

REGIONAL RESULTS

ASIA

**GOVERNMENT DEFENCE
ANTI-CORRUPTION INDEX**



2015

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This index measures the risk of corruption in defence establishments worldwide.

These are the results for Asia.

The results for MENA have already been published. Results for the G20, NATO, Europe, Africa and the Americas will follow shortly.

The Government Defence Anti-Corruption Index (GI) assesses the existence and effectiveness of institutional and informal controls to manage the risk of corruption in defence and security institutions and of their enforcement. Our team of experts draws together evidence from a wide variety of sources and interviewees across 77 indicators to provide the government with a detailed assessment of the integrity of their defence institutions.

This report publishes the country risk rankings derived from our data and examines the trends across Asia.

Regional Results

Banding brackets

Band	Lower % Score	Upper % Score	Corruption Risk
A	83.3	100	Very low
B	66.7	83.2	Low
C	50.0	66.6	Moderate
D	33.3	49.9	High
E	16.7	33.2	Very high
F	0	16.6	Critical

Pakistan is also included in the Government Defence Anti-Corruption Index 2015 Fragile States Report.

Australia, China, India, Indonesia and South Korea are also included in the Government Defence Anti-Corruption Index 2015 G20 Report.

Full country assessments and data-sets available online:

government.defenceindex.org

NEW ZEALAND **A**

AUSTRALIA **B**

JAPAN **B**

SINGAPORE **B**

TAIWAN **B**

SOUTH KOREA **C**

BANGLADESH **D**

INDIA **D**

INDONESIA **D**

MALAYSIA **D**

PHILIPPINES **D**

CHINA **E**

PAKISTAN **E**

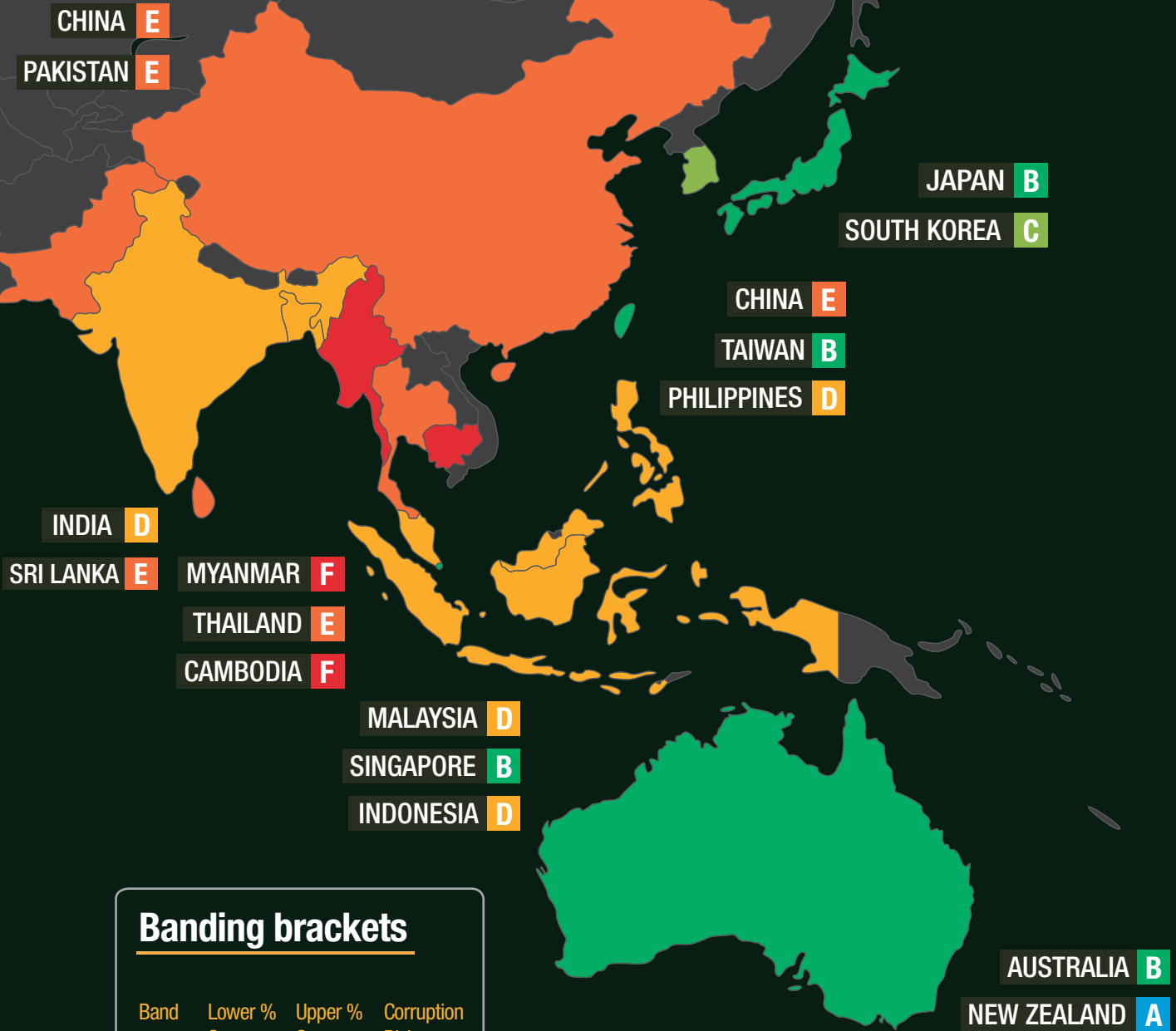
SRI LANKA **E**

THAILAND **E**

CAMBODIA **F**

MYANMAR **F**

Asia



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1. Defence Transparency in Asia

