWANDA, TANZANIA, TURKEY                    | <b>18%</b> |
| <b>D</b>             |   | <b>36%</b> |
| <b>E</b>             | AFGHANISTAN, BAHRAIN, COTE D'IVOIRE, INDONESIA, IRAN, IRAQ, MOROCCO, NIGERIA, OMAN, PHILIPPINES, QATAR, SAUDI ARABIA, SRI LANKA, TUNISIA, UGANDA, UZBEKISTAN, VENEZUELA, ZIMBABWE | <b>22%</b> |
| <b>F</b>             | ALGERIA, ANGOLA, CAMEROON, DEMOCRATIC REPUBLIC OF CONGO, EGYPT, ERITREA, LIBYA, SYRIA, YEMEN  | <b>11%</b> |

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The examination of parliaments' and legislatures' ability to curb corruption risk in defence and security will be driven, in large part, by the results of the Government Defence Anti-Corruption Index 2013 (GI).

The GI measures the degree of corruption risk and vulnerability in government defence establishments—the defence ministry, the armed forces, and other related government institutions in a given country. The 82 countries included in the Index account for 94 per cent of the global military expenditure in 2011 (USD 1.6 trillion). They were selected according to the size of their arms trade, the absolute and per capita size of their militaries, and a proxy of the size of their security sector.

The GI 2013 is a brand new tool and the result of a major two-year study. It makes the levels of defence corruption risk across governments visible, and enables decision-makers and citizens to monitor the progress made in reducing this risk. It also provides governments and citizens with information on how their defence ministries and armed forces compare to others in tackling defence corruption. The GI 2013 will be repeated in time, allowing any changes in countries' performances to be observed and examined.

### COUNTRY ASSESSMENTS

Each of the 82 countries included in the GI 2013 were subject to independent assessment of the extent of corruption risk in their defence sectors. Every country was analysed using a comprehensive survey of 77 questions, clustered into the five areas outlined in the corruption risk typology presented in Chapter 1 (page 17).

The questionnaire was answered by a lead country assessor, whose responses were reviewed by two independent peer reviewers. The researchers recruited were independent specialists across academia, journalism, and the anti-corruption movement, including TI national chapters. We sought individuals based in-country and who had access to knowledge on the ground.

The answer to each question is scored from 0 to 4, and detailed model answers were provided for assessors' and reviewers' guidance. This helped standardise the responses across countries and ensure a tight focus on defence corruption risk. Assessors were required to provide a narrative justification for their scoring and to list references for each question. TI-DSP produced summaries of defence corruption risks for each of the countries assessed using the in-depth analysis resulted from each risk area. These and further analysis are available online at [www.defenceindex.org](http://www.defenceindex.org).

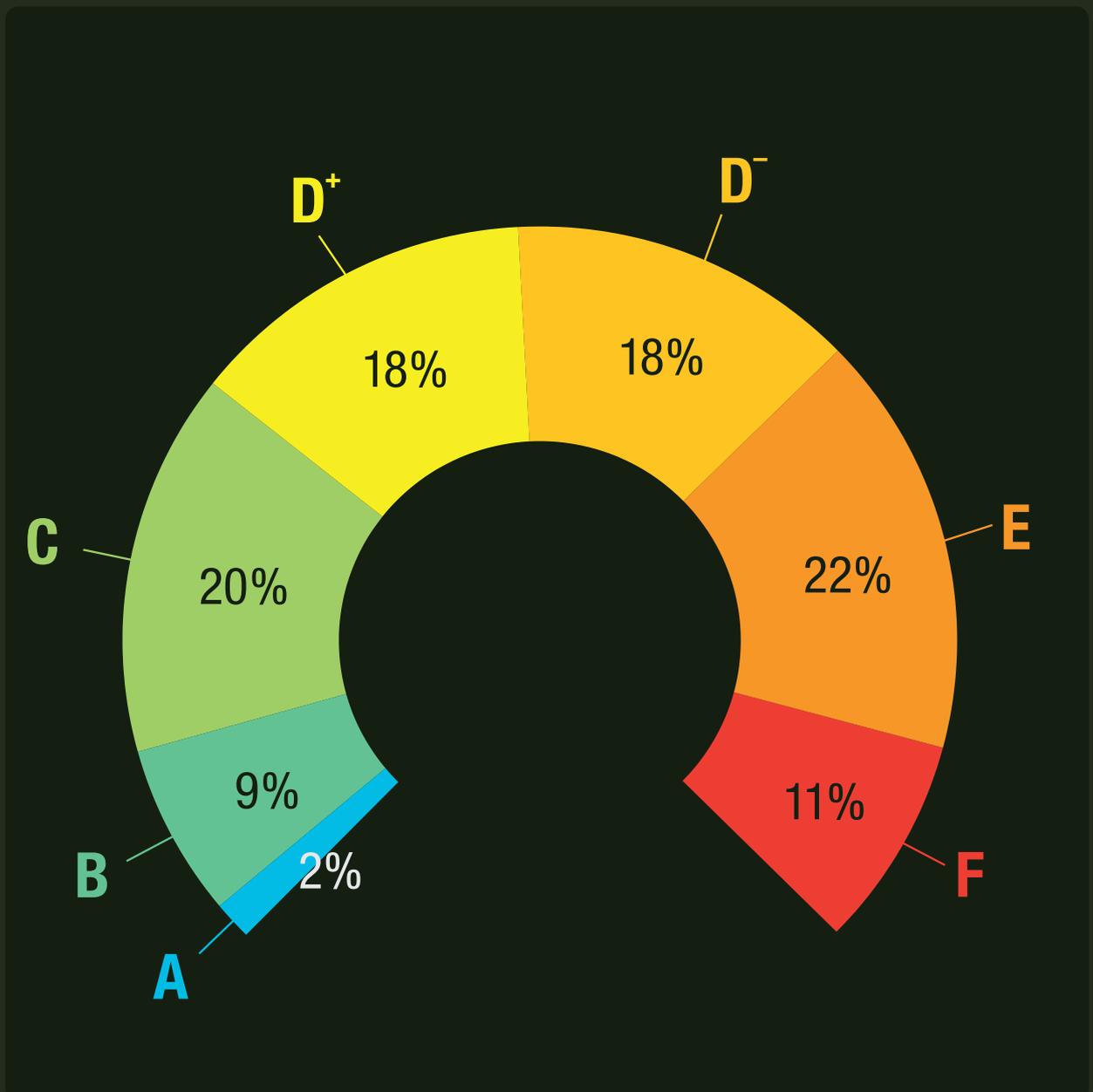
The Index paints a concerning picture of the state of corruption controls in the defence sector across the world.

Of the 82 countries assessed, only two—Australia and Germany—exhibited strong controls.

Approximately 30 per cent of the countries have generally high or moderate transparency.

The remaining nations have poor results—with 69 per cent falling in bands D, E and F—and categorised as having high, very high, or critical corruption risk.

The countries assessed include 20 of the largest 30 arms importers in the world, and 16 of the largest 30 arms exporters.



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## Report methodology

For the purposes of this study—focused on the role of parliaments and legislatures in reducing corruption risk—TI-DSP selected the 19 questions relating directly to this topic from the original list of 77 indicators for analysis.

These 19 questions collectively provide an accurate picture of the authority, ability, and attitude of parliaments and legislatures in combating defence corruption risk in the 82 countries assessed. A list of the 19 GI questions specifically relevant for parliaments and legislatures, can be found in Annex 2. The table below shows the 19

themes covered in this study, which groups the questions into the seven key areas that form the basis for the analytical chapters that follow.

The general picture of parliamentary ability to stem corruption both globally and regionally can be better understood by banding countries in terms of the effectiveness of their parliaments and legislatures in reducing defence corruption risk. This is achieved by isolating the results of these 19 parliament-focused questions and using the scores relating just to these areas to re-band the countries.

### 7 Parliament-focused themes in GI questions

|   |   |   |
|---|---|---|
| <b>DEFENCE BUDGETS<br/>OVERSIGHT &amp; DEBATE</b> | <b>DEFENCE POLICY</b>                             | <b>INTELLIGENCE</b>                               |
| Oversight of process acquisition planning         | Formal legislative oversight procedures           | Effective & independent oversight                 |
| Committee scrutiny of defence budget              | Committee oversight                               | <b>PROCUREMENT MECHANISMS<br/>&amp; OVERSIGHT</b> |
| Internal audit of expenditure                     | Defence policy debated                            | Procurement legislation                           |
| <b>DEFENCE BUDGET<br/>TRANSPARENCY</b>            | Military exploitation of natural resources        | Procurement oversight                             |
| Budget transparency & detail                      | Arms export controls                              | Disclosure of purchases                           |
| Budget publicly available                         | <b>SECRET BUDGETS</b>                             |   |
| <b>EXTERNAL AUDIT</b>                             | Percentage of budget secret                       |   |
| Effective & transparent external audit            | Legislative access to information on secret items |   |
|   | Legislative access to audit reports               |   |
|   | Mechanisms for classifying information            |   |

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This approach is novel, and enables governments and citizens to see how their parliament compares to others in tackling defence corruption.<sup>1</sup> Used in conjunction with the overall findings of the Index, the parliamentary ranking indicates which countries perform relatively well in those questions applicable to parliaments and legislatures, and which perform less well.

The results show that—across the board and in all regions—there are substantial improvements to be made. **Sixty-four per cent of countries fall in bandings D, E and F, meaning that they face high, very high, or critical corruption risk in the areas where parliaments and legislatures could make a difference. Only a fifth of countries have parliaments or legislatures that exhibit low or very low defence corruption risk.**

Parliaments and legislatures can potentially play a powerful role in reducing the risk of corruption in defence and security establishments by exercising their legislative, deliberative and oversight functions. The analysis shows they are not currently fulfilling this potential. It should also be emphasised that all countries in all regions have progress to make, even those with high scores.

When these parliament-specific results are compared to the overall results of the GI, some interesting differences are observed. Singapore and China, for example, fall by 20 and 18 places respectively on the parliamentary ranking compared with their overall ranking. This indicates that the poor performance of these countries' parliaments

and legislatures makes them particularly vulnerable to corruption in the defence sector. Other countries that underperform when comparing their overall scores with the parliamentary questions in isolation are Greece, Bangladesh, Rwanda, Pakistan, Malaysia, and the Palestinian National Authority.<sup>2</sup> Efforts to improve parliamentary effectiveness will significantly lower the risk of corruption in such countries' government defence establishments.

Other countries perform better in the parliamentary ranking, suggesting that their primary weaknesses in tackling defence corruption may lie elsewhere. The Philippines climbs 22 places, whereas Indonesia and South Africa go up 14 positions.

What underlies such mixed findings? Which examples of good practice are observed across countries?

The following chapters of this report will answer these questions, drawing on examples of good practice found in countries around the world in seven key areas: budget oversight and debate, budget transparency, external audits, policy oversight and debate, intelligence services oversight, secret budgets oversight, and procurement oversight. These results are also available online at <http://government.defenceindex.org/parliaments>.

1 There is a Parliamentary Powers Index (Fish and Kroenig, 2009) which included the question "Does the legislature have effective powers of oversight over the agencies of coercion (the military, organs of law enforcement, intelligence services, the secret police)?" which was answered yes/no. Yet this index is not

focused on anti-corruption specifically, and is scored only on this binary variable, making the GI the preferable source for the purposes of this report.

