

Thank you for the invitation. It is a great pleasure to be here.

Corruption particularly involving vast quantities of assets, has a deleterious impact on peace and security. While progress has been made in combatting corruption generally there has probably been far less progress when it comes to defence-related procurement.

The trade in weapons, according to some accounts, is responsible for around 40% of all corruption in world trade. In simplistic terms this is because: Arms deals involve massive amounts of money, with a small group of people making the decisions on what to buy and from whom, all behind a veil of national security imposed secrecy, and in an environment of virtual impunity.

Other reasons include:

- A problematically close relationship between arms manufacturers, politicians and other state actors. This is most clearly seen in the revolving door, in which arms executives and employees take up government employment and vice versa;
- The use of long supply chains and complicated multi-country subsidiary company structures provides ample opportunity for the insertion of corrupt middlemen and/or false contracts;
- The high-tech nature of procurements, which can limit civilian oversight;
- The widespread use of offsets, which are particularly susceptible to corruption; and
- The persistent use of single-source contracts, which often present a severe corruption risk.

[Beneficiaries of such corruption are primarily politically exposed people, officials and intermediaries of various types ranging from arms dealers to lawyers, accountants and financial institutions.]

Such corruption, which often involves gargantuan sums of money – in one particular arms deals almost \$8bn of bribes were paid – undermines, in buying and selling countries, national security and defence, democracy, the rule of law, the pursuit of peace and human development.

For eg, The UK's National Anti-Corruption Strategy 2017-2022 acknowledges that 'corruption threatens our security and prosperity, both at home and overseas.'

Corruption erodes the capacities of defence forces to fulfil their functions, which imperils public safety and allows dangerous actors to proliferate.

Corruption also creates greater opportunities for the diversion of weapons into areas of active or imminent conflict (including countries subject to arms embargoes), which can exacerbate national and regional tensions.

Corruption is also linked to an increased threat of terrorism. It facilitates terrorism in three ways:

- First, it can hollow out the ability of military forces in countries faced with terrorism.
- Second, terrorist groups are able to use the disaffection of citizens suffering as a consequence of widespread corruption, to radicalise and attract recruits.
- Third, corruption allows extremists groups to launder illicit funds and purchase weapons, the latter often corruptly diverted from the stockpiles of state arsenals or those of non-state actors that receive international support.

In addition to these impacts on national security, as importantly, human security, including the pursuit of peace and development, is profoundly undermined through the socio-economic opportunity costs of sometimes wasteful and corrupt defence contracts. Basic human needs go unmet and urgent crises, such as the environment, remain un- or inadequately, addressed. This, in turn exacerbates instability.

Solutions:

The links between bribes in defence contracts and party political funding is a serious problem, that can only be addressed by improved regulation and transparency of electoral funding and a reduction in the cost of elections. National security imposed secrecy – valid in certain respects – is often used to hide corruption and criminality and must be reduced.

- Transparency in the use of intermediaries is essential.
- Removing the singular exemption for defence from the WTO prohibition on the use of offsets in major procurement decisions, and significantly reducing the number of single source contracts too are important.

Additional interventions to reduce corruption in the defence sector include:

- Greater transparency in the true ownership of companies and bank accounts;
- creating a lengthy cooling off period before moving in either direction between the state broadly and defence companies;
- support and protection for national security whistle-blowers;
- independence for prosecutors and judges who need to be protected both physically and politically;
- and a better example by political and corporate leaders both personally and through the far more vigorous enforcement of laws, agreements and regulations of arms exports and corruption legislation in relation to these deals. 502/2.

Some progress has been made in general terms, but when it comes to national security, progress in transparency and enforcement has been far slower, especially because those who make the decisions on major defence contracts are often the most powerful political figures in their countries.

Let me, therefore, conclude with the words that South Africa's first democratic President, Nelson Mandela repeated to us, the party's MPs, on a regular basis: "You are elected by the people of this country to serve them. They pay your salary. Corruption or the misuse of public funds is theft from the people you have been elected to serve. It is not just the theft of the goods and services that we are expected to provide to them. It is the theft of their hopes, their opportunities, their dreams and their aspirations. There is no greater betrayal of the trust they have placed in you."