



Report of the State Comptroller of Israel |
December 2025

Ministry of Defence

**Aspects of the
Ministry of Defense's
Supervision and
Control of Defense
Companies' Use of
Marketing Promoters,
Agents, and Brokers
in Defense Export**



Aspects of the Ministry of Defense's Supervision and Control of Defense Companies' Use of Marketing Promoters, Agents, and Brokers in Defense Export Transactions

Background

As part of the international marketing of their products, the defense companies make use of external entities working on their behalf to promote transactions between them and third parties in return for a commission, wage, or other compensation¹ (marketing promoters, agents, brokers).²

The Defense Export Control Law, 2007 (the Export Control Law) and the regulations enacted under it aim to regulate the state's supervision of defense exports³ for reasons of national security, foreign relations, and international commitments and to protect other critical national interests. The law stipulates that no Israeli citizen, resident, or corporation may engage in defense marketing – acting with the goal of promoting defense exports, including brokering a defense export transaction⁴ – unless they have received a license to do so from the competent authority⁵ (marketing license).

In 2005, Israel signed the UN Convention Against Corruption (UNCAC) and ratified it in a government decision in December 2008.⁶ In 2009, Israel ratified the OECD⁷ Convention on Combating Bribery of Foreign Public Officials in International Business Transactions^{8,9} (the OECD Convention), and it is obligated to implement their directives. Within the framework of Israel

- 1 The company's agreement with the marketing promoter sometimes includes payment contingent on success as the exclusive payment, in addition to the regular payment, or as an additional payment to cover costs.
- 2 The defense companies and the Ministry of Defense use one or more of these terms.
- 3 Exports of military equipment, transfer of military knowledge, or provision of security service.
- 4 Performed in Israel or abroad, in writing, orally, or in any other manner, directly or indirectly, for consideration or not, whether or not the action involves the transfer of security knowledge, or conducting negotiations for the promotion of such a transaction. The Export Control Law also stipulates that it makes no difference whether or not the defense export transaction has been carried out.
- 5 According to the law, the competent authority is the Director General of the Ministry of Defense, the Head of the Defense Export Controls Agency (DECA), or a senior employee at DECA that the Director General has authorized for the purposes of the Export Control Law.
- 6 On December 22, 2008, the government of Israel decided to ratify the convention (decision no. 4355).
- 7 Organisation for Economic Co-operation and Development
- 8 On February 12, 2009, the government of Israel decided to ratify the convention (decision no. 4481).
- 9 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.



joining the OECD, the Ministry of Defense (MOD), through the Ministry of Justice, committed to implementing mechanisms to prevent the offense of bribing a foreign public servant.

In July 2008, in anticipation of Israel joining the UN Convention, an offense was added to the Penal Law, 1977, regarding bribing a public servant of a foreign country or an employee of an international public organization. According to the law, it is prohibited to offer or provide a bribe to a foreign public servant in order to attain, ensure, or promote business activity, or to attain an advantage related to such activity.

Implementation of the OECD Convention is supervised by the OECD Working Group on Bribery in International Business Transactions¹⁰, of which Israel is a member. The Working Group prepared a document including a series of recommendations, and in November 2021, the OECD adopted these recommendations for the organization.¹¹ Among other things, the document recommends that countries encourage companies and business organizations to develop ethics and compliance measures or programs to detect or prevent bribery of foreign public servants, including through third parties, such as agents.

The purpose of using marketing promoters in defense export transactions is to promote sales and increase the likelihood that a business opportunity will develop into a transaction. However, their use involves considerable compliance and regulatory risks, given the provisions of the Penal Law and the OECD conventions. If marketing promoters of defense export transactions perform actions that violate Israeli and international law – that is, provide a bribe to foreign public servants – this could lead to a range of legal consequences for the corporation and the people involved, undermining the reputation and standing of the company, Israel's international standing, and its ability to continue to carry out defense export transactions if it is blacklisted.¹² This risk is exacerbated by the intense competition that exists in the international defense market and in view of defense export and marketing activities that also take place in countries with high levels of corruption, where the expectation of receiving bribes for defense export transactions can be higher.

