

State Capture and Defence Procurement in the EU

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Abbreviations

TFEU — Treaty on the Functioning of the European Union

EDEM — European Defence Equipment Market

TED — Tenders Electronic Daily

CRI — Corruption Risk Index

CPV — Common Procurement Vocabulary

MCO — Maintenance, Repair, Overhaul, and Control of Military Equipment

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Executive Summary⁵

This paper is part of a broader research project which aims to assess state capture risks in the field of defence procurement using a combination of qualitative and quantitative methods to overcome research challenges typical of this area, most of all the relatively low level of transparency due to specific procurement regulations.

Public procurement is one of the government activities most vulnerable to corruption (OECD, 2016; World Bank & IBRD, 2013), and risks are even higher in the field of defence due to the large amounts of money involved, the complex and large contracts, the low number of buyers and suppliers – which develops stable personal relationships conducive to corrupt deals, and the fact that governments themselves are the enforcers of secrecy (Pyman, Wilson, & Scott, 2009).

There is thus the need to strike a balance between openness and transparency in the defence procurement process, on the one hand; and the protection of the core security concerns of the procuring governments, on the other (OECD/Sigma, 2011). This is a particularly salient issue given not only the sensitive nature of defence spending, but also its sheer volume.

We analyse how the most significant EU-level policy intervention in the market for defence procurement, the 2009/81/EC Directive, impacted corruption risk outcomes across the EU. Using advanced quantitative methods, we compare similar contracts awarded right before and after the implementation of the Directive at the national level to estimate the causal effect of the Directive on defence procurement. The analysis finds that average corruption risks decreased following implementation across the entire EU.

We also conduct detailed case study analyses of defence procurement in the UK and France and find that strong reporting requirements and monitoring institutions do not by themselves prevent the risk of state capture. Efforts to reduce corruption risks in the defence sector must therefore include both better reporting standards – especially of non-sensitive

products – as well as robust competition policies that ensure value for money without hindering national security concerns.

Finally, we outline five policy recommendations to strengthen transparency in EU defence procurement and to reduce the risks of corruption and state capture.

1 We identify the need to increase the quality and quantity of procurement data in the sector. This includes expanding the scope of items reported, particularly for non-sensitive purchases.

2 Richer datasets require more advanced data analytic methods to help relevant actors better understand the defence sector and the impact of policies thus improving overall monitoring capabilities.

3 We also propose a more strategic use of competition, such as opening the door to foreign competition to extract better terms from its national suppliers.

4 We recommend strengthening initiatives for demand aggregation at the European level whenever viable, thus not only increasing economies of scale, but also improving competition for large projects.

5 We propose expanding the sphere of oversight engagement beyond private companies and ministry of defence officials and to include parliamentary oversight committees and those entities that specifically investigate and target corruption.

5 The authors would like to thank Open Society Foundations for the funding of this project and the DIGIWHIST Project for facilitating access to the data used in this policy brief.

The Problem

Public procurement is one of the government activities most vulnerable to corruption (OECD, 2016; World Bank & IBRD, 2013). Risks are even higher in the field of defence due to the large amounts of money involved, complex and high-value contracts, high market concentration, and the fact that governments themselves are the enforcers of secrecy (Pyman, Wilson, & Scott, 2009). While the efficiency and quality of defence spending are of great importance to the public good, citizens have limited options for monitoring and holding the government accountable. This stems from the need for confidentiality (sometimes abused), and a relative scarcity of publicly available information.

There is thus the need to strike a balance between openness and transparency in the defence procurement process on the one hand, and the protection of the core security concerns of the procuring entity, on the other (OECD/Sigma, 2011). This is a particularly salient issue given not only the sensitive nature of defence spending, but also its sheer volume.

The then 28 member states of the EU spent 205 billion Euros on defence in 2017 according to Eurostat, which was 1.7% of the GDP of these countries on average.⁶ However, this value covers several different types of expenses, such as salaries and foreign military aid; therefore it cannot be used directly as an estimation of the total value of defence-related public procurement in Europe. The European Commission provides a method for the estimation of defence procurement where the total general government expenditure on military defence is further disaggregated into specific national accounts components.⁷ Table 1 summarises these figures for the period 2007-2017 using the latest Eurostat data.

