

PRIVATE MILITARY AND SECURITY COMPANIES: HOW THEY FUEL CORRUPTION AND CONFLICT RISKS AND THE NEED FOR REGULATION

TI-DS FACTSHEET **PMSCs**

Regulatory oversight of the private military and security sector is failing to keep pace with the rapidly growing and diversifying industry, leading to heightened global risks of fraud, corruption and violence. Better regulation of the industry is urgently needed.

The global industry of private military and security companies (PMSCs) has grown extensively since the wars in Afghanistan and Iraq, expanding from an estimated value of US\$100 billion in 2003 to US\$224 billion in 2020. It is expected to double by 2030.

Some of these new contracts have resulted in corruption or illegal activities which could fuel conflict. In 2012, a former CEO of a major US PMSC pleaded guilty to bribing Nigerian officials

for a US\$6 billion contract to develop hydrocarbon infrastructure in the conflict-affected Niger Delta¹. In Libya, operatives from the Russian Wagner Group reportedly “plant[ed] explosive booby traps in residential areas and committed summary executions in support of warlords vying for control of the country.”²

Some PMSCs are increasingly seeking to expand their services to many countries around the world that have critically weak protections against defence sector corruption without the necessary increase in regulation to accompany it, resulting in a perfect storm.

Existing initiatives to try and regulate the market, such as the [Montreux Document](#), which outlines the responsibilities of states, and the [International Code of Conduct for Private Security Service Providers](#), which contains voluntary standards for companies that can be audited and certified, were a step in the right direction when introduced. But they are non-binding and don't go far enough to address the risks posed. A stronger and more comprehensive set of enforceable standards is needed.

¹ Baltimore, Chris. 2012. 'Ex-KBR CEO gets 30 months for Nigeria scheme.' Reuters. 23 February.

² Paquette, Danielle. 2022. 'Moscow's Influence Spreads in Africa.' Washington Post. 15 March

HOW PMSCs RISK FUELLING CORRUPTION AND CONFLICT

- Serving as advisors to a foreign military or police force unit that procures services for PMSC activities, indicating a potential conflict of interest;
- Inflating threat perceptions or security needs in order to secure or prolong contracts, which can encourage authorities to take unnecessarily aggressive action;
- Improving the coercive capabilities of foreign military and security forces in highly corrupt governments, which can intensify repression and strengthen foreign military actions;
- Partnering with foreign government officials who also own private companies providing PMSC services;
- Capturing valuable natural resources, which can drive violent resource competition among local or foreign actors;
- Pushing foreign companies to pay kickbacks to a national PMSC to receive government-funded contracts;
- Paying bribes to government officials to influence government decisions or actions, which can inflame corruption dynamics that weaken and undermine state institutions;
- Brokering the sale of foreign PMSCs to fight on behalf of a foreign government in a conflict zone;
- Supporting or strengthening private, local organisations that feed into sectarian or criminal violence;
- Engaging in illicit economies such as arms trafficking.

What is a PMSC?

The private military security industry is a broad, nebulous sector. TI-DS defines a PMSC as “*private agents or business entities that are contracted to use, possess, direct, train, or enable lethal and non-lethal force or coercive cyber capabilities within or in relation to conflict, fragile, or otherwise unstable environments.*”



WHAT RESPONSE IS NEEDED?

States and multilateral organisations need to join forces to adopt and implement much stronger regulation of the private military and security industry at the national and global levels to combat the risk it poses in fuelling corruption and conflict.

At the global level, there is an urgent need for an international framework to regulate PMSCs that could increase the number of countries with strong national regulation on PMSCs. The efforts of the Intergovernmental Working Group on PMSCs provide an opportunity for the establishment of a legally-binding international framework to regulate PMSCs which is in line with international human rights law, international humanitarian law and anti-corruption standards frameworks.

In addition, the work of the Intergovernmental Working Group should call for clear restrictions on states hiring PMSCs that have a record of engaging in corrupt activities or human rights abuses. It should also incorporate a broader definition of PMSCs to include intelligence and cybersecurity activities.

There need to be national-level regulations that are comprehensive and enforceable. National regulations on PMSCs need to cover the export of key PMSC services, including for military, intelligence, and police training, armed security, and surveillance. Specific attention should be paid to:

- **Licensing processes** (which should include stringent due diligence of PMSCs' records abiding by international regulations, as well as examination of their internal policies);
- **Senior level oversight mechanisms** at government and parliamentary level, and expanding oversight of companies and persons engaged in combat activities abroad;
- **Training and knowledge** of corruption pathways and corruption risk mitigation, human rights and humanitarian law amongst government officials involved in licensing and contracting decisions;
- **Contract transparency and enhanced reporting on exports of PMSC services** to enable external oversight;
- **A requirement of reporting on beneficial ownership of PMSCs** (prime contractors as well as all subcontractors);
- **Prevention, investigation, and prosecution of misconduct**, including corruption-related acts.



Find out more

Find out more by reading our full report on PMSCs; [Hidden Costs: US Private Military and Security Companies and the Risks of Corruption and Conflict](#)

See the [Montreux Document](#) on pertinent international legal obligations and good practices for States related to operations of private military and security companies during armed conflict.

See also the private sector initiative, [The International Code of Conduct for Private Security Service Providers](#)

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