

# **Parliamentary oversight of arms procurement processes: limitations and opportunities**

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## **I. Introduction**

Every country and society has unique security concerns, standards of democratic accountability of public policy and compulsions political culture which make arms procurement accountability somewhat difficult to realise.

This paper describes generic approaches that could be used, with due modifications, for control and prevention of corruption in arms transfers. The paper primarily discusses executive legislative and statutory bodies to align corruption prevention goals and methods with democratic principles, such as: good governance; rule of law; checks and balances for harmonising security policy with broader societal priorities, public accountability for preventing waste fraud and abuse, transparency of decision making processes for accountability, and so on.

Other than the governments in democracies, parliaments have constitutional authority and responsibility to scrutinize executive decision-making including military decision making processes and order audit of military expenditures.

In view of the above, the discussion will be in four parts:

1. Confidentiality as an impediment to accountability;
2. Accountability of defence budgeting processes;
3. Processes for statutory audit of defence expenditures; and
4. Effects of corruption on a military system which undermines its potential.

## **II. Confidentiality as an impediment to accountability**

Some of the limitations which impair the Parliament's oversight functions relating to the defence sector are discussed below. The armed forces are repository of unique knowledge, and also have unique responsibility to maintain security regarding its plans and programmes as surprise is an essential principle of war. However, denial of information on its decision making processes, even on mundane matters, impairs public accountability of the armed forces, and therefore its professionalism. Some of the typical arguments forwarded to maintain confidentiality of routine decisions by the armed forces or the executive branches to deny information to the parliamentary oversight bodies are discussed below:<sup>1</sup>

1. *Lack of a clear information policy and a weak information dissemination process.* Information collection and dissemination are underdeveloped, even between government departments in developing countries. Policies on and procedures for handling or releasing information for the purposes of legislative oversight are, in many cases ambiguous. Information policy receives very little attention. There is a lack of clarity in methods for releasing

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<sup>1</sup> The section is based on Singh, Ravinder Pal, Arms Procurement Decision Making Vol. 1 and 2, Stockholm International Peace Research Institute, Oxford University Press, 1998 and 2000, and the draft written for Handbook for Parliamentarians 'Parliamentary Oversight of Security Sector, IPU-DCAF, Geneva, 2002.

information or de-classifying of information. Information can be routinely over-classified for administrative convenience and in order for avoiding accountability.

2. *Lack of a legal obligation to disclose information.* There are countries with laws that forbid disclosure of any information related to military security. These laws are often cited by civil and military and bureaucracies to deny information, even of a trivial nature, to elected representatives. Adequate legal provisions have not been framed that can be used by legislators to demand, gain access to and handle classified information. Legislative initiatives are needed to enact freedom of information provisions and address constraints imposed by laws that enforce public compliance with unverified secrecy.

3. *A high degree of autonomy of the military.* The military in many developing countries enjoys a high degree of political influence and autonomy in many respects. It is reluctant to admit that any serious contribution can be made by external expertise as it distrusts civilians. As a result, military rarely participates in public debate on security matters. Public indifference on defence issues is also encouraged by advancing a belief that military professionals have the best and final judgment on security questions.

4. *Lack of a tradition of transparency.* In many countries, procedures for public access to information are underdeveloped because of tradition of low transparency relating to military. The public is seen as not being competent enough to understand or interpret military's decisions or there is simply no need or reason to inform the public. Countries that do not have strong democratic foundations are unable to produce a civil society that is assertive enough in expressing its right to information.

5. *Ambiguity in the law.* The civil and military bureaucracies find career safety from in narrow interpretation of confidentiality. Officials hesitate to make public knowledge official policies or decision-making processes which may be publicly criticized, or cause embarrassment to the government. Political elite avoid transparency for consolidating their hold on the instruments of power.

6. *Commercial interests and lobbying.* Processes which are opaque or at best ambiguous can be manipulated by industrial lobbies. Commercial confidentiality creates opportunities for defence industry to subsidize their loss-making civil production lines, which operate on tight profit margins, from the profits gained from the defence production line. Commercial confidentiality is promoted as a feature of industrial lobbying because of lucrative opportunities it creates for corruption. Besides, in some arms supplying countries, bribes are also tax deductible as marketing expenses.

7. *Bureaucratic behaviour.* Bureaucracies are often characterized by a culture of caution, secrecy and privilege in access to information. This attitude is habit-forming and leads to work methods that accept inertia and discourage information exchange with the public. Under-resourced public offices are often overwhelmed by the workload required to declassify information, and this can become a barrier in itself. Other mutually reinforcing characteristics are: (a) the assumption that control is exercised through a perception of competence, and therefore public criticism must be avoided by protecting information, and (b) the fact that in most countries absolute discretion is given to the executive to handle the secret affairs of the state. Such discretionary powers often lead to bending official rules or legal provisions by bureaucrats in order to avoid accountability by over-classifying documents and discouraging public access even to low-level information.