Asia is home to some of the most dynamic emerging powers in the world, and with economic growth has come massive expansion in military expenditure. Chinese military spending has increased by 441% in the last decade, India by 147%, South Korea by 106%, Pakistan by 107%, Bangladesh by 202%, and Sri Lanka by 197%. Within ASEAN, there have been huge increases as well: Indonesia by 189%, Thailand by 207%, Cambodia by 311%, and the Philippines by 165%.

But it is not just the size of Asian defence budgets that matters. The big question is how will all this new power be governed, and in whose interest? Our research finds that exponential growth in military might is often characterised by high levels of secrecy, and low levels of accountability, oversight, and transparency. The intention underlying the rapid growth of military capabilities of countries is not always clear to their own people, never mind their neighbours and the outside world.

The report examines the state of governance of Asia's militaries. Three themes emerge:

First, in some rising Asian powers there is a gulf between growing military spending and adequate checks and balances on military elites, posing a threat to stability in the region.

Second, while China's military might is reflected in defence strategies and acquisition plans of many of its neighbours, there is still cause for optimism. There are good examples of high levels of accountability, transparency, and integrity across the region, which serve as important constraining forces on defence power.

Third, in some cases armed forces are acting in direct contradiction to the needs of their people, and in many countries public confidence in the state is undermined by the diversion of public money through poor procurement practices. In 65% of the countries we studied, public trust in the military's ability and will to address corruption was very low.

Our research demonstrates the urgent need to strengthen the integrity of defence forces in Asia. In a highly populated region, with overlapping territorial claims and rising defence budgets, stability depends on establishing clear standards for the way military power is governed, based on accountability to citizens and transparency.

But while many leaders across the region recognise the threat corruption poses to their legitimacy and the security of their nations, we found insufficient effort is directed to building strong independent institutions, or to establishing regional standards. Leaders who seize the opportunity to tackle these issues will not only strengthen their military effectiveness and protect their borders from external threats, but leave a legacy of prosperity and stability for future generations.

2. Secretive defence spending in dynamic Asia

Growing economies have enabled rapid expansion in military capability, in many cases fuelled by security tensions. The 17 countries studied in this report spent approximately \$432.7 billion on military expenditure in 2014, comprising 24.5 % of global military spending. And much of this spending remains highly secretive.

Oversight of defence budgets, essential to holding the sector to account, is often minimal. And the argument that openness can undermine national security is frequently exploited to avoid accountability to citizens. This is even more pronounced when it comes to “secret” budgets, expenditure relating to intelligence services and national security, where mechanisms for scrutiny are almost entirely non-existent.

Defence budget oversight: the results

- **Public scrutiny is blocked.** Only 6 out of the 17 countries studied publish their defence budgets with enough detail to enable public oversight.
- **Parliamentary oversight is lacking.** With the exception of **Australia, New Zealand, Japan, and South Korea**, parliamentary defence committees are unable to exert meaningful influence on defence decision-making. In 8 of the remaining countries, there is no evidence of the committee’s ability to influence decisions or there is no such committee in place.
- **Non-existent accountability of secret budgets.** Seventy-seven per cent of countries disclose either partial or no information to the public on secret budgets. Over half of countries provide no information to their legislatures or to a legislative committee on defence and not a single country was assessed to have adequate legislative oversight of such spending.

The business of defence

The involvement of defence institutions in economic activities should be limited and strongly controlled where it exists. There is evidence of flourishing and unchecked enterprise, licit and illicit, at the institutional level in several countries in Asia. In 9 of the 17 countries assessed, defence institutions and/or personnel were found to have controlling interests in businesses associated with national natural resource exploitation. Seven countries have significant ownership of commercial businesses with zero or limited transparency in relation to operations and financing. None of these countries have adequate independent audit (or equivalent) mechanisms for scrutiny in place.

- In **Pakistan**, there is no transparency or effective oversight of the military's huge business empire, estimated in 2007 to be worth \$10 billion.
- In 2013, the **Indian** army was found to be illegally running golf courses on government-owned land, Air Force officials have used defence land for unauthorised use such as the building of shopping malls and cinema halls, and India's defence institutions have also been found to be involved in the exploitation of the country's natural resources.
- In **Bangladesh**, our research found evidence of military officials involved in the country's natural resource exploitation through timber businesses and the "grabbing" of land and forest resources. At the institutional level, the military operates a range of businesses directly and indirectly through the Sena Kalyan Shangstha, a retired officials' welfare association.

