Working Paper

TRANSPARENCY INTERNATIONAL
the global coalition against corruption

Table of Contents

Corruption and (In)security

The threat of foreign invasion is no longer the only concern dominating the security agenda of states. The list of dangers includes the menace posed by non-state actors and terrorist groups as well as broader social, economic and environmental risks. Whether internal or external, these pressures are breeding violence and corruption, undermining state security and destabilising the global system.

For security policies to be effective states must recognise and respond to how corruption ignites and magnifies these dangers. In some countries and regions corruption is the *facilitator* of insecurity. Individuals dealing in arms running may use their illicit profits to bribe their way across borders in order to carry out violent campaigns against states. In other cases, corruption is the *cause* of security breakdowns. A state may become the source of insecurity as it relies on corruption to keep itself in power, serving as the match to light political, social and economic unrest and sparking conflict.

Both anti-corruption approaches and security policies need to address these linkages and look at the broader context that has created a web of security risks — within and outside national boundaries.

Redefining security in the 21st century

The term 'security' often refers to protecting a country or group of countries — including their citizens, territory and property — from external threats and risks. They may be military or non-military in nature and can arise from different actors and sectors.[3]

Based on this refined view, appropriate security responses involve actions and policies that are preventative as well as defensive. A country's police, military and civilian authorities are considered the gatekeepers of this work.

A broader conceptualisation of security has evolved, however, that looks at the many interrelated variables conditioning it. This change reflects the shift away from seeing armaments as the core solution to and source of insecurity, and conflicts as solely state-to-state.

It recognises social, political, economic, technological and environmental factors as equally creating widespread and severe security risks that require prevention, mitigation and responses on the part of states.[4]

Putting people at the centre of a security paradigm

Rather than only looking at how states defend themselves against external attacks, 'human security' has emerged as an alternative view. This concept focuses on how to protect individuals and communities from a wider range of threats posed by civil war, genocide and the displacement of populations.

Efforts are aimed at identifying and responding to the sources of the problem that are endangering the lives and livelihoods of individuals, communities and countries.

Policy solutions include economic development, social justice, environmental protection, democratisation, judicial reform, disarmament and respect for human rights.[5]

1. A growing security agenda

Traditional military notions of state security have given way to include a wider range of threats posed for citizens and communities (see boxes). Contraband trading, uncontrolled migratory and refugee flows, state-led violence, rigged elections, pandemics and environmental degradation — these by-products of corruption all form part of today's growing list of security concerns.

When corruption and security risks combine, the mix can compromise the safety of millions for the benefit of a few. One corrupt act can set off a chain of events that shatters security and undermines stability. Kickbacks and bribery may be used to facilitate terrorists slipping across borders and reaching their targets, as has been well-documented in countries from Kenya to Russia, Morocco to Thailand. Criminal networks may use pay-offs to produce contraband goods that bankroll their anti-state activities, as armed groups have done in Armenia, Azerbaijan and Georgia.[1] National revenues generated from natural resources may be stolen by politicians and channelled to fund armaments for the military and to keep the status quo of governments, as in Sudan and Chad. As each of these cases demonstrate, different types of corruption have different impacts that undermine the broader umbrella of countries' security concerns.

2. Unravelling the web of corruption risks

Within this framework, corruption serves to both facilitate and cause security risks globally, regionally and nationally. Studies show that it is no coincidence that low accountability, reduced transparency, heightened corruption and greater insecurity are occurring simultaneously in many countries.[2] Corruption weaves different actors together at different levels who chip away at the pillars — political, military, social, economic and environmental — that sustain security:

- *Political*: The 'buying' of political candidates, the judiciary and local police forces. These monies may flow from drug traffickers, businessmen or powerful political elites and be used to distort security-related decisions.

- *Military*: Unaccountable and questionable procurement processes by ministries or private contractors.

- *Social*: The use of bribery and power by organised crime groups to facilitate, for example, human trafficking and small arms running (see box on page 3).

- *Economic*: The theft of public monies generated from natural resource wealth to fund paramilitary groups or insurgents.

- *Environmental*: The payment of bribes by governments and companies to dump hazardous waste and materials in marginalised communities.

When it comes to addressing these insecurities, governments can be both part of the problem and the solution. In the cases of countries like China, Chile, Germany and Jordan, government-led efforts to combat corruption have targeted one or more of the dimensions affecting a state's security risks. In other instances, governments have systematically used corruption to fuel national, regional and global conflagrations at the cost of the security of their citizens.