8. *Weak democratic norms.* Legislators have constitutional duty to monitor defence decision makings on behalf of their electorates. However, they may be more concerned with their own political careers or commercially lucrative opportunities. Some politicians do not wish to be seen as overly critical of the military, particularly if there is an international embargo against

the country or if a heightened sense of national security is embedded in the country's culture and history. There may even be a strong resistance or a lack of will in the parliaments to make improvements in legal framework for public accountability.

*9. Reluctance of executive to disclose information to Parliaments.* Officials in the executive branch express reluctance to disclose information to Parliamentarians for two reasons: to avoid unconstitutional influences and pressures; two, to avoid possibilities of information leading to politically inconvenient situation. Officials commonly use these alibis to deflect explaining arms procurement decision-making process or the stage at which the decision process has reached. Another view informs that this is among the ways information control opens up an opportunity for corruption.

***What are the effects of unverified secrecy prevailing in security sector decision making processes?*** The effects of secrecy on a decision-making process can be twofold:

**First:** it can allow corruption, fraud and abuse to creep into the system, which can encourage interests to enhance secrecy even further, thus leading to a vicious circle. An argument that public accountability of security sector is detrimental to national security because it implies transparency neglects the need to prevent abuse of power in public policy making;

**Second:** it can lead to security apprehensions in the region leading to an action–reaction spiral of arms procurement decisions. The negative effects of lack of accountability are equally serious. It can, for instance, generate threat assessments being generated that exaggerate demands for military equipment, which in turn can lead to insecurity in neighbouring countries. Public understanding of military's decision-making processes will enhance public confidence. Professional scrutiny by agencies other than those who have an 'interest' in the decision, will benefit military's decision-making outputs.

Parliamentary oversight of arms procurement processes would address only a small element of the larger problem—building up of awareness in civil society of its fundamental right to know how the state is planning and developing policies for its security. It is essential to build a political culture which accepts democratic control of the armed forces as a norm.

### **III. Accountability of defence budgeting processes**

As national parliaments have a constitutional role and duty to monitor and scrutinize public expenditures and financial demands of the government, the defence budget making, as an element of public policy must develop an professionally accountable financial accounting system. This element of public policy could serve as a legitimate entry point for the parliamentary oversight to address corruption in the military.

***How should accountability and transparency of defence budget process and financial expenditure be ensured?***

As security sector is entirely financed from public tax, the governments are obliged to explain to the tax payers its processes for organizing security of the society. Provision of accurate, comprehensive and timely information on defence budget policies are also beneficial for several other reasons, such as: helps in assessment of efficient use of resources; identifies weaknesses in areas which are in need of reforms; examines trade offs between security and developmental expenditures; improves transparency and public accountability of fiscal allocations to security sector; and increases public confidence in government of the day.

**1. The defence budget processes should provide the logical link between defence policy and plans with projects and programmes.** The defence management process should be clearly documented for evaluation and audit. Unless there is clearly defined link between the inputs to defence budget with the outputs in terms of projects and programmes, it will be

extremely difficult to evaluate defence budget allocations based on reason and evidence. In absence of which, the defence budget debate becomes political.

**3. Processes for parliamentary review of defence budget allocations should be legislated and carried out according to well-defined procedures of defence sector management.**

Defence budget explanatory noters to parliamentary defence committees should clearly identify capital expenditure allocations for major weapon systems with their performance indicators, their life cycle costs and secondary contracts. The defence budget should give details of allocations for manpower; operations and maintenance; and capital expenditures to enable statutory audit and presentation of reports to parliamentary accounts committee.

**3. Parliaments need to harmonize competing requirements of confidentiality of military related information and to legislate the requirements of accountability of public funds allocated to defence budget.**

In pursuit of the above, defence budget proposals could be broken down to different levels of security classification as follows:

- The first part could be the general defence budget presented to the parliament;
- the second part could be classified expenditures on specific capital acquisitions and operations, which could be scrutinized by bi-partisan sub-committee on defence budget and military expenditures;
- the third part of expenditures relating to higher levels of military classification could be scrutinized by nominated members of a bi-partisan scrutiny committee who should be given access to classified documents according to laid down procedures in the official secrets acts of various countries.

Capacity building initiatives for transparency could be taken up in the academia in the shape of special defence budget project studies to examine different elements of arms procurement budgeting, such as: costs of manpower, operations and maintenance and offsets costing and so on. Such research projects will help in comparing availability of defence expenditure data with that found in other more open societies.

