Mark Pyman, Peter Foot, Philipp Fluri (Eds.)

BUILDING TRANSPARENCY AND REDUCING CORRUPTION IN DEFENCE

Workshop of Institutional and Inter-governmental Practitioners

Organised by
Transparency International (UK)
Geneva Centre for Security Policy (GCSP)
Geneva Centre for the Democratic Control of Armed Forces (DCAF)

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WORKSHOP PROCEEDINGS

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This book contains materials of the workshop aimed at identifying the current efforts among international practitioners on anti-corruption efforts in defence establishments. For a wide audience.

Книга містить матеріали семінару з питань міжнародної практики антикорупційних дій у галузі оборони. Для широкого кола читачів.

Книга содержит материалы семинара по вопросам международной практики антикоррупционных действий в сфере обороны. Для широкого круга читателей.

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EXECUTIVE SUMMARY

Lack of integrity and lack of transparency are found in all national defence systems. Within defence, this can lead to great waste of resources, and, in countries where this dysfunction reaches high levels, to military forces not operating in the national interest. There is much action today – much more than in previous years – to find constructive ways to overcome this problem, both nationally and through inter-governmental organisations like NATO.

Tackling this problem is not only in the interests of Defence establishments. Defence corruption is also an area of substantial common importance to Development organisations and practitioners. For developmental and governmental actors, the prime concerns are the adverse effects of defence corruption on the allocation of public resources, decreased investment in productive activities, and reduced human security. These concerns find common ground in the areas of governance and management of public (defence) budgets, and the role defence corruption plays in the creation and maintenance of sustained networks of corruption that easily spill over across government and the region.

This workshop was organised by Transparency International (UK), the Geneva Centre for Security Policy (GCSP), and the Geneva Centre for Democratic Control of the Armed Forces (DCAF), with financial support from NATO and the Swiss Federal Department of Foreign Affairs (FDFA). The key aims of the Workshop were threefold: to identify the current efforts among international practitioners on anti-corruption efforts in defence establishments, to establish the level of common interest across the defence and the development institutions, and to propose specific actions to drive common action across institutions in tackling the shared concerns about defence corruption.

CONCLUSIONS

The participants found substantial common cause in shared concerns about defence corruption, and a large measure of agreement on how to build on current activities to develop better ways of increasing transparency in defence.

The two core areas of common concern were:

1. The waste of resources owing to corruption in defence. This was viewed as a waste of a scarce defence budget by the defence community, and by the development community as a waste of money that could and should be being used either to raise human security or for use elsewhere.
2. The way in which defence corruption has maintained corruption in a country, whether by corruption of politicians and election funding, or through the maintenance of a corrupt infrastructure – of lawyers, bankers, accountants, intermediaries – that can be exploited elsewhere in government.

Further, there was a common interest in developing personal networks and collaborations to promote anti-corruption reform, defence institution building and to share scarce expertise, tools, and success stories. This Workshop sought means of finding the common interest, mapping current efforts in defence anti-corruption reform, and producing new means forward for fresh engagement on the part of international actors.

The Workshop focused its efforts on the roles which could be played by the following actors: international defence companies; international civil society; NATO; international development banks; defence colleges and think-tanks; the United Nations; and national governments.

International defence companies were regarded as potential partners in the development of a Defence Industry Transparency Initiative to be modelled on the initiative which was developed for the Extractive Industries. This initiative would also require the strong engagement and input of civil society, international development banks, and national governments.

For international development banks, other means forward focused on oversight and management of budget management procedures in the defence sector, and the expansion of current public financial management tools to defence.

The key role for UN was regarded as both reducing corruption and promoting integrity and transparency within UN Missions, and to develop its increasing roles in Security Sector Reform to incorporate defence sector anti-corruption and institution-building.

NATO, which has formally initiated work on defence anti-corruption and integrity-building reform, had important roles to play in the generation of demand for the tools it is currently trialling, in developing partnerships across international actors in the development of defence integrity-building and anti-corruption expertise, and in continuing to seek innovative, practical work to drive change.

OUTPUT 1 – DEVELOPMENT OF A DEFENCE INTEGRITY ALLIANCE

The Workshop strongly supported the development of an international network of defence officers and officials committed to high standards of integrity in defence. This might be modelled on a global integrity alliance being built in the development world, sponsored by the World Bank and with the active support of Transparency International. There were several platforms that could help in seeding this: one is the anti-corruption training module currently being developed by NATO, one is the consortium of Defence Training Schools in NATO's Partnership for Peace, and a third is the high-level leadership courses being given in countries around the world.

The purpose of such an alliance is to develop a worldwide coalition of defence officials, military officers, representatives from international and intergovernmental organisations, security sector specialists, NGOs, and academics with a commitment to integrity-building and anti-corruption reform. Developing and nurturing such coalitions provides momentum and impetus for reform.

This proposal elicited much support from Participants. The Commandant of the NATO training school at Oberammergau (Colonel Jim Tabak) offered to lead this action. He was supported by offers of help from the UK Defence Academy (Colonel Mike Montagu), the Peace Support Operations Training Centre in Sarajevo, the Center for International Policy (Nicole Ball) and the Defence team of Transparency International (Air Commodore Alan Waldron).

Action: Colonel Tabak, Liliana Serban and Air Commodore Alan Waldron will develop a specific action plan going forward, and to engage the other volunteers.

OUTPUT 2 – ENGAGING NEW BODIES AND EXPANSION OF CURRENT ENGAGEMENTS

Participants agreed strongly on the core Workshop theme that there needed to be greater collaboration between institutions and actors in the area of defence sector anti-corruption and integrity-building reform, and a scaling up of current efforts. Possible means forward included the proposed collaboration between the African Development Bank, the UK's Department for International Development, and Transparency International (UK), who are planning to host a summit of African defence and economics Ministers to consider these issues and ways forward; the proposal for a Defence Industry Transparency Initiative, similar to the Extractive Industries Transparency Initiative; cross-civil society support for engagement with the NATO Parliamentary Assembly; and possible expansion of the African Union's Peer Review process for enhanced application to the defence sector.

Actions:

1. It was agreed that the NATO Parliamentary Assembly and its support for NATO's current anti-corruption and integrity-building programmes was an important means forward, and that engagement from international civil society and independent institutes was crucial to building support for these. Simon Lunn of the Geneva Centre for Democratic Control of Armed Forces agreed to lead these efforts.
2. Participants supported the idea of expansion of the African Union's Peer Review process for greater oversight of defence budgets and management. The Institute for Security Studies agreed to follow-up on developing possible means forward.
3. There was enthusiasm for the current proposal by Transparency International (UK)'s defence team to convene a meeting of African defence and economics Ministers on the African continent later this year. This is in collaboration with the UK's Department for International Development and the African Development Bank. During this event, when it materialises, the PEFA and NATO Self-Assessment frameworks should be offered to countries interested to trial them in defence.
4. Develop links to the EU Defence and Security Sub Committee, and to Clingendal Institute (Willem van Eekelen).
5. It was recommended that the World Bank join one or more of the multidisciplinary teams which will evaluate NATO's Self-Assessment process being trialled over 2008.

OUTPUT 3 – DEVELOPMENT OF THE PUBLIC EXPENDITURE & FINANCIAL ACCOUNTABILITY FRAMEWORK (PEFA) FOR APPLICATION TO THE DEFENCE SECTOR

Participants supported the extension of the World Bank's Public Expenditure & Financial Accountability (PEFA) framework for application to defence budgets and defence budget management.

Two means of adapting the PEFA framework were proposed:-

1) The current PEFA framework, which is the government-wide tool, should be expanded so that it includes defence expenditures as part of its overall assessment framework.

2) The PEFA framework should be adapted into a sectoral tool which can be used to assess the public financial management processes in defence budgets in supportive countries.

Participants agreed that the World Bank, as one of the principal stakeholders in the PEFA process, should lead on the development of the PEFA framework along these two lines.

The Workshop suggested that the new PEFA tools could be used first on a trial basis in a few supportive countries so as to generate good examples of its application, after which the World Bank should consider offering the tools to other countries currently undergoing the core PEFA process. It was also recommended that the process be offered initially to NATO Partners undergoing the Self-Assessment process.

Actions

1. Participants recommended that the World Bank develop the PEFA framework to ensure that i) defence expenditures are included as part of the core PEFA process; and ii) that there is a sector-specific PEFA tool available for application in defence budgets.
2. These new tools should be trialled in a few supportive countries initially so as to refine the process and to generate good examples of their application.
3. Once developed and applied in these initial countries, the World Bank could consider offering the newly developed PEFA tools to other countries currently involved in the PEFA process.
4. The World Bank (Sanjay Pradhan) would lead on this area of action, assisted as required by TI (UK) and NATO PfP (Susan Pond).

OUTPUT 4 – CIVIL SOCIETY TOOLS FOR OVERSIGHT OF DEFENCE BUDGETS

The participants agreed on the need for enhanced tools available to civil society organisations to analyse the defence sector and provide oversight and scrutiny of defence budgets. A proposal which generated substantial engagement from participants concerned the tools being developed by the International Budget Project, based at the Center on Budget and Policy Priorities in Washington, D.C. The International Budget Project engages with civil society organisations aiming to develop or strengthen dedicated public capacity to engage in public budget procedures, and in making budget procedures and systems more transparent and accountable to the public. Participants were particularly enthused in agreement that the use of the Open Budget Index, an index which ranks countries according to the openness and scrutiny of public budgets, and in particular its expansion to the defence sector, would be an invaluable means forward.

Participants agreed that Transparency International (UK) should lead on engagement with the International Budget Project, and the development of its tools for application to the defence sector. Many organisations offered their support to Transparency International (UK), including the Institute for Security Studies, Balkans Analysis, and the Postgraduate Naval School. The preferred means forward was for Transparency International (UK) to engage the International Budget Project and for them together to build a coalition for defence budget transparency, with support from the above actors.