Chad (1,6), the Democratic Republic of Congo (1,7), Myanmar (1,3) and the Sudan (1,6) rank in the bottom five per cent on the 2008 Corruption Perceptions Index (CPI) produced by TI. These countries' governments are also commonly named among the worst perpetrators of violence against their own citizens.

At the same time, corruption and insecurity can spring from relatively stable and well-governed states when there are breaches in their own accountability, transparency and integrity. Recent scandals in the US and UK regarding opaque defence industry practices serve all too well as a reminder of corruption's reach. US dealings in Iraq in particular have been under constant scrutiny after a series of shadowy military and oil contracts were uncovered which flouted US and Iraqi government policies.[6] One study by the Inspector General for Iraq Reconstruction found that the Coalition Provisional Authority (CPA) mismanaged contracts worth US$ 88,1 million, overpaid on at least 11 projects and saw US$ 36 million in weapons go missing. Private and public actors on both sides have been implicated in the abuse. According to the TI Global Corruption Barometer 2007, US citizens' cynicism of their government's ability to fight this and other types of corruption have placed the US in the bottom quintile of countries — and among states such as Argentina, Albania and Russia — for their efforts to combat abuse.[7]

3. Understanding the security fall out from corruption

The security agendas of countries — including more traditional concerns related to questions of borders and defence — have been surprisingly disconnected from the anti-corruption discourse. Yet policies made under a country's security doctrine can produce extremely distorted results when corruption enters into the equation.

Corruption can *facilitate* as well as *cause* a rise in security risks for countries and citizens, linking together political, military, social, economic and environmental concerns. In both cases, increased insecurity can lead to increased corruption, creating a vicious cycle. Governments may use citizens' greater sense of 'insecurity' (whether real or perceived) and the banner of 'national security' to hide abuses and withhold information — actions which, in turn, can contribute to elevated security threats. Such opacity is occurring as traditional security funding is soaring. In the last 10 years, world military spending has jumped 37 per cent, with the US accounting for more than half of all current outlays.[8]

Corruption can *facilitate* insecurity through different channels and actors. It can:

- *Serve as an accomplice for violence.* Bribery has been used as the grease for getting nuclear arsenals and arms out of countries (often transitional or fragile states). A variety of former Soviet republics (e.g. Belarus, Georgia and Tajikistan) and other countries like Pakistan top the list of nations sending these deadly materials abroad.[9] Security checkpoint payoffs have also been used to give a safe passage to terrorists to cross borders and carry out attacks. For example, Russian investigators traced the airliner attack by Chechen insurgents in 2004 to a bribe of less than US$ 180 that was paid to get them on board without proper identification.

Organised crime: A transnational risk

A string of recent public opinion polls in European Union (EU) member states have revealed that organised crime and its links with corruption rank high among citizen concerns.

A *Eurobarometer* survey (2007) of citizens in these countries showed organised crime and terrorism as the top area that needs to be addressed with neighbouring states (61 per cent of respondents). For EU member states, it was also ranked as the third most mentioned national policy issue (23 per cent), after social justice (43 per cent) and peace and security (27 per cent).

These results follow previous *Eurobarometer* findings (2005) that more than half of EU citizens (54 per cent) see corruption as the driving force behind organised crime in their countries.[10]

For example, organised criminal groups in the EU — particularly from Albania, Romania and Turkey — have been linked to human trafficking rings that often bribe border guards and use personal networks to move their victims across countries.

'If customs, police and security professionals are corrupt, no expensive high-tech devices will provide our citizens with the security they deserve. If corrupt public servants provide false identity documents, terrorists will move more freely throughout the world, and all of our societies will be threatened.'

- Ron Noble, Secretary General of Interpol[11]

● *Reduce government resources for key sectors.* When corruption casts its shadow on decision-making, already limited resources to address the broader scope of security risks are reduced, inappropriately spent or siphoned-off for personal use. For example, studies have shown that corruption is associated with the skewing of public expenditures towards defence funding and away from basic services, as measured by the share of national income dedicated to each.[12]

● *Decrease government accountability.* Executive and legislative privileges may be expanded beyond the powers that citizens have given, and used to dodge questions of accountability on a government's military decisions or actions in other spheres. Under a scenario of limited accountability, arms sales and military support may be granted to countries based on unclear criteria and opaque decision-making. Private military contractors and region-wide security operations may fall into a void, without proper control or safeguards guiding their actions.