Table 1: Government procurement expenditure on military defence in Europe (in million EUR)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
European Union 28	78 547	81 220	79 482	79 380	78 064	80 235	79 992	80 638	89 592	91 118	93 659
EU 28 +EEA	82 878	85 860	83 920	83 873	83 448	85 421	85 235	85 709	95 014	96 734	100 019

Similarly, the procurement of armaments and other security goods and services has a special place within the EU internal market. The sector exists at the intersection between opposing concerns. On the one hand, the free movement of goods and services and the general prohibition of discrimination on grounds of nationality applies; but on the other hand, the national security interests of Member States are recognized.

Acknowledging such special characteristics of defence, Article 346 of the Treaty on the Functioning of the European Union (TFEU) allows Member States to deviate from these rules and principles for the trade and production of munition and war material, if this is necessary for the protection of their essential security interests. However, these measures should not adversely affect competition in the internal market regarding non-defence related products. In practice, however, many Member States have used this article extensively, exempting almost automatically the purchase of military equipment from EU public procurement rules (European Commission, 2016).

The Policy reform: The 2009/81/EC Directive

With the aim of mitigating this situation, the 2009/81/EC Directive was designed with the purpose of opening the defence procurement market to cross-border competition by reducing the unjustified use of 346 Article TFEU. To this end, the Directive provides a more flexible regulatory framework which is more appropriate for the specificities of defence procurement. It covers the area of military equipment, associated services and works contracts, sensitive procurement for security purposes (not only defence or national security), and procurement involving classified information. The rationale behind such a wide scope is that it is often hard to distinguish between military use and non-military use technologies because the determining factor is often not the nature of the technology but its usage (OECD/Sigma, 2011).⁸ The Directive has the following objectives:

- Increasing competition in the European Defence Equipment Market (EDEM)
- Limiting the use of security-related exemptions by Member States
- Supporting consolidation across borders
- Reducing duplications
- Enhancing industrial specialisation

Similarly, the Directive aims to increase transparency and competition at all levels of the contracting process and includes a review system to check Member States compliance.

Nevertheless, according to the European Commission's evaluation report (European Commission, 2016), the results of the implementation of the Directive are ambiguous. On the one hand, total value of contract award notices published under the Directive equalled only 22 million EUR in 2011 but increased more than ten times between 2012 and 2015, from 1.4 billion EUR to 19 billion EUR. On the other hand, the majority of contract award notices were of relatively small values (90% of observations less than 10 million EUR), thus, the value of procurements awarded under the Directive was relatively small when compared to overall defence procurement expenditure, which suggests that the Directive was used to a very limited extent for the procurement of strategic equipment (European Commission, 2016).

Assessing the impact of the reform

At the European level, the defence market is characterised by fragmentation, which results in inefficiencies partly due to the lack of economies of scale. Such inefficiencies mean not only higher prices but lower quality and longer completion times, potentially raising concerns over national security in the long-term. Thus, opening the EU internal market for defence products is paramount.

National markets of certain goods and services are often characterised by monopsony (i.e. only one buyer on the market) and monopoly or oligopoly (i.e. only one or very few suppliers on the market) at the same time. The low number of actors, accompanied by protectionism, makes the relationship between governments and national champion suppliers highly interdependent. This applies even more to countries where the government has ownership in the biggest and strategically most important defence companies, as is the case in France, Portugal, Poland and Germany. Consequently, decisions regarding defence procurement depend not only on value-for-money and budget