2 For the purpose of the charts in this report, we'll refer to the Palestinian National Authority as Palestine.

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# The results

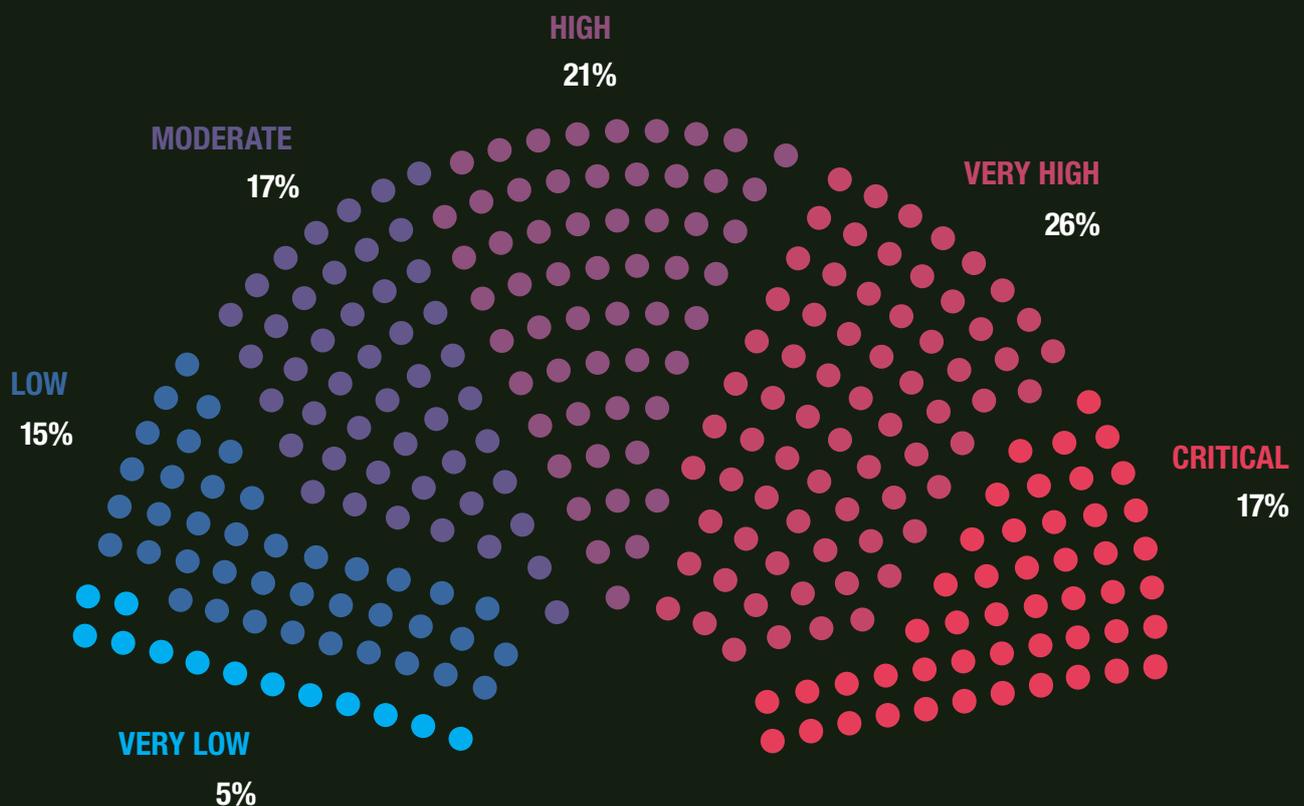
The countries are placed in one of six bands according to their final score on the parliament-focused questions of the GI. The level of corruption risk associated with each band is as follows:

| BANDING BRACKETS |               |               |
|------------------|---------------|---------------|
| Corruption Risk  | Lower % Score | Upper % Score |
| VERY LOW         | 83.3          | 100           |
| LOW              | 66.7          | 83.2          |
| MODERATE         | 50.0          | 66.6          |
| HIGH             | 33.3          | 49.9          |
| VERY HIGH        | 16.7          | 33.2          |
| CRITICAL         | 0             | 16.6          |

| BAND      | COUNTRIES   |
|-----------|---|
| VERY LOW  | AUSTRALIA, GERMANY, NORWAY, UNITED KINGDOM  |
| LOW       | AUSTRIA, BRAZIL, BULGARIA, COLOMBIA, FRANCE, JAPAN, POLAND, SLOVAKIA, SOUTH KOREA, SWEDEN, TAIWAN, UNITED STATES  |
| MODERATE  | ARGENTINA, BOSNIA AND HERZEGOVINA, CHILE, CROATIA, CYPRUS, CZECH REPUBLIC, HUNGARY, ITALY, LATVIA, MEXICO, SOUTH AFRICA, SPAIN, THAILAND, UKRAINE   |
| HIGH      | GEORGIA, GHANA, GREECE, INDIA, INDONESIA, ISRAEL, KAZAKHSTAN, KENYA, KUWAIT, LEBANON, NEPAL, PHILIPPINES, RUSSIA, SERBIA, TANZANIA, TURKEY, UGANDA  |
| VERY HIGH | AFGHANISTAN, BAHRAIN, BANGLADESH, BELARUS, CHINA, ETHIOPIA, IRAQ, JORDAN, MALAYSIA, MOROCCO, NIGERIA, OMAN, PALESTINE NATIONAL AUTHORITY, PAKISTAN, RWANDA, SINGAPORE, TUNISIA, UNITED ARAB EMIRATES, UZBEKISTAN, VENEZUELA, ZIMBABWE |
| CRITICAL  | ALGERIA, ANGOLA, CAMEROON, COTE D'IVOIRE, DRC, EGYPT, ERITREA, IRAN, LIBYA, QATAR, SRI LANKA, SAUDI ARABIA, SYRIA, YEMEN  |

If the countries analysed were parliamentarians, and the levels of corruption risk they displayed were political parties, the distribution of seats in the global parliament would look like this:

#### DISTRIBUTION OF COUNTRIES BY PARLIAMENTARY LEVEL OF CORRUPTION RISK



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# **Analysis of the seven key areas**

**Embargoed until 17 September, 12:00 London time**

- 1. Budget oversight & debate**
- 2. Budget transparency**
- 3. External audit**
- 4. Policy oversight & debate**
- 5. Secret budgets oversight**
- 6. Intelligence services oversight**
- 7. Procurement oversight**

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# 1.

## BUDGET OVERSIGHT & DEBATE

Governments must defend their citizens while ensuring that the money they spend is invested with only legitimate purposes in mind. Parliaments and legislatures can make sure this is the case.

Governments have a duty to invest adequate funds to protect citizens and the national interest through maintaining professional, well-equipped, and properly resourced military and security services. A government's defence budget outlines their plans to do so. And parliaments and legislatures can play an important role in making sure this obligation is met. They can prevent the misuse of public finances through exercising their oversight, deliberative, and legislative functions.

The technical complexity of the defence budget means that oversight is best provided by a permanent committee with the necessary expertise and resources. These committees can provide the independent analysis needed to allow legislators to engage with the budget process in a meaningful way, especially when considering the government's budget proposal and suggesting amendments. Committees may also provide a means of balancing the need for confidentiality with the need for accountability, since it is possible to share sensitive information with a smaller group of parliamentarians.

Parliaments and legislatures may also scrutinise and increase the transparency of the defence budget through exercising its deliberative function. Debates are the most visible aspect of parliamentary activity and attract the most media attention. They help shine a spotlight on government spending and ensure that national resources are matched with national defence priorities.

Whilst parliaments and legislatures may have the necessary authority to scrutinise and debate the defence budget, they also need adequate resources and access to detailed budget documents (including proposed budgets, enacted budgets, and audit reports) to ensure they can perform these roles effectively.

Parliamentary involvement in allocating, managing and overseeing the resources dedicated to the defence and security sectors is a crucial ingredient in the emergence of accountable governments, defence institutions and armed forces.

### SUMMARY FINDINGS FROM THE DATA

- Less than 40 per cent of countries obtain at least half marks in this area.
- Very few countries obtain either full or no marks.
- Despite the considerable amount of number of countries taking positive anti-corruption steps, a huge majority of countries still have room to improve.

### GI 2013 INDICATORS USED

- Does the country have a process for acquisition planning that involves clear oversight, and is it publicly available?
- Is there a legislative committee (or other appropriate body) responsible for defence budget scrutiny and analysis in an effective way, and is this body provided with detailed, extensive, and timely information on the defence budget?
- Is there an effective internal audit process for defence ministry expenditure (that is, for example, transparent, conducted by appropriately skilled individuals, and subject to parliamentary oversight)?

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| LOW RISK COUNTRIES | % MARKS |
|--------------------|---------|
| AUSTRALIA          | 100     |
| GERMANY            | 100     |
| NORWAY             | 92      |
| SWEDEN             | 83      |
| UNITED KINGDOM     | 83      |
| BRAZIL             | 75      |
| COLOMBIA           | 75      |
| JAPAN              | 75      |
| POLAND             | 75      |
| TAIWAN             | 75      |
| AUSTRIA            | 67      |
| CYPRUS             | 67      |
| FRANCE             | 67      |
| LATVIA             | 67      |
| SOUTH KOREA        | 67      |
| UNITED STATES      | 67      |
| CHILE              | 58      |
| CZECH REPUBLIC     | 58      |
| HUNGARY            | 58      |
| INDIA              | 58      |
| KUWAIT             | 58      |
| THAILAND           | 58      |
| ARGENTINA          | 58      |
| BULGARIA           | 58      |
| BOSNIA             | 50      |
| ITALY              | 50      |
| KENYA              | 50      |
| MEXICO             | 50      |
| SERBIA             | 50      |
| SOUTH AFRICA       | 50      |

### CHARACTERISTICS OF HIGH RISK COUNTRIES

- Countries in this group have no legislative committee with effective access to the defence budget.
- They lack parliamentary oversight of future budget expenditure; parliamentarians have no input into planned acquisitions.
- Even if they have some rudimentary processes of internal audit, they fail to disclose the findings to parliament; or ignore parliamentary scrutiny when these details are released.

| HIGH RISK COUNTRIES  | % MARKS |
|----------------------|---------|
| GHANA                | 44      |
| BELARUS              | 42      |
| CROATIA              | 42      |
| GREECE               | 42      |
| ISRAEL               | 42      |
| KAZAKHSTAN           | 42      |
| NIGERIA              | 42      |
| PHILIPPINES          | 42      |
| RWANDA               | 42      |
| SPAIN                | 42      |
| UGANDA               | 42      |
| BAHRAIN              | 33      |
| CAMEROON             | 33      |
| GEORGIA              | 33      |
| LEBANON              | 33      |
| NEPAL                | 33      |
| PAKISTAN             | 33      |
| PALESTINE            | 33      |
| RUSSIA               | 33      |
| SINGAPORE            | 33      |
| SLOVAKIA             | 33      |
| TANZANIA             | 33      |
| UKRAINE              | 33      |
| VENEZUELA            | 33      |
| ZIMBABWE             | 33      |
| AFGHANISTAN          | 25      |
| BANGLADESH           | 25      |
| CHINA                | 25      |
| COTE D'IVOIRE        | 25      |
| ETHIOPIA             | 25      |
| INDONESIA            | 25      |
| IRAQ                 | 25      |
| MALAYSIA             | 25      |
| TURKEY               | 25      |
| UZBEKISTAN           | 25      |
| IRAN                 | 17      |
| JORDAN               | 17      |
| OMAN                 | 17      |
| SAUDI ARABIA         | 17      |
| SRI LANKA            | 17      |
| ANGOLA               | 8       |
| DRC                  | 8       |
| EGYPT                | 8       |
| ERITREA              | 8       |
| MOROCCO              | 8       |
| QATAR                | 8       |
| TUNISIA              | 8       |
| UNITED ARAB EMIRATES | 8       |
| YEMEN                | 8       |
| ALGERIA              | 0       |
| LIBYA                | 0       |
| SYRIA                | 0       |

### CHARACTERISTICS OF LOW RISK COUNTRIES

- Countries in this group possess a defence committee with strong powers of scrutiny over the defence budget, and is independent and adequately resourced.
- They exhibit legislative mechanisms of scrutiny relating to acquisition planning, and budget projections.
- They have the facility for robust parliamentary scrutiny of the defence budget's internal audit procedures and outcomes.

### SCORE COLOUR-CODING KEY

#### Very low

80% – 100%

76% – 88%

63% – 75%

51% – 62%

38% – 50%

26% – 37%

13% – 25%

0% – 12%

#### Critical

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### Good practice case studies

#### POLAND

Poland's budget must be approved by parliament. As per the rules applicable in 2013, The Polish Council of Ministers is legally required to adhere to a **strict timetable for submitting budget documents** to parliament:

- A draft budget (including the defence budget) must be submitted to parliament for its consideration and approval no later than three months before the start of the fiscal year.
- A report on the budget's implementation must be presented to parliament within five months following the end of the fiscal year.

Within parliament, the National Defence Committee is tasked with scrutinising and evaluating the government's budget proposal. It enjoys the capacity to legislate—it can definitively shape the defence budget by **submitting amendments to the budget proposal** during its passage through parliament. It may also **appoint a subcommittee** from its members to conduct more

detailed examination of the proposal. In addition, it **has the power to cross-examine experts** working with the defence budget, including the heads of departments within the Ministry of National Defence and the Ministry of Finance.

The committee may also make use of the unique *desiderata* system to hold the government to account over the defence budget. *Desiderata* are formal declarations by the committee to members of the executive regarding the implementation of law. Government officials whose actions are subject to *desiderata* are **obliged to provide formal written responses to the committees within 30 days**.

However, whilst the formal provisions in place in Poland are robust, there is some concern that they are not always used to their full extent in practice. This suggests that there may be shortcomings either in terms of committee resources or the political will of parliamentarians.

#### TAIWAN

The National Defence Committee of Taiwan's Legislative Yuan (LY) scrutinises the annual defence budget proposal. The committee has the power to cut or freeze the budget. In doing so, it exerts control and influence over government decision-making on defence spending.

In 2007, for example, Taiwan's Defence Ministry requested funding from the Legislative Yuan to acquire 66 military aircraft and to boost the 2007 defence budget. The LY's defence and budget

committees responded by jointly passing an amended 2007 defence budget, which froze the aircraft budget for 5 months, pending the provision of price and availability data.

The committee is also able to request that the government submits reports to it and attends its meetings to provide evidence. A live online broadcast of the National Defence Committee's proceedings can be streamed via the government website, contributing to defence budget transparency.