Another risk inherent in the use of marketing promoters relates to the employment of marketing promoters who have personal connections with senior MOD officials, who can influence the decision-making process on defense exports. The concern is that these connections will lead to conflicts of interest and consequently to undue benefits and sub-optimal decision-making in the MOD regarding such transactions, and will violate the right to equal opportunity. The materialization of this risk could also undermine public confidence in public administration.

From 2018 to 2023, Israel's defense exports totaled \$60.5 billion.

10 OECD Working Group on Bribery in International Business Transactions.

11 Update of directives from November 2009.

12 On blacklists that include information on companies and other entities suspected or accused of violating international trade laws, regulations, or norms, and trade restrictions are imposed on them.



Key Figures

16 years ago

The offense of providing a bribe to a public servant of a foreign country or to an employee of an international public organization was added to the Penal Law, with a maximum penalty of seven years in prison¹³

64

The State of Israel's grade in 2024 in the Corruption Perceptions Index, on a scale of 0 (high level of corruption) to 100 (a corruption-free country). Israel ranked 30th out of 180 countries

\$13.1 billion

Israel's total defense exports in 2023

Hundreds of millions of dollars

Total amount that defense companies committed to paying marketing promoters for transactions from 2022 to 2024

A significant proportion

of the defense export transactions made from 2022 to 2024, worth billions of dollars, involved marketing promoters

Audit Actions



From August to December 2024, the Office of the State Comptroller examined aspects of the MOD's monitoring of defense companies' use of marketing promoters in defense export transactions, including the MOD's policy on this issue; the interface between the defense companies and the MOD with respect to the activity of marketing promoters, including its monitoring of the issue; and the regulation of the MOD's activity in contexts related to this issue in its directives and procedures. Supplementary examinations were conducted until February 2025. The audit was conducted within the MOD, at the Office of the Director General of the MOD, the Department of the Defense Establishment Legal Advisor, SIBAT-International Defense Cooperation, the Directorate of Defense Research & Development, the Defense Export Controls Agency (DECA), the Policy & Political-Military Bureau, and the Planning Department. A supplementary audit was conducted at

¹³ Or a fine, according to the higher of the following: 1. In an amount of up to approx. NIS 1.1 million against an individual or approx. NIS 2.2 million against a corporation. 2. Four times the value of the benefit that was calculated or that there was an intention to attain by means of the offense.



the Ministry of Justice. The audit did not address suspicions of violations of the law or prosecution for offenses involving bribing foreign public servants.

The subcommittee of the Knesset's State Control Committee decided not to table place this report in its entirety on to the Knesset's table, but and only to publish only parts of it, in order to maintain national security, in accordance with Article 17 of the State Comptroller Law, 1958 [consolidated version].

Key Findings



The MOD's Involvement in Defense Companies' Use of Marketing Promoters

- Despite the MOD Director General's November 2017 directive, there are no documents at the Department of the Defense Establishment Legal Advisor and the Office of the Director General indicating that they have considered the establishment of a mechanism to conduct periodic audits to check the defense companies' compliance with the rules, and no such mechanism has in fact been established.
- No administrative work documents on marketing promoters presented for the Director General's approval were found at the Office of the Director General and at SIBAT, and such administrative work is unknown to current position-holders at the MOD. The lack of documentation of administrative work performed under the instruction of the MOD's Director General undermines tracking and supervision of this issue. In addition, the Office of the Director General and the Planning Department do not have documentation that they have considered using the Defense Establishment Auditor's Unit to examine work processes at defense companies regarding the use of marketing promoters. The lack of documentation raises doubts about the performance of effective tracking of the implementation of the Director General's directives.
- During the advancement of a certain transaction that began to take shape in 2020, personnel at the MOD were by chance exposed to the marketing promoter involved in the transaction and to the high fee he was supposed to be paid, and they prevented its implementation under these conditions. This incident highlights the need for the MOD to determine how it must supervise defense companies' use of marketing promoters in defense export transactions, including with respect to the identity of the marketing promoters; the fees they receive, in general and in relation to the scope of their work; and the way fees are approved by the relevant defense company.