Actions:

1. Transparency International (UK) would lead on this engagement with the Open Budget Index. The wider tools of the International Budget Project may be extendable to the defence sector through the Center on Budget and Policy Priorities.
2. Transparency International (UK) received support for this from many participants including the Institute for Security Studies, Balkans Analysis, and the Postgraduate Naval School, who will assist as requested by TI (UK).

OUTPUT 5 – REFORM PROCESS REVIEWS

The Workshop agreed that the capture of momentum and the building of demand for reform at the country level required examples of good practice in defence integrity-building and anti-corruption reform, and a body of reference materials for consultation. To this end, it was agreed that there should be rigorous review of the application of defence anti-corruption tools and of countries engaging on reform processes. The experiences of Poland and Colombia initially were offered as countries where such reviews could take place. It was proposed that the NATO School and Transparency International (UK) should take the lead on the development of these two initial analyses.

Actions:

1. The NATO School offered to initiate a review of Polish reform processes at an appropriate time, with support from the Polish Ministry of National Defence and Transparency International (UK) as required.
2. Transparency International (UK) offered to initiate a similar review and analysis of the reform experiences of Colombia, and would contact the Colombian government to this purpose.

CONTENTS

EXECUTIVE SUMMARY 3
CONTENTS 8
INTRODUCTION 9
Opening Remarks, Ambassador Pitteloud 10
Setting the Scene – Presentation and Discussion 11
Mark Pyman, Transparency International (UK) 11
Roundtable Discussion 19
SHARING EXPERIENCES AND ISSUES – 21
Selection of Topics 21
Participant hosted discussions 23
1. Developing a robust integrity and anti-corruption training course 23
2. Integrity and accountability in the wider security sector 24
3. Debarment of defence contractors – carrots and sticks 25
4. Good defence procurement practice and integrity policy 26
5. Standards of conduct in business relations for defence officials 27
6. IMF and fiscal transparency application 28
7. Defence anti-corruption reforms – The Polish Experience So Far 29
8. Governance and its effects on the military and peacekeeping operations 30
9. Self-Assessment Tool for Nations 31
10. Use of international expertise – NATO 31
11. Audit processes in defence anti-corruption 32
12. Defence Integrity Pacts 33
PRODUCTIVE AREAS FOR ACTION
BY INTERNATIONAL INSTITUTIONS AND ORGANISATIONS 35
1. National Governments 35
2. Civil Society 36
3. The World Bank and other International Development Banks 37
4. NATO 39
5. The United Nations 40
6. Defence colleges and think-tanks 41
7. Defence Companies 43
FEEDBACK ON THE KEY TOPICS
CONFERENCE OUTCOMES 44
WORKSHOP CLOSE 47
ANNEXE 1 – Participants 48
ANNEXE 2
Public Expenditure & Financial Accountability 50
ANNEXE 3
Selections of Participants' Pre-Workshop Comments 52
ANNEXE 4
Paper produced for the Workshop by Heorhiy Kriuchkov 64
ANNEXE 5
Paper prepared for the Workshop by Willem van Eekelen 67

INTRODUCTION

Lack of integrity and lack of transparency, to some degree, can be found in all national defence systems. However, in many countries this dysfunction reaches high levels, to the point where the overall capacity of defence institutions to manage themselves for the public good is significantly impaired. Within defence, this can lead to a great waste of resources, a poorly equipped force, and a major risk that military forces do not operate in the national interest.

Available knowledge and expertise on understanding and combating this problem is now beginning to be codified and applied – to improve the transparency and effectiveness of national defence establishments and the effectiveness of international missions. Work is being undertaken in a number of countries, through national efforts, through international support from a combination of military and development experts, through defence companies, and through civil society groups such as Transparency International.

As part of efforts to connect together international practitioners involved in defence anti-corruption reform, TI(UK), the Geneva Centre for Security Policy (GCSP), and the Geneva Centre for Democratic Control of Armed Forces (DCAF), with support from the Swiss Federal Department of Foreign Affairs (FDFA), called together recognised international experts in this field, comprising representatives from international development banks including the World Bank and IMF, NATO, the EU, representatives from national governments and Armed Forces, representatives from defence colleges and think-tanks, and international civil society, to meet in Geneva for the 05-07 May 2008 at the Geneva Centre for Security Policy .

The Workshop focused on the inter-government organisations and national foundations that have real interest in commonly developing this area of expertise to promote best practice. This is widely recognised to be an important 'high leverage' topic, but has been relatively unexplored, with little appreciation of 'who is doing what' among international organisations and civil society and of the advances that have been made in the last few years in tackling the subject.

The results of that Workshop are detailed in this report. As the meeting was held under the Chatham House rule, none of the speakers are identified by name.

The key aims of the Workshop were as follows:-

1. To identify current efforts among international practitioners on anti-corruption efforts in defence establishments
2. To identify the most effective routes forward for international organisations in defence anti-corruption reform
3. To produce specific actions to drive this Geneva Process forward

Opening Remarks, Ambassador Pitteloud
Excellencies,
Ladies and gentlemen,

It is a great pleasure to be among you this morning at the start of the workshop dedicated to "building transparency and reducing corruption related to defence establishments". During my intervention at our dinner last night, I made clear, among others, that the fight against corruption generally speaking and the promotion of reforms towards the full respect of the rule of law are parts of Switzerland's foreign policy.

I am particularly glad that Transparency International (UK), the Geneva Centre for Security Policy, the Geneva Centre for the Democratic Control of Armed Forces as well as NATO International Staff decided to join forces in this important enterprise with the support of the Federal Department of Foreign Affairs.

I am convinced that these two days workshop will allow new ideas and ways to implement them to emerge in this particular domain. Certainly, if much has been written and if there is a growing interest in this issue, much can still be done in order to improve transparency in the defence sector. The emphasis should be increasingly put on the implementation of measures aimed at reducing corruption in the defence sector.

The fact that NATO and the Partnership for Peace are involved and bring expertise in the process is of great value. For progress in this field can only be achieved with a strong political support of large organisations like NATO.

This is also why the establishment of a Partnership for Peace Trust Fund dedicated to "building integrity and reducing corruption risk" represents a step forward. It will increase the visibility of the topic among NATO members and countries of the Euro-Atlantic Partnership for Peace. It will also allow for knowledge and best practices to be more widely spread within the Euro-Atlantic Partnership.

This workshop is oriented toward outlining priorities and actions. This is exactly what is needed. This workshop will gather experience and expertise of prominent representatives of governments, international organisations as well as non governmental organisations. I am sure that the work carried out during these two days will benefit to all partners interested in promoting enhanced transparency in the defence sector.

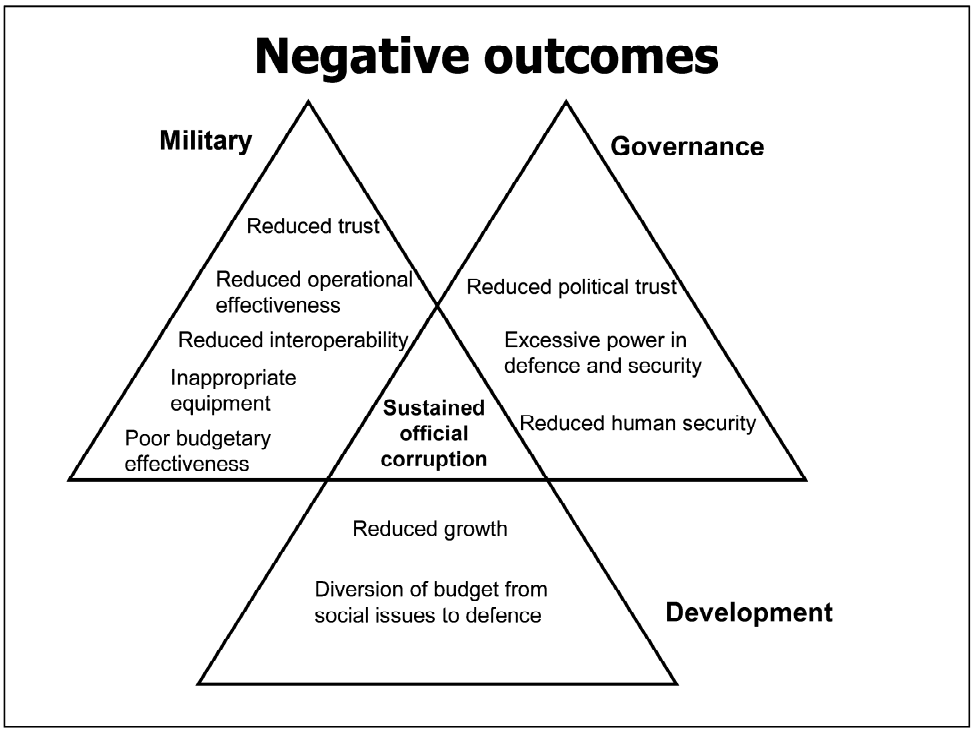
I would like to thank you for being here and for your active participation during these two days. I would like to extend my thanks to NATO International Staff, Transparency International (UK), GCSP and DCAF for all the work done in the organisation and preparation of the workshop. Without their efforts, the workshop could not have taken place. I would like also to extend my gratitude to Mr Daniel Pfister of GCSP for his relentless efforts to bring participants in Geneva and for arranging the organisational aspects of this workshop.

I wish you a productive and very interesting workshop.