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### INDIA

As part of the wider process of parliamentary approval of the annual budget, the 'Demand for Grants' is placed before the appropriate standing committees.

In the case of the defence budget, the Parliamentary Standing Committee on Defence is empowered to:

- Approve or reject the budget demands made.
- Reduce the amount of money requested by the government.

To further increase confidence in the Committee's work, it is recommended that improvements are made in the transparency surrounding this oversight.

Annual reports on decisions made and the reasoning behind them, as well as the outcomes of these decisions, would help assure citizens that the Committee is fully effective. This is particularly important in the wake of recent defence corruption scandals in India.

## Applying the findings

**Level 1:**  
Pre-requisite requirements for nations with no or very weak legislative controls

**Legally require the government to submit budget documents to parliament within a strict timeframe.**

This should allow sufficient time for parliamentary scrutiny.

**Level 2:**  
More advanced requirements for nations with some legislative oversight capacity, but with opportunity to do more

**Establish a properly-resourced and permanent legislative committee that is mandated to scrutinise the government's defence budget proposal and subsequent implementation.**

The committee should be able to call on public experts and high-level government officials to answer questions. It should be aided by an independent, external auditor that submits reports on government defence spending to parliament.

**Level 3:**  
Optimising requirements for nations with strong legislative controls

**Empower the parliamentary committee with formal powers to review and veto the defence budget and to cut or freeze spending.**

As well as having the power to cut or freeze spending, the committee should have the capacity to submit amendments to the budget proposal. The committee should have the resources and authority to appoint a subcommittee to conduct more detailed examinations of budget proposals.

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# 2.

## BUDGET TRANSPARENCY

Transparency in public funds is a crucial step in preventing the risk of corruption in the defence sector. According to SIPRI data, in 2011 the world's countries spent USD 1.7 trillion on their militaries. Waste could cost billions of dollars.

Parliaments and legislatures must have access to detailed defence budget documents if they are to properly scrutinise governments. Budgets are pivotal in enabling parliamentarians, civil society organisations, and the public to hold their leaders and militaries to account for their actions. The level of defence budget transparency in a country strongly determines the capacity of its parliament to reduce the risk of corruption in the defence sector.

Governments regularly appeal to national security to justify secrecy in defence. Yet **approximately one third of countries assessed as part of the GI publish a defence budget that is detailed and transparent.** These countries often have mechanisms in place allowing them to maintain a justifiable level of secrecy while ensuring that the defence budget is disclosed in a manner that means accountability can be enforced.

The desire for secrecy can result in parliaments and legislatures only being given highly aggregated budgets, making it impossible for them to prevent the misuse of public money. A lack of transparency surrounding the budget and the inadequate oversight that necessarily follows can act as potential veils for corruption. Under such conditions, a country's defence budget may be inflated, with the excess funds siphoned off by corrupt officials. Public money could be wasted on purchases that are not based on national need, but rather on how much individuals stand to personally gain through bribes. A country's national security will be undermined if the armed forces are not resourced in a way that maximises operational performance.

The Open Budget Survey highlights eight budget documents that must be published to ensure a transparent budget process. These include: a pre-budget statement, the executive budget proposal, the enacted

budget, a range of reports and reviews throughout the budget execution phase, an audit report, and a citizens' budget (a non-technical version of the budget for public consumption).

Legislative oversight is essential for the efficient management of public budgets. The provision of detailed and transparent defence budget documents to parliament is a prerequisite for this to occur. The public availability of such documents allows external actors—such as civil society organisations—to support parliamentary efforts to scrutinise government defence spending. This may be particularly helpful to parliaments and legislatures that lack adequate support staff.

### SUMMARY FINDINGS FROM THE DATA

- Less than 50 per cent of the countries pick up at least half marks.
- There is considerable work to do to ensure transparency of defence budgets.
- Yet 30 per cent of countries obtain 75 per cent or more of available marks, indicating good practice is evident.

### GI 2013 INDICATORS USED

- Is the defence budget transparent, showing key items of expenditure? This would include comprehensive information on military R&D, training, construction, personnel expenditures, acquisitions, disposal of assets, and maintenance.
- Is the approved defence budget made publicly available? In practice, can citizens, civil society, and the media obtain detailed information on the defence budget?

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| LOW RISK COUNTRIES | % MARKS |
|--------------------|---------|
| AUSTRALIA          | 100     |
| BRAZIL             | 100     |
| FRANCE             | 100     |
| GERMANY            | 100     |
| NORWAY             | 100     |
| POLAND             | 100     |
| SWEDEN             | 100     |
| TAIWAN             | 100     |
| UNITED KINGDOM     | 100     |
| CZECH REPUBLIC     | 88      |
| ITALY              | 88      |
| JAPAN              | 88      |
| SLOVAKIA           | 88      |
| SOUTH KOREA        | 88      |
| UNITED STATES      | 88      |
| BOSNIA             | 75      |
| BULGARIA           | 75      |
| HUNGARY            | 75      |
| LATVIA             | 75      |
| PHILIPPINES        | 75      |
| SOUTH AFRICA       | 75      |
| THAILAND           | 75      |
| UKRAINE            | 75      |
| AUSTRIA            | 63      |
| CHILE              | 63      |
| COLOMBIA           | 63      |
| CROATIA            | 63      |
| SPAIN              | 63      |
| AFGHANISTAN        | 50      |
| ARGENTINA          | 50      |
| GHANA              | 50      |
| INDIA              | 50      |
| KUWAIT             | 50      |
| MEXICO             | 50      |
| NEPAL              | 50      |
| RWANDA             | 50      |
| TURKEY             | 50      |

### CHARACTERISTICS OF HIGH RISK COUNTRIES

- Countries in this group fail to publish detailed defence budget documents. Any information that is published is highly aggregated or vague.
- They make it extremely difficult or impossible to obtain any detailed information on the defence budget.

| HIGH RISK COUNTRIES  | % MARKS |
|----------------------|---------|
| BANGLADESH           | 38      |
| BELARUS              | 38      |
| GEORGIA              | 38      |
| INDONESIA            | 38      |
| LEBANON              | 38      |
| MALAYSIA             | 38      |
| MOROCCO              | 38      |
| NIGERIA              | 38      |
| OMAN                 | 38      |
| SERBIA               | 38      |
| TANZANIA             | 38      |
| UGANDA               | 38      |
| VENEZUELA            | 38      |
| BAHRAIN              | 25      |
| CAMEROON             | 25      |
| CHINA                | 25      |
| COTE D'IVOIRE        | 25      |
| ETHIOPIA             | 25      |
| GREECE               | 25      |
| IRAQ                 | 25      |
| KAZAKHSTAN           | 25      |
| KENYA                | 25      |
| RUSSIA               | 25      |
| TUNISIA              | 25      |
| ZIMBABWE             | 25      |
| ANGOLA               | 13      |
| CYPRUS               | 13      |
| DRC                  | 13      |
| IRAN                 | 13      |
| ISRAEL               | 13      |
| JORDAN               | 13      |
| LIBYA                | 13      |
| PAKISTAN             | 13      |
| PALESTINE            | 13      |
| SRI LANKA            | 13      |
| UZBEKISTAN           | 13      |
| ALGERIA              | 0       |
| EGYPT                | 0       |
| ERITREA              | 0       |
| QATAR                | 0       |
| SAUDI ARABIA         | 0       |
| SINGAPORE            | 0       |
| SYRIA                | 0       |
| UNITED ARAB EMIRATES | 0       |
| YEMEN                | 0       |



### CHARACTERISTICS OF LOW RISK COUNTRIES

- Countries in this group publish defence budget documents that are fully transparent, detailed, and accessible to parliament in full.
- They make both the approved and proposed defence budget publicly available, for example on government websites.

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### Good practice case studies

#### SOUTH KOREA

South Korea manages the need for both confidentiality and transparency in the defence budget by splitting the document into three categories, depending on the degree of secrecy required. Such categorisation enables the scrutiny of all aspects of the defence budget, without compromising South Korea's national security.

- Category A budget items are presented to the entire National Assembly in aggregated form.
- Category B items are disaggregated and revealed without restrictions to the members of the National Assembly Committee of National Defence.
- Category C items are further disaggregated and revealed to the Committee of National Defence with certain restrictions.

This categorisation is the result of a reform introduced in 1993, prior to which South Korea's entire defence budget was submitted to the National Assembly as a lump sum.

South Korea publishes both the proposed and final versions of the detailed defence budget on the Ministry of National Defence and the National Assembly websites. The defence budget from previous years and the planning budget for the current year are also publicly available online, along with the level of defence spending as a proportion of GDP and overall government spending.

#### NORWAY

Norway publishes extensive information on the government's defence budget. Both the executive's budget proposal and the enacted budget are made publicly available on the Ministry of Defence website.

The armed forces are required to report back yearly to account for how their allocated funds have been spent.

At least three members of Norway's parliamentary defence committee have access to the full budget, including secret expenditures.

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## Applying the findings

**Level 1:**  
Pre-requisite requirements for nations with no or very weak legislative controls

**Provide parliament with a defence budget that is detailed and comprehensive.**

Ensure transparency is sufficient to enable proposals to be subject to parliamentary debate, scrutiny, and the approval.

**Level 2:**  
More advanced requirements for nations with some legislative oversight capacity, but with opportunity to do more

**Provide parliament with the full range of budget documents.**

This should include periodic reports and reviews throughout the budget enactment phase, as well as audit reports.

**Level 3:**  
Optimising requirements for nations with strong legislative controls

**Ensure that all budget documents are publicly available.**

Citizens, and not only parliaments and legislatures, should be able to access the defence budget easily, both in its original technical form and in its non-technical alternative.

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## 3. EXTERNAL AUDIT

When a parliament lacks the resources and expertise to pinpoint where anomalies in defence expenditure may create corruption risk, audit reports can be a crucial resource.

Independent audit offices increase the capacity of parliaments and legislatures to reduce defence corruption risk. Audit offices may perform either general audits, examining government defence spending overall, or focused audits that look at a specific area of defence expenditure. They can be strict financial audits, or analyses looking at value for money and efficient allocation of resources. Parliaments and legislatures with access to audit reports have a means of critically assessing the government's past and current spending on defence and security.

Alongside the executive's budget documents, audit reports are crucial in enabling parliaments and legislatures to effectively scrutinise the government's management of public funds. They allow parliaments and legislatures to determine whether or not the defence budget was executed as approved, and where there are gaps and uncertainties that require more detailed investigation and questioning.

Through analysis of budget proposals and by independently validating costs, audit offices can provide parliaments and legislatures with essential support in scrutinising complex budget documents.

A parliament's ability to oversee government defence spending can be significantly hampered by the institution's lack of technical expertise on defence matters. Since most parliaments and legislatures have a very small research staff—if any—they may be unable to generate independent, high-quality information on defence and so build up this knowledge. The production of audit reports by an independent institution can serve to redress the imbalance of defence information and expertise between government and parliament.

Audit offices provide the documents which help ensure that parliaments and legislatures are able to oversee government defence expenditure from the beginning of the budget process to its end. Such extensive oversight by parliaments and legislatures reduces the risk of corruption.

### SUMMARY FINDINGS FROM THE DATA

- Nearly 65 per cent of countries obtain at least half marks in this area.
- Of the seven parliamentary areas, this one displays best overall results.
- Yet many countries pick up no marks, especially those in Africa and the Middle East.

### GI 2013 INDICATORS USED

- Is there effective and transparent external auditing of military defence expenditure?

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| LOW RISK COUNTRIES   | % MARKS |
|----------------------|---------|
| AUSTRALIA            | 100     |
| AUSTRIA              | 100     |
| BRAZIL               | 100     |
| JAPAN                | 100     |
| NORWAY               | 100     |
| POLAND               | 100     |
| UNITED KINGDOM       | 100     |
| AFGHANISTAN          | 75      |
| CHILE                | 75      |
| COLOMBIA             | 75      |
| CROATIA              | 75      |
| FRANCE               | 75      |
| GERMANY              | 75      |
| ITALY                | 75      |
| LATVIA               | 75      |
| SLOVAKIA             | 75      |
| SWEDEN               | 75      |
| TAIWAN               | 75      |
| THAILAND             | 75      |
| UNITED STATES        | 75      |
| ARGENTINA            | 50      |
| BANGLADESH           | 50      |
| BOSNIA               | 50      |
| BULGARIA             | 50      |
| CZECH REPUBLIC       | 50      |
| ETHIOPIA             | 50      |
| GEORGIA              | 50      |
| GHANA                | 50      |
| GREECE               | 50      |
| HUNGARY              | 50      |
| INDIA                | 50      |
| INDONESIA            | 50      |
| JORDAN               | 50      |
| KAZAKHSTAN           | 50      |
| KUWAIT               | 50      |
| MALAYSIA             | 50      |
| MEXICO               | 50      |
| NEPAL                | 50      |
| PAKISTAN             | 50      |
| PALESTINE            | 50      |
| RUSSIA               | 50      |
| RWANDA               | 50      |
| SERBIA               | 50      |
| SINGAPORE            | 50      |
| SOUTH AFRICA         | 50      |
| SOUTH KOREA          | 50      |
| SPAIN                | 50      |
| TUNISIA              | 50      |
| TURKEY               | 50      |
| UGANDA               | 50      |
| UKRAINE              | 50      |
| UNITED ARAB EMIRATES | 50      |

#### CHARACTERISTICS OF LOW RISK COUNTRIES

- Countries in this group produce independent audit reports that are fully transparent and publicly available.
- They provide these audit reports to parliament to aid the institution's scrutiny of government defence spending.