● *Limit access to information.* As perceptions of insecurity rise, the notion of 'national security' may be perversely claimed by governments to prevent the spotlight from being cast on corrupt activities or to quell dissent. By employing the 'security' veil, information may be blocked on issues like the awarding of defence contracts. Even in times of peace, matters of state 'security' have always been considered outside the public domain. For example, neither the International Monetary Fund nor the World Bank requires countries to report on defence spending as part of public finance rules, although transparency in government expenditures for education, health, the judiciary and a battery of other sectors is expected.[13]

● *Promote impunity.* Particularly in times of war or conflict, citizen rights and due process may be violated in the name of preventing 'terrorism' or under the claim of 'national security': with their personal safety already threatened, citizens may be discouraged from exposing cases of corruption. Legislation approved in Russia in 2006 now considers extremism to include any criticism of a public official. In countries such as China, Jordan, Nepal and the US, anti-terror measures have re-classified certain acts of political dissent as falling within the scope of the law. Freedom of expression suffers most when such protections are eroded. The media may be forced to reveal sources or not publish stories. Although 100 countries have laws protecting journalists and their sources, the US, Canada, Netherlands and Ireland are conspicuously missing from the list.

Corruption can also be the *cause* of insecurity; most notably when systemic abuse makes governments the source of the problem. In such cases corruption can:

● *Exacerbate security threats.* While representing less than one per cent of international trade flows, arms exports are estimated to account for 50 per cent of all corrupt transactions globally.[14] Corruption allows for breakdowns in the delivery of supplies to go unaccounted for and arms smuggling to flourish. In the small arms trade alone, estimates are that

'Secrecy is a form of corruption, even when it is not used to hide the illegal enrichment of people in government…How can we be sure that resources intended for the development of the region's countries will be used in the best possible way, if governments refuse to disclose how they use significant parts of their national budgets?'

- Oscar Arias, Nobel Peace Prize Winner and President of Costa Rica[15]

black market sales may top US$ 10 billion annually.[16] Illegal trading and weak export controls mean that a country may find the weapons it has sent legally to partners and suppliers in the hands of its greatest security threats, as has happened in Colombia, Panama, Iraq, Somalia, Haiti and Afghanistan. The push for a United Nations treaty to address these gaps and other issues of arms excesses has been strong, but action is currently stalled due to resistance by big exporters like the US.

- *Fuel conflict.* The systematic stealing and misappropriation of state funds by corrupt governments breeds discontent and conflict among citizens, as has been evident by separatist movements in resource-rich countries like Indonesia and Nigeria. In the past, such monies have been used to directly support insurgents (Afghanistan and Iraq), attack citizens (Sudan) and export conflict (Liberia). Non-state actors also enter into this equation, using financing from drug, contraband and human trafficking to fund violence. For example, the TI national chapter in Colombia has analysed the links between the drug trade, armed insurgents and the capture of the state.[17]

- *Promote state capture and abuse.* When corruption is dictating the rules of the game, increases in spending do not necessarily mean more effective security policies. Even in a context of rising donor flows to military allies, the effectiveness and sustainability of spending are likely to be compromised if the recipient government is corrupt. For example, a rise in military funds to kleptocracies can only serve to bolster unpopular governments and increase insecurity.

- *Destabilise regions and the international system.* Countries as diverse as Lebanon, Pakistan, the Sudan and the Congo form part of a network of nations where domestic corruption is undermining global security and threatening international peace.[18] These countries present past and future challenges for preventing and resolving conflicts vis-à-vis peace building and peacemaking while also feeding into economic, environmental and social insecurities.

- *Undermine peace processes.* In cases where claims of corruption compromise peace processes, it can increase instability rather than alleviate it, as has happened in Haiti, Sri Lanka and Timor Leste.[19] Research in the South Caucus region has shown that peace building is often difficult to achieve when one side perceives the other to be corrupt.[20] Corruption can also complicate demobilisation, disarmament and reintegration initiatives. Former warlords may run off with a few cronies and the money, leaving their fighters without funds, but with guns.

4. Overcoming the challenges

Perceptions, behaviours and norms are difficult to change, yet such shifts are essential to break the ties that have formed between corruption and insecurity. Refocusing security policies will require the work of a broad base of stakeholders from across the branches of government and sectors of society.

Contextualising 'security' and its role in corruption

Finding entry points to address security risks facilitated and caused by corruption will be conditioned by country and cultural contexts.