In order to play an effective role in the defence budget process, parliamentarians must take a broader view of national security than that of the party or constituency interests, notwithstanding the resistance and opposition encountered from the military and executive branch. However, in taking a narrow view, parliamentarians tend to approach budget-making exercise solely as a means of maximizing their political influence.

***How should parliamentary defence committees play a role in defence budget process?***

By using the defence budget process as an instrument of financial and political accountability, parliamentary defence committees can become key players to advance accountability. It is important that defence committees play an active role in all phases of the defence budget and arms procurement process, including: policy formulation, priority setting and allocation of resources; scrutiny of budget implementation to ensure that what parliament has approved is put into effect. Thereafter audit of military expenditure should be conducted by an independent statutory authority. It will help in minimising corruption and increase the effectiveness of expenditures.

Weak Parliaments tend to overlook just how powerful a tool national budget approval process can be to achieve social and economic results. In controlling the military expenditures, Parliaments have searched for new methods to use, while they have been neglecting to utilize the key instrument that is in their hands — the defence budget. The situation is result of the fact that the Parliaments often leave virtually all initiatives in the defence budget making

cycle in the hands of the executive and the armed forces, rather than using the "power of the purse" as a method to ensure accountability of the security sector in a professional manner.

***How can parliamentary oversight be conducted for verifying defence budget proposals and financial management processes?***

Development of a transparent and participative defence budget process involves the following actions by officials engaged in budget making and financial planning:

- \* Efforts should be made to communicate the meaning of the figures given in the defence budget in non-technical language. In some parliaments defence budget explanatory notes are also prepared and presented.

- \* Special efforts should be made to build capacities in defence budget and expenditure watchdog bodies and experts in the civil society. It should be ensured that these bodies participate effectively in the parliamentary defence budget scrutiny process.

- \* Increasing numbers of parliaments the world over are establishing public information management systems and using media to ensure that their operations are as transparent and accessible to public queries as possible.

- \* The government should also conduct medium term defence reviews and release budget policy statements, particularly in the cases of major weapon systems whose expenditures span several fiscal years. It should identify long term security assumptions and priorities, major budgetary allocations in the medium term, and allow opportunities for the parliamentary committees and civil society experts to discuss macro-security framework.

- \* Parliaments can make a major contribution in harmonising national economic concerns and objectives into the national budget cycle with defence budgets. They should examine arms procurement programme costs including life cycle costs with their opportunity costs to national socio-economic priorities.

- \* If parliamentary defence committees create conditions of active, wide-ranging and continuous work, it would enable them to play an effective role in the defence budget process. Committees need to develop clear work plans and confidence in the armed forces that they would not use their oversight powers for political purposes. A sense of professionalism in the defence committees should aim to build consensus across party lines, which would help in building good support from the military and access to adequate information.

- \* Parliamentary defence committees should also ensure that complaint processes are in place and working efficiently for dealing with public complaints against contracts awarded by the armed forces from public funds.

- \* The work of the Parliamentary defence committees would be more efficient if it is constituted into smaller sub committees which specialized focus on subjects such as: defence policy and plans; budgets and military expenditures; arms procurement and defence industry etc.. It would also help in making links with appropriate officials in the Ministries of Defence or Finance dealing with defence budget or procurement matters.

***Among the major problems in scrutinizing the defence budget is lack of specialised expertise among the parliamentarians to evaluate the budget proposals and expenditures in a professional manner.***

\* Transparency of the budget making process should be stressed through enacting laws for accessing information to check waste, fraud and corruption, and develop a role for financial experts in the civil society to facilitate the above.

\* Parliamentary defence committees should work closely with research organizations to ensure that defence budget decisions are translated into practical and effective action. To strengthen Parliament's role in the defence budget process, research support could be established in the following ways:

One, to obtain data independent of the government, Parliamentary Research & Budget Office (PRBO) can be established for use by Parliamentarians, think tanks and the media in fields where the government information is not available. Besides being a source on defence budget information, the PRBO can conduct independent policy analysis of defence budget implementation. Therefore, it should be statutorily independent and produce timely reports in an unbiased manner, with support from economists, financial and defence policy analysts.

Two, to obtain assessments from multi-disciplinary research, academic centres could examine specific facets of military expenditures. These projects could include experts in public domain from diverse fields of economics, management and engineering, etc.

***How should defence expenditure review be organised to assess defence policy application?***

\* In most countries, a major shortcoming in the defence budget process is lack of follow-up review of effectiveness of policy and programmes. In many countries the objectives of defence budget appropriations are not even stated. In absence of formalized reporting procedures, in some countries, Parliamentarians have used their constitutional authorities to demand periodical information and briefings from defence finance officials, but these are often ad hoc and do not provide a coherent overview of the government's defence policies or expenditure priorities.