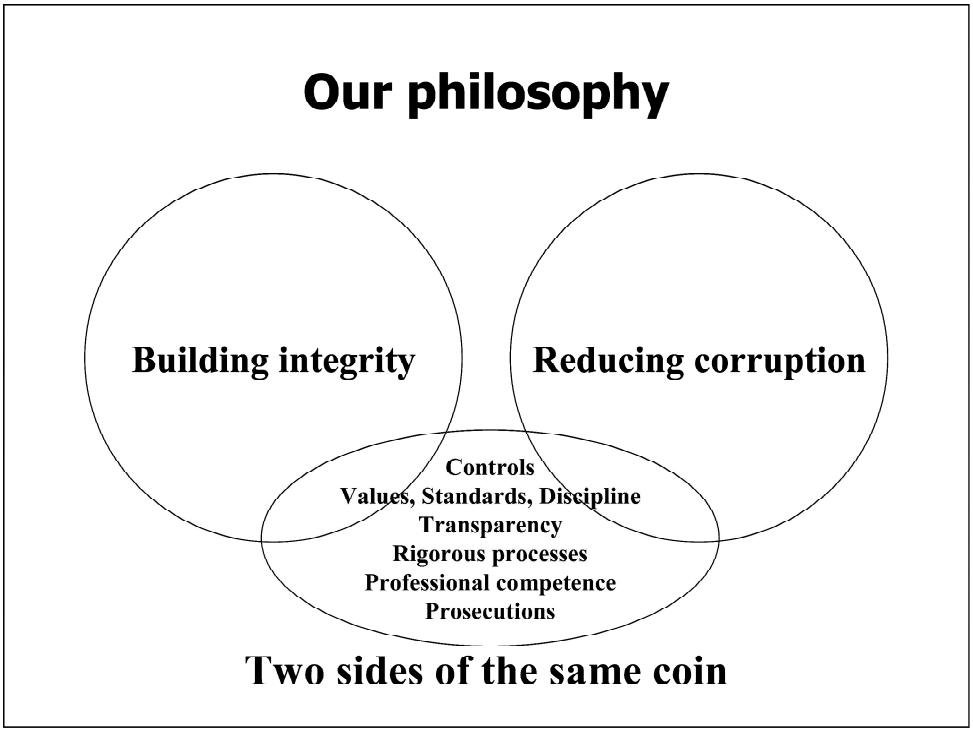
Setting the Scene – Presentation and Discussion

Mark Pyman, Transparency International (UK)
Mark Pyman delivered a wide-ranging presentation to the full session to introduce the topic, establish the format for the workshop and outline what was expected to be achieved.

This is a workshop of practitioners in the following fields: defence, security, procurement, democratic control of armed forces, defence institution-building, good governance, anti-corruption, development aid, training, military interventions. This workshop comprises a unique blend of military and developmental expertise, linked through common interest in governance and institution-building. Despite the divergent motivations, there is still common interest also in not wasting valuable resources and in breaking entrenched networks of corruption which often manifest themselves in defence.

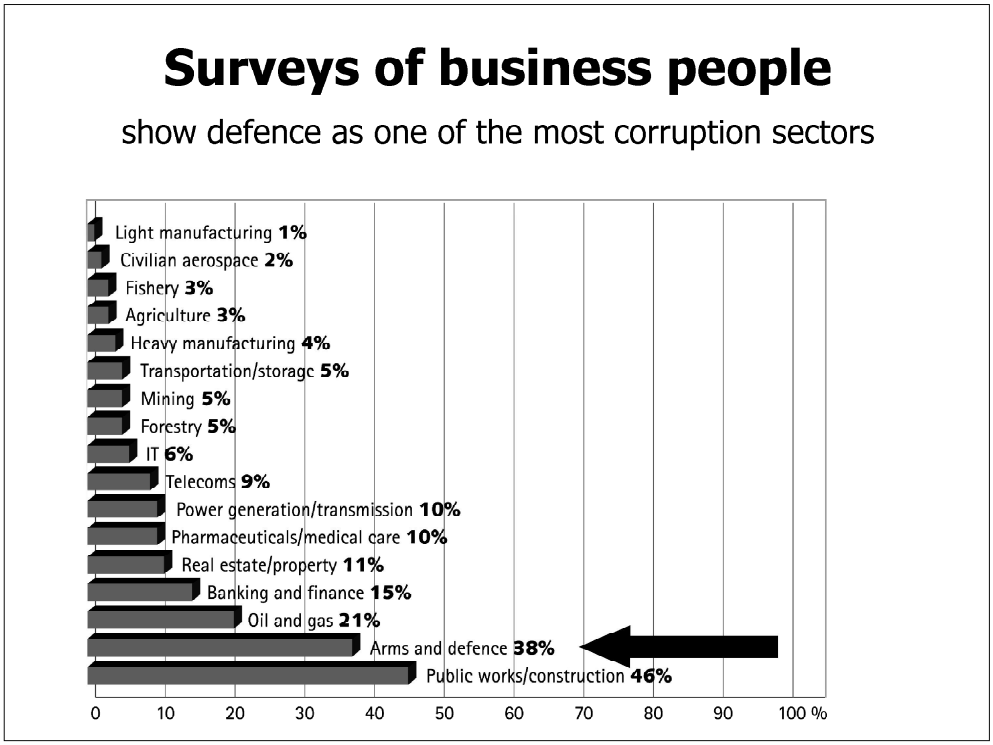


The core principles for fighting corruption risk are a combination of reducing corruption risk and building integrity. This comprises both a negative element and a positive element respectively.

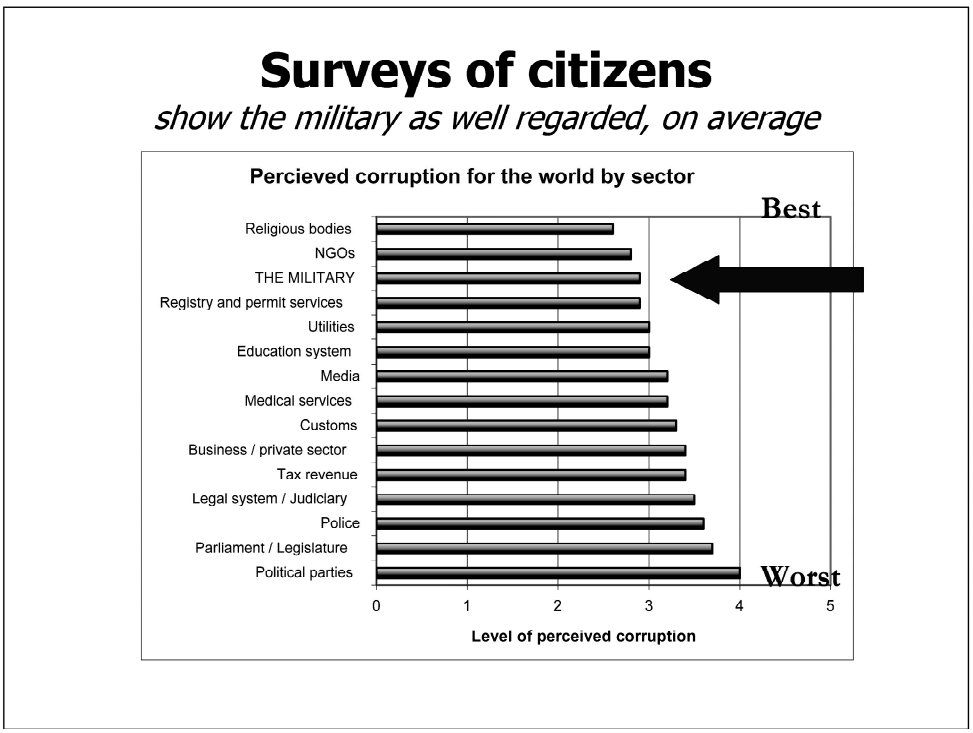


Defence companies, though not present at this Workshop, have been engaging in efforts to clean up the sector. Many defence companies, particularly those in the United States, have effective compliance programmes to tackle the issues of bribery and corruption. European defence companies have recently developed a set of Common Industry Standards through the Aerospace and Defence Associations of Europe. TI(UK) have been facilitating the development of an international defence anti-corruption consortium; currently consisting of European and US firms, this process is to be extended to defence companies from Russia, Israel, China, and Brazil.

Surveys of business people suggest that arms and defence is rated as one of the most corrupt sectors internationally (coming second to construction and public works – for an example, see TI Global Bribe Payers' Index 2002).



By contrast, surveys of citizens in countries across the world suggest that the military is regarded as one of the least corrupt sectors (from TI Global Corruption Barometer 2006 and 2007). These results are generally unexpected by the military.

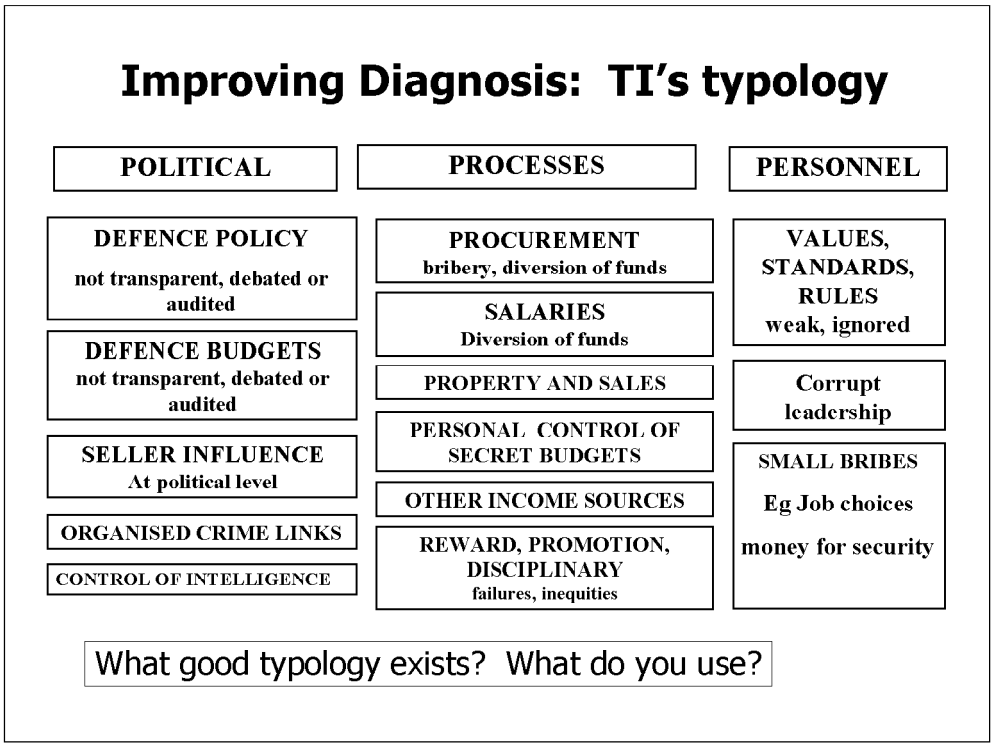


For some countries, for example Colombia, such surveys are useful means of assessing progress in integrity-building.