In many Arab countries, the governments are seen as 'care-taker states' and above citizen demands regarding access to information, transparency or accountability of their actions. In Saudi Arabia and other Gulf States, for example, the lack of accountability has created fertile terrain for corruption to take place within these countries' security institutions.

In other states, 'security' matters are considered solely a question of defence, sacred and outside the reach of citizens and the law. Sudan, Syria and Libya, among other countries, are known for being non-transparent when it comes to the states' administrative, financial and operational dealings on security.

It must also involve simultaneously reducing the risks of corruption and insecurity — which is no easy task given the panorama of problems presented by both sets of issues. To pursue this work, efforts will need to target building political will at the country and regional levels to ensure that there is a common understanding as to why an integrated agenda of different sectoral initiatives serves to strengthen security policies and address the different risks that corruption creates (see box).

Some ways to operationalise these shifts might include:

Military:

❂ Working with the military to emphasise how operations can become more effective and efficient by eliminating corruption, including more transparent disclosure of procurement, enforceable codes of conduct (anti-bribery) and integrity pacts (between governments and suppliers).

❂ Leading training workshops for security officials and citizens on how to strengthen preventative anti-corruption measures. A programme led by the TI national chapter in the UK (www.defenceagainstcorruption.org) has focused on scaling this up to the regional level.

Political:

❂ Partnering with legislatures on designing a security strategy that mainstreams anti-corruption measures and looks at how it complements different sector policies.

❂ Building a dialogue with ministerial officials on the channels through which corruption compromises the different dimensions of security. The experience of TI's work in Poland shows how such exchanges can result in institutional change — in this case the creation of an anti-corruption policy for the ministry of defence.

❂ Referencing global and regional codes to assist governments to design more effective policies that reach the root of the problem. These include the Development Assistance Committee (DAC) guidelines on helping prevent violent conflict, which have been produced by the Organisation for Economic Co-operation and Development (OECD).

❂ Working on judicial and police reforms that target limiting the opportunities for political and business elites to coopt the process, as well as by groups tied to contraband and terrorism.

Social:

❂ Mapping how corruption facilitates and causes insecurity, including the actors and outcomes involved. Such an assessment must also include a consideration of what happens when anti-corruption efforts are effective or back-fire. In post-conflict countries, stemming the flow of corruption as part of demilitarisation efforts may actually spark greater violence if compensatory benefits and incentives are not in place for the fighters returning home. Breaking up illegal markets that are facilitated by

corruption can also lead to greater insecurity and violence once the rules of the game shift.

- Doing outreach and advocacy activities with the electorate to illustrate how petty bribes, the sale of contraband and the purchase of counterfeit products are sources of weakened security, in the same way as questionable military contracts and non-transparent arms exports.

Economic:

- Drawing on the OECD Anti-bribery Convention and United Nations Convention against Corruption (UNCAC) to assist countries in formulating supportive structures for the prevention and punishment of corruption (in partnership with parliamentarians and civil society).[21] The establishment and use of an independent anti-corruption body can help advance this work.

- Working with different industries (e.g. defence, forestry, agricultural) and actors (public, private and civil society) to develop solutions to the triggers of corruption and insecurity. The signing of sectoral pacts to promote clean public procurement processes may be one area for action.

Environmental:

- Leveraging global treaties on climate, energy, food and health is a first step for deconstructing the cross-cutting relationship between the environment, security and corruption. Since environmental degradation has no boundaries, solutions must be equally international in scope.

- Integrating transparency and participatory policy-making into government spending on programmes on the environment. This would allow policy-makers to be held accountable for any inequality in funding between sectors and for more traditional security risks.

This wider perspective of the risks to national and international security will allow governments to better integrate anti-corruption measures as part of their response to these challenges. Without this change, the security breaches of the past may well develop into the tragedies of tomorrow.

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Corruption and (In)security

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[3] Please see: NATO, NATO-Russia Glossary of Contemporary Political and Military Terms (Brussels, Belgium: NATO, 2001). www.nato.int/docu/glossary/eng/index.htm; 'The Global Legal Information Network (GLIN): www.glin.gov; 'The Scottish Information Commissioner': www.itspublicknowlegde.info/Law/FOISA-EIRsGuidance/section31/DefinitionOfKeyTerms31.asp.