- Despite the understanding of MOD directors general since at least July 2022 regarding the need to formulate a position on the ministry's involvement in supervision of defense companies' use of marketing promoters in defense export transactions, and despite their recurring directives since July 2022 that the Deputy Director General and Head of the Planning Department and the Defense Establishment Legal Advisor should set rules regarding supervision of the use of marketing promoters, the MOD had not formulated a position on this issue as of the audit completion date in February 2025. Since the Director General has not determined the appropriate level of the ministry's supervision of marketing promoters in defense export transactions, the MOD is not maintaining proper oversight of this issue or optimally managing the compliance risks inherent in it .
- Despite decisions by MOD directors general in November 2017 and October 2020 that the MOD will require a statement from defense companies that the transaction, including the fee paid to the marketing promoter, has been approved by the company's board of directors, as a general rule, the MOD does not require this statement from the companies.

The MOD's Supervision of Defense Companies' Compliance with OECD Guidelines to Prevent Bribery and Corruption

- **Compliance Program to Prevent Corruption** – Although in 2017 it was reported to the OECD Working Group on Bribery in International Business Transactions that letters from the MOD's Director General on this matter are distributed annually to all defense exporters – after the distribution of the letters in 2015, 2016, and 2017, additional letters from the MOD's Director General were only distributed in 2020 and during the audit (September 2024).
- **Requirement to Implement Compliance Measures to Prevent Corruption within Small and Medium-sized Defense Companies** – From 2018 to 2023, small and medium-sized defense companies signed defense export contracts totaling billions of dollars. During those years, these companies signed many defense export contracts. It is important to note that in 2023, dozens of small and medium-sized companies signed defense export contracts.

Since 2011, the MOD has required large defense companies to implement compliance programs to prevent corruption, and it later encouraged the rest of the defense companies to adopt such programs. Small and medium-sized companies sign many defense export transactions each year; these transactions entail compliance and regulatory risks regarding bribery and corruption. However, the MOD's Director General and the Head of DECA have not determined which measures small and medium-sized defense companies should adopt to prevent corruption in defense export transactions – an issue on which they have not yet formulated a position. Without defining these measures, there is no certainty that small and



medium-sized companies will take sufficient action to reduce bribery and corruption risks in their export transactions.

- **Supervision of Compliance Programs to Prevent Corruption** – Despite the role of the MOD Director General and the Head of DECA as supervisors of defense exports in accordance with the Export Control Law, no decision has been formulated at the MOD regarding supervision of the compliance programs of defense companies or of their nature and scope. In the current situation, the MOD's level of supervision is low. Without a decision, there is no certainty that the MOD's supervision of the implementation of the OECD's recommendations on bribery is optimal.
- **Statement within the Framework of Agreements Related to Defense Exports** – The MOD does not require defense company exporters to provide information on marketing promoters in export transactions.
- **Submission of Individual Statement to the Defense Establishment Legal Advisor** – The MOD lacks rules clarifying the circumstances in which companies must request and receive individual statements regarding marketing promoters from the Legal Advisor or the exporting company's compliance officer.
- **Information on Marketing Promoters** – Deficiencies were revealed in the MOD's supervision of this issue.

 **Involvement of the Boards of Directors of Defense Companies in Approving Engagements with Marketing Promoters, Including the Fees Paid to Them** – The rules determined by boards of directors on this matter must be improved.

 **Normative Regulation of Marketing Promoters in the MOD**

- **Regulating the MOD's Activity to Ensure Defense Companies' Compliance with the OECD Guidelines** – The MOD's directives do not include a directive that regulates the activities that the relevant MOD departments must take to implement the supervision of defense exports with respect to preventing bribery and corruption, including in the directive on the supervision of defense exports. Without regulation of this issue, there is concern that the necessary actions will not be properly taken and that the MOD's supervision, including with respect to the State of Israel's commitments under the OECD Convention, will be insufficient.
- **Regulation of Conflicts of Interest in the Activities of Marketing Promoters in Defense Export Transactions** – The marketing promoters are relevant businesspeople, or people who have previously served in senior defense positions in Israel or abroad, or people who know the decision-makers in the destination country. The MOD does not monitor the identity of the marketing promoters, and thus exposes itself to risk with respect to Israeli marketing promoters whose familiarity with senior figures in the MOD could lead to conflicts



of interest and consequently to undue benefits, sub-optimal decision-making in the MOD regarding these transactions, and violating the right to equal opportunity. The materialization of this risk could also undermine public trust in public administration.