#### SCORE

#### COLOUR-CODING KEY

#### Very low

 80% – 100%

 76% – 88%

 63% – 75%

 51% – 62%

 38% – 50%

 26% – 37%

 13% – 25%

 0% – 12%

#### Critical

#### HIGH RISK COUNTRIES

#### % MARKS

|               |    |
|---------------|----|
| ALGERIA       | 25 |
| BAHRAIN       | 25 |
| BELARUS       | 25 |
| IRAN          | 25 |
| IRAQ          | 25 |
| ISRAEL        | 25 |
| KENYA         | 25 |
| MOROCCO       | 25 |
| NIGERIA       | 25 |
| OMAN          | 25 |
| PHILIPPINES   | 25 |
| SAUDI ARABIA  | 25 |
| TANZANIA      | 25 |
| UZBEKISTAN    | 25 |
| ZIMBABWE      | 25 |
| ANGOLA        | 0  |
| CAMEROON      | 0  |
| CHINA         | 0  |
| COTE D'IVOIRE | 0  |
| CYPRUS        | 0  |
| DRC           | 0  |
| EGYPT         | 0  |
| ERITREA       | 0  |
| LEBANON       | 0  |
| LIBYA         | 0  |
| QATAR         | 0  |
| SRI LANKA     | 0  |
| SYRIA         | 0  |
| VENEZUELA     | 0  |
| YEMEN         | 0  |

#### CHARACTERISTICS OF HIGH RISK COUNTRIES

- Countries in this group fail to conduct any external audit of defence spending.
- Any auditing that does occur is fully undermined by the government and therefore not independent or reliable.

## Embargoed until 17 September, 12:00 London time

### Good practice case studies

#### JAPAN

Japan's defence expenditure is audited by the strictly independent Board of Audit. The Japanese constitution requires the Board to audit the final accounts of the expenditures and revenues of the state on an annual basis. The audit reports are then submitted to parliament (The National Diet) via the cabinet, during the fiscal year immediately following the period covered.

These audit reports are deliberated by relevant parliamentary committees in the lower and upper chambers of the Diet, both of which have a committee dedicated to their scrutiny.

The Board's senior officials always attend the deliberations of the parliamentary committees. They use this opportunity to explain the contents of the audit reports or relevant audit activities and to present the Board's opinion.

The Board of Audit consults the Diet when preparing the audit plan and implementing its audits, and takes its requests into consideration. This is to ensure the Board's work reflects the concerns and expectations of parliament and the public.

The Board's reports are made publicly available, enabling public criticism and scrutiny of defence expenditure.

#### LATVIA

According to the GI 2013, Latvia's Auditor-General's Office has become increasingly more effective and respected in the Ministry of Defence (MOD) in recent years.

It is an independent institution, and carries out both regular and specialised audits. For example, the Auditor-General's Office has examined the "Use of Government Funds in Training Military Personnel". All audit reports are publicly available online and easily accessible to parliament.

Latvia's Parliamentary Public Expenditure and Audit Committee is tasked with overseeing the implementation of the Auditor-General's recommendations, and holds regular meetings to this end. The progress on any audit recommendations made to the MOD is reported to the parliamentary defence committee.

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## Applying the findings

**Level 1:**  
Pre-requisite requirements for nations with no or very weak legislative controls

**Establish an independent audit office.**

Such an office should conduct regular audits of government defence expenditure, and these audit reports should be made available to parliament.

**Level 2:**  
More advanced requirements for nations with some legislative oversight capacity, but with opportunity to do more

**Ensure that all audit reports are clear and publicly available.**

Ideally, these should be easily accessible to the public and civil society organisations online and in hard copy.

**Level 3:**  
Optimising requirements for nations with strong legislative controls

**Ensure the audit office fully supports parliamentary scrutiny of government expenditure.**

Senior officials from the audit office should appear before parliamentary defence committees to explain audit reports and present the opinions of the audit office.

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## 4.

### POLICY OVERSIGHT & DEBATE

An absence of effective oversight of defence policy may lead to centralisation of power and will be much more susceptible to corruption. In an extreme form, it may lead to state capture.

Defence policy refers to the laws, strategies, and approaches used by governments to decide on the scope and activities of the military and national security agencies. It encompasses policies on exporting and buying defence equipment. The potential for corruption from the manipulation of defence policy is considerable. Consider, for example, a corrupt elite able to hide key elements of defence policy. This will impact public understanding of where resources are channelled, increasing the possibility that these resources are diverted to corrupt ends.

Defence policy can also be manipulated to exploit procurement demands. If policy-makers highlight a particular security risk as urgent when it is not, this may lead to unnecessary purchases that are susceptible to corruption. Such corrupt intent undermines not only the integrity of defence policy and the efficiency of defence spending, but also the security of the nation.

As TI-DSP's earlier work has already indicated, in its most extreme case defence policy and processes may be so deeply manipulated that the sector is subject to 'state capture', where an elite in power shapes all important decisions.

A legislature may act to prevent the circumvention of defence policy through two of its three principal functions.

First, it may scrutinise defence policy by vetoing or voting on proposed additions or amendments to it. It may also have the power to criticise and amend defence policy itself. A defence and security committee with considerable statutory powers may exist to carry out such in-depth scrutiny. To be effective, legislative scrutiny must be independent of the executive and other decision-makers and informed by individuals with defence expertise. This helps ensure that legislators scrutinising defence have a separate agenda from that of any corrupt actor with decision-making powers, deterring the possibility of being drawn into

corrupt activity themselves, and ensures that they act on an informed basis.

Second, a legislature acts as a forum of debate. Defence policy is less likely to fall under the influence of a corrupt elite if it is openly debated and transparent. Debate helps ensure that policy is well-understood and subject to consideration by citizens' representatives. This may take place in a committee, or could occur in a principal chamber of the legislature. Ideally, debate should be subject to media attention in order to reach the citizens that parliamentarians are charged with representing.

#### SUMMARY FINDINGS FROM THE DATA

- Only two-fifths of countries picked up half-marks or more in this area.
- There is a large variation among countries in overall proportion of marks awarded.

#### GI 2013 INDICATORS USED

- Is there formal provision for effective and independent legislative scrutiny of defence policy?
- Does the country have an identifiable and effective parliamentary defence and security committee (or similar such organisation) to exercise oversight?
- Is the country's national defence policy debated and publicly available?
- Is there evidence that the country's defence institutions have controlling or financial interests in businesses associated with the country's natural resource exploitation and, if so, are these interests publicly stated and subject to scrutiny?
- Does the government have a transparent and well-scrutinised process for arms control decisions that align with international protocols?

Embargoed until 17 September 12:00 London time

| LOW RISK COUNTRIES | % MARKS |
|--------------------|---------|
| AUSTRALIA          | 95      |
| POLAND             | 95      |
| UNITED KINGDOM     | 95      |
| FRANCE             | 90      |
| NORWAY             | 90      |
| SWEDEN             | 90      |
| GERMANY            | 85      |
| UNITED STATES      | 85      |
| AUSTRIA            | 81      |
| BULGARIA           | 80      |
| CYPRUS             | 80      |
| JAPAN              | 80      |
| SLOVAKIA           | 80      |
| BRAZIL             | 75      |
| GREECE             | 75      |
| TAIWAN             | 75      |
| COLOMBIA           | 70      |
| CZECH REPUBLIC     | 70      |
| GEORGIA            | 70      |
| HUNGARY            | 70      |
| ITALY              | 70      |
| SOUTH KOREA        | 69      |
| CROATIA            | 65      |
| LATVIA             | 65      |
| SPAIN              | 65      |
| THAILAND           | 65      |
| ARGENTINA          | 60      |
| BOSNIA             | 60      |
| CHILE              | 60      |
| MEXICO             | 60      |
| PHILIPPINES        | 60      |
| UKRAINE            | 60      |
| KUWAIT             | 55      |
| SOUTH AFRICA       | 55      |
| ISRAEL             | 50      |
| KENYA              | 50      |
| LEBANON            | 50      |
| SERBIA             | 50      |

#### CHARACTERISTICS OF LOW RISK COUNTRIES

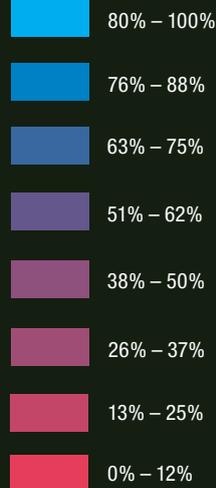
- Countries in this group have independent legislatures with formal rights to scrutinise and debate defence policy. They can veto, amend and approve proposals, including arms exports.
- They possess a well-resourced defence committee with extensive powers to oversee both defence policy and institutions.
- They legislate to prohibit defence institutions from having financial interests in the country's natural resource exploitation.

#### CHARACTERISTICS OF HIGH RISK COUNTRIES

- Countries in this group either do not have independent parliaments or legislatures, or have ones that lack formal powers to scrutinise defence policy.
- They lack parliamentary defence committees tasked with overseeing defence policy and institutions, or a committee exists but has minimal formal powers and there are concerns over its effectiveness.
- They fail to prevent defence institutions from having financial interests in the country's natural resource exploitation. These are neither publicly-stated nor subject to parliamentary scrutiny.

#### SCORE COLOUR-CODING KEY

##### Very low



##### Critical

| HIGH RISK COUNTRIES  | % MARKS |
|----------------------|---------|
| AFGHANISTAN          | 45      |
| INDIA                | 45      |
| INDONESIA            | 45      |
| KAZAKHSTAN           | 45      |
| RUSSIA               | 45      |
| TURKEY               | 45      |
| IRAQ                 | 40      |
| NEPAL                | 40      |
| BANGLADESH           | 38      |
| SINGAPORE            | 38      |
| BELARUS              | 35      |
| ETHIOPIA             | 35      |
| JORDAN               | 35      |
| MOROCCO              | 35      |
| UGANDA               | 35      |
| PALESTINE            | 33      |
| NIGERIA              | 30      |
| OMAN                 | 30      |
| RWANDA               | 30      |
| UNITED ARAB EMIRATES | 30      |
| VENEZUELA            | 30      |
| CHINA                | 25      |
| GHANA                | 25      |
| MALAYSIA             | 25      |
| TANZANIA             | 25      |
| TUNISIA              | 25      |
| UZBEKISTAN           | 25      |
| BAHRAIN              | 20      |
| ANGOLA               | 15      |
| COTE D'IVOIRE        | 15      |
| LIBYA                | 15      |
| PAKISTAN             | 15      |
| SRI LANKA            | 15      |
| CAMEROON             | 10      |
| DRC                  | 10      |
| SAUDI ARABIA         | 10      |
| YEMEN                | 10      |
| ZIMBABWE             | 10      |
| QATAR                | 6       |
| ALGERIA              | 5       |
| EGYPT                | 5       |
| IRAN                 | 5       |
| ERITREA              | 0       |
| SYRIA                | 0       |

## Embargoed until 17 September, 12:00 London time

### Good practice case studies

#### UNITED KINGDOM

In the UK, the Defence Select Committee and the Committee on Arms Export Controls are key instruments of oversight. The committees' activities and schedules, along with their proceedings and findings, are publicly available. These committees have statutory power to call witnesses and request written evidence to help inform their conclusions. They are free to decide upon their own lines of inquiry, and the government must respond to the findings within a set time frame. The composition of the committees is independent from party whips, which reduces the potential for the executive to sway findings on defence policy.

Such powers promote transparency and provide a check on the executive and the armed forces. Yet despite these examples of specific good practice, there is some concern regarding:

- The effectiveness of committee scrutiny. Oversight concerning the *Al-Yamamah* defence contracts in the 1990s was clearly ineffective. Reform efforts should promote examination of corruption issues relating to UK-based defence suppliers.
- Limited monitoring of the 'Revolving Door' in defence procurement.
- Ensuring committee members are informed of potential areas of impropriety in sufficient time.

The UK parliament does, however, illustrate strong, open debate on matters of defence policy. Questions to ministers, and their responses, are published online and parliamentarians are entitled to vote on important matters of defence policy. As observed regarding the 2003 war with Iraq, there is willingness among MPs to rebel against their party.

#### THE PHILIPPINES

Traditionally, the Senate of the Philippines has been defined as a *fiscaliser*: a body capable of and willing to criticise the executive. Vocal opposition concerns when this has not been the case indicates that the Upper House's traditional role remains central to Filipino political consciousness.