In some cases the military has been actively pushed in the economy by cash strapped governments:

- In **Myanmar**, the military has promoted a policy of self-reliance for military commanders, requiring them to generate revenue. The result? Informal taxation, the selling of state resources, the large-scale cultivation and sale of opium poppies, uncontrolled exploitation of natural resources, and involvement in cross-border smuggling in the golden triangle. The military also owns two major enterprises that dominate the economy - the Union of Myanmar Economic Holdings Limited (UMEHL) and the Myanmar Economic Corporation (MEC). The transfer of control of these businesses took place only recently, quickly, and without any transparency. Many of these businesses are located in strictly civilian spheres, for example breweries, precious stones, banking, and commodities, but profits accrue to departments within the military, as well as to senior military officers who own shares.
- In **Indonesia**, funds allocated for the military in the state budget just don't cover minimum requirements. In 2015, the state budget formed just 50% of military requirements. This has undermined efforts to extract the Armed Forces from their business empire. While all directly owned military businesses were legally transferred in 2009, complex foundations and cooperatives remain under their control and without oversight, accounting for 5% to 20% of the military budget. Reports indicate that these involve huge businesses and the large scale unsanctioned exploitation of natural resources.

*Countries scored a 1 or 0 on questions in the Index related to ownership of commercial businesses.

3. The veiled dragon

The international community has been pressing China for greater defence transparency for a decade or more; in 2015 the Chinese Government published their first defence strategy. Putting aside whether China's shift towards "open seas protection", "territorial air offence", and a "cyber force" provides strategic reassurance, it is only barely a step forward. After almost consistent double digit increases in defence spending since 1995, China now represents around 12% of the world's defence spending and 30% of the world's secretive defence spending. Our research points to major gaps in transparency and institutionalised structures for oversight:

- Only highly aggregated figures on defence spending are available, with special budgets covering important items: strategic forces, R&D, and the military component of space exploration remain hidden from view.
- Even the extent to which such items are kept outside the official budget is unknown. Our research found estimates of additional, off-the-books spending ranging from 35% to 50% of total defence expenditures.
- The expenses for China's paramilitary forces, and the People's Liberation Army (PLA)'s own revenue created by its corporations, and the allocation of these funds remain undefined.
- No information is available on acquisition planning and only broad details are disclosed on actual and planned purchases; the Chinese public would gain more knowledge about their nation's defence capabilities through reading foreign press reporting.

Building confidence through accountability

Greater transparency is only one part of building regional confidence in China's military expansion. More information on defence capability will do little to assuage neighbours if it is not matched by transparent checks and balances on power. Secretive decision-making in defence creates perceptions of unpredictability, causing observers to draw a host of very different conclusions over underlying motives. When there is low trust, transparency over new capabilities can be interpreted as an attempt to intimidate. So it is vital for regional stability that there are

substantive mechanisms through which Chinese decision-making on defence and security policy could be meaningfully debated and challenged. We found little or no evidence of this in our research:

- Although a shift in approach compared to previous defence White Papers, the 2015 version is still strategy in abbreviation. There is little mention of maritime disputes or information that would enable an informed public discussion of China's defence policy.
- Although in theory, China's defence policy is supervised by the National People's Congress, the assessor described their impact as "miniscule"; as far as our research could ascertain, the US Congress received more detailed information about China's military capability and defence budget.
- There is little evidence of well-informed public debate. Our assessment concluded that a culture of censorship deters experts from advancing views which are contrary to government policy on any sensitive topic, while informed public debate is constrained by the state's substantial capacity for censoring criticism and shaping opinion in both traditional and new social media.
- There was, however, some evidence of occasional interaction between government and opinion-formers, and some commitment to fostering dialogue. Recent public debates over China's defence budget were also found to be the most open since China started publishing relevant information, but discussion was based on state-provided resources and again exercised against a backdrop of censorship.

4. Asian forces for stability

In a highly populated region with overlapping territorial claims and rising defence budgets, the stability of Asia depends on building a common understanding of how military power should be governed. The security of the region would be greatly enhanced by recognition that there is an acceptable way of managing military might, based on accountability to citizens and basic transparency through which effective independent oversight of policy, budgets, and military behaviour can be exercised. Across much of Asia there is good evidence of exactly this sort of responsible approach. Nearly half of the of countries had some formal provision for legislative scrutiny of defence policy; in over half, defence policy was at least partly debated with the public and the published defence budget contained some detail broken down by function:

- In **Japan, Australia, Japan, New Zealand, and South Korea**, governments have engaged in a formal public consultation on strategy, and there is evidence that a legislative committee is provided with detailed information on proposed defence expenditures and able to influence decision-making.
- Robust debate over South Korea's Defence White Paper demonstrates that public involvement in defence policy can take place even against the backdrop of a tense security environment. Think tanks are brought into defence debates, and the government's commitments to increased data, are good examples of public inclusiveness and transparency.
- There is also some good evidence of measures to ensure financial control over the military. **New Zealand, Australia, Taiwan, Japan, Singapore, and South Korea** permit no off-budget expenditure, a major risk area seen across countries. In **Australia, India, New Zealand, Singapore, South Korea, and Taiwan**, independent oversight of disposals of military assets is undertaken.
- **Australia** stands out with its appointment of an Independent National Security Legislation Monitor (INSLM) to ensure that secrecy on the basis of national security concerns does not infringe on the rights of its citizens and public oversight of secret budgets is ensured.