Unlike the directive on the involvement of agents active in procurement transactions at the MOD, the MOD lacks a directive regulating the interactions of MOD employees with marketing promoters in defense export transactions, including with respect to conflicts of interest. The lack of regulation of this issue could lead to biases in decision-making processes regarding defense export transactions, including concerns about exploiting connections to advance personal interests that are not aligned with the MOD's interests.

- **Regulation of Fees Paid to Marketing Promoters in Defense Export Transactions** – Since the MOD's directive on Fees in Export transactions was changed in 2014, the MOD has not properly supervised defense companies' use of marketing promoters, including the fees paid to them.

Following the cancellation of the directive on Fees in Export transactions in 2018, no alternative directive was formulated at the MOD on fees paid to marketing promoters in transactions involving defense companies, even after MOD directors general noted the need to regulate this issue.

- **Regulating the Interface Between MOD Employees and Marketing Promoters of Defense Companies** – The MOD lacks a directive governing interactions with marketing promoters. Without such regulation, there is a risk that MOD personnel will interact with marketing promoters in ways that expose the ministry to increased compliance risks.

Key Recommendations

- 💡 **The MOD's Involvement in Defense Companies' Use of Marketing Promoters** – The Director General of the MOD should ensure that the Head of the Planning Department and the Defense Establishment Legal Advisor act promptly to formulate recommendations regarding the ministry's level of involvement in supervision of defense companies' use of marketing promoters, including the issue of fees. It is recommended that this be done in consultation with the Ministry of Justice's Legal Counsel and Legislative Affairs Department. This need is even more urgent given the significant increase in the volume of transactions in recent years, which is expected to expand further in the coming years.



The MOD's Supervision of Defense Companies' Compliance with OECD Guidelines to Prevent Bribery and Corruption

- **Requirement to Adopt and Implement a Compliance Program to Prevent Corruption** – It is recommended that the Director General of the MOD instruct the ministry to examine and submit a recommendation for his approval on minimum compliance rules that small and medium-sized companies should adopt and implement to reduce bribery and corruption risks in defense export transactions, including regarding due diligence on marketing promoters, especially given the large number of transactions that these companies sign each year, the risk of violations of the compliance rules and of criminal liability of those involved, and given the characteristics of the countries to which they export.
- **Supervision of Compliance Programs to Prevent Corruption** – The Director General of the MOD and the Head of DECA are the competent authority for supervising defense exports for reasons of national security, Israel's foreign relations and international commitments, and for maintaining other critical interests; they have the authority to enforce and supervise the implementation of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions vis-à-vis the defense exporters. Consequently, the Director General of the MOD should determine whether and how the MOD will supervise the defense companies' compliance programs and how they are implemented, as well as what compliance measures small and medium-sized defense companies will be required to implement. It is also recommended that DECA maintain a computer database that compiles information on the existence of compliance programs at defense companies, as revealed in the audits conducted by the department's enforcement unit, to assist with supervision.
- **Statement as part of Agreements Related to Defense Exports** – It is recommended that in agreements related to transactions, the MOD examine what information it wishes to receive about the marketing promoters.
- **Individual Statement to the Defense Establishment Legal Advisor** – The Defense Establishment Legal Advisor should submit to the Director General for approval defined criteria for the requirement of individual statements from relevant position holders at defense exporters concerning the use of marketing promoters.
- **Information about Marketing Promoters** – For optimal supervision and control regarding marketing promoters, DECA should create a complete and detailed database of the people acting as marketing promoters of the defense companies – Israeli and foreign – including the marketing licenses they received or the marketing and export licenses that list their names.