\* In a large number of parliaments the focus of defence budget scrutiny is on inputs (money being requisitioned) rather than on the outputs or the actual results that have been achieved. Although limitations in measuring results in the security sector could be difficult, but it is not impossible to reduce grey areas in the field of military expenditures. It requires that financial and defence committees of parliaments to be assertive in probing the impact of stated programs to ensure that defence funds are spent productively.

\* There should be sufficient time to examine the defence budget proposals before the budget is put to vote. A forum, with appropriate security clearances, is required for intensive discussions. Budget details should be presented at least three months in advance to the sub committee on defence budget for scrutiny of budget proposals with help of expert staff. The MoD should provide clarifications sought by the parliamentarians.

\* Parliaments should have budgetary resources for capacity building training and research programmes for the staff of defence committees, and for visits to specific defence projects to ensure that these experts participate in the committee's proceedings. To meet the costs of research and scrutiny of defence budget proposals and decision-making processes, even a fraction of one per cent of defence budgets would go a long way to ensure its efficient oversight, performance and compliance.

**III. Processes and methods for auditing defence expenditure**

Public accountability means obligations of persons/authorities entrusted with public power to report on the management of such resources and be answerable for the fiscal, managerial and

programme responsibilities that are conferred. Internal audits and controls assist an organization's management in achieving the accountability.<sup>2</sup>

Most important part of security sector accountability process is obligation of the executive and the armed forces to render the accounts on a timely basis; to ensure realization of national defence policy objectives; and accurately report on the status of its implementation.

***What are the various approaches, processes and methods to carry out statutory audit of the military programmes and expenditure?***

Audits are fundamental to accountability and cost effective way to promote transparency of security sector performance. There are different approaches of auditing: Audits can focus on *financial auditing* to verify, attest and assure fairness, accuracy and credibility of financial statements. *Compliance auditing* aims to ensure compliance with regulations and laws to assure that the financial expenditures comply with the authorised amount of money for the purpose it was allocated. *Performance auditing or Value For Money (VFM) auditing* provides information on operations and functioning of a process, a programme or a project in the public sector. VFM auditing seeks to ensure that administrative procedures adhere to sound management principles and practices. Another innovative approach is to carry out Results-oriented auditing which requires identification of result based criteria in advance. It has sharpened the focus of performance auditing, and reduced the need for field work and lengthy reporting procedures.

External audits conducted by a statutory authority for public accountability of military expenditure require legislation for periodical performance review of defence management and policies. A good compliance audit of defence plans and expenditure should be comprehensive, external, impartial and independent.

The parliaments have a responsibility to ensure that legal provisions are enacted to install effective accounting and control system for arms procurement and keep them under continuous review for making improvements. In view of inherent tensions relating to arms procurement confidentiality and accountability processes, it would require appropriate legislation to transfer overall supervision to a special parliamentary audit commission. A bi-partisan Parliamentary Audit Commission should also include technical experts appointed for fixed term. The Commission should not have member be from the Executive Branch, even though they may belong to the party in power.

***What should be the functions of a Parliamentary Audit or Accounts Committee?***

Parliamentary Audit or Accounts committees should ensure that the statutory audit authority functions according to the constitutional provisions; achieves the best international standards; introduce legislations in the parliament which enhance its professional oversight capacities. It must also ensure that an external audit of the statutory audit authority is carried out by preferably an agency in private sector.

Some of the following elements could be considered essential:

a) Financial reporting should provide sufficient clarity in budget allocations made to various branches or programmes of the armed forces. The statutory audit authority may require the review of budgetary assumptions and cost computations (particularly in respect of major weapons systems). It should be able to obtain appropriate technical skills and resources to design financial, technical and performance audit schemes.

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<sup>2</sup> New Delhi Declaration: 6th Assembly and 5th International Seminar of ASOSAI Nov. 13-19, 1994, New Delhi.

b) To the extent possible, the statutory audit authority should undertake research in the field of defence management accounting and auditing. The Parliamentary accounts committee should oversee development and training in audit skills by promoting exchange of experiences and knowledge with universities, professional auditors in the private sector and international audit organizations.

c) To keep abreast of the changing environment within which security sector operates, the statutory audit authority should continually monitor efficiency and effectiveness of its audit methodologies and develop best practices to harmonise tensions between the need for military confidentiality and the requirements of public accountability.

d) The statutory audit authority should encourage interaction with the armed forces to develop trust and improve quality assurance through periodical review of internal accountability system in the armed forces.

e) Financial audit of specialised agencies such as the armed forces, require an interdisciplinary approach for conduct of its audit. Besides experts from naval, air and land forces, a knowledge of diverse specialisations is required in accounting, engineering, economics, law, business management and computer sciences to conduct Value for Money VFM or performance audits.