The A in Asia

New Zealand achieved the highest scores in the region, including across three of the five risk areas (finance, personnel and operations). Even in those risk areas where it is slightly weaker, New Zealand still has solid systems in place.

- **Operations:** New Zealand is the only country in the region having a robust approach for addressing and managing corruption risks in operations. A range of materials defining doctrine and conduct during deployment ensure comprehensive awareness of how corruption may impact operations at the strategic level.
- **Procurement:** New Zealand's defence procurement aspirations to grow its combat capabilities by 2020 (as outlined in its Defence Capability Plan) are matched by a highly efficient and transparent system for defence procurement.
- **Personnel:** The New Zealand Defence Force (NZDF) have a strong ethical culture. Ethos and values training which covers corruption is provided to personnel, and there is evidence of a focus on integrity throughout the NZDF.

ASEAN: responsible regional powers?

ASEAN has the potential to play a pivotal role in new Asian norms on military governance. The ASEAN Political Security Blueprint has already set a clear aspiration for ASEAN to be a rules-based community of shared values and contains a statement of intent on anti-corruption. Our research shows evidence of a firm foundation for realising this vision:

- **Singapore** emerges firmly as the ASEAN leader, with strong frameworks of proactive and institutionalised activity to address corruption risk, though this is undermined by limited provision for independent oversight including over the sizeable sums of public spending directed towards defence. The committee charged for such tasks, the Government Parliamentary Committee on Defence and Foreign Affairs, is appointed by the ruling party.

- In **Malaysia**, armed forces are highly professionalised and transparent in some critical areas. The Malaysian Anti-Corruption Commission (MACC) has led an increasing number of external investigations into a previously closed institution, while private commercial activity by personnel is strictly prohibited by government regulation and a code of conduct.
- The **Philippines** has considerable provisions for legislative oversight of defence institutions, although there is room for in-depth and more effective scrutiny. The publication of the Internal Peace and Security Policy (IPSP) 'Bayanihan' sets out the platform for public debate on security, for which a robust and engaged civil society and media can easily be harnessed.
- **Indonesia's** People's Representative Council (DPR) and Commission I exercise overall budgetary power and approve laws on security. There is evidence of debate and scrutiny within the DPR concerning defence policy and, therefore, a degree of effectiveness. The powerful anti-corruption commission is slowly increasing its jurisdiction over the military with some positive outcomes.

Despite ASEAN's stated ambitions, there are weaknesses across all member countries and too many cases (including the promotion of good governance and efforts towards a rule-based community of shared values and norms) where the blueprint for accountability and governance laid out by the community is not being implemented. No countries publicly disclose the level of expenditure allocated to activities relating to intelligence services and national security, except for the **Philippines**. There is effectively no legislative scrutiny of secret budgets nor are they audited for parliamentary debate – with **Indonesia** being the one exception, though there remain significant exclusions made to the information submitted. And barring **Singapore**, off-budget military expenditure is permitted in every other country. There are also several examples of a direct contradiction to ASEAN values outlined in the blueprint and beyond:

- The military takeover in **Thailand** voided the 2007 constitution, preventing any form of independent supervision of defence decision-making. Other pre-coup institutions still exist in a quasi-legal way but our research suggests the junta decides which laws are enforced.
- In **Myanmar**, all military affairs – a concept that is in itself very broad - remain outside the control and scrutiny of the civilian authorities. Our assessor found no branch of the state, such as the legislative, executive, and judicial branches, able to exercise oversight of the military. The defence budget was provided to

Parliament for the first time in 2013, though one MP appointed to the Budget Committee was reportedly requested by the Chair of the Committee to not object to anything.

- In **Cambodia**, the ruling party keeps a tight control of parliament. Although a formal structure is in place, with committees tasked with oversight of defence, in reality they are neither independent nor given enough information to perform any scrutiny.
- In **Malaysia**, defence policy is under the purview of the National Security Council, an executive body, and there is no legislative body responsible for defence budget scrutiny; the budget, in its opaque form, is submitted to parliament for approval along with the annual budget estimate. The opposition in parliament has called for the establishment of a parliamentary body for defence oversight in light of the MH370 and MH17 airline disasters.