Involvement of the Boards of Directors of Defense Companies in Approving Engagements with Marketing Promoters, including the Fees Paid to Them

- It is recommended that the board of directors rectify the deficiencies identified.
- Given the compliance risks inherent in the use of marketing promoters in export transactions, it is recommended that the Director General of the MOD determine the desired level of involvement of boards of directors at defense companies concerning the use of marketing promoters and the fees paid to them, at least in transactions in which the identity of the marketing promoter requires closer supervision, in accordance with the definitions determined, and in transactions in which the fee – nominally or as a percentage of the transaction amount – is excessive. This should be done to maintain closer supervision by the company's management of this issue in order to reduce the risk of violating the compliance rules to prevent bribery and corruption.



Normative Regulation of Marketing Promoters in the MOD

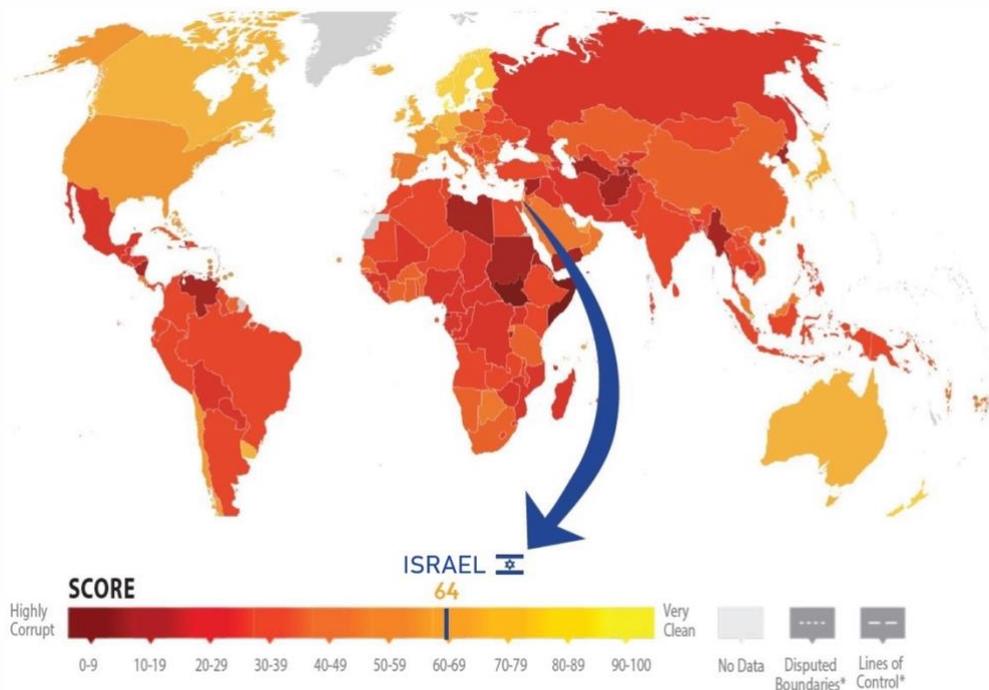
- **Regulation of Conflicts of Interest in the Activities of Marketing Promoters in Defense Export Transactions** – The defense exporters employ marketing promoters to increase the likelihood of business opportunities developing into transactions. To this end, they also engage with former senior figures in the defense establishment who have connections with current position holders in the MOD. With respect to conflicts of interest between marketing promoters acting on behalf of the defense companies and personnel in the MOD, it is recommended that the ministry receive relevant information directly from the marketing promoters as part of the process of their registration in the registry of exporters and in each request that they make for a marketing license, including their compliance with the Public Service Law (Restrictions After Retirement), 1969. This is for MOD supervision and control over the issue of conflicts of interest of marketing promoters in defense export transactions.
- **Regulation of Fees Paid to Marketing Promoters in the Defense Export Transactions of Defense Companies** – The Director General of the MOD should act promptly to complete the formulation of the ministry's directive on defense export transactions. It is recommended that after the MOD determines the method and criteria for monitoring defense companies' use of marketing promoters in these transactions, including with respect to the fees paid to them and the statements required of defense companies regarding them, it enshrine them in this directive.

The Defense Establishment Legal Advisor should examine with the Ministry of Justice's Legal Counsel and Legislative Affairs Department the MOD's role in enforcing compliance rules on defense exports at defense companies; subsequently, it should formulate the necessary rules and act to implement them at the MOD.