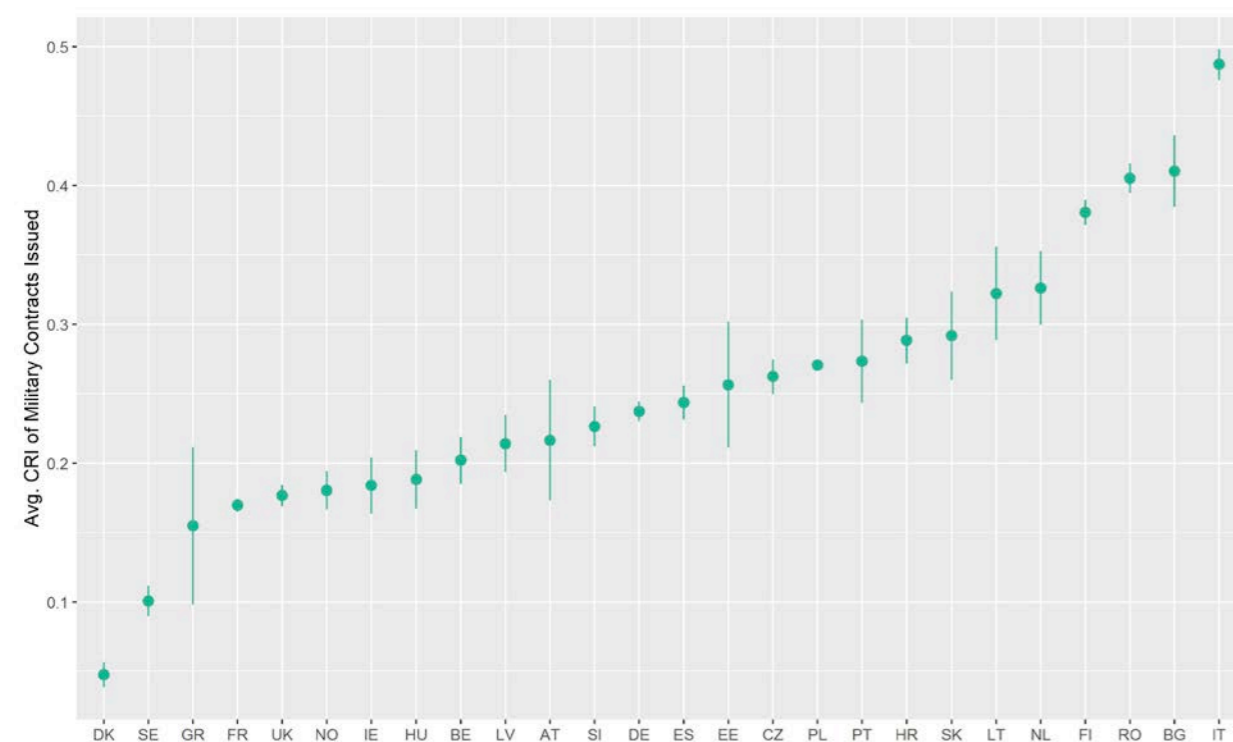
⁶ The total amount spent on defence in 2017 grows to 216 billion if EEA countries are added.

⁷ This methodology is explained in the full working paper 'Evaluation of Directive 2009/81/EC on public procurement in the fields of defence and security' which is based on Eurostat data.

⁸ The value threshold of the application of the Directive is EUR 412,000 for supplies and services, and EUR 5,150,000 for works which values are updated periodically.

considerations, but also industrial policy, employment, control over know-hows, and national security reasons, or any combination of these. This often leads to a setting in which the national champion enjoys benefits that could potentially distort competition; examples include tax exemptions and contracts are awarded without open bidding.

Figure 1: Average Corruption Risk Index per country, TED data, 2006-2016



In order to evaluate the effectiveness of the Directive in increasing transparency in the defence procurement sector, we rely on corruption-risk indicators on a micro-level by looking at the terms on which contracts have been awarded before and after the Directive entered into force. Specifically, we adapt the Corruption Risk Index (CRI) developed by Fazekas and Tóth (2014), which is calculated as a composite index of the following red flags: single bidding, non-open procedure type, length of advertisement period, subjective evaluation criteria, call for tender publication, and length of decision period. Second, we construct a contracting network of organisations to test whether corruption risks cluster or are randomly distributed. Figure 1 ranks European countries by the average CRI of their defence procurement contracts, with lower scores signalling fewer red flags.