In TI's view, and taking into account remarks made by participants in the conference pre-work, there are seven topics that we believe this workshop should be focusing on. These are:

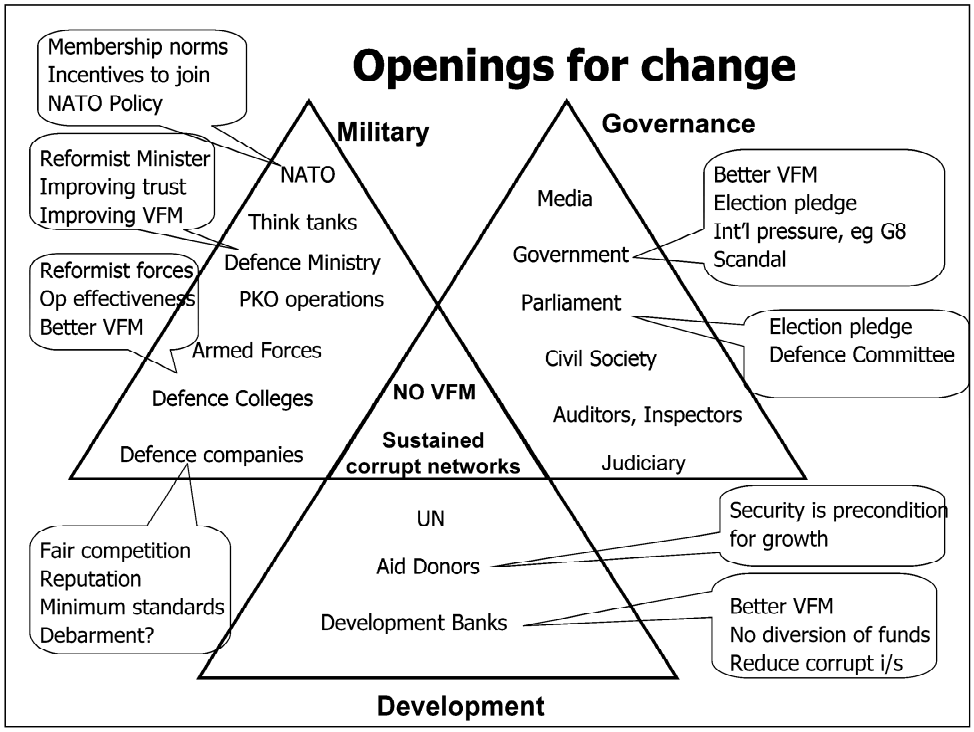
1. Improving diagnosis
2. Engaging institutions across boundaries and De-sensitising defence corruption
3. Expanding national capabilities
4. Encouraging companies to be part of the solution
5. Building the capability of civil society to engage actively on defence and security topics
6. Making 'Defence Integrity Pacts' normal practice
7. Encouraging research to strengthen the evidence of 'what works'

Fighting corruption at the level of national governments can be done across three broad areas: political, processes, and personnel.



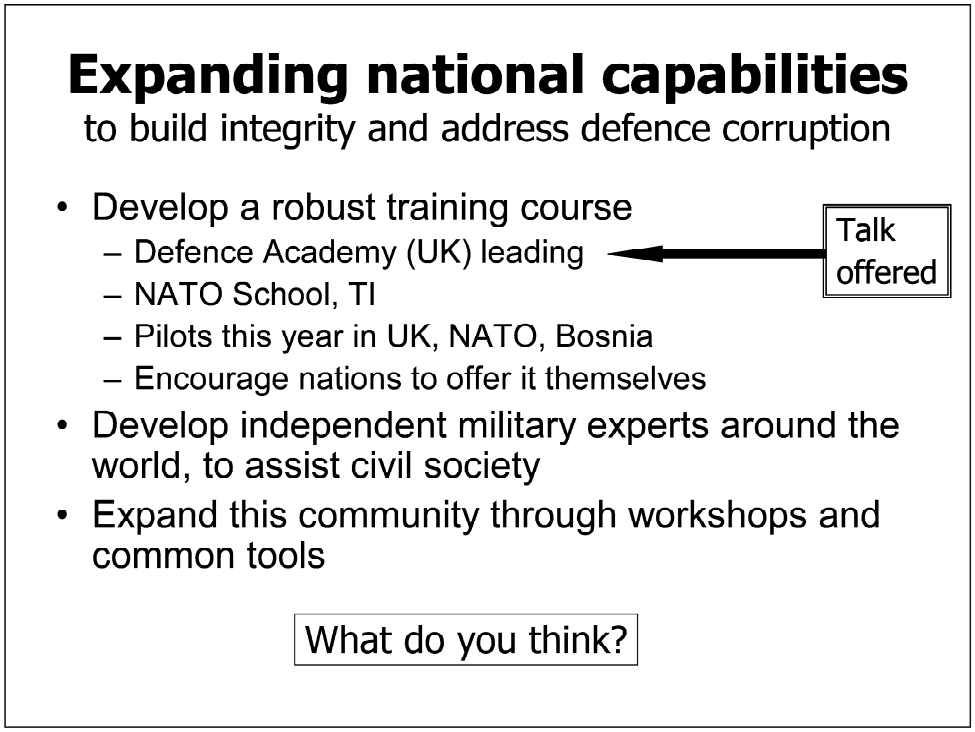
International actors can have a role to play in improving the diagnosis tools available to national governments in order to do this. For example, the development of NATO's Self-Assessment process, which consists of an extensive questionnaire covering numerous aspects of a defence integrity system in detail and a subsequent review by NATO, is such a means of international practitioners providing practical tools to national governments.

Seeking openings for change, an open question is put to the room as to whether a common agenda could be found across these groups and in finding practical solutions to address defence corruption.



Participants are asked to consider the best openings for change. Current means of doing this, and possible means for expansion, are as follows.

The expansion of national capabilities through the development of anti-corruption training for defence officials is of key importance. A principle means in doing this has been in the development of NATO's training course through the UK's Defence Academy in collaboration with TI(UK).



National expertise in building integrity and reducing corruption is limited for the most part. Key issues include how to develop national expertise and through which vehicles – for example, governments; Parliaments; armed forces; national legal, audit, and oversight services; civil society; companies; think-tanks and research institutes; defence colleges and universities.

A practical example of a reformist Defence Ministry with lessons for other countries willing to engage on reform concerns the experience of Poland; the Polish reform process featured a 'nuts-and-bolts' approach focused on practical steps, which has proved successful so far.

The importance of bringing on board the experience and expertise of companies, and the efforts they have made in the last five years, in their compliance programmes and in their collaborative efforts facilitated by TI(UK), cannot be understated. It is crucial not to treat companies as "the bad guys" and to engage with them positively to make them part of the over-arching reform process, as for example in the development of a defence sector version of the EITI.

Companies as part of the solution
to build integrity and address defence corruption

- They have a lot of experience and expertise
- Huge change of attitude over last 5 years
- Their 'Compliance Programmes' are often very good indeed
- Extensive industry collaboration on anti-bribery is underway - facilitated by TI
- Lord Robertson, ex NATO Sec Gen, chairs the industry group

How best to enlist support from companies?
How about a multi-stakeholder initiative like EITI?
What about national defence companies?

Talk offered

Civil society has various tools at its disposal to give NGOs and CSOs a substantial role in the process. Possible roles include means of ranking perceptions, participating in Defence Integrity Pacts and in Roundtable meetings, and conducting or contributing to independent procurement integrity reviews.

Extending civil society capability
to address defence corruption

- Some good tools
  - Ranking of Corruption perceptions of all national institutions
  - Defence Integrity Pacts
  - 'Round Table' meetings
  - Independent Procurement integrity reviews
- BUT..many NGOs not interested in defence. Actively dangerous in some countries
- Need for technical defence expertise
- TI-UK's experience: many senior officers/defence officials care about this topic and ready to assist
- Proposal: establish centres of expertise in regions around the world, each with 3-6 defence experts available

Talk offered

How to grow this? What does this community suggest?

Other possible means of contributing to the process which are worth highlighting include the need for the development of a global network of experts to assist civil society in engagement with the defence sector, and the maintenance and expansion of such a network through Workshops and Roundtables. It is concerning that the lack of engagement of NGOs in defence is not necessarily related to being unable to engage, but owes to an unwillingness to engage. This has to be overcome, especially in light of the relevance of the provision of human security to developmental outcomes.

In treatments of best practice of reform in the defence and security sectors, whilst there are many good guides available, there is very little treatment of the corruption issue. A key goal must be to establish best practices, tools, and approaches to building integrity and transparency.

There are further needs for the development of practical anti-corruption tools for application in defence. There is a need to develop new tools, and to use established tools for combating corruption more effectively.

Established approaches include: reporting to Parliaments; diagnosis (eg, expert review, OECD methodology, UN Monitoring); performance monitoring (contract requirements, audits, civil society, annual reports); financial tools (use of funds, impacts on growth, detailed analysis, econometric analysis).

New approaches include: self-assessment (eg, NATO tool); NATO expert team visits; annual reporting to NATO on action plan; 5-day training course for officers and officials; Defence Integrity Pacts for major procurement; international workshops to build expertise; Roundtables for major procurements.

