Address to the Organization for Security and Co-operation in Europe (OSCE) Conference
"Transnational threats and challenges: strengthening the coherence of the OSCE response and interactions with other international actors"

Working Session 1:
"Transnational threats and challenges: strengthening the coherence of the OSCE respsonse and interaction with other international actors"

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"Corruption as a transnational threat"

Honourable Chair, Your Excellencies, Ladies and Gentlemen,

Thank you for inviting me to speak at this annual security conference on behalf of Transparency International. I am delighted to be here with you today. My organisation, Transparency International, is the leading-not-for profit organisation dedicated to fighting corruption. We are passionate about building integrity and addressing corruption risks across the globe.

My team, the defence and security team, works internationally to improve transparency in defence and security. Our team is around 13 people strong and consists of a mix of anti-corruption experts, retired military, and retired Defence and Security Ministry experts.

I would like to talk to you today about corruption as a transnational threat, and for this I would like to focus my speech on three topics:

- on corruption as a transnational threat with reference to security, organised crime and conflict
- On corruption as the hand maiden of organised crime, and on
- Corruption as a central feature in conflict

Lastly I will offer some suggestions for concerted international response on how to address defence and security corruption more effectively, and where we think OSCE has an important role to play.

People we speak with in defence and security ministries give us 3 main reasons as to why they find corruption to be especially detrimental in this sector:

1) Corruption wastes money and drains resources

2) Corruption reduces the operational effectiveness of security institutions and armed forces

3) Corruption reduces public trust in the Armed Forces

Typology of defence and security corruption risks

POLITICAL	PERSONNEL	PROCUREMENT
Defence & 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
		Contract award, delivery
		Subcontractors
		Seller Influence

FINANCE	OPERATIONS
Asset disposals	Disregard of corruption in country
Secret budgets	Corruption within mission
Military-owned businesses	Contracts
Illegal private enterprises	Private Security Companies

Corruption in the defence and security sector can appear in many forms.

The slide you are seeing is Transparency International's analysis of what the risk areas that constitute defence and security corruption are. This typology is the product of many conversations with many governments and armed forces over the years. It divides defence and security corruption into 5 main areas, and subdivides these into 29 different risks.

Most people think of procurement as the main risk area in this regard, or even the only one. But the typology demonstrates that procurement is only one part of the picture. Corruption can also occur in personnel, for example where people try to evade conscription by paying bribes, or where parts of salaries are stolen on the way from the treasury to the soldiers.

It also occurs in quite different areas, like asset disposals and non-transparent budgets.

What is often ignored is that the political sphere also carries corruption risks, and you will find organised crime in that category. The relationship of corruption and organised crime is a symbiotic one: Criminal networks make extensive use of corruption in its various forms, and corruption helps them to carry out criminal activity, avoid investigation, and escape prosecution.

If you would like to read more about this relationship, I can highly recommend a study that the Centre for the Study of Democracy in Sofia has recently published on corruption and organised crime.

Organised crime penetrates national defence, security, and intelligence establishments and it intersects with corruption in these spheres. It is a particular problem in the security and defence sphere, because military, security, and intelligence bodies have privileged access to classified information, and also arms stocks, resources, and national pillars of power. This can be an incentive for criminal infiltration by organised networks.

Prominent examples of this criminal infiltration can be found in many country. Let me demonstrate criminal infiltration of the defence and security sector with the example of Peru. Former President Alberto Fujimori created an elaborate network of organised transnational crime in Peru between 1990 and 2000. This organised crime network cooperated mainly with a group run by Peru's head of the National Intelligence Service, who was also the primary security advisor to Fujimori. The network was, essentially, a multi-million dollar criminal enterprise engaged in drugs and arms smuggling, extortion, embezzlement, and bribery. The example of Fujimori-era Peru shows that once organised crime becomes embedded in the security and military structures, it can perpetuate itself with impunity.

Another link between corruption and organised crime as an international issue can perhaps best be observed on international borders: corruption in cross border transport means that transport blockades and sanctions can be circumvented, taxes are avoided, and those who bribe have access to routes that are officially closed. This severely undermines both national administrations and international security, and, in countries like Afghanistan or Tajikistan, robs the national economy of the needed revenue.

Afghanistan is perhaps the strongest current example of where ignoring corruption as a strategic issue has led to significant problems for the international community's mission. Corruption was much discussed as an issue but never made it beyond written papers into political strategy. Since about 12 months ago, one unit has been established within NATO/ISAF to address corruption as it effects the NATO mission. The unit is called Shafafiyat which means transparency in Dari. They are placing immense emphasis on what they call 'criminal patronage networks', which they find to be a central feature of current Afghan power structures. In its simplest form, money flows upwards in exchange for political protection flowing downwards. This has major implications for how we all think about the usual distinction between petty corruption and grand corruption. The work of Shafafiyat found that much petty corruption was directly feeding these criminal networks, as was the grand corruption.

What this means, is that due to the security threats corruption poses, such criminal networks will not be tackled seriously unless the issue figures prominently on the list of national threats and becomes an integral part of national security strategies.

We have also been working with the ex Chief of the UK Serious Organised Crime Agency on this subject. He sees a structural weakness in that most counter organised crime organisations work on their own and are disconnected from public opinion.
He sees a huge need for such agencies to work much more actively in coalitions.
His perpetual theme is that current attempts to get on top of organised crime are failing.