Data

We collected contracts from a centralized database known as Tenders Electronic Daily (TED), the official EU portal for contract notices and awards. On the site, contracting authorities publish their calls for tenders and contract award notices above certain value thresholds, which differs for goods, services and public works. Notices on TED contain the most important pieces of information on the tendering process such as: the title and description of the tender, publication date and bidding deadline, estimated and final value, information on the tendering procedure and the identity of the buyer and the winner.

In order to overcome the challenges presented by the limited availability of defence procurement data, additional sources were used to complement the dataset compiled from TED notices. We systematically searched for defence contracts in 19 European countries using online journal articles, reports of local NGOs, parliamentary documents, freedom of information requests and general Google search with pre-defined search terms.

We find that, while TED mostly covers relatively small-value, non-strategic purchases, the media is more interested in large-value, strategic transactions; thus, the two datasets complement each other. As Table 2 shows, TED covers on average 6.9% of the total amount spent on defence procurement (based on Eurostat data), ranging from .1 to 21% depending on the country. By contrast, the manually collected dataset covers on average of 7.8% with a range of .5 to 19.9%. However, even if we add up the total value of contracts covered by TED and the manually collected dataset, after removing the contracts which appear in both datasets, merely 2-40% of total defence procurement expenditure is covered by publicly available data sources, and in two-thirds of the analysed countries this value is under 20%.

Table 2: Total value of defence procurement expenditure per country based on Eurostat, TED, and manual data collection, million EUR, 2007-2016

Country	Total defence procurement expenditure	TED Value**	Manual Value*	Total Value	TED %	Manual %	Total %
AT	€ 7,015	€ 128	€ 86	€ 214	1.8	1.2	3.0
BG*	€ 1,593	€ 301	€ 1,917	€ 2,218	18.9	120.4	139.2
DE	€ 133,497	€ 3,527	€ 19,391	€ 22,918	2.6	14.5	17.2
DK	€ 17,027	€ 2,330	€ 2,767	€ 5,097	13.7	16.2	29.9
EE	€ 2,009	€ 238	€ 43	€ 281	11.8	2.2	14.0
ES	€ 31,615	€ 475	€ 52	€ 528	1.5	0.2	1.7
FI	€ 16,006	€ 338	€ 401	€ 739	2.1	2.5	4.6
FR	€ 148,400	€ 10,143	€ 775	€ 10,918	6.8	0.5	7.4
GR	€ 20,721	€ 15	€ 1,753	€ 1,767	0.1	8.5	8.5
HU	€ 3,950	€ 337	€ 46	€ 383	8.5	1.2	9.7
IE	€ 1,317	€ 50	€ 262	€ 312	3.8	19.9	23.7
IT	€ 57,749	€ 3,003	€ 6,809	€ 9,812	5.2	11.8	17.0
NL	€ 27,635	€ 105	€ 600	€ 705	0.4	2.2	2.6
NO	€ 27,637	€ 2,449	€ 1,432	€ 3,881	8.9	5.2	14.0
PL	€ 25,098	€ 2,684	€ 1,966	€ 4,650	10.7	7.8	18.5
PT	€ 6,544	€ 142	€ 300	€ 442	2.2	4.6	6.7
RO	€ 3,895	€ 834	€ 614	€ 1,448	21.4	15.8	37.2
SE	€ 29,160	€ 77	€ 3,642	€ 3,719	0.3	12.5	12.8
UK	€ 261,745	€ 26,337	€ 38,087	€ 64,424	10.1	14.6	24.6
TOTAL	€ 822,613	€ 53,513	€ 80,943	€ 134,456	Avg. 6.9	Avg. 7.8*	Avg. 20.6

Notes: *The 'manual %' value is higher than 100% in Bulgaria because a large-value multi-year programme was taken into account in the first year of the contract, while payments will take place only later in practice, so they could not appear in Eurostat values yet. The manual average of total excludes BG.

** The TED and the manually collected dataset contain contracts that may overlap. In the aggregates (total) we keep exclude the contracts from the manual dataset which we are certain are duplicated.