The Index findings report that the 24 independent members of the Senate actively provide oversight of defence policy. The formal powers of the Senate are, indeed, considerable. The standing committees in the Senate are described as 'little legislatures', with power to dispose of bills.

The committees in both chambers are chaired by former Armed Forces or

police officers, and this expertise at the top level is reflected in the expectation for committee members to be well-informed.

Debate is vigorous in the field of defence. The website of the Senate and the Congress of the Philippines contain considerable detail on proceedings, including an online portal called *LEGIS*, which enables members of the public to electronically access legislative material such as bills and publications.

Despite such positive signs, the Index finds that there is a tendency for Filipino parliamentarians to use powers and prerogatives in defence and other policy areas as leverage to secure patronage: a practice requiring reform.

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### CYPRUS

The Parliamentary Defence Committee in Cyprus' House of Representatives inspects the application of policies and the operations of the Ministry of Defence and Cypriot National Defence. Positively:

- Outstanding bills and amendments on defence are publicly available on the website of the House of Representatives.
- Visits by the Parliamentary Defence Committee to military units provide evidence of on-going oversight and understanding of issues on the ground.

- The Committee can call for evidence from experts, and calls for experts are made publicly available.

Despite such good practice, a concern was raised in the Index findings regarding partisanship: the party of the executive has the majority in parliament and also in committee.

## Applying the findings

**Level 1:**  
Pre-requisite requirements for nations with no or very weak legislative controls

**Ensure that parliament has the legal authority to hold the government and defence sector to account for their actions and policies.**

Parliament is the source of representation and legitimacy in government. As such, there must not be any policy area that is not subject to parliamentary debate and oversight. To play this role meaningfully, parliament needs to be an independent institution, and free of executive control both in theory and practice.

**Level 2:**  
More advanced requirements for nations with some legislative oversight capacity, but with opportunity to do more

**Establish a properly-resourced and permanent parliamentary defence committee that meets regularly to scrutinise government defence policy.**

A cross-party committee with professional staff that supports it through producing research means plurality of output. The committee should be independent and have meaningful authority: it should be free to set its own agenda and have the power to call public experts and the highest-level government officials before it to answer questions. The committee should operate with transparency, with its work and agenda publicly available.

**Level 3:**  
Optimising requirements for nations with strong legislative controls

**Provide the parliamentary defence committee with formal powers to review and veto defence policy and laws, and authority to inspect military units.**

Ensure the committee has a high level of on-the-ground knowledge on military affairs. The government should be required to provide written formal responses to the committee's enquiries, opinions, and recommendations within a set time-frame.

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## 5. SECRET BUDGETS OVERSIGHT

Secret budgets beg questions about taxpayers' money. Where are funds going? Who benefits: the public or corrupt interests? Parliaments and legislatures can prevent secret budgets being channelled to illicit ends.

Secret budgets are pools of money spent on defence and security items or services that are not openly disclosed to the public. They may cover new weaponry, covert campaigns, sensitive equipment, and troops for secretive operations. In cases where the intelligence service's budget comes from the defence budget, they may also relate to covert aspects of the service's operations.

If national security is invoked as a justification to limit scrutiny of secret budgets, corrupt actors have a useful way to cover up illicit movements of money divorced from legislative oversight and wider public oversight. Unknown sums of taxpayer money are hidden, channelled towards concealed ends.

A related risk is when money from other budgets is used for secretive defence and security purposes. Well hidden budgets in areas unrelated to the defence and security sector may be used by governments to fund covert activity. Yet when detection of the movement of money becomes purposefully hard, how can one be sure that this movement is for genuine national security purposes?

Parliaments and legislatures play an important role in reducing the risk of corruption relating to secret defence and security budgets.

First, they may enact appropriate laws to cap such spending. This requires from the outset that they—and ideally the public—should at the very least be informed of the percentage of the defence budget that is spent on secret items. Such transparency enables parliaments and legislatures to determine whether secret spending is simply very high, or whether unusual fluctuations exist which suggest erratic movement of money.

Second, they have a crucial oversight role. As budgets are secret, it would be necessary for a closed session of parliament—or a closed sub-committee—to examine the secret budget in depth.

This would ensure that elected representatives are given a clear understanding of where and how covert funds are spent, particularly if they have access to itemised budget information. To enhance understanding still further, legislative access to audits of secret spending, including identified anomalies, provides an additional means of scrutiny.

### SUMMARY FINDINGS FROM THE DATA

- Less than 30 per cent of marks are awarded in this section.
- Overall, countries' performance in this area is the weakest of the seven parliamentary areas.
- European countries tend to display better performance than other regions.

### GI 2013 INDICATORS USED

- What percentage of defence and security expenditure in the budget year is dedicated to spending on secret items relating to national security and the intelligence services?
- Is the legislature (or the appropriate legislative committee or members of the legislature) given full information for the budget year on the spending of all secret items relating to national security and military intelligence?
- Are audit reports of the annual accounts of the security sector (the military, police, and intelligence services) and other secret programs provided to the legislature (or relevant committee) and are they subsequently subject to parliamentary debate?
- In law, are mechanisms for classifying information on the grounds of protecting national security and military intelligence?

## Embargoed until 17 September, 12:00 London time

| LOW RISK COUNTRIES | % MARKS |
|--------------------|---------|
| BULGARIA           | 88      |
| GERMANY            | 88      |
| SLOVAKIA           | 88      |
| JAPAN              | 81      |
| UNITED KINGDOM     | 81      |
| AUSTRIA            | 75      |
| SPAIN              | 75      |
| TAIWAN             | 75      |
| UNITED STATES      | 75      |
| COLOMBIA           | 69      |
| NORWAY             | 69      |
| AUSTRALIA          | 63      |
| FRANCE             | 63      |
| SWEDEN             | 63      |
| CYPRUS             | 56      |
| LATVIA             | 56      |
| LEBANON            | 56      |
| SOUTH AFRICA       | 56      |
| SOUTH KOREA        | 56      |
| ARGENTINA          | 50      |
| CHILE              | 50      |
| INDIA              | 50      |
| MEXICO             | 50      |
| NEPAL              | 50      |

### CHARACTERISTICS OF HIGH RISK COUNTRIES

- Countries in this group withhold all secret spending information from parliaments and legislatures, or any information that is disclosed is either limited or aggregated.
- They do not provide parliaments and legislatures with audit reports relating to the security sector and secret programs, or only provide very basic audit reports with considerable omissions.
- These countries fail to legally regulate information classification, with the result that information is classified at the discretion of individuals, parties, or groups in power.

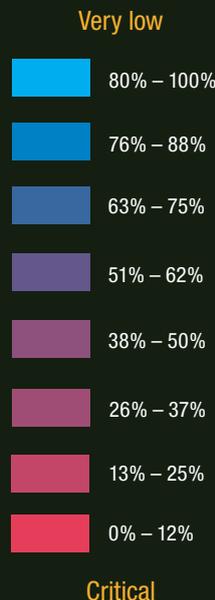
### HIGH RISK COUNTRIES

| HIGH RISK COUNTRIES  | % MARKS |
|----------------------|---------|
| CZECH REPUBLIC       | 44      |
| CROATIA              | 38      |
| ISRAEL               | 38      |
| POLAND               | 38      |
| SERBIA               | 38      |
| THAILAND             | 38      |
| UKRAINE              | 38      |
| TANZANIA             | 38      |
| BOSNIA               | 31      |
| BRAZIL               | 25      |
| GHANA                | 25      |
| HUNGARY              | 25      |
| ITALY                | 25      |
| KENYA                | 25      |
| RUSSIA               | 25      |
| UGANDA               | 25      |
| UNITED ARAB EMIRATES | 25      |
| ETHIOPIA             | 19      |
| GEORGIA              | 19      |
| INDONESIA            | 19      |
| KAZAKHSTAN           | 19      |
| NIGERIA              | 19      |
| PHILIPPINES          | 19      |
| SINGAPORE            | 19      |
| BAHRAIN              | 13      |
| BANGLADESH           | 13      |
| BELARUS              | 13      |
| GREECE               | 13      |
| MALAYSIA             | 13      |
| OMAN                 | 13      |
| RWANDA               | 13      |
| TURKEY               | 13      |
| UZBEKISTAN           | 13      |
| CHINA                | 6       |
| EGYPT                | 6       |
| ERITREA              | 6       |
| IRAN                 | 6       |
| JORDAN               | 6       |
| KUWAIT               | 6       |
| MOROCCO              | 6       |
| QATAR                | 6       |
| SAUDI ARABIA         | 6       |
| TUNISIA              | 6       |
| VENEZUELA            | 6       |
| AFGHANISTAN          | 0       |
| ALGERIA              | 0       |
| ANGOLA               | 0       |
| CAMEROON             | 0       |
| COTE D'IVOIRE        | 0       |
| DRC                  | 0       |
| IRAQ                 | 0       |
| LIBYA                | 0       |
| PAKISTAN             | 0       |
| PALESTINE            | 0       |
| SRI LANKA            | 0       |
| SYRIA                | 0       |
| YEMEN                | 0       |
| ZIMBABWE             | 0       |

### CHARACTERISTICS OF LOW RISK COUNTRIES

- Countries in this group possess parliamentary committees that are provided with extensive information on all spending on secret items, including detailed, line-item descriptions of all expenditures.
- They provide parliamentarians with detailed audit reports relating to the security sector and secret programs. These audits are subject to parliamentary consideration and debate.
- These countries regulate the classification of information through transparent legal requirements that are subject to parliamentary scrutiny.

#### SCORE COLOUR-CODING KEY



## Embargoed until 17 September, 12:00 London time

### Good practice case studies

#### GERMANY

In 2012, EUR 1 million of the German defence budget of EUR 31.87 billion was designated for secret spending. The largely transparent budget of the intelligence services in the country means that secret budgets are very unlikely to exceed one per cent of the total defence budget.

The process of legislative oversight of such items is fairly technical, but displays several clear areas of good practice that do not seem to be compromised or corrupted. The process is as follows:

1. There is a 'committee of trusted members' in the Budget Committee of the German *Bundestag* entitled to agree or not agree with the secret expenditure and to authorise them or not. This is a cross-party committee, who will notify the fuller Budget Committee of the total amount of secret spending. This oversight is on a statutory footing, as per Article 10a of the Federal Budget Code (*Bundeshaushaltsordnung*).
2. According to the same regulation, the Federal Audit Court is entitled to audit the spending. Article 19 of the Law on the Federal Audit Court (*Bundesrechnungshofgesetz*) specifies that secret items are audited by the president or vice-president of the Federal Audit Court, and by a collegium of trusted staff. The same law specifies that the *Bundestag* and the *Bundesrat* elect the president, and that all members of the Court have technical auditing expertise.
3. Their findings are given to the 'committee of trusted members' in the Budget Committee of the *Bundestag* for inspection, and to other relevant individuals as specified by Article 10a of the Federal Budget Code.

German legislature plays a key role in oversight of secret items, electing the principal auditors, and then inspecting the audit findings. It is notable too that the processes of auditing are put on a statutory footing as per legislation passed by the German parliament.

#### BULGARIA

Spending on the National Intelligence Services in Bulgaria for 2012 is reported to comprise about 1.6 per cent of the aggregate defence budget.

Two committees are provided with comprehensive information on secret spending:

- The Parliamentary Sub-Committee, which exercises parliamentary control over the National Service, the National Security Service and the "Military Information" Service to the Ministry of Defence. The Head of the Sub-Committee has even been interviewed on radio on the remit of the committee, the structure of military budgets, and areas for reform. This indicates parliamentarians appear to recognise the need to connect with the public on their work, despite its classified nature.
- The Parliamentary Committee on Foreign Policy and Defence. The 2011 European Parliament report, 'Parliamentary Oversight of Security and Intelligence Agencies in the European Union', found the scope of the Committee's access to classified information relating to secret budgets to be broad. It covers unlimited access to the budget, projected, and past expenditures of the intelligence services.

According to the same report, all parliamentarians in Bulgaria are also given unlimited access to classified information in the name of national security. This seemingly provides information on classified budget matters, and increases confidence that 'national security' is unlikely to be arbitrarily invoked for corrupt purposes.

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### SOUTH AFRICA

From interview research and analysis of South Africa's performance in the Open Budget Index, there are numerous reasons to be confident in the South African parliament's capacity to oversee the secret budget:

- The Joint Standing Committee on Intelligence is provided with full information on secret budgets over the budget year. There is no reason to suspect that information not disclosed to the public is similarly withheld from the Committee.
- There is debate of secret matters by the Defence Committee in Parliament or the Joint Standing Committee on Intelligence. Closed hearings are conducted to enable this.
- Detailed audit reports are tabled before the relevant Parliamentary Portfolio Committees. Closed sessions are used for this, and may involve debate in the house if something of particular interest raises concern. However evaluations have suggested that Portfolio Committees should be assured wide access to information, and should have greater ability to request what they can scrutinise.