ASEAN has yet to make an impact on hard security, either resolving internal disputes or working together to check Chinese assertiveness in the region. But it has fared much better where non-traditional security challenges are concerned, including transnational crime. An agenda of building integrity in defence could be an important means of practically implementing ASEAN's shared set of values, creating internal cohesion, and deepening defence collaboration in the process. For instance:

- **A responsible power.** ASEAN could set new standards for the region by making a collective commitment to accountability and transparency in defence. In April 2015, Transparency International proposed the ASEAN Integrity Community (AIC) as a mechanism to counter corruption in the region. The AIC will consist of all ASEAN ministerial level representatives, and it is suggested that it can make recommendations to ASEAN based on national level consultations. Defence issues could be incorporated as a key focal area of the AIC's work, including input from existing collaborations in the region such as the ASEAN Defence Ministerial meetings.
- **Deepening collaboration.** Our research found evidence of good practice which could be shared. The ASEAN Defence Industry Collaboration (ADIC) could be a medium through which Singapore and other regional leaders on procurement could exchange best practice. Similarly, ASEAN's network of Peacekeeping Centres could be utilised to set up a joint peacekeeping team with expertise in addressing corruption and governance issues on operations.

- **Strengthening societal support.** Public trust in the military, shown to be low in our results, is vital for state cohesion. A commitment to building and increasing public involvement in security strategy could be an important strand of activity following the Langkawi Declaration on the Global Movement of Moderates (April 2015), as well as through the ASEAN People's Forum.
- **Building regional confidence.** As the region's most populous and fastest growing country, Indonesia's informal characterisation of status by some as "first amongst equals" in the ASEAN regional order has been viewed with mixed feelings from neighbours. Committing to high levels of integrity and transparency is essential for building a foundation of trust.

Taming the tiger

As the second largest military spender in the region, India distinguishes itself through independent institutions with clear mandates for overseeing defence agencies. The Controller and Auditor General (CAG) of India, an autonomous and robust institution, along with the Public Accounts Committee (PAC), a well-resourced and active legislative body, have **exercised active oversight**. They have brought a number of cases of mismanagement to light, including the unauthorised use of defence land for running golf courses. Internal audit procedures are well-structured, under the Chief Controller of Defence Accounts, with Regional Audit Offices (RAOs) and Local Audit Offices (LAOs) performing audits at lower levels. But despite the right systems in place, oversight of defence institutions is still weak.

- CAG reporting is often too slow to have impact, while the PAC confines scrutiny to Action Taken Notes submitted by the Ministry of Defence itself.
- The PAC is also hindered by the power of the executive to simply reject recommendations, while internal audit, despite its elaborate mechanisms, lacks the independence and resources to be genuinely effective.
- The quality of oversight is weakened by the absence of a coherent defence policy to form the basis of scrutiny.
- Our assessment found **no provisions for legislative oversight of its intelligence agencies.**

Responsible and transparent management of procurement systems is essential for the world's largest importer of arms by volume. And the Indian government has shown a strong commitment to getting this right:

- The use of Integrity Pacts have been a powerful binding instrument, involving **independent monitoring** by the Central Vigilance Commission and another appointed independent monitor.
- The practice of blacklisting transgressors has sent a strong signal to the defence industry about India's tolerance for defence corruption.
- But there is evidence that the severity of the scheme is slowing down the procurement process and impeding defence modernisation. The new Defence Procurement Policy (DPP), due in late 2015, aims to propose changes to the mechanisms for blacklisting companies and controls over agents, which are currently very strict. These proposed changes to improve efficiency are much needed, though must not impact standards for transparency or tolerance for corruption.
- Our research also highlights the lack of a central legislative framework which underpins the procurement process, and problems associated with the frequently changing DPP.

Japan: accountability and transparency as strategic reassurance

Japan has passed security legislation this year that will include the right to collective self-defence. These changes to the role of the Japanese military have been the subject of much debate. For the critics, it is clear that the Japanese Government will need to do more to convince them that Japanese defence institutions will contribute positively to international peace and security. Demonstrating that the military operates with integrity and high levels of accountability and transparency is critical:

- **Accountability.** Japan's defence policy is subject to public debate and legislative scrutiny. The Inspector General's Office of Legal Compliance performs rigorous regular and special internal audits, while the Board of Audit of Japan is a powerful independent institution with a history of in-depth, critical assessments of defence bodies.

- **Transparency in procurement.** A comprehensive review of procurement practices was undertaken by the Investigative Committee of Reform of the MoD and led to several reforms to improve transparency in defence procurement, as is seen in high scores in relation to most procurement risk areas. The strategic intent defining procurement is displayed in published mid-term plans and the fact that potential purchases are disclosed in annual reports.
- **Codes for integrity.** Conduct standards for the MoD are well-defined through the National Public Service Ethic Law and the Self-Defence Force's Code of Conduct. The MoD has taken further steps to promote ethical behaviour through the establishment of the Deliberative Council on Defence Personnel Affairs. Breaches of these codes result in severe punishment.
- **Public disclosure.** Japan ensures key defence information is in the public arena through publication of the National Security strategy in reader-friendly pamphlets, detailed defence budgets, and defence purchases through the MoD's website.
- **Operational corruption risks.** Here there is room for improvement - Japan has yet to develop a systematic approach to addressing corruption when deployed overseas, though they are reportedly in the process of updating their rules of engagement. Including strong components on countering corruption will be vital if Japanese self-defence forces are to make a positive contribution to international security.