A key question to consider is what needs to be developed and promoted in order to make progress.

Finally, there is need for the development of research and policy in this area, with a principle concern to tackle the spillover of corrupt networks and infrastructure in defence into other parts of government. There is also a need for research into the impact of improvement schemes to discover what has worked well and how this can be developed and reapplied elsewhere.

Research + policy needs

- Spillover of corrupt network and infrastructure from defence/security into the rest of government
- Monitoring of public perception before/during/after major integrity Programmes
- Analysis in nations who have addressed this issue (e.g. South Africa?)
- Controlled trial of Defence Integrity Pacts, including monitoring of impact

- Has the time come for IDBs to be more engaged on integrity and a-c in defence - to avoid waste and avoid spillover?
- How should external actors be thinking about corruption issues in conflict/ post-conflict countries?
- How should external actors be thinking about corruption issues in conflict/ post-conflict countries?
- How should external actors be thinking about corruption issues **in military interventions** in conflict/ post-conflict countries?

Roundtable Discussion

Discussion initially focused on the extent to which inefficiency, corruption, and integrity could all be tackled under the same reform package. Whilst some participants expressed concerns that the three subjects, though related to one another, were distinct concepts, it was generally accepted that building integrity, increasing efficiency, and reducing corruption risk were best packaged together rather than as separate issues. The distinction between inefficiency, corruption, and integrity was challenged based on NATO's experiences, where key enablers for engagement and reform had been to package anti-corruption in its positive element, that is, as building integrity; this permeates all NATO engagement with Defence Ministries in anti-corruption reform.

The second key concern meriting discussion was the distinction between short-term and long-term strategies, and potential trade-offs in this area. A concern which had been raised in engagement with Middle East countries was put to the session: often in engagement in the Middle East there were expressed problems of balancing policy between the need for short-term security and long-term interests in developing integrity, precipitating the question as to whether it was possible to have transparent armed forces who were also able to maximise security. In response to this, it was

argued that while this concern was often raised, the experience so far of the Partnership Action Plan on Defence Institution Building (PAP-DIB) had been that both short-term and long-term strategies for institution-building, while comprising different elements, needed to be employed concurrently, with the long-run objective of creating official cultures of integrity based on self-regulating methodologies.

The third major issue concerned the scope of anti-corruption reform and integrity building in the defence sector, and whether it was necessary for such efforts to be extended to the wider security sector in order to be effective. On this point, it was noted that one of the most important aspects of defence corruption was the deleterious effects it had on wider governance through the spillover effect; in this sense, the linkages to the wider security sector were likely to be crucial. It was particularly noted that corruption outlasted governments. In expansion of this issue, the problems that due diligence and established procedures of accountability count for little in a high-corruption equilibrium environment was highlighted. The discussion also considered that in some post-conflict environments, instituting internal control systems and auditing processes had been difficult owing to the abstract nature of such concepts, pointing to the importance of getting training and understanding of such processes correct.

The fourth major set of issues concerned the common interest in fighting corruption from the development and defence perspectives. It was suggested that governance was the core theme linking the participants; Value-For-Money, by contrast, was regarded as an entry point to engage with the military. The issue of governance and the spillovers of defence corruption to other parts of government was raised again; these issues were noted to be a matter of fundamental importance on the African continent. International development partners often ignored defence, while defence organisations often ignored anti-corruption; bringing the two together was crucial to get movement on this front.

Finally, participants discussed the opportunities which now existed to make substantial movement in the area of defence anti-corruption reform and integrity-building. The past decade had seen the development of mature methodologies to combat corruption in other sectors which could be well-applied to the defence sector. It was suggested that the more the spotlight is put on defence corruption, the more normalised the sector becomes and the more likely these tools are to be successfully applied. There was also expressed a belief that there was quickly developing a greater willingness on the part of international bodies in general to engage with defence sectors. As an example, it was suggested that the IMF desired to have Defence Ministries and their available resources under the IMF remit, wanting more transparency of defence budgets and more analysis of that data.

SHARING EXPERIENCES AND ISSUES –

Selection of Topics

In this session, participants were asked to state their main areas of expertise in defence anti-corruption reform, and to suggest topics on which they could present for the afternoon sessions.

From this session there arose 18 different topics for possible discussion; participants then voted on what sessions should be offered in the afternoon, with results as follows:

PARTICIPANT	PROPOSED TOPIC ON WHICH TO HOST A DISCUSSION	VOTES
Mike Montagu, Defence Academy (UK)	**Developing a robust integrity and anti-corruption training course**	**11**
Nicole Ball, Center for International Policy	**Integrity and accountability in the wider security sector**	**11**
Steven Shaw, US Department of the Air Force	**Debarment of defence contractors – carrots and sticks**	**10**
Willem van Eekelen, formerly of Dutch Senate	**Good defence procurement practice and integrity policy**	**8**
Lena Andersson, Balkan Analysis	**Audit processes in anti-corruption**	**8**
Luc Leruth, IMF	**IMF and fiscal transparency application**	**7**
Susan Pond, NATO	**Use of international expertise – NATO**	**7**
Ram Tahiliani, TI India	**Governance and its effects on the military and peace operations**	**7**
Maciej Wnuk, Ministry of National Defence (Poland) and Mark Pyman, TI(UK)	**Self-assessment tool for nations**	**7**
Ben Magahy, TI(UK)	**Standards of conduct in business relations for defence establishments**	**6**
Maciej Wnuk, Ministry of National Defence (Poland)	**Defence anti-corruption reforms – The Polish experience so far**	**5**
Alan Waldron, TI(UK)	**Defence Integrity Pacts**	**5**
Dominic Scott, TI(UK)	Perceptions of corruption in the military	4
Unspecified	Use of international expertise – large governments	3
Unspecified	Use of international expertise – the EU	3
Trevor Taylor, Defence Academy (UK) and Inese Voika, TI(UK)	Anti-corruption strategies	3
Mark Pyman, TI(UK)	Companies as part of the solution	2
Nina Khatiskatsi, TI – Georgia	Experiences from Georgia	2
Dominique Cacciaguerra (CIMIC)	Experiences from CIMIC	2
Adrian Kendry, NATO	Economic aspects of defence corruption	2

Participants highlighted in bold were those elected to host specific sessions during the afternoon break-out sessions. For the subsequent proceedings, the participants divided between four breakout rooms, each assigned three short presentation topics based on specific expertise in defence anti-corruption. The topics were:

1. **Developing a robust integrity and anti-corruption training course (Colonel Mike Montagu, UK Defence Academy)**

2. **Integrity and accountability in the wider security sector (Nicole Ball, Center for International Policy)**

3. **Debarment of defence contractors – carrots and sticks (Steve Shaw, US Department of the Air Force)**

4. **Good defence procurement practice and integrity policy (Willem van Eekelen, formerly of the Dutch Senate)**

5. **Standards of conduct in business relations for defence establishments (Ben Magahy, Transparency International (UK))**

6. **IMF and fiscal transparency application (Luc Leruth, IMF)**

7. **Defence anti-corruption reforms - The Polish experience so far (Maciej Wnuk, Ministry of National Defence (Poland))**

8. **Governance and its effects on the military and peace operations (Ram Tahiliani, Transparency International – India)**

9. **Self-assessment tool for nations (Maciej Wnuk, Ministry of National Defence (Poland) and Mark Pyman, Transparency International (UK))**

10. **Use of international expertise – NATO (Susan Pond, NATO)**

11. **Audit processes in anti-corruption (Lena Andersson, Balkans Analysis)**

12. **Defence Integrity Pacts (Alan Waldron, Transparency International (UK))**

SHARING EXPERIENCES AND ISSUES –

Participant hosted discussions

1. Developing a robust integrity and anti-corruption training course (Colonel Mike Montagu, UK Defence Academy)

The Building Integrity training module being developed collaboratively under Defence Academy leadership at NATO's behest emerged from the NATO Partnership for Peace (PfP) process, and more specifically, from the Partnership Action Plan on Defence Institution Building (PAP-DIB) principles. A key part of the background occurred in April 2007, when its development was recommended as a conference output of the seminar hosted by TI(UK) in Shrivenham entitled, "Building transparency and integrity in a nation's defence establishment: Developing a training module for defence officials of Partner nations"[1] . This has led to the current work on the building integrity pilot module, which is to be aided financially by the UK, Poland, and Switzerland, who are setting up a trust fund to cover the costs of the training module and the self-assessment questionnaire and the compendium of best practices.

The UK Defence Academy became a NATO PfP training and education centre in 2007. NATO international staff then requested the Defence Academy UK to work up proposals for a building integrity foundation module. Key aspects of module development have involved the sharing of experiences and best practices in this area. It has been developed in collaboration with TI(UK), NATO Training School Oberammergau, the Swedish National Defence College, GCSP, King's College of the University of London, and Cranfield University.

The objective of the training module will be to address the areas of enhancing transparency and integrity, reducing corruption risk, and enhancing engagement of defence officials and establishments with civil society. The target audience for this are the military and civilian personnel operating in the security sector, focusing specifically on the level of Colonel and Assistant Director respectively. The course is expected to be a five-day programme consisting of interactive elements and designed to provide a balanced training module in anti-corruption.

The module is initially to be taught in English, but is hoped to be translated at a later stage into other languages. The course will be delivered at the UK Defence Academy: 21 – 25 July 2008, Oberammergau: 8 – 12 September 2008, Peace Support Operations Training Centre, Sarajevo: 15 -19 December 2008.

The course will thus be piloted three times this year, at the dates and locations above. In October through December 2008, the NATO accreditation will proceed, which will lead to additional funding. Finally, in 2009, the course to train personnel for future delivery of the module will be developed, allowing the full programme to be rolled out.