f) Timely preparation and submission of audit reports to the parliament is essential. The statutory audit authority should submit its reports in time to be current and meaningful to the armed forces to take corrective action.

g) Subject to constitutional provisions, the statutory audit authority may decide on the appropriate disclosure or releasing parts of their reports to public. It is essential to encourage public responses to audit reports to advance public understanding of problems in security sector. This could be done through a public dialogue in a format that enables wider transparency of armed forces' decision making processes.

h) In some countries, audit reports are not taken seriously by the parliamentarians or the military who avoid offering comments on audit reports. This imposes greater responsibilities on statutory audit authorities in assuring the elected representatives that the public moneys are spent with due regard for economy and effectiveness of security sector.

i) Select Committees of Parliament and appropriate executive authorities must carry out in-depth examination of the audit reports and recommend actions to be taken by the armed forces to ensure that their recommendations are being complied with.

***How should the office of statutory audit authority be organised to support Parliamentary oversight?***<sup>3</sup>

a). To ensure independence and competence of Auditor General, he should be selected by the chief executive and designated Parliamentary committee, which should be responsible for termination of his appointment. The tenure should preferably be longer than commonly found

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<sup>3</sup> The sources for this section are largely based on following reports :  
<http://www.acag.org.au/indep297.htm-Australian> Council of Auditors General paper by PK Kumaran on audit in Indian defence sector in Singh, Ravinder Pal (ed), 'Arms Procurement Decision Making' Vol. 1, Stockholm International Peace Research Institute, Oxford University Press, 1996)

in civil service, such as non renewable contract of 7 to 10 years. The Auditor General should be responsible to the Parliament, but not subject to direction or jurisdiction of the Executive.

b). If the office of statutory audit authority does not raise revenue through audit fees, the remuneration and costs of audit office should be borne from parliamentary accounts or an independent budget should be voted separately. The performance of the statutory audit authority should be reviewed every 3 to 5 years by an external reviewer nominated by the Parliament. The independence of the statutory audit authority should not be limited to the accountability of Auditor General, who should report financial and operational performance of his office to the parliamentary accounts committee annually.

c). The statutory audit authority should ensure that the government and the military complies with parliamentary appropriations and approval of the budget; promotes efficiency and cost effectiveness of the government programmes; prevents incidence of corruption through developing transparent financial auditing procedures, and increase the likelihood of detection of waste, corruption, fraud and abuse in the system.

d). To ensure operational and technical independence of the statutory audit authority, it should have specialised multi-disciplinary teams with experience of security and technology issues related to arms being procured.

e). Subject to confidentiality restrictions, the military should provide necessary access to information to carry out audit. Disagreements with the executive branch on access to information should be resolved through a process of interpretation of official secrets legislation by a parliamentarian.

g). Quality control of auditor's products should be ensured through rules and procedures indicating a minimum reporting requirements and their time limits; reasonable access to information and records; and immunity for the liability for the Auditor General and so on. The scope of audit for specific arms procurement decisions should be laid down by the parliamentary defence committees.

h). Specialised audit schemes must be developed for arms procurement processes to provide a better focus for the audit teams. The statutory audit authority should be free to determine the audit programme and methods. The executive branch should facilitate special training programmes for its staff to audit specific arms procured and related technology.

#### **IV. Corruption : a product of unverified military confidentiality**

A major negative effect of unverified confidentiality in the military results in corruption in the system. What could be the role of the parliament in checking corruption in political systems, civil and military bureaucracies?<sup>4</sup> It needs to be mentioned that parliaments do not have the powers to decide on arms procurement decisions, as being reported.<sup>5</sup> This responsibility will remain an executive privilege. However, parliaments do have a role and responsibility in monitoring, reviewing and scrutinizing arms procurement decision-making processes.

A liberal democratic system provides the best opportunities for controlling corruption. In transition democracies, where one set of norms have either not developed, whereas rules and procedures have not yet been institutionalized, opportunities for corruption can flourish.

<sup>4</sup> Based on report : Policy Forum, Corruption and Development in Africa, ([www.gca-cma.org/epfdoc97.htm](http://www.gca-cma.org/epfdoc97.htm))

<sup>5</sup> Born, Hans, 'Representative democracy and the Role of Parliaments', Occasional Paper, Geneva Centre for Democratic Control of the Armed Forces, p.8, <http://www.dcaf.ch>

Transparency, on the other hand, makes corrupt practices more difficult. Needless to add, policies intended to prevent and control corruption in the armed forces have to be consistently applied and reviewed over the long term. As corruption is essentially a governance issue, a strict adherence to established procedures and rule of law will help in countering corruption.