5. Maintaining domestic support

In 65% of the countries we studied, public trust in the military's ability and will to address corruption was found to be low or very low. In many countries across the region, military budgets are growing faster than oversight capability creating a huge risk that public funding can be diverted through poor procurement practices and undermining public confidence. In several countries, there is evidence that political leaders recognise the extent to which this undermines their legitimacy:

- In **India's** 'Choppergate' scandal in 2013, several politicians and defence officers - including a former Air Force chief - were accused of accepting bribes from AgustaWestland in the supply of 12 AW101 helicopters. As our assessor highlighted, this was the first time a chief of the Indian Air Force was named in a corruption or criminal case by the Central Bureau of Investigation, and perceptions of government corruption were a major factor behind the 2014 electoral outcome. The new Defence Minister has been vocal about anti-corruption.
- The **Chinese** leadership have initiated an extensive anti-corruption crackdown in the military, which has included the purging of high-ranking officials, most notably Xu Caihou, Gu Junshan and Zhou Yongkang.
- In **Sri Lanka**, the government has prioritised anti-corruption in its mandate, launching investigations against corrupt officials from the previous government and implementing several institutional reforms, including constitutional changes which could allow for independent legislative scrutiny of defence policy.
- In **Indonesia**, the burning up of an F-16 aircraft ahead of take-off caused the public to question how the decision to purchase 24 aging US warplanes was made. The President has ordered the commander of the Indonesia National Army to improve procurement policies and processes.
- In **South Korea**, the government has taken a strong public stand against defence corruption. President Park personally criticised the arms procurement agency in the wake of a major scandal and the widespread perception that there

are strong collusive relationships between retired soldiers working in the defence industry and soldiers on active service within the procurement agency. The first anti-corruption bill was passed in March, which includes penalties for public officials who fail to prevent spouses from receiving gifts.

Wasting public money and undermining security

Poor procurement practices are not just about the waste of public funding. Ultimately the failure to align defence budgets with needs undermines a nation's security and destroys domestic confidence. Non-strategic procurement has a significant impact on militaries' ability to fight effectively: they may procure equipment that is unsuitable or that they cannot properly man, or acquire multiple platforms that serve the same purpose. In many countries across the region, there was little evidence that the expansion in military power in the region has been carried out in support of strategies, while acquisition planning—the process through which the state identifies what arms it will buy—is weak in many of the states studied. For example:

- In **South Korea**, the Sewol ferry disaster brought the serious cost of defence corruption to public attention. A number of military officers were suspected of taking bribes from a local firm that supplied faulty parts for the Tongyeong ship. This supposed “state of the art” salvage and rescue ship was ultimately unfit to be deployed in rescue operations as a result of corruption.
- In **Indonesia**, evidence cited by our assessor suggests that agents and brokers may be creaming off up to 30-40% of the total procurement value and distorting decision-making through their involvement in the planning stages, before requirements have even been communicated to the MoD. Defence Minister Ryaacudu has acknowledge that more oversight is required of procurement.
- In the **Philippines**, a country grappling with serious maritime security issues, there is a process for acquisition planning but only limited evidence of clear oversight and public information. There are also question marks over the extent to which this process is followed, as the Vice Chair of the House Committee on National Defence and Security put it, military purchases and deployments are “erratic...a single official could amend strategy based solely on perception and through deliberations”.
- In **India**, investigative journalists discovered awards for contracts in the Assam

Riflex, the paramilitary force heading counterinsurgency operation in north-east India, were essentially bought through personnel for kickbacks amounting to 30% – 35% of the tender cost.

In some cases, there is evidence that the armed forces may be acting in direct contraction to the needs of their people. The failure of the military to act in the interests of citizens leads to the loss of government legitimacy and can spark civil unrest and violence. While there are numerous enablers of conflict in Asia, evidence shows that corruption inside armed forces is contributing to regional instability in some cases:

- In **Myanmar**, our assessment suggests the public hold the defence and security forces in particularly low regard. This is no surprise; the assessor found evidence of military involvement in the conscription of children, unpaid forced labour, as well as the use of white phosphorous weapons against farmers to make way for a military-owned copper mining venture. Militias, set up under the supervision of the Army in areas where rebel groups operate, are also implicated in both the trade and production of narcotics. In some case the military acts with complete impunity; the rape and murder of two schoolteachers allegedly carried out by locally deployed army personnel evinced strong denials and even threats of lawsuits by the Tatmadaw to anyone who publicly claimed the army was involved.
- There are reports of the **Indonesian** military's involvement in confiscating land – again in order raise revenue but this time through leasing. The assessor also found evidence of military involvement in providing paid protection for companies operating within the troubled West Papua region, drug trafficking, illegal logging, as well as clashes between the military and police over an illegal fuel storage depot in Batam.
- In **Malaysia**, the assessor found evidence that corruption was exacerbating the security situation in eastern Sabah.
- In the **Philippines**, Civilian Defence Force Geographical Units (CAFGUs) are typically recruited by the military as a force multiplier. But there is evidence that, in collusion with their superiors who received a cut of their salaries, they have been used by local and foreign private businesses for involvement in illegal mining and logging which particularly impacted the fragile, conflict-affected region of Mindanao. Our assessor notes that this practice is reported to be declining.