- **Regulating MOD Employees' Interface with the Defense Companies' Marketing Promoters** – In the ministry's directive that is being formulated, the Planning Department should enshrine the Director General's prohibition against the participation of marketing promoters of defense companies in activities organized by the ministry's departments.
- **Regulating the MOD's Activity to Ensure Defense Companies' Compliance with the OECD Guidelines** – It is recommended that the Planning Department act to enshrine in the MOD's directives all of the necessary actions regarding the prevention of bribery and corruption in defense export transactions and the entities responsible for performing them, including a coordinating body. This should be done so that the State of Israel meets its various obligations on this issue and minimizes its exposure to the various risks involved.

Global Corruption Perceptions Index, 2024



Source: Transparency International website.¹⁴

¹⁴ Corruption Perceptions Index (2024) by Transparency International is licensed under CC-BY-ND 4.0.



Summary

Israel's defense exports greatly contribute to its security, economic growth, and national resilience, and they account for a significant portion of the defense companies' sales. From 2018 to 2023, Israel's defense exports totaled \$60.5 billion.

To increase the likelihood of business opportunities developing into transactions, the companies employ marketing promoters. The fees that defense companies committed to paying marketing promoters from 2022 to 2024 totaled hundreds of millions of dollars.

Alongside the benefits that defense companies are likely to obtain from the activity of marketing promoters, their use could also involve significant compliance and regulatory risks related to bribery of foreign public servants. In addition, there is a risk in the use of Israeli marketing promoters who have personal connections with senior figures in the MOD, given the concern that these connections could lead to conflicts of interest and, consequently, to sub-optimal decision-making by the MOD in defense export transactions and to violation of the right to equal opportunity. The materialization of this risk could also undermine public trust in public administration.

The audit found substantial deficiencies regarding the MOD's supervision and control over defense companies' use of marketing promoters, including: the failure to determine rules relating to the supervision of the use of marketing promoters; the failure to determine the measures that small and medium-sized defense companies should adopt to prevent corruption in defense export transactions; the lack of a decision by the MOD on monitoring the compliance programs of defense companies, including the nature and scope of such monitoring; a lack of supervision and monitoring of the identity of marketing promoters; non-regulation of the monitoring of defense companies' use of marketing promoters, including the required level of involvement of boards of directors in approving marketing promoters and their fees; an absence in directives of the actions that the relevant MOD departments must take to implement supervision of defense exports in the context of preventing bribery and corruption and the interactions of MOD employees with marketing promoters in defense export transactions; and the failure of DECA to maintain a complete database of people acting as marketing promoters in defense export transactions and, its consequent failure to supervise all marketing promoters.

The materialization of compliance risks regarding bribery and corruption could significantly undermine the State of Israel's security, foreign relations, and international trade, as well as the reputation of the MOD and of the defense companies involved. Hence, the Director General of the MOD should ensure that the Head of the Planning Department and the Defense Establishment Legal Advisor act promptly to formulate their recommendations regarding the ministry's level of involvement in supervising defense companies' use of marketing promoters in general, including the issue of fees, and it should enshrine the ministry's involvement in its directives. The Director General of the MOD should determine whether and how the MOD should examine the compliance programs of defense export companies and how they are



implemented, and the compliance measures that need to be implemented by small and medium-sized defense exporters.

In addition, to ensure optimal supervision and monitoring of marketing promoters, DECA should create a complete and detailed database of individuals acting as marketing promoters for defense companies – Israelis and foreigners alike – including the marketing licenses they hold or the marketing and export licenses that list their names.

Given the strategic importance of defense exports and their political, military, and economic contribution on one hand, and the risks inherent in defense companies' use of marketing promoters on the other hand, the Director General of the MOD should instruct all departments at the MOD that are involved in this activity, including DECA, the Defense Establishment Legal Advisor, and the Planning Department, to act to rectify the deficiencies found in the audit and according to the recommendations of this report, in order to maintain effective monitoring to reduce exposure to compliance and regulation risks regarding corruption and bribery related to defense exports.