

# India

## 2015 Country Summary

### Recommendations

India's GI ranking in Band D places it in the high risk of corruption category. India's highest scores and lowest risk areas are Procurement and Personnel (both Band C), its highest risk areas are Political, Financial, and Operational. India is now the largest importer of arms in the world. However, public trust is undermined by the perception of corruption within defence procurement procedures, while these procurement systems have also proven to be inefficient and contributed to military shortages. The Defence Minister has promised a more transparent and "fast-processed" approach to procurement. To reduce corruption risk, TI suggests the following reforms of the security sector.

#### **Ensure efficiency and transparency in defence procurement**

India currently has no central legislation regulating defence procurement. The previous Government had taken a number of measures to increase transparency in procurement, which included blacklisting defence companies and their subsidiaries found in breach of procurement procedures, and using Integrity Pacts, designed by TI's Defence & Security Program. The new Defence Minister has designed an amended Defence Procurement Procedure (DPP), which is scheduled to be implemented in late 2015. This will likely contain significant changes to speed up the procurement process including easing the controls over use of agents in the procurement process and the protocol for blacklisting companies. We recommend that the amended DPP ensure that changes regarding the use or blacklisting of agents include transparency clauses, for example through imposing appropriately strict registration and audit requirements.

New procurement procedures should also be underpinned by a national defence and security strategy guiding the strategic direction of defence procurement, which could become a tool for minimising the risk of opportunism in defence deals. In addition the Government might consider initiating a consultation on an overarching legislative framework as a means of improving oversight of defence procurement. Both these measures would help ensure procurement decisions ultimately support India's long term security needs.

The Government's vision of developing indigenous defence industry through a mandatory 30% requirement for offsets is another reason for highlighting procurement an important area for reform. The Government's changes to its defence offset policy have removed the need for suppliers to report in advance their Indian offset partners. The need for flexibility needs to be matched by appropriately strict standards of due diligence on the activities of both suppliers and partners, sufficient competition regulation, and public disclosure of information relating to offset contracts.

#### **Improve accountability**

India has a good institutional framework to ensure the accountability of its defence institutions, which include the Controller and Auditor General (CAG) and the Parliamentary Public Accounts Committee (PAC). However, oversight is limited in practice due to the lack of prompt enforcement of CAG and PAC recommendations. In additions, India's intelligence agencies are not subject to

oversight regulations, which has translated into a lack of accountability and is likely to contribute to intelligence failures.

The Government could enhance oversight mechanisms by increasing the power and resources of the PAC and CAG to scrutinise MOD expenditure. The CAG in particular could play a more effective role if its powers were enhanced and the government were more efficient in implementing its recommendations. The Government could also consider undertaking regular anti-corruption risk assessments as part of an overall defence-specific anti-corruptions strategy, which could include appointing an Inspector General within the MOD tasked specifically with building integrity and countering corruption.

## Scorecard

Political	Defence & Security Policy	Legislative Scrutiny	2
		Defence Committee	2
		Defence Policy Debated	1
		CSO Engagement	1
		International AC Instruments	3
		Public Debate	2
		AC Policy	1
		AC Institutions	2
		Public Trust	2
		Risk Assessments	1
		Defence budgets	Acquisition Planning
	Budget Transparency & Detail		2
	Budget Scrutiny		2
	Budget Publicly Available		2
	Defence Income		1
	Internal Audit		2
	External Audit		2
	Other Political Areas	Natural Resources	1
		Organised Crime Links	2
		Organised Crime Policing	2
		Intelligence Services Oversight	1
Intelligence Services Recruitment		1	
Export Controls		2	
Finance	Asset Disposals	Asset Disposal Controls	2
		Asset Disposal Scrutiny	4
	Secret Budgets	Percentage Secret Spending	0
		Legislative Access to Information	1
		Secret Program Auditing	1
		Off-budget Spending in Law	2
		Off-budget Spending in Practice	1
	Links to Business	Information Classification	2
		Mil. Owned Businesses Exist	3
		Mil. Owned Business Scrutiny	2
Personnel	Leadership	Unauthorised Private Enterprise	2
		Public Commitment	3

		Measures for Corrupt Personnel	2
		Whistleblowing	1
		Special Attention to Sensitive Personnel	0
	<b>Payroll and Recruitment</b>	Numbers of Personnel Known	3
		Pay Rates Openly Published	4
		Well-established Payment System	3
		Objective Appointments	3
		Objective Promotions	3
		<b>Conscription</b>	Bribery to Avoid Compulsory Conscription
	Bribery for Preferred Postings		
	<b>Salary Chain</b>	Ghost Soldiers	0
		Chains of Command and Payment	4
	<b>Values, Standards, Other</b>	Code of Conduct Coverage	2
		Code of Conduct Breaches Addressed	2
		AC Training	2
		Prosecution Outcomes Transparent	2
		Facilitation Payments	2
<b>Operations</b>	<b>Controls in the Field</b>	Military Doctrine	1
		Operational Training	2
		AC Monitoring	1
		Controls on Contracting	1
		Private Military Contractors	2
<b>Procurement</b>	<b>Government Policy</b>	Legislation	1
		Transparent Procurement Cycle	2
		Oversight Mechanisms	2
		Purchases Disclosed	2
		Standards Expected of Companies	2
	<b>Capability Gap</b>	Strategy Drives Requirements	0
		Requirements Quantified	3
	<b>Tendering</b>	Open Competition v. Single-Sourcing	3
		Tender Board Controls	3
		Anti-Collusion Controls	2
	<b>Contract Delivery / Support</b>	Procurement Staff Training	2
		Complaint Mechanisms for Firms	3
		Sanctions for Corruption	3
	<b>Offsets</b>	Due Diligence	2
		Transparency	1
		Competition Regulation	2
	<b>Other</b>	Controls of Agents	3
		Transparency of Financing Packages	2
		Subsidiaries / Sub-Contractors	3
Political Influence		2	