## Applying the findings

**Level 1:**  
Pre-requisite requirements for nations with no or very weak legislative controls

**Provide parliament with the percentage of the defence budget that is spent on secret spending.**

In order to exercise a minimum level of oversight, parliament must know the amount of public money that is allocated to the secret defence budget. Particularly high volumes of secret spending, or fluctuating amounts over time, may raise red flags.

**Level 2:**  
More advanced requirements for nations with some legislative oversight capacity, but with opportunity to do more

**Establish a cross-party parliamentary committee that examines the secret budget in depth.**

The committee should have access to detailed and itemised budget information, and there should be legislation in place preventing any aspect of the secret budget from being exempt from parliamentary scrutiny. The committee should have access to detailed secret spending audits.

**Level 3:**  
Optimising requirements for nations with strong legislative controls

**Give the parliamentary committee decision-making powers over the secret budget.**

The committee should be able to agree or disagree planned secret expenditure, and have powers of authorisation.

**Embargoed until 17 September, 12:00 London time**

## 6. INTELLIGENCE SERVICES OVERSIGHT

Secrecy and big budgets make the intelligence services a clear potential source of corruption risk. The need to balance legitimate secrecy with effective mechanisms of oversight is a delicate but essential task.

Intelligence services worldwide conduct covert and secretive activity in the name of national security. Due to the nature of their work, such secrecy might be accepted as a necessary evil by citizens, but the implications of this view on corruption risk are substantial. This may include sensitive financial and political information that, in corrupt hands, may be used for personal gain, blackmail, or party political advantage.

Such profiteering may undermine not only the integrity of the services, but also national security, if use of this information for legitimate purposes—tackling genuine security threats—is of secondary interest to corrupt gain.

Corruption risk also arises from the significant budgets that may be devoted to the activities of intelligence services. In some states these budgets may be very high indeed, yet disclosure of budgetary procedures and even vague indications of the destination of funds may be entirely lacking. Such opacity clouds certainty over whether significant sums of money are being used legitimately, or for illegitimate gain. Such lack of traceability may facilitate bribery of parties whose work may overlap with intelligence service staff (e.g. witnesses and journalists). It may also be used by agents seeking access to confidential areas or data, as a means to pay their way in.

Parliaments and legislatures can play a key role in curbing corruption risk in the intelligence services through the exercise of effective and carefully controlled oversight.

Although the activities, policies, spending, and administration of the intelligence services may be too sensitive to disclose broadly to the public (e.g. proceedings in main chambers that are subject to considerable press attention), there are other means of legislative mechanisms available. Closed committees— as long as they are well-resourced and staffed by a range of parliamentarians including those not allied with the executive—are one such avenue.

Ensuring a certain degree of independent and credible parliamentary oversight—even if it cannot be directly disclosed to the public—at least provides confidence that intelligence service activity is subject to scrutiny by representatives of the citizens. Such scrutiny helps prevent the intelligence services from acting with impunity, and, therefore, deters the associated risk of corruption.

### SUMMARY FINDINGS FROM THE DATA

- Fifty per cent of the countries studied picked up half marks; half did not.
- There is a considerable variation in performance, with eight countries receiving full marks, which evidences some strong practice.
- Yet 18 countries obtained no marks at all.

### GI 2013 INDICATORS USED

- Are the policies, administration, and budgets of the intelligence services subject to effective, properly resourced, and independent oversight?

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| LOW RISK COUNTRIES | % MARKS |
|--------------------|---------|
| AUSTRALIA          | 100     |
| AUSTRIA            | 100     |
| BRAZIL             | 100     |
| CROATIA            | 100     |
| GERMANY            | 100     |
| ITALY              | 100     |
| NORWAY             | 100     |
| SWEDEN             | 100     |
| BULGARIA           | 75      |
| COLOMBIA           | 75      |
| CZECH REPUBLIC     | 75      |
| FRANCE             | 75      |
| GEORGIA            | 75      |
| HUNGARY            | 75      |
| JAPAN              | 75      |
| LATVIA             | 75      |
| POLAND             | 75      |
| SERBIA             | 75      |
| SLOVAKIA           | 75      |
| SOUTH KOREA        | 75      |
| TAIWAN             | 75      |
| TANZANIA           | 75      |
| UNITED KINGDOM     | 75      |
| UNITED STATES      | 75      |
| ARGENTINA          | 50      |
| BOSNIA             | 50      |
| CHILE              | 50      |
| GREECE             | 50      |
| INDIA              | 50      |
| INDONESIA          | 50      |
| ISRAEL             | 50      |
| KAZAKHSTAN         | 50      |
| KENYA              | 50      |
| MEXICO             | 50      |
| NEPAL              | 50      |
| PALESTINE          | 50      |
| SOUTH AFRICA       | 50      |
| SPAIN              | 50      |
| THAILAND           | 50      |
| TURKEY             | 50      |
| UKRAINE            | 50      |

### CHARACTERISTICS OF HIGH RISK COUNTRIES

- Countries in this group lack parliaments or legislatures with formal powers to oversee the intelligence services.
- Even where formal powers exist, these are not utilised in practice, possibly due to inadequate political will and/or resources.

### SCORE COLOUR-CODING KEY

#### Very low

 80% – 100%

 76% – 88%

 63% – 75%

 51% – 62%

 38% – 50%

 26% – 37%

 13% – 25%

 0% – 12%

#### Critical

| HIGH RISK COUNTRIES  | % MARKS |
|----------------------|---------|
| AFGHANISTAN          | 25      |
| BAHRAIN              | 25      |
| BELARUS              | 25      |
| CHINA                | 25      |
| CYPRUS               | 25      |
| DRC                  | 25      |
| ETHIOPIA             | 25      |
| GHANA                | 25      |
| IRAN                 | 25      |
| IRAQ                 | 25      |
| JORDAN               | 25      |
| KUWAIT               | 25      |
| LEBANON              | 25      |
| OMAN                 | 25      |
| PAKISTAN             | 25      |
| PHILIPPINES          | 25      |
| RUSSIA               | 25      |
| RWANDA               | 25      |
| SINGAPORE            | 25      |
| SRI LANKA            | 25      |
| UNITED ARAB EMIRATES | 25      |
| UZBEKISTAN           | 25      |
| VENEZUELA            | 25      |
| ALGERIA              | 0       |
| ANGOLA               | 0       |
| BANGLADESH           | 0       |
| CAMEROON             | 0       |
| COTE D'IVOIRE        | 0       |
| EGYPT                | 0       |
| ERITREA              | 0       |
| LIBYA                | 0       |
| MALAYSIA             | 0       |
| MOROCCO              | 0       |
| NIGERIA              | 0       |
| QATAR                | 0       |
| SAUDI ARABIA         | 0       |
| SYRIA                | 0       |
| TUNISIA              | 0       |
| UGANDA               | 0       |
| YEMEN                | 0       |
| ZIMBABWE             | 0       |

### CHARACTERISTICS OF LOW RISK COUNTRIES

- Countries in this group have independent parliaments or legislatures with formal powers to oversee the intelligence services.
- They provide parliaments and legislatures with the necessary resources and access to sensitive information to properly scrutinise all aspects of the intelligence services—including policy, budgets and administration.

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### Good practice case studies

#### BRAZIL

In Brazil, there is explicit statutory reference to how the intelligence services are formally scrutinised. Federal Decree 7547, Articles 4 and 12, provide reference to oversight of the intelligence services. The rules and budgets of the intelligence services are legally regulated by the Brazilian Comptroller General in tandem with the National Congress.

Annual reports of the Committee of Foreign Affairs and National Security report effective oversight, and academic sources and media articles do not contradict this. Formal mechanisms, according to available knowledge, are effectively implemented.

#### ITALY

The intelligence services in Italy were reformed in 2007 on the back of a number of scandals including illegitimate monitoring activities and information planting. The reform itself is a good indication of political will and attitudinal change reflecting an unwillingness to allow the intelligence services to act with impunity. As part of this reform, a new Parliamentary Committee for the Security of the Republic (*Comitato parlamentare per la sicurezza della Repubblica*) was established with the specific task of ensuring intelligence service activity is carried out in line with the law and the constitution. Several formal features of committee activity help reduce the risk of corruption in the intelligence services:

- **The composition of the committee is multi-partisan.** Ten members, five from the lower parliamentary house and five from the upper house, are appointed to reflect the majority and the opposition parties proportionally.
- **Considerable powers of investigation.** So long as legitimate reasons are given, the committee can call for a hearing of individual members of the intelligence services, and anyone external to the services who may have salient information relevant to a matter can be investigated.
- **Considerable access to information and locations.** The committee is entitled to access documents in judicial authority, to access materials in on-going investigations, and to consult classified materials according to specified procedures. They are also entitled to inspect intelligence services buildings.
- **Advisory capacity.** The committee has a proactive as well as a reactive role. It is entitled to express opinion on draft decrees or rules affecting the organisation or staffing of the security services.
- **Urgent information or reports.** The committee has the power to submit urgent information to the chambers of parliament when it feels this is necessary.

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### CROATIA

Article 55 of the Act on the Security Intelligence System of the Republic Of Croatia provides explicit statutory reference to the need for the security intelligence agencies to report to parliamentary authorities. This takes two key forms:

- Relevant information collected by the intelligence services during their work has to be reported to the Speaker of the Parliament as well as to the executive.

- An annual report on the activity of the intelligence services has to be provided to the Speaker of the Parliament and to the head of the parliamentary committee responsible for matters relating to national security.

Former defence officials believe there is effective and well-resourced oversight in Croatia.

## Applying the findings

**Level 1:**  
Pre-requisite requirements for nations with no or very weak legislative controls

Equip parliament with the tools to oversee the budget, actions, and policies of the intelligence services.

Although necessarily secretive institutions, intelligence services must be subject to parliamentary scrutiny.

**Level 2:**  
More advanced requirements for nations with some legislative oversight capacity, but with opportunity to do more

Establish a closed parliamentary committee that oversees the budget, actions, and policies of the intelligence services.

Such a committee should enable both scrutiny and confidentiality in this sensitive area. To be effective and independent, the committee must be well-resourced and cross-partisan. The committee should be able to express opinions on legislation or rules affecting the intelligence services.

**Level 3:**  
Optimising requirements for nations with strong legislative controls

Equip the parliamentary committee with more advanced oversight powers and resources:

- **Allow it to access classified information.** The committee should be entitled to access documents relating to the intelligence services on judicial authority, including materials in on-going investigations.
- **Allow it to call on the intelligence services for evidence.** The committee should be able to call on individual members of the intelligence services to answer questions if legitimate reasons are provided. The committee should be able to physically inspect intelligence services buildings.

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## 7. PROCUREMENT OVERSIGHT

Parliaments and legislatures that legislate only for certain forms of procurement—exempting others in the name of national security—may leave the purchases most vulnerable to corrupt interest without oversight.

Procurement is a huge source of corruption in defence and security. In 2011 alone, arms imports were valued at USD 52 billion. Large scandals in the arms trade—well-publicised in the press and sometimes individually valued at millions of dollars—indicate clear corruption risk. But how can parliaments and legislatures reduce it?

Parliaments and legislatures should legislate for provisions to formalise the procurement cycle, guarantee transparency surrounding purchases, and provide for controls on the fundamental and complex elements of defence procurement. In doing so, they increase representatives' and citizens' understanding of corruption and elevate controls to a statutory footing. An important aspect of ensuring such legislation is effective is the avoidance of exemptions from formal processes. Legislative mechanisms may be in place, but may ignore certain types of procurement on the basis of national security or secrecy. This is a concern: such items may be most prone to corruption in procurement.

Parliaments and legislatures also have an important part to play in scrutinising defence procurement. Although purchases are often subject to a certain degree of oversight from auditors, comptrollers, and internal Ministry of Defence staff, parliaments and legislatures should play a central role. As defence procurement is often secretive and shielded from public view, the ability of elected representatives to carry out meaningful oversight is crucial. This may

mean that such scrutiny takes special forms. A sub-committee may be convened to oversee secret procurement that is subject to confidentiality agreements. Yet the nature of this scrutiny, and the processes governing it, should be transparent. Where there is no security element, actual and intended purchases should be publicly disclosed, and should match subsequent procurement audits.

A legislature that truly represents its people is a vanguard against secrecy and privileged relationships in the arms trade—a trade at risk of scandals which cost the taxpayer billions. Without effective controls, legislation, and oversight, there is distortion between necessary purchases and those only pursued for corrupt ends. This may lead to ineffective or ill-suited equipment which threatens the safety of troops, and the citizens they protect.

### SUMMARY FINDINGS FROM THE DATA

- Less than 50 per cent of countries obtain even half marks, which is a huge concern in an area associated with corruption scandals of such severity.
- No country obtains full marks in this area.

### GI 2013 INDICATORS USED

- Does the country have legislation covering defence and security procurement with clauses specific to corruption risks, and are any items exempt from these laws?
- Are defence procurement oversight mechanisms in place and are these oversight mechanisms active and transparent?
- Are actual and potential defence purchases made public?