Corrupt behaviour becomes an exception rather than a norm if the likelihood of being caught is high, if the punishment once caught is severe, and if it is generally condemned by society. Conversely, corruption tends to become a norm if the chances of being caught and severely punished are low, and if it is a tolerated mode of organisational behaviour.

Corruption flourishes in military systems that are closed to parliamentary scrutiny and avoid accountability on false arguments of military secrecy which do not stand up to professional scrutiny. Arms procurement scandals point to existence of corruption in the military, usually on a large scale. It has both international and domestic dimensions. Other areas in the military's management functions which are vulnerable to large scale as well as petty corruption are administrative contracts for general stores and clothing, recruitment of soldiers, and issuance of transportation contracts.

***What are the characteristics of bureaucratic and political corruption as it relates to the defence sector?***

Lack of transparency in armed forces decision-making processes creates a grey zone of information availability that is used by entrepreneurial military officials and middlemen to provide access to decision makers or benefits of connections to high office patronage.

Politicians in the parliament also tend to use their representational role and political influence to leverage kick-backs. The most prevalent types of political corruption is awards of government contracts in exchange of political support; donations to political campaigns in the expectation of later benefits.

Bureaucratic corruption consists of bribes -- to obtain contracts, information or assets, to gain access to benefits, to obtain permits or licenses, to influence administrative outcomes, and to speed up or slow down the decision making processes, among other things.

The most widespread form of bureaucratic corruption probably range from appointments in selected departments of the military service that exploit lack of transparency for rent seeking and allow lucrative opportunities. This creates organisational inefficiencies and undermines the professionalism of the armed services. Money gained as a result of corrupt bureaucratic practices could be kept outside of the country's banking system. Frequently, companies offering bribes are based elsewhere, and persons suspected of corruption or officials who may have been suspended from service simply move to neighbouring countries.

***Despite the fact that corruption is a consequence of unverified confidentiality of military's decision making processes, how does military elite respond to the effects of corruption which undermines moral credibility and professional efficiency of military organizations?***

Political will is vital to abolish corruption in security sector procedures, where low transparency is reinforced because of opportunities for fraud. Once corruption is entrenched in the armed forces, it undermines military's code of professional ethics and can lead to an extremely dangerous situation for any military organisation to allow itself into. It erodes credibility of command and legitimacy of the military's leadership, which may consequently lose effectiveness in field. Parliament along with other public interest bodies must proactively take steps to check prevalent of such abuse in the security sector, because that is a major threat to national security, and accountability.

Porous borders tend to facilitate illicit trade, as well as smuggling of drugs and small arms, between countries. Attempts to investigate and try those involved in corruption have frequently been hampered by lack of formal agreements between countries. A damaging effect of unchecked corruption involves theft of small arms, particularly when the armed forces or the governments do not have a legal obligation to report to the parliaments. Armed forces can simply write off theft of weapons as loss of public property. Parliamentary initiatives on accountability need to be taken up to reduce security problems in their regions.

Corruption at organisational levels could lead to promoting unjustifiably expensive "white elephant" projects, which often lack funds for maintenance. Lack of public accountability can lead to sub-standard work, inflated costs, and cost overruns which remain unexplained, particularly in military R&D projects. Corruption increases the costs of operations and maintenance of defence forces, wastes scarce resources, and can radically reduce organisational effectiveness desired in the security sector.

Corruption in international arms procurement or major equipment transactions can also involve political and commercial pressure for or award of contracts. Corrupt practices in international business transactions range from theft and fraud to bribes and favours to obtain contracts or information, additional payments, under-invoicing, excessive commissions, and payments to decision makers through agents or middle-men. The excess costing and billing also involve "padding" of contracts, provision of sub-standard goods or equipment, and billing for services not rendered. This is particularly feasible in the case of secondary or offset contracts, if they are often under-investigated.

Allegations of arms supplying companies need to be investigated, that military and government officials in arms recipient countries demand payment if they want to work in the country. It is evident that corruption in international arms transactions creates "prisoner's dilemma" of paying bribes to the buyers because all of their competitors do so.

Notwithstanding the fact that only in a few arms supplying countries, domestic payment of bribes is illegal and subject to quite severe punishment, which acts as a deterrent to such practices. The parliamentarians in all arms supplying countries need to introduce legislation, to control supplier side malpractice which allows bribes to be tax deductible as 'marketing expenses.' Arms suppliers and buyers must be obligated to conclude integrity pacts in response to buyers request for technical and financial proposals.