6. Crime and punishment, prevention and oversight

Several countries in Asia Pacific have been conducting major anti-corruption campaigns. Long-term success depends on building a firm legal basis for the oversight of defence, as well as strong independent institutions focused on building integrity and reducing corruption. Prosecutions are an important deterrent but impact is severely limited if autonomous oversight mechanisms capable of identifying corrupt activity are not in place.

China's major anti-corruption crackdown appears largely punitive; the Central Commission for Discipline Inspection stated that more than 180,000 cases were being investigated, involving Party, government, and PLA officials, though exact numbers of military officers charged with corruption offenses are unclear. Our research identified strong top-down government anti-corruption messages but only limited evidence of efforts at wider institutional changes or fundamental improvements in transparency that would increase public confidence.

- A lack of transparency over who is targeted in the investigation has increased perceptions that the campaign is politically motivated.
- There is no evidence that a comprehensive and systematic risk assessment has taken place, though the recent launch of a new public tendering platform for military equipment demonstrates recognition of the potential for huge sums to be wasted through corrupt procurement practices.
- The PLA audit unit, which is considered to be one of the most corrupt divisions of the PLA, was previously located within the PLA's General Logistics Department (GLD) but is now reporting directly to the Central Military Commission (CMC). But there remain no independent institutions tasked with building integrity and countering corruption.
- In the absence of any independent judicial and legislative supervision it is unclear whether routine anti-corruption work will benefit in the long-term.

The importance of effective, independent institutions

A strong legislative base and robust rules and procedures are an important foundation for strong institutions. In many cases across the region these exist in theory but weak oversight and a lack of transparency create huge risks for the large-scale theft of public funds. Independent oversight mechanisms, including strong audit functions which are capable of identifying abuses of authority or ideally preventing them, are vital for strengthening institutions and building public trust in the long-term. Here, there is a very mixed picture across the region. Only 29% of countries were found to have independent, effective organisations tasked with countering corruption. Twelve of the 17 countries assessed were not found to have internal audit systems adequately transparent and subject to parliamentary oversight.

For instance:

- There is no institution for external audit in place in **China Or Thailand**, while the independence and/or effectiveness of audit bodies in **Cambodia, Myanmar** and **Sri Lanka** is seriously questionable. In **South Korea**, more effective, independent and transparency audit functions, particularly if combined with a stronger culture of whistleblowing, may well have prevented recent scandals. **India** has no designated body tasked with responsibility over ethics or anti-corruption within the MoD. There is no Inspector General position. The Public Accounts Committee, the Controller, and the Auditor General have held the MoD to account for the illegal use of land for private golf clubs.
- **Pakistan's** Military Accounts Department (PMAD) undertakes internal audit for all three defence forces, the Defence Production Division, and Inter Services Organizations Establishment. The PMAD is further divided into local audit sections, one each for defence services and defence production, responsible for internal audit and payments through Local Audit Offices (LAO). LAO audits are undertaken frequently. However, their findings are not transparent and the research states that corruption, embezzlement, and misappropriation to the tune of \$1.6 billion, ultimately found by the Auditor General of Pakistan in 2014-2015, is indicative of the failure of internal audit systems.
- Singapore's Investigation Bureau (CPIB) is a good example of an independent law enforcement agency's successful jurisdiction over corruption with evidence of enforcement and effectiveness. Another good example is the Malaysian Anti-Corruption Commission for discovering corrupt procurement practices within the Navy, whereby procurement systems were bypassed for the procurement of spare parts amounting to \$6 million in one case and a further \$24 million in two other cases.

Sources and evidence

All information and evidence is sourced and publicly available through the individual GI country assessments. Please visit government.defenceindex.org.

We would like to thank SIPRI, whose data has been and continues to be very useful for our research.

SIPRI, 2015. "13 Apr. 2015: US military spending falls, increases in eastern Europe, Middle East, Africa and Asia says SIPRI". [Online] Available at: <http://www.sipri.org/media/pressreleases/2015/milex-april-2015>

SIPRI, 2015. "The United States leads upward trend in arms exports, Asian and Gulf states arms imports up, says SIPRI". [Online] Available at: <http://www.sipri.org/media/pressreleases/2015/at-march-2015>

SIPRI, 2015. SIPRI Fact Sheet: Trends In World Military Expenditure, 2014. [Online] Available at: <http://books.sipri.org/files/FS/SIPRIFS1504.pdf>

On ASEAN, please see the following background documents:

Association of Southeast Asian Nations, ASEAN Statement & Communiques, The Langkawi Declaration on the Global Movement of Moderates, April 2015, <http://www.asean.org/news/asean-statement-communiques/item/langkawi-declaration-on-the-global-movement-of-moderates>

Blueprint of ASEAN Political-Security Community (2009) www.asean.org/archive/5187-18.pdf (accessed 20 October 2015)