There are several possible reasons behind this large gap between available procurement data – both in TED and media outlets – and actual defence spending in Europe. The first pertains to the high thresholds for data reporting, which leave out many low-value purchases from reporting requirements. The second potential factor is the opaque nature of military purchases overall, and specifically for high-value tenders. This translates into a large amount of incomplete reporting (e.g. 15% of tenders in the dataset have missing contract values). However, there has been an improvement in reporting discipline after the Directive entered into force by country – see Table 4. Whereas 16%

of TED contracts had missing contract values before the Directive entered into force, this ratio dropped to 14% following implementation. Thirdly, contract extensions and modifications (e.g. an increase in the units demanded) are absent from both TED and manually collected data. Finally, given the secrecy of the defence sector, many contracts fall under exemption rules, thus making public information unavailable.

Furthermore, when contrasting the most frequent Common Procurement Vocabulary (CPV) codes for TED and manually collected data, we find that the manually collected data from news outlets focuses disproportionately on large and valuable purchases of high-grade military equipment, maintenance, and development. By contrast, the most common CPVs in the TED dataset are uniforms and ammunitions. This points to a considerable area of opportunity for increased transparency in the military procurement of non-sensitive (though less politically salient) highly standardized goods, which constitute the bulk of overall tenders.

Results

In order to assess the influence of the Directive on contracting outcomes, we look at contracts issued under CPV codes which are always covered by the Directive following its implementation. For example, all contracts in our database issued under the CPV code 35341000 (Parts of light firearms) after the dates of implementation in each country were flagged as Directive-compliant. We identify 59 such CPV codes and 953 contracts issued with such a CPV code within a year of Directive's implementation by a Member State. 726 contracts were issued before, and 227 contracts were issued after the Directive.

We compare the rates of single bidding, CRI, same country winners, the average number of bids, the rate of contracts awarded by non-open procedures, and the number of contracts awarded without a call for tenders on this sample of the data in the table below. We use a Mann-Whitney U test to test the significance of the difference in means.

Table 3: Rate of procurement indicators in the sample of contracts with CPV codes which are always covered by the Directive.

Variable	Mean Pre-Directive	Mean Post-Directive	Mann-Whitney U	p-value
Single Bidding	0.39	0.21	62272	<.001
CRI	0.28	0.20	60866	<.001
Same country	0.93	0.97	79793	.019
#No. of Bids	3.10	3.60	79780	.23
Non-open Procedure	0.26	0.57	56829	<.001
No Call for Tenders	0.22	0.12	74261	<.001

The results are in some cases quite striking. Single bidding falls by nearly half, while CRI falls significantly as well, thus signalling a decrease in the risk of corruption. Interestingly, while the number of contracts awarded without a call for tenders drops nearly by half, the rate of issuance by non-open procedure more than doubles. In the context of the Directive, which allows for non-open procedures under specific conditions and is strict about advertising the call for tenders, this might reflect a shift in strategy of issuers who wish to steer contracts to specific firms. One potential remedy would be to expand the scope of the Directive to restrict the use of non-open procedure types such as invitation-only competitions more aggressively.

Impact mechanisms and complementary policies

Though the Big Data analysis outlined above shows that the Directive has had a modest impact in increasing transparency in military procurements, there are still significant opportunities for policy reform. The complexity and secrecy of the sector make it difficult to fully elucidate state capture risks. To account for this, we focus on two paradigmatic case studies of defence procurement in Europe. This section summarizes the risks of state capture in the UK and France, as well as the lessons and areas of opportunity for greater transparency and efficiency in the defence procurement sector in both countries. The findings of these case studies complement the large N analysis by highlighting opportunity areas for even in countries which already have robust institutional frameworks overall and relatively lower Military CRI scores (see Table 1).