The arms sales and procurement guidelines should identify reasons for secrecy demanded by the recipient or the arms supplying countries, which should be explicitly stated in their integrity pacts. If such reasons lead to possibilities of corruption entering into the deal, then these have to be identified by both parties and counter measures should be defined to avoid such possibilities. There is evidence to suggest that, in the absence of accountable and transparent administrative systems, exceptions are easily found to bypass procedure, particularly in case of emergency procurement.

Reforms such as divestiture and privatisation of defence industries, have to be handled in transparent manner, as they are vulnerable to manipulation by corrupt officials. There is a correlation between the extent of regulatory discretion afforded to officials and the extent of corruption. Evidently bureaucratic red tape is not reduced by bribes, but on the contrary, it may actually increase to facilitate corruption. Additionally, opportunities for corruption in the armed forces may distort official assessments in favour of large capital and arms acquisition projects which provide opportunities for rent seeking from government expenditure. The parliamentarians need to specially examine the rationale of such projects, which divert public expenditure away from social sectors.

***What could be the various methods employed for combating corruption in armed forces?***

Several countries have managed to keep corruption under control, or relatively difficult to engage in. Methods have been developed to increase possibilities of detection through oversight and control mechanisms in the civil service, parliament and the judiciary, which in turn created interlocking systems of oversight and regulations in the military.

It is extremely essential that counter-corruption policies find support among the leadership in the armed forces. The military leadership's efforts to make their decision making processes accountable for professional and financial probity would be the primary requirement for creating an environment in which corruption is neither accepted or nor condoned. Examples set by political and military leadership, along with stiff penalties for corruption, are considered to be among the most effective measures for addressing corruption at the national level. Political will among the parliamentarians is therefore essential to ensure to enact anti-corruption legislation that brings parliamentarians under its purview is essential to enforce administrative measures for monitoring and verifying malpractices in arms procurement.

Well-publicized incidents of political corruption in developed democracies frequently indicate that lawmakers themselves are not above corruption. A common opportunity is to siphon funds, which are ostensibly acquired for political campaign financing. A method to avoid investigation of such misappropriated wealth is to hold assets in the names of friends and relatives, for which procedures for verification need to be evolved. In many parliaments, there is a need to have checks to prevent abuse of office. Some countries have taken significant steps in this regard, which obligate members of parliament to adopt a voluntary code of conduct which, among other things, requires disclosure of assets, as well as procedures for investigation of assets which are more than known sources of income.

Parliaments have to create the legislative framework for addressing corruption, as well as advance executive accountability acting as a check on the military. Mechanisms such as special parliamentary oversight commissions, especially in the area of arms procurement, to scrutinize reported misuse of public funds and publication of parliamentary records can all help increase transparency and prevent corruption.

Measures which improve governmental accountability and transparency require that all budget demands, expenditure and financial reporting mechanisms for the entire security sector, must be included in the national budget. Enforcing external audit and increasing public information on military expenditure procedures, have also been found to reduce corruption. In particular, military's procurement procedures need to be revised as it has been identified as a field ripe for corruption.

Various countries have taken different legislative and organisational steps to implement a comprehensive counter-corruption approach based on investigation and prosecution, public education, and prevention. Some governments have sought external expertise to deal with corruption and established specific mechanisms such as an independent authority with special powers of investigation, seizure, search and arrest. These steps are accompanied by a series of public information campaigns which have resulted in a high public awareness of the role and responsibilities of counter corruption processes.

Amongst other measures are establishment of statutory vigilance commissions, office of military Inspector General, with specific powers to address corruption and a mandate to submit periodic reports to parliament. Strengthened roles of the director of public prosecutions, statutory audit authority and investigative capacities given to public accounts committee of parliament are among some other initiatives. In another country, a National Committee of parliamentarians and justices has been appointed to oversee implementation of the government's anti-corruption program and a public complaints commissioner's office is

established to protect whistle blowers. In addition, anti-corruption programmes include a public information and communication strategy to involve civil society and business sector, for designing codes of conduct for political leadership and senior public service employees.

Legal and judicial reforms would help to improve ethical standards and ensure that existing anti-corruption legislation is enforced in the courts. A comprehensive legislative framework to combat corruption and an efficient legal system are required to be in place. This would involve implementation of judicial reforms for timely handling of cases, computerization of financial management systems and strengthened audit systems.

The country's political leadership not only has to set an example but also establish "zero tolerance" for corruption. A long-term strategy needs to be developed, that includes comprehensive anti-corruption legislation and stringent punitive measures to contractors found guilty of bribery. Punishment for public officials found guilty of corruption should be severe and exemplary, and extended regardless of position. Moreover, both the person giving and the person receiving the bribe should be liable to the same punishment.