There is a need to work with other actors such as civil society, outside the law enforcement community, to tackle this issue more broadly.

The OSCE could, and maybe event should, be a prime facilitator or making these sorts of coalitions happen, and could help in raising awareness about the fact that corruption is a serious danger.

Turning now to corruption in fragile and post-conflict countries, it is fair to say that governments in countries that have experienced violent conflict are particularly vulnerable to corruption, because corruption erodes legitimacy at a time when it is particularly needed for reconstruction.

Corruption is usually both cause and consequence of the conflict, as studies for example in the South Caucasus have shown.

Let me emphasise that we believe that in post conflict settings too little attention has been given to the importance of corruption in the defence and security sector. This would appear to be a prime area of interest for OSCE.

A huge risk in unstable post-conflict countries is that all attention will be given to improving the military and security situation, neglecting 'soft security factors' such as corruption. But anti-corruption efforts only have a chance of success if they are engrained in governance reforms. And this is particularly true in defence and the security, where reforms need to be initiated early in the post-conflict transition process.

It is our observation that the diplomatic and policy making community do not take corruption into account as part of the political strategy.

But addressing corruption early in the defence and security organisations of a post-conflict country has benefits: it enhances popular trust in the institutions and sends a message of determination. Contrary to what many people think, the military leadership is increasingly a willing ally in fighting corruption because commanders are likely to have witnessed the detrimental effect of, for example, faulty equipment that was provided as a result of corrupted dealings.

Besides ignoring corruption as a key factor, we also observe a high level of fatalism about whether it is possible to tackle corruption. This fatalism is particularly pronounced in the international community.

We believe that there is evidence that significant improvement can be made.

And to illustrate this point, let me turn to corruption in conflict and post conflict countries now.

Control of Corruption (1998 – 2009)
post-conflict examples
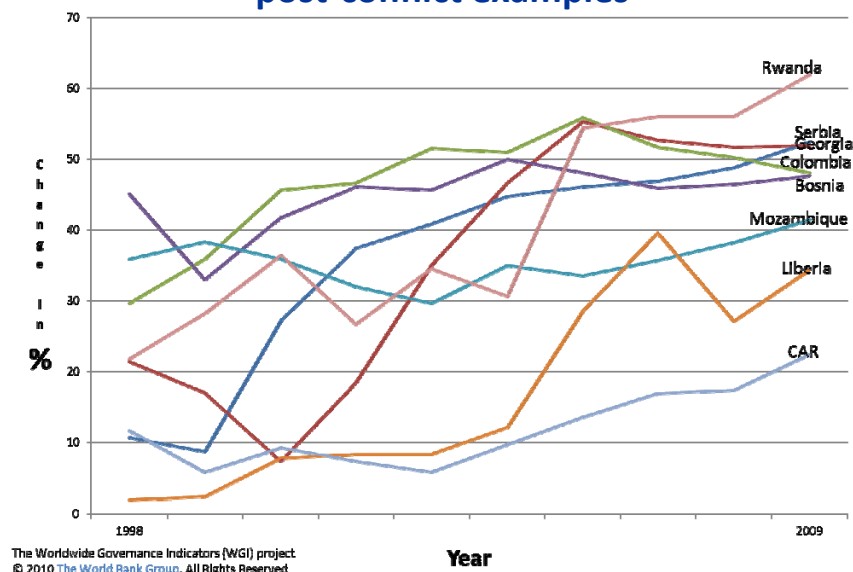
The PowerPoint chart on the slide you are seeing is derived from one of the most extensive data records on corruption, and that's the World Bank World Governance Indicators (WGI).

The slide shows a graph with data collected by the World Bank on control of corruption on the example of post-conflict countries.
It shows on the x-axis the development of corruption control over the years from 1998 – 2009, and on the y-axis shows the percentage of change. Simply put, bottom left means 'bad', and top right means 'good'.

The level of corruption in the countries analysed might still be high, but it is important to note that compared to the starting point in 1998, there has been a significant improvement in many post-conflict countries.

The data confirms that significant progress in countering corruption **is** possible, and possible within a relatively modest timeframe of 10 years. It is not necessarily a change that requires generations.

We therefore advocate an approach in which negotiators give proper regard to corruption already at the stage of peace negotiations. This also includes the international donor community addressing the issue, and making efforts to coordinate its approaches to tackling corruption. With respect to the nexus of organised crime, corruption and conflict and post-conflict states, prospects for state sustainability will be compromised unless at least some measure of strategic focus is given to crime and corruption.

Let me conclude:

There is much scope for the OSCE to make positive impact in this area.

I have been talking to you about three specific instances where corruption is a transnational threat. In all three, defence and security institutions are key players.

The OSCE could be playing a really constructive role. It could be helping in developing an understanding, building capacity, and spreading knowledge about reform areas such as countering organised crime and post-conflict countries.

And the third, maybe most obvious one, is building capacity in OSCE member nations on addressing corruption in the defence and security spheres.

Most top defence and security officials and military are very ready to acknowledge the problem if you address corruption as a systemic issue and not a personal one. It also helps to talk about building integrity rather than "tackling corruption".

The OSCE to us would seem to be a native place for nations to acquire the defence an counter-corruption knowledge necessary to reduce transnational threats.

With this, Ladies and Gentlemen, I should like to end my remarks.

Thank you very much.