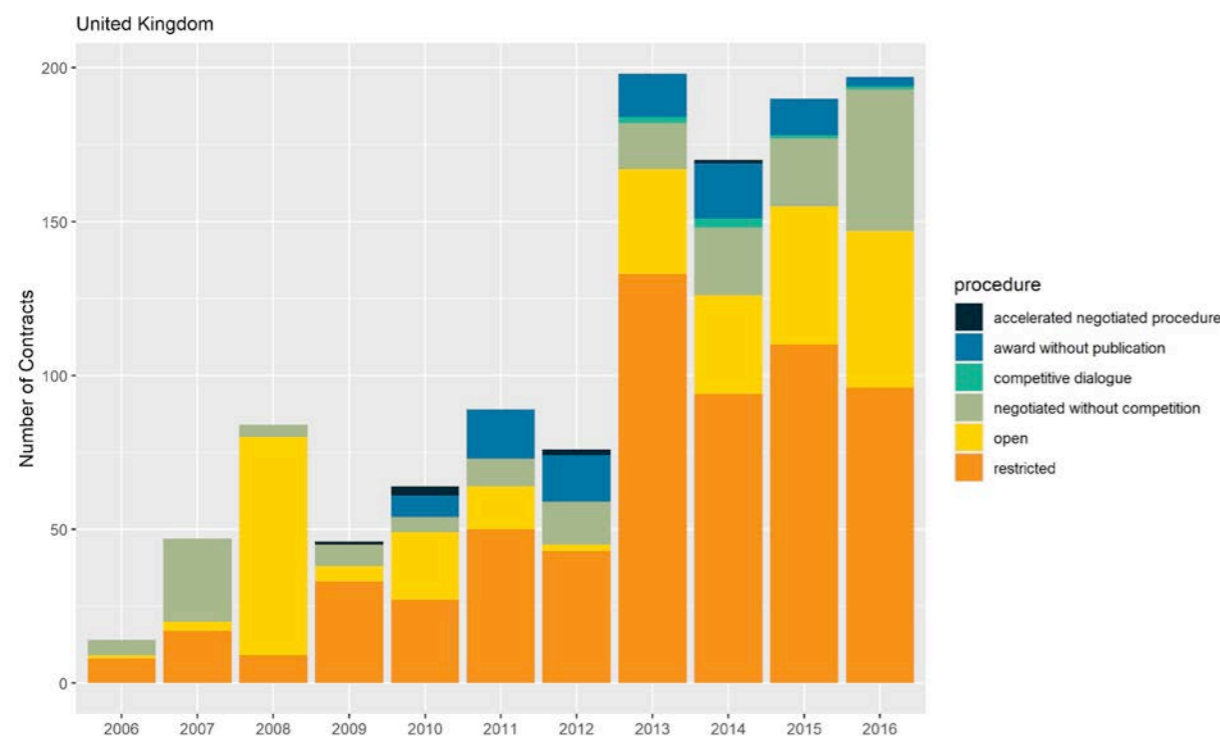
We argue that state capture is not just widespread corruption, but a tight clustering of corrupt actors through interconnections typically centred around certain public organisations, government functions, or supply markets (Fazekas and Tóth, 2014). This phenomenon has high relevance for anti-corruption policy, as captured clusters are expected to behave radically differently – thus demanding different solutions – compared to their environment. The main impact of state capture is that decisions no longer take into consideration the public interest but instead favour a specific group. Laws, policies, and regulations are designed to benefit a specific interest group, to the detriment of smaller firms and society in general. In the case of the defence industry, companies have an incentive to either bribe or establish networks of friends within government in order to ensure that the state awards their companies with large public contracts.

Addressing state capture is especially relevant in defence procurement as the low number of contracting authorities and suppliers, the complex technology, typically large contract values and high degrees of secrecy in national security decisions create an environment of interdependence among insiders, and limit the capacity of outsiders to effectively monitor wrongdoing. Despite robust nominal transparency requirements and overall institutions, the risk of capture persists.

The United Kingdom

The UK is an informative case study on corruption risks in defence procurement. Although the state has a strong institutional framework that can tackle corruption in the defence acquisition process, certain risks remain, especially with regards to revolving-door and the scrutiny of single-sourced contracts. These risks are particularly salient given that the UK is in the top five countries in terms of defence budget, and has over the last 9 years managed to keep up with the NATO target of spending 2% of its GDP on defence (Dempsey, 2018). Compared to EU member states, the UK has one of the lowest CRI scores in the region – see Figure 1. However, as shown in Figure 2, the lion's share of defence procurement contracts awarded by the UK in a given year – with the exception of 2008 – have used a restricted procedure.