***What could be the roles played by watch dog bodies in the civil society?***

Autonomous associations and watchdog bodies in the civil society can form significant components of any anti-corruption strategy. In cases of major arms procurement decisions, parliaments should automatically set up monitoring process supported by former military procurement and financial experts, specialized anti-corruption agencies, offices of the inspector general, audit authorities and parliamentary ombudsman. Although some of these offices now exist in some countries, although with large variations in their abilities and resources at their disposal. To be truly effective, such bodies have to be independent, provided with statutory authority and protected from political manipulation, and should report to the parliament. They also need to have sufficient financial resources and afforded adequate powers to enforce ethical codes and standards. They need to enjoy the confidence of the public and their decisions have to be respected by the political and military elite.

When combined with other anti-corruption agencies of the government, watchdog bodies can be extremely useful, not only in bringing cases of corruption to light, but also in promoting governmental accountability and building public confidence. Professional associations, security sector think tanks and business community can cooperate with defence suppliers associations to build coalitions against corruption and demand greater accountability in armed forces contracts.

The armed forces in those countries which already have high levels of corruption have to build and participate in anti-corruption coalitions, to re-establish legitimacy and professionalism in their military's command channels. Such associations of former military leaders will be useful for verifying integrity pacts and codes of ethical conduct. The contribution of parliamentarians in this regard is essential to design and initiate legislation, which would make corruption a high-risk and low-gain endeavour. Developing legal protection for 'whistle blowers' is essential. Strategies have to be country-specific, and what works in one country may not necessarily work in another.

But in general terms, counter-corruption education in the armed forces and active public response in support of the military's counter-corruption measures are important initiatives to check the detrimental effects of corruption. For which, it is crucial to have a free and professional media, with legal and organisational provisions for it to access channels of information for reporting on corruption incidents in the armed forces. Such media reports and investigations need to be conducted with due circumspection and a sense of responsibility, as false reporting or sensationalism could affect the morale in the military's command channels.

The media has a very important role to play in educating people; investigating and exposing reported cases of corruption; and building up public support for the efforts being made in the armed forces to combat it. Corruption thrives on secrecy, which is countered by a free press. The threat of negative publicity and the fact that political corruption is frequently exposed in the press serve as strong deterrents to fraud and corruption in many countries. An independent and free press also fulfils an important public information function and can help counteract public perceptions that corruption is inevitable and that important people are immune from investigation or censure.

The dominant view of the military's organisational culture suggests that it would like to maintain minimal levels of military's accountability. Therefore a campaign to prevent and combat corruption must be continuous, consistent, coherent, broad-based and a long-term perspective. However, support of military leadership, public and political will are essential for success of any anti-corruption effort. It must address the fundamental causes and not just the consequences of corruption through departmental courts of inquiry for specific incidents. Such inquiries are useful in terms of local short term effects within the military organization or within coalitions for countering corruption.

***What are the international initiatives being taken to build broader consensus on methods to combat corruption in defence contracts?***

The development assistance community should support greater international cooperation to combat money laundering and financial crime.<sup>6</sup> There is a need to support efforts of countries to improve their governance standards; implement security sector and legal sector reforms, training and technical assistance required by parliamentarians; and civil service reforms which limit opportunities for corruption. In addition, assistance is required to strengthen civil society organizations and provide training for journalists.

Corruption in internationally-financed arms procurement programs does not necessarily involve fraud or embezzlement of funds, but can also centre on inflated costs, unnecessary fees, provision of excessively large amounts of equipment, and non-competitive procurement arrangements. As a result, intensive program preparation and management is required with strengthened financial reporting and audit requirements, increased internal management should make corrupt practices more difficult, as well as facilitate early detection.<sup>7</sup> Transparency International (TI) initiatives to design and initiate pacts between arms buying countries and the arms suppliers or sales companies should also involve review of arms procurement legislation, strengthening of regulatory provisions to limit opportunities for corruption, and identify deterrent punishment for those found engaging in corrupt practices.

In order to understand conduciveness of political environment for advancing counter corruption initiatives in arms acquisition processes of defence sector, TI through its country offices should conduct research and training programmes in cooperation with parliamentary committees and statutory organisations, civil society organisations and the media as described at page 12 of this paper. The scope of such research and training programmes could be along the themes discussed in the framework to examine counter corruption processes which is enclosed as appendix to this paper.

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<sup>6</sup> Policy Forum Document: Corruption and Development in Africa, Maputo Mozambique, Nov. 1-2 1997, [www.gca-cma.org/epfdoc97.htm](http://www.gca-cma.org/epfdoc97.htm). pp 20-22

<sup>7</sup> Pillars of Integrity: the Importance of Supreme Audit Institutions in Curbing Corruption) Kenneth M. Dye and Rick Stapenhurst, Economic Development Institute of the World Bank, 1998. pp. 3, 4

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