The discussion which followed this presentation focused on the importance of a thorough needs

[1] http://www.defenceagainstcorruption.org/index.php?option=com_content&task=view&id=77&Itemid=172

assessment, the importance of targeting the audience correctly, and ensuring that subject matter training was complemented by a focus on transformational leadership.

2. Integrity and accountability in the wider security sector (Nicole Ball, Center for International Policy)

There are numerous formal and informal means of promoting integrity and accountability that are used in the wider security sector. One of the divisions in approaches concerns the use of holistic and piecemeal approaches.

For maximum effect, international bodies should select countries that have an appetite for reform to work with. The initial step with willing partners should be to carry out a needs assessment to identify entry points and key areas for reform. As an example, the Kenyan and Nigerian experiences can be highlighted – the focus of calls for reform in Kenya and Nigeria for example is not just defence procurement, but is rather in the wider security sector (eg security and intelligence procurements) where fraud and theft have been concentrated. While an holistic approach is the ideal, it may often be an unlikely luxury. The important point is, in pragmatic terms, to connect reformers who are interspersed throughout government. Partnerships are important and partner selection is crucial. International partners must have the right expertise and mandate, and care should be taken to ensure effort is not duplicated.

A problem worth highlighting in relation to international organisations concerns the coordination of activities. While international organisations often bemoan a lack of coordination, in practice they rarely like being coordinated. In terms of having political support for reform, a transparent and legitimate Parliament plays an important role in ensuring security.

Other means of leveraging reform can be gained from accession ambitions (eg, aspirations to join NATO as in the case of Albania). Enhancing of the use of soft power – as for example in strengthening the Rule of Law or in enhancing checks and balances – is an important element in providing security. In this regard, the NATO training module complements this process.

When it comes to working with reluctant partners, the following points can be considered. First, peer pressure can sometimes be an effective driver of reform. Leverage can be gained from a regional approach, for example. In contrast, conditionality as a driver of reform has been proven to be unpopular and ineffective.

When political will for reform is lacking, the best that reformers within establishments can hope for is to keep the reformist flame alight until the political will is re-established. Where there is less will for reform, entry points must be carefully selected, and may focus on a certain area within the security sector, particularly islands within the sector where an appetite already exists. For instance it is useful to bring in Ministries of Finance into security sector reform process: they want to ensure that resources in the security sector are well spent, for instance in Afghanistan.

A further discussion point concerned the perception of reforms designed to enhance transparency. Transparency may be viewed as slowing down processes in the security sector, for example in defence procurement. This issue must be tackled: first, an assessment made of whether or not

transparency is slowing down processes, and second a defence made of transparency as ensuring the 'least worst' outcome.

3. Debarment of defence contractors – carrots and sticks (Steve Shaw, Deputy General Counsel (Contractor Responsibility), US Department of the Air Force)

The US Air Force has naturally had much experience in dealing with defence contractors, and has developed a structure whereby US laws may be used to punish and deter corruption (sticks), and to encourage compliance and ethical conduct (carrots).

Every US agency has a suspension and debarment official, though only three, including two of the US Armed Forces, have these as full time staff. The debarment officials debar or suspend contractors; they update a public website of all debarred companies, which contracting officers are required to check prior to awarding new contracts. A decision to debar or suspend by one agency makes the person or organisation ineligible for new contracts by all Federal agencies throughout the US government.

The suspension and debarment office's jurisdiction is limited according to whether the company is a Federal contractor. Any crime that relates to business honesty can be a basis for a suspension or debarment. The possibility of debarment is a substantial disincentive for contractors to engage in such activities, much as the Foreign Corrupt Practices Act is a substantial disincentive to participate in foreign bribery. Poor performance on a contract can also lead to debarment as can 'any other cause', which is open to the discretion of the debarring official.

The Air Force debarring official also oversees the US Government's investigation and prosecution of Air Force contractors suspected of committing procurement fraud. The legal basis for many of these actions is the False Claims Act (31 U.S.C. § 3729–3733), a Federal Law allowing persons not affiliated with the government to file actions against Federal contractors, in which the person alleges fraud against the government. Under this act, the whistleblower is entitled to a share of any damages recovered; this provides an incentive to potential whistleblowers to come forward, and a further disincentive to contractors to commit fraud.

Carrots:

- Punishment for wrong-doing is proportional to the extent the company has acted to prevent misconduct.
- US sentencing guidelines allow for consideration to be given to a range of sentences and to take into account whether companies have strong ethics programmes.
- The debarment office can demand that an outside consultant investigates a company to ascertain the quality of the ethics programme.
- US Air Force favours companies with good ethical reputations.

Sticks:

- Debarment.
- Requirement of self-reporting of misconduct by industry, and punishment for failure do so.
- The debarment office can appoint an outside auditor to report on company implementation of any agreement.

National security and other compelling causes can be invoked to allow agencies to award new contracts to debarred contractors, but this is rarely done.

4. Good defence procurement practice and integrity policy (Willem van Eekelen, the Netherlands)

Institutions in general and Parliament in particular are best served by transparency. Policy planning requirements, financial aspects, and decision-making all need to be linked.

There are five phases to follow during the procurement process:-

1. Why the armed forces have a capability requirement.
2. Preparatory studies on the subject – technical specifications in the wider context of operational requirements.
3. Thorough study of information provided by potential suppliers.
4. Preparations for acquisition on basis of possible suppliers (at least three competitors at this stage), negotiate particular details – developing in terms of infrastructure.
5. decision-making – process of lobbying by suppliers; corruption vulnerabilities apparent at this stage.

There are inherent questions of capacity in this process – for example, whether there are enough staff, and whether the intensity of the procedure is proportional to the size of the purchase.

Two tactical issues have arisen as a matter of experience:

1. Officials should never attend a meeting with a supplier by themselves – they should take other officials, or preferably members of the Defence Committee of Parliament.
2. Deal with companies but never their agents.

There was substantial time for discussion after this presentation.

Discussion initially focused on the subject of sole-source procurement techniques. It was elaborated that there seemed to be various degrees of sole source or non-competitive processes: first, when organisations are seeking to acquire capability, in which defence establishments work with one company in the development process; then the framework contracts, of which the most infamous is the Haliburton contract in Iraq; and then there are the countries where Defence Ministries simply do not want competition. In the last of these, there is often a power-struggle between Parliament and procurement officers over the use of tendering and sole-source.

The discussion considered the need to analyse the capability aspect first, before officials start to become involved with companies. This even extends as far as visits to arms fairs – once officials see what complex and sophisticated equipment is on offer, they already open themselves up to undue influence.

A question put to the presenter was whether there were alternative sources of expertise open to Parliament that could be called upon for their assessments during the procurement process. The answer was that in a procurement procedure, the decision is first run by the Minister, then by Parliament; if Parliament is unhappy, they call a hearing. If still unhappy with the award of the

contract, they can require the Ministry to go back to the second or third supplier until Parliament is satisfied that the correct course of action has been pursued.

The most difficult situation was where there were multinational projects – in these cases questions arise in terms of who is accountable to whom, especially when there are, say, increases in the costs, and who is representing each country's national interest.

5. Standards of conduct in business relations for defence officials (Ben Magahy, Transparency International (UK))

TI(UK)'s Defence Against Corruption programme has an ongoing research project into standards of conduct in business relations in the defence sector. The research project was designed to determine what standards of conduct in business relations currently exist in the defence sector, and what would constitute a statement of best practice, based on source material provided by Defence Ministries and Armed Forces around the world.

Formal codes of conduct were the primary focus of the research project. For comparative purposes, the following major areas were identified and discussed in detail: Bribery; Gifts and Hospitality; Conflicts of Interest; and Post-separation Activities and Employment.

The assessment so far has been that bribery is near-universally outlawed, and that nearly all responses to the research request referred to methods to deal with bribery to some extent.

Gifts and hospitality is generally a source of concern, but has been subject to wide variation in terms of the strictness of regulations and how well defined they are. Conflicts of interest are a relatively under-developed area in defence. Many countries did not have formal provisions to deal with conflicts of interest; the guide to best practice in this field was heavily based on the US standards, which were by far the most advanced in this field.

Post-separation activities and employment, operating as a natural complement to conflicts of interest, provided the least well-developed area in defence codes of conduct. Very few countries addressed this issue, with notable exceptions being the US, Germany, and the UK, though there are questions in the latter as to what degrees this is treated as a mere formality.

The conversation initially considered the general context of business relations in the defence sector, with the following two areas noted as being of specific interest:-

- First, for companies, there is a general distrust of governments when it comes to information and respect of commercial secrets; this distrust of officials makes defence companies less keen on the competitive processes.
- Second, there was argued to be a necessity in defence, being characterised by a competitive monopolistic market, for cooperative relationships to develop between all actors, who need to build trust and reputations of integrity. For many, the current atmosphere is one of confrontation. In the context of building the structure of regulation around relations between public and private actors, there is a need to provide for effective procedures without doing so in an adversarial manner.

The "revolving door" issue evoked considerable discussion, being noted as a key area of concern for public officials in their conduct in business relations.

A further key issue was the need to ensure the comprehensive application of regulations within Armed Forces to cover both regular personnel and reserve personnel; the same applies in Defence Ministries, with the distinction between government or official employees, and external consultants who in many cases do the same work as civil servants.

6. IMF and fiscal transparency application (Luc Leruth, Senior Economist, International Monetary Fund)

The IMF deals with issues of macroeconomic importance to countries. As part of this, it would like Ministries of Defence and their budgets to come under their remit, because of the need to know what resources are available to Defence Ministries, and the need to track what is happening to those resources.

During the early 1990s, the IMF's Country Reports covered defence budgets. This practice was discontinued during the mid-1990s, but the data that was provided at that time remains in various IMF databanks. TI(UK) should press for the return of this practice, with the best route to go through being the Executive Directors. As a caution, it is noted that during the period when defence budgets were included, IMF Country Reports were not publicly available; they are publicly available now, however.

As a specific IMF analytical tool which could be applied, we should consider the fiscal Reports on the Observance of Standards and Codes (ROSCs).