Figure 2: Number of contracts by procedure type (UK)



Note: The proportion of UK defence contracts based on procedure type between 2006-2016. It includes 1175 observations, based on TED data. 284 observations were excluded due to missing type values.

Over the last decade, the UK expressed a strong commitment to tackle some of the most pressing concerns in its defence acquisition process, related to achieving better value for money and increasing the scrutiny of non-competitive contracts. Namely, it abandoned the outdated Yellow book regime that was used to control for an excess profit in single sourced defence procurement for more than 40 years and replaced it with a statutory framework under the Defence Reform Act of 2014.

Some outcomes of the British defence procurement process (e.g. cost overruns, lack of competition) derive from characteristics that are inherent to the defence sector itself, such as the complexity of high technology equipment involved and the market structure. However, it is important to recognize that they can signal potential corruption and state capture risks. Namely, close ties between the government and the industry established through the revolving door and decades of cooperation can put certain companies in favourable positions at the expense of competition.

The revolving door has both benefits and drawbacks. In the case of the former, it improves communication between government and industry in the context of complex research and development projects. As for the latter, corruption

risk increases when these networks are merely used as an access point for companies to get preferential treatment or an access to commercially sensitive information. It is thus important to strike a balance by limiting the emergence of corrupt ties without hindering innovation.

An example of such a measure is improving post-award performance both at the buyer and supplier side. In the former, poor project control and occasional political interference can induce large additional costs, which then result in poor project performance, delays and even cancellations. As for the latter, contractors, especially those that have a strong market power and are awarded single-sourced contracts, were characterized with poor performance in the past. Although the UK has made a progress in scrutinizing single-sourced contracts, by establishing the Single Source Regulations Office (SSRO) in 2014 under the Defence Reform Act, the initial decision for choosing non-competitive tendering rather than competition needs further improvements. Thus, the effects of recent changes in the control of single-sourced contracts are still to be fully seen.

France

As in the case of the UK, the French defence market is worthy of attention because the country is a global player. France spends 2.25% of its GDP on military expenditure which represents \$56.3 billion USD, making it the largest spender in the EU, followed by the UK (\$48.4 billion USD) in 2017 (SIPRI, 2017). Similarly, it ranks low among EU Member States in terms of corruption risks in its defence procurement – see Figure 1. There are, however, several differences that distinguish it from the UK.

As in the UK, most defence contracts in France do not follow a standard competitive procedure. However, the General Directorate for Armament has consistently managed to obtain relatively cheap prices from the French defence industry while preserving the country's technical capabilities and local jobs. It has managed to do so by compensating it in two ways: a) paying a higher cost of equipment maintenance and allocating these contracts to the maker of the equipment, rather than by making them compete; and, b) by promoting their exports. While this model has been working for decades, it now seems increasingly unsustainable.

The French defence industry is likely to see its world market share shrink due to the competition of China in South East Asian markets and growing opposition in the EU towards arms sales to the Middle East. A decreased share of the global market would make the French defence industry more reliant on the domestic market and thus increase its incentives to attempt to capture national institutions.

Another temptation to capture lies in the maintenance, repair, overhaul, and control of military equipment (MCO) sector. This is particularly salient as MCO represents between 35% and 50% of the overall cost of an equipment on average (Bockel and Prunaud 2017) and in 2018 cost a total of €8.785 billion. In comparison, that same year, the budget allocated to buying new equipment was €10.888 billion. These purchases of MCO have the common feature of being concentrated on a small number of manufacturers.

The MCO market has the characteristic of being frequently negotiated without competition and for long periods, which leads to a "lock in" situation in which changing suppliers is cumbersome if at all possible. Introducing more competition makes little sense given that there is often a monopolistic or oligopolistic market structure. This creates a temptation to state capture. This temptation comes from eroded profit margins on equipment sales, due to effective pressure of the state during the negotiations. Industrials may be tempted to catch up on these profit margins by winning MCO contracts for the equipment sold and negotiating very long contracts in order to overcharge the state over several years. To combat this, we propose that the purchase of equipment and its MCO should be negotiated jointly so that the cost of MCO is included in the initial quotes, thus increasing overall value for money in the market.