R Emmers, "Indonesia's role in ASEAN: A case of incomplete and sectorial leadership", *The Pacific Review*, Volume 27, Issue 4, 2014 (accessed 20 October 2015)

Transparency International defence activities in the region

The following Transparency International defence and security activities have taken place in the Asia Pacific region in recent years:

In India, TI-DSP led a session on corruption risks in defence procurement at an event hosted by TI India in May 2013. The event was attended by the Ministry of Defence (MoD) and the Central Vigilance Commission. TI-DSP has also had engagement with the Director General of Acquisition (Defence) and the domestic defence industry (state-owned) in India. This was followed up by a presentation on the 2012 Defence Companies Anti-Corruption Index (CI), the 2013 GI and the findings of the 2013 “Watchdogs? (The quality of legislative oversight of defence in 82 countries)” report at a TI India event on Integrity Pacts in December 2013.

Prior to the launch of the 2013 GI, TI-Taiwan hosted a closed-door workshop to discuss the results for the region in January 2013 attended by TI-DSP, TI-S and representatives from TI chapters in Indonesia, Japan, Malaysia, and South Korea. The event also included a meeting with the President of Taiwan, the Ministry of National Defence (MND), and the “Agency Against Corruption” of the Ministry of Justice. Two TI-DSP experts were invited by TI-Taiwan in June 2014 to give a lecture to the Defence Minister and 27 top generals in the MND, and to host a full-day workshop to 130 senior colonels at the National Defence University (NDU). Subsequently TI-Taiwan and the NDU signed a MOU, as witnessed by TI Chair Jose Ugaz during this first visit to Taiwan in May 2015, to strengthen the anti-corruption education in Taiwan’s military.

TI-DSP has had dialogue with South Korea’s Defence Acquisition Program Administration (DAPA) regarding anti-corruption action in national defence institutions and the private sector since 2011. This has included meetings with and presentations for the Commissioner, Vice Commissioner and other senior officials from DAPA, and a leadership event with 120 senior officials in January 2013. TI-DSP also presented on anti-corruption in defence with attendance from more than 20 Korean defence companies in January 2013.

In Malaysia, TI-DSP held a public conference with TI Malaysia (TI-M) on corruption in defence attended by the military, the MoD, activists, academics, and civil society in 2011. We also met with the MoD Secretary General and other senior MoD officials and gave interviews to BFM Radio and Malaysia Kini TV. This was followed up by an event on the Arms Trade Treaty by TI-M in 2012 which discussed the importance of anti-corruption in the arms trade and was attended by a government representative. TI-DSP and TI Indonesia launched the “Watchdogs?” report in September 2013 at an event attended by the MoD.

In February 2014, TI-DSP participated in a Global Compact seminar on anti-corruption in Tokyo, Japan, which was attended by many defence private sector representatives. TI-DSP also met with representatives from the Royal Thai Navy in June 2012 to discuss corruption risks in defence and possible solutions, at a time when the Navy was developing its stand-alone anti-corruption plan.

Ray Bromwich, the then Inspector General for the Australian Department of Defence, travelled to London to speak at a TI-DSP event on “Codes of Conduct in Defence Ministries and Armed Forces: What makes a good code of conduct?” in 2011.

Methodology

The Government Defence Anti-Corruption Index measures levels of corruption risk in national defence establishments, and scores each country from A (the best) to F (the worst). These bands are based on scores on an assessment consisting of 77 questions—for each question, the government was scored from 0-4. The percentage of marks overall determined which band the government was placed in. Countries were also scored in five risk areas: Political risk, Financial risk, Personnel risk, Operations risk, and Procurement Risk.

Each country is researched by an expert assessor using a standard set of questions and model answers. The assessment is then independently reviewed by up to three peer reviewers and, where possible, the Transparency International national chapter. We also invite the government to conduct a review of the assessment and submit additional information. In 2015, seven governments in the Asia region provided a reviewer: Australia, Bangladesh, Malaysia, New Zealand, Philippines, Singapore, and Taiwan.

One of the most commonly-asked questions is how the index can assess countries where information on defence issues is highly secretive. TI-DSP considers a lack of transparency in the defence structures to pose as significant a corruption risk as the lack of structure itself. The level of independently verifiable information has therefore directly impacted the scoring on each question. Finally, it is worth noting that secrecy can make case studies and examples difficult to find, and may mean that they are slow to be exposed by journalists, researchers, or the law. For that reason, some of the examples cited in this index have occurred before 2013.

Assessor completes Questionnaire

Peer Review x 2

Government Review

TI National Chapters Review

Standardisation

QUESTION SCORING PRINCIPLES

- 4 High transparency;** strong, institutionalised activity to address corruption risks.
- 3 Generally high transparency;** activity to address corruption risks, but with shortcomings.
- 2 Moderate transparency;** activity to address corruption risk, but with significant shortcomings.
- 1 Generally low transparency;** weak activity to address corruption risk.
- 0 Low transparency;** very weak or no activity to address corruption risk.

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