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| LOW RISK COUNTRIES | % MARKS |
|--------------------|---------|
| AUSTRALIA          | 95      |
| POLAND             | 95      |
| UNITED KINGDOM     | 95      |
| FRANCE             | 90      |
| NORWAY             | 90      |
| SWEDEN             | 90      |
| GERMANY            | 85      |
| UNITED STATES      | 85      |
| AUSTRIA            | 81      |
| BULGARIA           | 80      |
| CYPRUS             | 80      |
| JAPAN              | 80      |
| SLOVAKIA           | 80      |
| BRAZIL             | 75      |
| GREECE             | 75      |
| TAIWAN             | 75      |
| COLOMBIA           | 70      |
| CZECH REPUBLIC     | 70      |
| GEORGIA            | 70      |
| HUNGARY            | 70      |
| ITALY              | 70      |
| SOUTH KOREA        | 69      |
| CROATIA            | 65      |
| LATVIA             | 65      |
| SPAIN              | 65      |
| THAILAND           | 65      |
| ARGENTINA          | 60      |
| BOSNIA             | 60      |
| CHILE              | 60      |
| MEXICO             | 60      |
| PHILIPPINES        | 60      |
| UKRAINE            | 60      |
| KUWAIT             | 55      |
| SOUTH AFRICA       | 55      |
| ISRAEL             | 50      |
| KENYA              | 50      |
| LEBANON            | 50      |
| SERBIA             | 50      |

### CHARACTERISTICS OF HIGH RISK COUNTRIES

- Countries in this group lack legislation covering defence and security procurement, or any legislation that is present is frequently by-passed.
- They do not have formal oversight mechanisms for defence procurement in place.
- Even when oversight mechanisms do exist, they are either highly inactive and/or lack transparency.

| HIGH RISK COUNTRIES  | % MARKS |
|----------------------|---------|
| AFGHANISTAN          | 45      |
| INDIA                | 45      |
| INDONESIA            | 45      |
| KAZAKHSTAN           | 45      |
| RUSSIA               | 45      |
| TURKEY               | 45      |
| IRAQ                 | 40      |
| NEPAL                | 40      |
| BANGLADESH           | 38      |
| SINGAPORE            | 38      |
| BELARUS              | 35      |
| ETHIOPIA             | 35      |
| JORDAN               | 35      |
| MOROCCO              | 35      |
| UGANDA               | 35      |
| PALESTINE            | 33      |
| NIGERIA              | 30      |
| OMAN                 | 30      |
| RWANDA               | 30      |
| UNITED ARAB EMIRATES | 30      |
| VENEZUELA            | 30      |
| CHINA                | 25      |
| GHANA                | 25      |
| MALAYSIA             | 25      |
| TANZANIA             | 25      |
| TUNISIA              | 25      |
| UZBEKISTAN           | 25      |
| BAHRAIN              | 20      |
| ANGOLA               | 15      |
| COTE D'IVOIRE        | 15      |
| LIBYA                | 15      |
| PAKISTAN             | 15      |
| SRI LANKA            | 15      |
| CAMEROON             | 10      |
| DRC                  | 10      |
| SAUDI ARABIA         | 10      |
| YEMEN                | 10      |
| ZIMBABWE             | 10      |
| QATAR                | 6       |
| ALGERIA              | 5       |
| EGYPT                | 5       |
| IRAN                 | 5       |
| ERITREA              | 0       |
| SYRIA                | 0       |



### CHARACTERISTICS OF LOW RISK COUNTRIES

- Countries in this group have long-standing and well-trying legislation covering defence and security procurement. No items are exempt from these laws, and they include specific anti-corruption clauses.
- They have formalised procurement oversight processes in place that are transparent and highly active.
- They disclose past and future purchases, which tightly match audits of procurement expenditure.

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### Good practice case studies

#### AUSTRALIA

Australia exhibits strong evidence of effective legislation to help prevent corruption in defence, and procurement oversight that is on-going through the defence purchasing process.

The Competition and Consumer Act 2012 is the key piece of parliamentary legislation that forbids collusive bidding. The Attorney-General may debar firms in violation of this Act. There is also considerable legislation pressing for taxpayers' money to be spent efficiently, and, consequently, in a proper and non-corrupt manner. The Financial Management and Accountability Act 1997 and the Commonwealth Authorities and Companies Act 1997, for example, are applicable in this regard.

With regard to parliamentary scrutiny, the Joint Standing Committee on Foreign Affairs, Defence, and Trade is integral to procurement oversight.

Parliamentary Standing Orders allow joint committees to call witnesses and access documents. Such oversight can occur at to the request of the Australian legislature or a relevant minister. When the government makes a decision to undertake defence procurement, the committee may ask decision-makers to publicly explain the rationale for spending. This reduces the risk of procurement occurring due to opportunism or corrupt intent—and allows for transparent decision-making.

Such strong controls extend to transparency: the 'AusTender' website provides extensive detail on procurement, incorporating plans and contracts awarded, while the Department of Defence Statutory Budget and Performance Reports account for defence expenditure in depth.

#### USA

There is clear evidence of legislative scrutiny of defence procurement by the US Congress. This joins oversight by the Government Accountability Office and the Department of Defence's (DoD) Inspector General's office. This oversight is committee-based and has a reputation for good practice in both the House of Representatives and the Senate:

##### *The House of Representatives Committee on Armed Services*

Centrally concerned with authorisation of DoD's funding and implementation of all aspects of DoD programmes, this standing committee oversees defence procurement. The Committee operates through six permanent subcommittees and an Oversight and Investigations Subcommittee.

In the Committee's 113th Congress Oversight Plan there is evidence of awareness of those elements of procurement that help prevent corruption risk: ensuring efficiency

and taxpayer value in acquisitions, ensuring acquisitions respond to "compelling military needs", certifying requirements for acquisition programmes, and improving the procurement workforce.

##### *The Senate Committee on Armed Services*

Similar to the House Committee, the Senate Committee authorises DoD funding and oversees all aspects of DOD programmes, including procurement. It operates through six sub-committees with specialist oversight capacity over diverse procurement areas, enabling specialist scrutiny of complex transactions. For example, the Subcommittee on Airland scrutinises the bulk of Army and Air Force spending, the Subcommittee on Readiness and Management Support looks after conventional ammunition procurement, and the Subcommittee on Seapower looks after Navy and Marine Corps procurement.

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### COLOMBIA

In Colombia, the parliament has legislated for clear laws covering procurement in defence and security, incorporating transparent legislation with regard to sensitive procurement.

- Law 1219 of 2008 provides for a procurement process for confidential items, providing guidance on transparency, objective bidding, and the need for effectiveness of procedures.

- Law 1097 of 2006 provides for regulation of 'reserved expenditure', which funds the intelligence and counter-intelligence services.

These laws allow control and oversight of confidential expenditures through a special unit of the General Comptroller.

## Applying the findings

**Level 1:**  
Pre-requisite requirements for nations with no or very weak legislative controls

**Make sure parliament oversees all defence procurement, and ensure information on purchases is publicly accessible.**

There should be no exceptions to parliament's oversight of defence procurement. The oversight may occur in a closed or open session of parliament. Clear and transparent legislation should be in place to determine when purchases may be classified. There should be a policy to disclose defence purchases—past and planned—preferably on a statutory footing.

**Level 2:**  
More advanced requirements for nations with some legislative oversight capacity, but with opportunity to do more

**Establish a well-resourced and efficient parliamentary committee to oversee defence procurement.**

This committee should be occupied by concerns of efficiency, and make sure government purchases correspond with military requirements. The committee should have the authority to call on public experts and the high-level government officials should be required to answer questions and access classified documents.

**Level 3:**  
Optimising requirements for nations with strong legislative controls

**As part of the general parliamentary committee, establish transparent sub-committees with specialist oversight capacity over different procurement areas; optimise public transparency of purchases.**

Specialisation helps enable effective scrutiny of complex arms transactions. The committee should also contribute to increased transparency by requesting that the government explains the rationale behind defence procurement. Meanwhile, ensure that public availability of defence purchases is supplemented by comprehensive auditing of purchases, and that any security restrictions on public availability are minimal.

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# Macro level analysis

The report so far has focused on detailed factors that affect corruption risk in defence and security. However, the calculation of index scores specific to the capacity of parliaments and legislatures to protect against corruption in the sector allows a more contextual consideration. Aside from the detailed functions and capabilities of committees and micro-level legislative behaviour, how might the scores be explained by broader political and military characteristics?

This analysis takes two forms:

1. An examination of contextual political and military factors through a statistical model to estimate the parliamentary GI 2013 scores.
2. A consideration of the degree to which the parliamentary GI 2013 scores tie to the Transparency International Corruption Perceptions Index (CPI), a broader, perceptions-based index of corruption.

The analysis will conclude with a discussion of other contextual themes, including how this work bridges analysis undertaken by other interested parties and academia.

## PARLIAMENTARY GI 2013 SCORES: CONTEXT

The tool used to estimate parliamentary GI 2013 scores is multiple linear regression. This technique allows us to determine which variables explain the parliamentary GI 2013 scores, and which do not. Regression analysis enables the inclusion of all of the potentially explanatory variables in one model, and they 'control' for one another. This means that the effect of one variable takes into account the effect of all the others so they do not proxy or substitute one another.

In this section, there is a discussion of the motivations behind the selection of independent variables and details of the results in non-technical terms.

Annexes 3 and 4 of this study include a tabulation of the technical results of the model and an in-depth outline of the coding of the variables.

## Political Factors

### POTENTIAL EXPLANATIONS:

1. **Legitimacy.** A lawful parliament may translate into greater power, supported by citizens who believe in the enforcement of parliamentary controls. This is effectively measured by two variables: the level of voter turnout and the parliamentary electoral system. Both increased turnout and more proportional electoral systems may translate into a more legitimate and confident parliament.
2. **Political Institutions.** Parliaments and legislatures with an additional chamber—that is a bicameral chamber as opposed to a unicameral one—may have more avenues for scrutiny and thus more strength. Conversely, a presidential system may be associated with less parliamentary strength, if the president competes with the parliament, curtails its power, and seeks to populate it with its own supporters.
3. **Political Freedoms.** Countries with higher levels of democratic freedom may have parliaments and legislatures able to tackle defence corruption more effectively. This is because such freedoms tend to generate a culture of accountability and pressure for transparency. Governments may be expected to submit to parliamentary scrutiny in all policy areas, including defence.

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### RESULTS:

- Political freedom has a strong effect. A country classified as 'free' will typically have a parliamentary GI 2013 score 19 percentage points greater than a non-free country.
- A presidential system does affect the parliamentary GI 2013 scores. Typically, a presidential system has a parliamentary GI 2013 score of 7 percentage points less than a non-presidential system. Yet a bicameral chamber confers no significant increase in parliamentary capacity to reduce corruption risk in defence.
- Voter turnout and electoral system proportionality, the two measures of legitimacy, are not found to affect parliamentary GI 2013 scores.

Political freedoms in society generally translate into greater capacity for parliaments and legislatures to protect against defence corruption. An executive which respects the political freedoms of society at large is likely to ensure parliamentarians are assured freedom to properly scrutinise areas such as defence. Parliamentarians will feel empowered to legislate to prevent and scrutinise areas in the sector associated with corruption risk. Also, citizens themselves are likely to demand effective checks and balances to prevent corrupt behaviour. Indeed, political freedoms seem to be a stronger explanation for parliamentary powers in preventing defence corruption than turnout and electoral system proportionality. These factors are not, in themselves, a guarantee of effective legislative controls.

Regarding systemic political factors, whether the chamber is unicameral or bicameral is not significant. Having two chambers seems to have little effect on whether powers of oversight on corruption are stronger. As the motivation behind an upper chamber is often to address regional representation, perhaps increasing the efficacy of scrutiny is a secondary concern.

Yet having a presidential system does have a clear effect. Presidential systems are likely to exhibit weaker parliamentary controls to prevent corruption risk in defence than parliamentary systems. Several reasons may explain this: the potential for presidents to try to bypass parliaments and legislatures and exert personal authority, the possibility of deadlock when presidents and legislatures clash, and personal links between military officials and presidential offices undermining legislative power.

### Military Factors

#### POTENTIAL EXPLANATIONS

1. **Size of Military and Military per Capita.** Both of these variables might have either a positive or a negative effect on the parliamentary scores. Parliaments and legislatures in countries with bigger militaries that have a greater presence in society may insist on playing a central role in deciding and overseeing defence policies and budgets. However, a bigger and more significant military with high funding levels may also indicate the presence of a powerful military lobby in a country. Such a lobby may have undue influence on those wielding political power and act to prevent or limit parliamentary involvement in defence matters.

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2. **Military Expenditure.** More military spending may incentivise parliamentarians to adopt a more assertive role. Conversely, increased expenditure may again imply a more powerful military lobby able to curtail parliamentary powers.