In terms of a sectoral measure, a procedure similar to the EITI to apply to the defence sector would be welcome. Two differences to note between extractive industries and the defence industry, which would have an impact in the formation of such a scheme, are the follwoing:

- all countries have a defence sector; not all countries have natural resources to exploit
- extraction is a far simpler industry to compare records: there is data on what is taken and there are known international prices for natural resources, which makes it relatively easy to find out if money has been lost at some stage in the process – in defence, it is far less well known what is being purchased, what is being spent, and what is being lost

Another idea would be to operate through the Technical Assistance Fund, with donors earmarking funds for specific circumstances.

In the discussion which followed, questions were asked over the disaggregation of defence budgets, which was an important part of determining what use resources were being put to. In terms of demarcating roles, the IMF is regarded as most appropriate in relation to the macro picture, and the World Bank more appropriate in regards to the management and disaggregation of that budget. It was agreed among participants that the level of military expenditure should not be the focus for either the IMF or the World Bank – the important question is the process and in particular its transparency.

There was discussion of the World Bank's PEFA framework[2] as a means of engaging the defence sector – either to include defence as part of PEFA, or to structure a sector-specific form of PEFA for defence. The World Bank's interest comes through the following issues: 1) money provided by the bank has to support development; 2) defence expenditures must be appropriate and well-managed so that the defence sector does not become the natural resort of corruption and undermines governance elsewhere. The World Bank's and IMF's roles were discussed in greater detail in later sessions.

7. Defence anti-corruption reforms – The Polish Experience So Far (Maciej Wnuk, Ministry of National Defence, Poland)

The Polish Ministry of National Defence has been working to develop wide-ranging anti-corruption and integrity-building defence reform in Poland since November 2005. The methodology worked out by Transparency International and the practical cooperation of TI (UK)'s Defence Against Corruption (DAC) team, combined with viable will for reform in Poland, is helping in a changing environment in which issues of corruption in defence can be addressed.

Beginning a reform process requires the development of a strategy. Figure 1 demonstrates the key issues in the creation of a road map. Anti-corruption reform first requires a wide-ranging assessment of corruption risk in the current integrity system: this assessment needs to find the priority areas for reform. The strategy which should emerge from the review of this self-assessment needs to define the priorities and the key points for change.

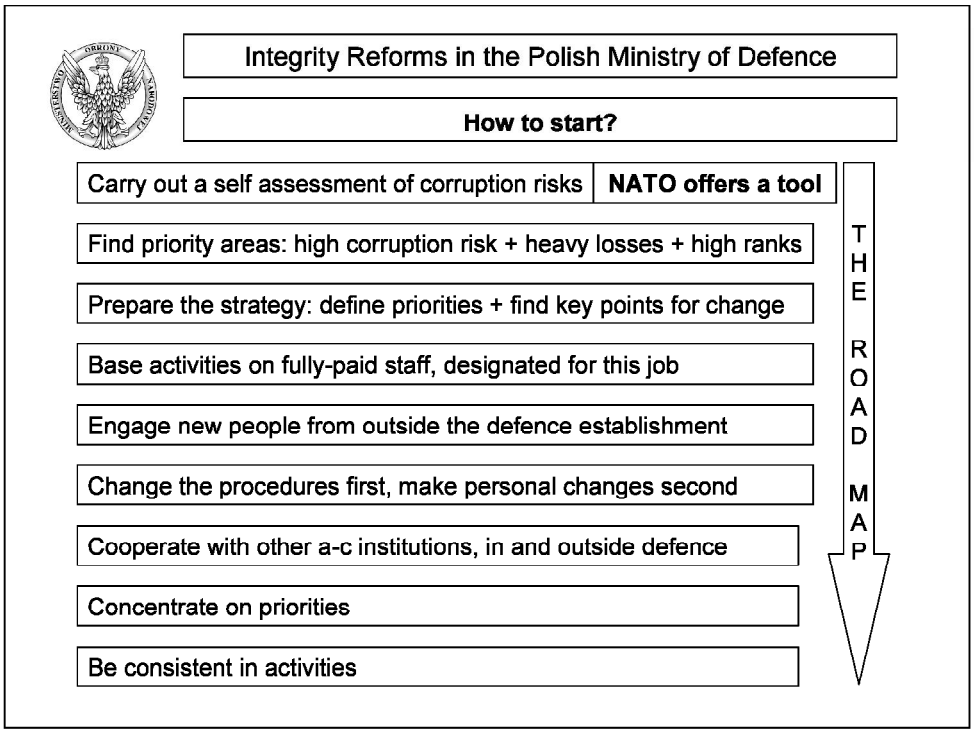


Figure 1

[2] See Annexe 3

Political will needs to be captured and translated into policy. It is important to distinguish between structural change (over-arching policy and reform issues) and strategy priorities (what can be achieved in the short- to medium-term through clearly defined policies). Examples of the former include more effective detection of criminal activity and subsequent punishment, the establishment of the Central Anti-corruption Bureau, and the redevelopment of the operating principles of the public prosecutors' bodies through appointment of high-level special teams to carry out investigations into major fraud plots and organised crime.

Strategy priorities within the Ministry of National Defence included improved procedures to ensure that there were no conflicts of interest amongst members of tender commissions, with the definition of conflicts of interest widened. A new Code of Conduct for military and civilian personnel in relations with the defence industry was developed, containing both common sense principles and detailed regulations. The Ministry also pressed for competitive methods in buying military equipment, in order to limit single-source procedures.

A crucial issue is the development, capture, and maintenance of "change momentum". An important aspect of this is to draw linkages internally, fostering coordination and cooperation of the reform programme. There is further a need to ascertain a balance between internal procedures and external procedures, for example in monitoring and auditing processes and in providing for accountability.

In the subsequent discussion, the creation of a permanent mechanism within the Polish MOD covering all potential areas of relevance as a sort of anti- corruption watch dog was seen as an interesting innovation. It offered several advantages among which – a proactive shield for the Minister to engage in reforms, and a pilot for other areas of the Administration. There were questions, however, whether such a body was more effective within, or external to and therefore independent of, the Administration, or whether both types of bodies would be required for an effective and wide-ranging anti-corruption reform programme in defence and across government.

8. Governance and its effects on the military and peacekeeping operations (Ram Tahiliani, Transparency International – India)

In the context of a weak and otherwise ineffective political stratum, the role of civil society and NGOs in producing change can be essential.

In India, part of the fight against corruption has concerned issues surrounding the freedom of information – legal tools such as Freedom of Information or Right of Information Acts can be crucial means of getting information to the public and of allowing scrutiny and accountability from the public. The need for financial disclosures of public officials is also very important for similar reasons.

In terms of the effects on the military, the discussion focused on the following. First, efforts to increase transparency and reduce corruption have knock-on effects, creating more willingness for discussion and openness on the part of the military. Second, militaries benefit from much strengthened procurement processes, being able to develop appropriate capabilities. In turn, improved and more transparent procedures in the procurement process contribute to more effective armed forces better able to serve the public.

This seminar was most pertinent in reminding participants of the importance of the political and societal conditions in which armed forces and therefore reforms have to operate.

9. Self-Assessment Tool for Nations (Maciej Wnuk, Ministry of National Defence, Poland and Mark Pyman, Transparency International (UK))

The Self-Assessment Tool is a key component in the development of NATO's "Building Integrity and Reducing Corruption Risk" programme.

The Self-Assessment Tool has been through several drafts amongst NATO and Partner nations staff, and is now set to be piloted. A key issue at the present time is to maintain the momentum which has been generated from the creation of the Self-Assessment Tool, through this pilot stage, and then to the next stages in the process.

The next steps are as follows:

- Open assessment
- The review of the pilot run and then the development of the Self-Assessment Questionnaire into a standard NATO "tool"
- use of the Self-Assessment Tool in ODGs

A key area was noted to be developing, maintaining, and channelling support among developed countries for the self-assessment process; how to overcome this, both in relation specifically to the Self-Assessment Questionnaire and as a general problem in defence anti-corruption reform and integrity-building, became a key topic over the course of the workshop.

In the discussion of the self-assessment tool for nations, participants agreed that it was a very constructive tool, but cautioned that its effectiveness and momentum were predicated on countries being willing to use it, or being persuaded to use it. How to maintain such momentum, for example through finding examples of best practice where self-assessment had contributed to the viability of long-term reforms, were discussed.

Other issues raised concerned questions regarding the public availability of the information in NATO Partner and Candidate countries, and even more so in NATO Member Countries. Many of the latter were noted as themselves being unaccustomed to such a high degree of transparency. In this context, the need to build and sustain support from developed countries became the focus for discussion and contextualised further Workshop sessions.

10. Use of international expertise – NATO (Susan Pond, Director, Partnership for Peace, NATO)

In a rapidly evolving geopolitical environment, there are many complexities to overcome in the management of change. Of particular importance is the requirement to ensure that change is both progressive and affordable. NATO had clearly embraced the concept of anti-corruption and building integrity as these were essential adjuncts to the Partnership Action Plan Defence Integrity Building

(PAP-DIB) programme currently in progress for Partner and Aspirant nations. The principles underpinning PAP-DIB support the need for the development of effective and transparent arrangements for the democratic control of armed forces. Such arrangements are intended to promote the development of systems and methods for monitoring, measuring, and controlling defence spending; and to ensure effective management of defence budgets.

The ongoing initiative in Building Integrity and Reducing Corruption Risk, being pursued in partnership with Transparency International (UK), was viewed as the first such widespread engagement with an NGO, and had been warmly supported. The essential elements emerging from the NATO-UK Defence Academy-Transparency International Conference[3] last year were a series of very practical tools comprising: a Self Assessment Questionnaire for Governments; a Defence Anti Corruption Training Module; a Compendium of Best Practices; and the development of a network of experts.