[4] See: Alyson J.K. Bailes, 'Introduction: The world of security and peace research in a 40-year perspective', SIPRI Yearbook 2006 (Stockholm, Sweden: SIPRI, 2007). http://yearbook2006.sipri.org/intro. 'United Nations University Institute for Environment and Human Security (UNU-EHS): www.ehs.unu.edu/file.php?id=40; 'The Commission on Human Security': www.humansecurity-chs.org.

[5] For varying definitions of human security, see the Human Security Report Project of Simon Frasier University: www.hsrgroup.org/index.php?option=content&task=view&id=344&ltemid=69. For UN definitions also see: www.un.org/esa/ffd/doha/index.htm and www.gdrc.org/sustdev/husec/Definitions.pdf.

[6] See: Nikos Passas, Corruption in the Procurement Process / Outsourcing Government Functions: Issues, Case Studies and Implications (Austin, Texas: Institute for Fraud Prevention, February 2007).

[7] This refers to the question whether respondents thought their government's efforts to fight corruption were: very effective, somewhat effective, neither effective nor ineffective, somewhat ineffective, or ineffective. See: Transparency International, Global Corruption Barometer (Berlin, Germany: Transparency International, 2007). www.transparency.org/content/download/27256/410704/file/GCB_2007_report_en_02-12-2007.pdf.

[8] See: Petter Stålenheim, Catalina Perdomo and Elisabeth Sköns, 'Chapter 8: Military Expenditure,' SIPRI Yearbook 2007: Armaments, Disarmament and International Security (Stockholm, Sweden: Oxford University Press and SIPRI, 2007). http://yearbook2007.sipri.org.

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[11] See: Ronald K. Noble, 'The role of the police in fostering political commitment', 10th International Anti-Corruption Conference (Prague, Czech Republic, 8 October 2001). www.interpol.int/public/ICPO/speeches/20011008.asp.

[12] See: Claire Delavallade, 'Corruption and distribution of public spending in developing countries', Journal of Economics and Finance, Vol. 30(2): 222-239 (June 2006); S. Gupta, L. de Mello, and R. Sharan, 'Corruption and Military Spending', European Journal of Political Economy, Vol. 17: 749-777 (2001).

[13] Current recommendations to the World Bank's public expenditure and financial accountability framework (PEFA) suggest bringing defence expenditures into the assessment or adapting the current tool for interested countries to use in this sector.

[14] The figures are estimates from the United States Department of Commerce. See: Mark Pyman, 'Corruption and the Lack of Transparency in Defence Procurement,' TI-UK Paper presented to the conference 'Arms trade and development. An ecumenical seminar'. (Brussels, Belgium, 2-3 November 2005). The industry's over-representation in the numbers is confirmed by other findings. The Bribe Payers Index produced by Transparency International showed that it ranked as the second most likely sector to receive bribes (2002).

[15] The quote is taken from a speech made by President Arias to the Inter-American Development Bank in November 2000. See: Paul Constance, 'Secrecy is a form of Corruption', IDB America (February 2001). www.iadb.org/idbamerica/index.cfm?thisid=1193.

[16] The International Action Network on Small Arms (IANSA) estimates that trade on the black market in small arms may range from US$ 2 billion to US$ 10 billion every year. See: www.iansa.org/media/wmd.htm.

[17] See: Transparencia Colombia, Conflicto armado y delincuencia organizada: Escenarios de corrupción. A propósito del caso de Colombia. Cuadernos de Transparencia No. 13 (Bogota, Colombia: Transparencia Colombia, 2007). www.transparenciacolombia.org.co/Portals/0/descargas/publicaciones/TRANSPARENCIA%2013.zip.

[18] See: World Bank, Engaging with Fragile States (Washington, DC: World Bank, 2006). www.worldbank.org/ieg/licus/download.html.

[19] See: Karen Hussman, 'Thought Piece: What is corruption in conflict zones'. Paper presented at conference 'The Nexus: Corruption, Conflict & Peacebuilding Colloquium'. (Boston, Massachusetts, 13 April 2007). http://fletcher.tufts.edu/corruptionconf/pdf/Hussmann.pdf.

[20] See: Natalia Mirimanova and Diana Klein (ed.), Corruption and Conflict in the South Caucasus (London, UK: International Alert, January 2006). www.international-alert.org/caucasus/index.php.

[21] The DAC Guidelines explicitly state that corruption is an obstacle to social peace as well as economic development and include in its recommendations the need to ensure transparency, fight corruption and strengthen anti-bribery norms and mechanisms.