### RESULTS:

Although the size of the military in absolute terms does not have an effect on parliamentary capacity to address corruption risk in defence, military per capita does. **Countries with high military per capita (five or more personnel per thousand people) typically score 9 percentage points lower than do countries with low military per capita.**

Higher military expenditure has the opposite effect. **Countries that spent more than £10 billion in 2011 have, on average, parliamentary GI 2013 scores 12 percentage points higher those who spent less than £5 billion.** Countries that spend over £10 billion which are likely to drive the effect include Australia, South Korea, the UK, and the USA. Other countries who also spend this amount may dampen the effect somewhat (e.g. Russia and India).

These results are interesting as they speak to the two ways military factors were expected to affect parliamentary power.

Greater military per capita suggests a more militarised society and, potentially, a more powerful military lobby able to circumvent parliamentary oversight. However, increased military spending seems to be associated with improved parliamentary control of corruption risk. Increased defence budgets may incentivise more sophisticated anti-corruption efforts in the legislature.

### Development

To ensure the explanatory variables used did not simply proxy each country's development, a prominent measure of this—the Human Development Index—was included in the model. This had a highly significant effect on the parliamentary GI 2013 scores. **Countries with very high human development such as Sweden, Japan, the United States, and Qatar are estimated to have parliamentary GI 2013 scores 25 percentage points higher than those with low human development, such as the DRC, Mozambique, and Burundi.<sup>3</sup>** Increased development is reflected in more efficacious parliamentary activity.

It is pertinent to say that political factors, military factors, or development ones on their own do not explain the parliamentary GI scores, as all three have statistically significant effects. A holistic understanding of the multiple contextual explanations of these scores is necessary.

### PARLIAMENTARY GI 2013 SCORES AND THE CORRUPTION PERCEPTIONS INDEX (CPI)

The parliamentary GI 2013 scores plotted against the 2012 Transparency International Corruption Perception Index (CPI) scores can be found in the scatter map opposite. They have a correlation of +0.63, which indicates a moderate to strong positive association between the two indices. Where CPI scores are higher, reflecting less perceived corruption, parliamentary GI 2013 scores also tend to be higher. This is a sign of more effective parliamentary control of defence corruption risk areas.

Of considerable interest are the outliers, those countries that are located away from the line of best fit.

<sup>3</sup> Countries with very high human development are assumed to score around 0.9 in the HDI; those with low

human development around 0.35.



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On the bottom-right are those countries that performed **relatively better in the CPI than they did in the parliamentary questions of the GI 2013**. Singapore is a clear example of such a country: it scored low in the parliamentary GI 2013 questions due to the lack of a parliamentary committee devoted to military affairs, and limited legislative access to confidential financial matters. Countries from the Middle East and North Africa (MENA) are also clustered in this region. They typically have parliaments and legislatures marginalised by or compliant with the executive. They are provided with little information on those items which are helpful to reduce corruption in defence.

Those countries that performed **relatively better in the parliamentary questions of the GI 2013 than they did in the CPI** can be found on the top-left of the scatter map. Many of these countries were included as good practice case studies in earlier chapters: Germany, the UK, Taiwan, Poland, South Korea, Bulgaria, and Colombia, amongst others. They tend to exhibit many of the 'optimising' characteristics: strong and effective parliaments and legislatures, with defence committees that have access to confidential material, and conduct open debate and innovative oversight practices.

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# Annexes

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## **ANNEX 1: PARLIAMENTARY GI 2013 QUESTIONS**

### **Budget oversight & debate**

- Does the country have a process for acquisition planning that involves clear oversight, and is it publicly available?
- Is there a legislative committee (or other appropriate body) responsible for defence budget scrutiny and analysis in an effective way, and is this body provided with detailed, extensive, and timely information on the defence budget?
- Is there an effective internal audit process for defence ministry expenditure (that is, for example, transparent, conducted by appropriately skilled individuals, and subject to parliamentary oversight)?

### **Budget transparency**

- Is the defence budget transparent, showing key items of expenditure? This would include comprehensive information on military R&D, training, construction, personnel expenditures, acquisitions, disposal of assets, and maintenance.
- Is the approved defence budget made publicly available? In practice, can citizens, civil society, and the media obtain detailed information on the defence budget?

### **External audit**

- Is there effective and transparent external auditing of military defence expenditure?

### **Policy oversight & debate**

- Is there formal provision for effective and independent legislative scrutiny of defence policy?
- Does the country have an identifiable and effective parliamentary defence and security committee (or similar such organisation) to exercise oversight?
- Is the country's national defence policy debated and publicly available?
- Is there evidence that the country's defence institutions have controlling or financial interests in businesses associated with the country's natural resource exploitation and, if so, are these interests publicly stated and subject to scrutiny?
- Does the government have a transparent and well-scrutinised process for arms control decisions that align with international protocols?

**Embargoed until 17 September, 12:00 London time****Secret budgets**

- What percentage of defence and security expenditure in the budget year is dedicated to spending on secret items relating to national security and the intelligence services?
- Is the legislature (or the appropriate legislative committee or members of the legislature) given full information for the budget year on the spending of all secret items relating to national security and military intelligence?
- Are audit reports of the annual accounts of the security sector (the military, police, and intelligence services) and other secret programs provided to the legislature (or relevant committee) and are they subsequently subject to parliamentary debate?
- In law, are mechanisms for classifying information on the grounds of protecting national security subject to effective scrutiny?

**Procurement oversight**

- Does the country have legislation covering defence and security procurement with clauses specific to corruption risks, and are any items exempt from these laws?
- Are defence procurement oversight mechanisms in place and are these oversight mechanisms active and transparent?
- Are actual and potential defence purchases made public?

**Intelligence services oversight**

- Are the policies, administration, and budgets of the intelligence services subject to effective, properly resourced, and independent oversight?

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## ANNEX 2: COUNTRIES THAT CHANGE BAND

When comparing the overall GI results with the parliamentary-focused ones, there is noticeable divergence between the countries assessed. More countries are placed in bandings at each extreme when a parliamentary banding is created and set against the overall banding. At the top end, the number of countries in Band A doubles, from 2 to 4, and there is a 71 per cent increase in Band B countries. At the bottom end, there is a 56 per cent increase in countries in the lowest Band F and a 17 per cent increase in Band E countries. This

suggests that whilst there are major shortcomings in parliaments' and legislatures' capability to limit defence corruption, there are also examples of good practice in place where lessons for improvement can be drawn.

Countries that move up or down when parliamentary questions are isolated and set against the overall results only do so across one band. There are no countries that jump by two bands or more. Those countries that do cross band are also tabulated below.

| COUNTRIES WHOSE BANDING IMPROVES |   | COUNTRIES WHOSE BANDING WORSENS |  |
|----------------------------------|---|---------------------------------|--|
| Band B to A                      | NORWAY, UNITED KINGDOM  | Band A to B                     | –  |
| Band C to B                      | BRAZIL, BULGARIA, COLOMBIA, FRANCE, JAPAN, POLAND, SLOVAKIA             | Band B to C                     | –  |
| Band D to C                      | BOSNIA AND HERZEGOVINA, CYPRUS, MEXICO, SOUTH AFRICA, THAILAND, UKRAINE | Band C to D                     | GREECE   |
| Band E to D                      | INDONESIA, PHILIPPINES, UGANDA  | Band D to E                     | BANGLADESH, BELARUS, CHINA, ETHIOPIA, JORDAN, MALAYSIA, PAKISTAN, PALESTINIAN NATIONAL AUTHORITY, RWANDA, SINGAPORE, UAE |
| Band F to E                      | –   | Band E to F                     | COTE D'IVOIRE, IRAN, QATAR, SAUDI ARABIA, SRI LANKA  |

| BAND | CORRUPTION RISK |
|------|-----------------|
| A    | VERY LOW        |
| B    | LOW             |
| C    | MODERATE        |
| D    | HIGH*           |
| E    | VERY HIGH       |
| F    | CRITICAL        |

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**ANNEX 3: RESULTS OF LINEAR REGRESSION**

| VARIABLES                                  | B        | S.E.  |
|--|----------|-------|
| <b>POLITICAL FACTORS</b>                   |          |       |
| Voter turnout (%)                          | -0.04    | 0.11  |
| Electoral system proportionality           | 1.07     | 1.98  |
| Presidential system (0/1)                  | -7.31*   | 3.69  |
| Political Freedoms (0/1)                   | 19.17*** | 4.95  |
| Bicameral chambers (0/1)                   | 3.93     | 3.50  |
| <b>MILITARY FACTORS</b>                    |          |       |
| Size of military (scale 0-2)               | -2.13    | 2.84  |
| High military per capita (0/1)             | -9.16**  | 4.00  |
| Military expenditure (0-2)                 | 6.06*    | 3.18  |
| <b>OTHER FACTORS</b>                       |          |       |
| Compulsory voting (control variable) (0/1) | -0.14    | 4.54  |
| Development (scale, 0-1)                   | 46.65*** | 14.37 |
| Intercept                                  | 7.70     |       |
| R-Square                                   | 0.72     |       |
| Number of countries                        | 76       |       |

\*\*\* p < 0.01  
 \*\* p < 0.05  
 \* p < 0.1

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## ANNEX 4: VARIABLES USED TO PREDICT PARLIAMENTARY GI SCORES

| VARIABLE DESCRIPTION             | CODING   | SOURCE*   | ORIGINAL CODING  | COMMENTS**   |
|----------------------------------|--|---|--|--|
| Voter Turnout                    | Percentage of registered voters who voted at last parliamentary election | International IDEA<br><a href="http://www.idea.int/uid/">http://www.idea.int/uid/</a>   | Percentage of registered voters who voted at last parliamentary election | Non-applicable countries: China, Eritrea, Qatar, Saudi Arabia, and UAE.  |
| Electoral System Proportionality | 0 = Plurality/Majority<br>1 = Mixed<br>2 = Proportional                  | International IDEA<br><a href="http://www.idea.int/uid/">http://www.idea.int/uid/</a>   | PR, Plurality/Majority, Mixed (Categorical)                              | Non-applicable countries: China, Qatar, Saudi Arabia, and UAE.   |
| Presidential System              | 0 = Other<br>1 = Presidential  | The World Bank's Database of Political Institutions 2012 (updated Jan. 2013)<br><a href="http://siteresources.worldbank.org/INTRES/">http://siteresources.worldbank.org/INTRES/</a> | Parliamentary, Assembly-elected President, Presidential (Categorical)    | Source did not include data for Palestine or Serbia. Manually classified as: presidential (Palestine), and non-presidential (Serbia) |
| Political Freedoms               | 1 = Free<br>0 = Not Free   | Freedom House<br><a href="http://www.freedomhouse.org/report/freedom-world/freedom-world-2013">http://www.freedomhouse.org/report/freedom-world/freedom-world-2013</a>              | Free, Partly Free, Not Free (Categorical)                                |  |
| Bicameral Chamber                | 0 = Unicameral<br>1 = Bicameral  | International IDEA<br><a href="http://www.idea.int/uid/">http://www.idea.int/uid/</a>   | Bicameral, Unicameral (Categorical)                                      | Source did not include data for Belarus or the DRC. Both manually classified as bicameral.   |

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| VARIABLE DESCRIPTION | CODING  | SOURCE*  | ORIGINAL CODING  | COMMENTS**   |
|----------------------|---|--|--|--|
| Military per Capita  | 0 = Low (0 – 5)<br>1 = High (5+)  | Hacket, James (2010). <i>The Military Balance 2010</i> . International Institute for Strategic Studies. London: Routledge. | Active personnel per 1000 capita                                   | Source did not include data for Afghanistan or Georgia. Figures for Afghanistan obtained from US Department of Defense: <a href="http://www.defense.gov//news/newsarticle.aspx?id=64044">http://www.defense.gov//news/newsarticle.aspx?id=64044</a> . Figures for Georgia obtained from Georgian government website: <a href="http://mod.gov.ge/assets/uploads/files/lgrphxjrgeng.pdf">http://mod.gov.ge/assets/uploads/files/lgrphxjrgeng.pdf</a> |
| Military Expenditure | 0 = Low (0 up to 5bn)<br>1 = Medium (5bn up to 10bn)<br>2 = High (10bn +) | SIPRI<br><a href="http://www.sipri.org/databases/milex">http://www.sipri.org/databases/milex</a>                           | USD (millions), 2011 or most recent available figure. 2010 prices. | Source did not include data for Palestine.   |
| Compulsory voting    | 0 = Non-compulsory voting<br>1 = Compulsory voting                        | International IDEA<br><a href="http://www.idea.int/uid/">http://www.idea.int/uid/</a>                                      | No, Yes  | Non-applicable countries: China, Eritrea, Qatar, Saudi Arabia, and UAE.  |

\* Data accessed 18 and 19 March 2013.

\*\* Countries excluded from the regression model due to unavailability of data: China, Eritrea, Palestine, Qatar, Saudi Arabia, UAE. Resulting N = 76.

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**Raising the Bar: Good anti-corruption practices in defence companies (2013)**, <http://companies.defenceindex.org/good-practice>

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