Policy Recommendations

Expand the amount of data available

The first step towards improving transparency in defence procurement is to increase the quality and quantity of data available by publishing all contracts, including non-sensitive data as product description, product code, contract value, company name, content description, purchasing plans and financial information regarding procurement. In addition, information regarding negotiations such as the number of companies involved, as well as the companies invited to such talks should be made available. This must be done for all procedure types. Table 4 summarizes the proposed publication categories for a strong open contracting system.

Table 4: Publication Categories for a Strong Open Contracting System

Information to be published at the outset of a contracting process:	Budget allocations
	Needs assessments
	Risk Assessments
	Procurement Plans
	Dispute Resolution Mechanisms
Information to be published alongside the contract:	Technical Specifications
	Selection Criteria
Information to be published when a decision is made:	Justifications and Reasoning
	Information about all Bids Received (including beneficial ownership)
	Conflicts of Interest Uncovered
Information to be published about the contract itself:	Performance, Delivery and Payment Schedules
	Specific Pricing
	Subcontracting Arrangements
Information to be published upon the contract's conclusion:	Performance Evaluations
	Final Financial Assessments (including cost-overruns if any)

Use data analytics for better procurement decisions

We recommend the systematic use of data analytics throughout the procurement process and policy making. This includes relying on network metrics, red flagging – such as the CRI index discussed in this paper – and tracking of contract performance. More advanced analyses at the micro-level can help relevant actors better understand the defence sector and the impact of policies.

Though the empirical study of the sector faces various methodological and practical challenges, we have proposed a new conceptual and analytic framework for gauging state capture based on micro-level contractual networks in defence procurement. Reproducible methods such as this, coupled with rich datasets, can improve the monitoring capabilities of citizens and relevant institutional players alike.

Promote smart competition

We propose a more strategic use of competition. This has the potential to increase efficiency at the national level by opening the door to foreign competition. This may include not only EU suppliers but also vetted third-country companies such as those from the United States. The French case is an example of the potential benefits of such an approach, where the government can extract better terms from its national suppliers with the threat of foreign competition. Such measures can increase value-for-money by increasing the bargaining power of governments and can go in tandem with EU-wide demand aggregation initiatives to increase overall efficiency.

Aggregate demand whenever it is viable

A crucial way of increasing efficiency in the sector is strengthening initiatives for demand aggregation at the European level. This would not only increase economies of scale, but also improve competition for large projects. Furthermore, aggregating demand at the EU level, or as joint initiatives between two or more Member States, would not only improve the bargaining power of joint buyers, but also serve broader defence coherence goals, as stated in the 2016 EU Global Strategy. Such EU-level solutions must, however, consider national capabilities, costs and development risks.

To this effect, we propose a conditional competition approach, where Member States develop defence systems in collaboration with one or more other partners, either with mutual dependence, or with preservation of core capabilities at the national level. Such collaborations would help reduce the duplications in equipment acquisition and development and foster stronger ties among partners with similar strategic concerns. In addition, such joint ventures could lead to further industrial consolidation. This consolidation would make the European defence industry more robust and competitive globally, offsetting potential losses of export market share in South Asia and in the Middle East.

Further strengthen defence oversight

We also propose to broaden the sphere of engagement beyond private companies and ministry of defence officials and to engage with parliamentary oversight committees and those entities that specifically investigate and target corruption, such as military justice and anti-corruption bodies, the military police and prosecutors. Building a deeper understanding of the broader institutional infrastructure relating to the integrity of public procurement will better serve EU Member States.

This involves giving substantive oversight rights to relevant trusted outsiders, such as the Parliament, civil society or other institutions. These institutions should have enough human and financial resources to monitor and oversight the defence procurement; for example, at the EU level there is the European Court of Auditors.

Furthermore, we propose EU level integrity requirements such as revolving doors provisions by introducing substantive cooling-off periods for civil servants (middle and senior level) that were previously involved in procurement negotiations with the industry. A major way to ensure transparency and prevent network risks is monitor the movements from defence ministries to private companies or consultancy and lobbying firms.

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