As the Self-Assessment tool and the Training Module are separate seminar topics in their own right, they shall only be considered briefly here. The centrepiece of the Self Assessment tool is the questionnaire currently being developed by a small team of experts. This work builds on PAP-DIB and the UN Convention against Corruption as well as OECD efforts. The Training Module is being developed by the UK Defence Academy, and will be trialled later this year.

The third element in NATO's programme is the production of a Handbook of Best Practice in Integrity in the Defence Sector. This is currently being developed by DCAF, with strong support and collaboration from NATO International Staff and Transparency International's defence sector team. This Compendium of best practice is to be completed by late October 2008, with a view to launching this product at a major event planned in February 2009.

Whilst there was a set of common goals in these programmes, they will be tailored to suit individual countries as there is need for a holistic approach and just not a concentrator on defence. Ideally, the initiative would lead to a formal policy for discussion at the 2009 Berlin Summit.

The lively discussion period focused on the practicalities of initiating and sustaining such an innovative and far reaching programme, and received strong endorsement from participants.

11. Audit processes in defence anti-corruption (Lena Andersson, Balkans Analysis)

The requirements to ensure that anti-corruption can be influenced and reduced by an effective and overarching audit programme formed the centrepiece of this presentation.

Using several examples from operational and ethnically complex theatres, the benefits that independent auditing could confer were clearly demonstrated, in particular the reduction of waste.

Experiences in Bosnia had been a useful learning experience, with the internal control system and

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[3] 'Building Integrity and Reducing Corruption in the Defence Sector', Shrivenham, July 2007, see http://www.defenceagainstcorruption.org/index.php?option=com_content&task=view&id=77&Itemid=172

auditing processes difficult to implement. The key challenge had been to overcome what to many were abstract concepts, and to introduce, develop, and apply internal controls systems in an accessible manner. One of the problems in Bosnia when it came to Parliamentary oversight of procurement reports owed to the reports being very thick and detailed and overwhelming Parliamentarians with their information.

In terms of developing an internal control system, the first task of governments is to perform risk assessment to determine corruption risk and areas at high risk. Following from this, governments should develop preventative systems of anti-corruption, working through the legal system and through institution-building. These should, in combination, provide for ombudsman systems, auditors, and inspectorates-general, all of which act as agents of change.

The next stage for governments is to develop a system of internal controls based on a formal Standards of Conduct regime. The purpose of this new system should be to change the official culture through the redefinition and clarification of rules, responsibilities, and procedures. In turn, this requires an extensive programme to provide training and education. The preferred means are for interactive techniques focusing on practical situations and role-playing, especially in relation to the audit procedures. Part of the role of such training is to develop confidence in and familiarity with the internal controls process.

12. Defence Integrity Pacts (Air Commodore Alan Waldron, Transparency International (UK))

Amongst the defence anti-corruption tools developed by Transparency International (UK), one of the most complex and technical, but also one of the most innovative, is the initiative to reduce corruption during the procurement of major defence equipment through the use of Defence Integrity Pacts (DIPs) and independent monitoring.

There are three main features of a Defence Integrity Pact:

- A contract, in which all the bidders and the Government agree to specified no-bribery pledges, and the bidders agree to enhanced disclosure rules. In addition, the bidders agree to sanctions, particularly withdrawal from the tender in the event that they violate the pledges
- An Independent Monitor, who ensures that all the parties abide by their commitments under the pact. This usually includes an independent technical expert who reviews the tender documents for bias and corrupt influence
- Increased public transparency of documents and process, allowing for civil society to have an input and to see that the principle of transparency is being undertaken

Examples used included experiences during the acquisition of combat aircraft in Colombia and VIP jets in Poland. In addition to the Pacts, the methodology to assist with enhancing initial specifications, contract clarity and subsequent evaluations pre award were covered.

The experience of Integrity Pacts dates from their development in the 1990s in countries such as South Korea and Germany. In several Latin American countries they have become an established

tool of addressing corruption in government procurement. Defence Integrity Pacts are being developed by Transparency International in countries where the Defence establishment is keen to build the integrity of their organisation. This work started with an extensive engagement with the Defence Ministry in Colombia over the acquisition of aircraft, and was later applied in Poland during the acquisition of VIP jets. In addition, other Transparency International Chapters, as in South Korea and India, are working with their national governments to make Integrity Pacts a regular anti-corruption tool in major procurements.

DIPs can offer significant benefits to the procurement process and to the wider engagement of the defence establishment with the public and civil society:

- They supplement weak laws by making contractual requirements for parties, such as greater disclosure of information.
- They attract more bidders by providing independent technical scrutiny, thus improving competition.
- They give more confidence to bidders through a visible commitment to clean procurement, and in an avenue for complaints to be realistically addressed.
- They reduce the costs of contracts.
- They strengthen public confidence, and serve to temper the public cynicism that can surround large, secretive contracts. The defence procurement process often has a poor reputation, and is subject to political influence internally and externally.

There was a very lively and interesting discussion period, particularly concentrating on the practical use of the Pacts, and the benefits they generate.

PRODUCTIVE AREAS FOR ACTION BY INTERNATIONAL INSTITUTIONS AND ORGANISATIONS

For this session, participants divided themselves into seven groups, each of which asked to consider how specific organisations or types of organisations should be addressing integrity-building and anti-corruption efforts. The groups were given 45 minutes to discuss what should be the priorities for each organisation. These discussions were then fed back into the main group for further discussion. The groups were:

1. National Governments
2. *Civil Society*
3. The World Bank and other International Development Banks
4. NATO
5. The United Nations
6. Defence Colleges and Think-Tanks
7. Defence Companies

1. National Governments

The main focus in these discussions concerned over-arching national strategies for tackling defence corruption, and the generation of demand for reform in defence establishments. In particular, the need for analytical reviews of reforms so as to serve as examples of good practice was highlighted.

After some discussion around the general issues of corruption, public support and perceptions management it was agreed that the following formed the fundamental "blocks" for any government which was serious about tackling corruption:

- Constitutional and Institutional reforms
- Need to identify the causes of corruption (and then provide a remedy)
- Proper scrutiny and oversight mechanisms and processes
- Enforcement processes to uphold (anti-corruption) laws, rules and regulations
- Proper integrity of the defence establishment

There was also considerable debate about the need for and value of a "declaration of wealth" for all senior officials across all government departments. The key sticking point for some was the process necessary to monitor and follow up on this – who would do this, how, and was there a need for new legislation? It was also thought that some senior military personnel might object to being asked to declare this sensitive subject, but there was overwhelming support for the notion that governments should not (must not) be frightened by their own military and must take a robust position.

It was also generally agreed that there needed to be sufficient preventative measures as well as enforcement means for anti-corruption activity – this would include inter alia, training for all necessary departments and personnel. The issues of cost and time were raised, but it was felt that there did need to be some sort of education regime so long as it did not become overly prescriptive, and it

was especially important that nations did not feel that such a regime was being forced upon them. The government should be free to choose its own "education".

There was strong agreement that the voice of civil society needed to be heard and it had a positive effect for countering corruption. The media was also a useful "voice". There was a lot of debate around the mechanisms of "whistle blowing" in systems where these can be applied, with the greatest concerns considered the safety of the individual whistleblower and the possible abuse of the system by false accusation. Governments would need to ensure adequate safeguards.

In relation to the maintenance of momentum for change, the following were noted:

- Individuals providing resistance to reform should be subject to severe disciplinary action, and if necessary their employment should be terminated
- The media and civil society could be used to "name and shame"
- A Government might also wish to call on external assistance to help the process along through exerting external pressure or providing commitment technologies (such as through NATO or the EU, or international development banks)

In the main session, following the presentation of these points, there was discussion of surveys and risk assessments as part of the development of anti-corruption programmes. A desire was expressed for government, in addition to adopting the internal focus which had been delivered by the group, to go after payers of bribes.

A desire was stated for three or four reports of countries with effective reviews of their reform processes: amongst those proposals, Poland and Colombian processes were agreed as countries where such reviews could be conducted.

The role of corruption and governance surveys conducted periodically across Indian states was discussed; it was pointed out that these had increased awareness and provoked a competitive desire among those states to reform so as not to be among the bottom performers.

2. Civil Society

The key consideration for this group emerging from discussions was how to develop capacity for civil society to engage with defence and to provide effective oversight of defence budget management. The tools being developed by the International Budget Project, based at the Center on Budget and Policy Priorities in Washington, D.C., were noted of being of particular interest, and their development or emulation a key means forward.

The role of civil society was argued to be that of keeping government and business conducting their affairs within the national interest, in the interests of those persons on the ground who were most affected by corruption.

NGOs should operate through coalitions and collective actions where appropriate – in the UK, for example, Corner House worked in tandem with Campaign Against Arms Trade to bring the judicial review into the Serious Fraud Office's termination of the investigation into BAE Systems's contracts with Saudi Arabia. In relation to this, shareholder activism and name-and-shame

strategies were highlighted as means of affecting direct action on specific issues or violations. The problems of expenses were raised in relation to the role of civil society in seeking action through judicial processes.

Through strategic alliances, NGOs and civil society could be facilitators of change. One means for this was through the development of practical reform tools – noted as the 'Transparency International approach'. The advocacy approach was also highlighted, with civil society becoming a stakeholder in defence policy and contributing to the policy-setting agenda. Civil society could also play roles in implementation of policy reform, acting as overseers of the process. Specific examples included social auditing, as occurred in India, where the weight of about 28 NGOs provided too much pressure to be resisted.

A specific suggestion as to a practical means forward involving civil society concerned the Open Budget Index. The Open Budget Index rates countries according to openness to scrutiny – though it does not look specifically at the defence sector at present, it could do so. There was much enthusiasm for this idea, and it was pointed out that the World Bank has linkages to this project, and that this proposal would be greatly useful to all the work being proposed at the conference.

This precipitated discussion of the wider International Budget Project in Washington D.C., which goes beyond its work with the index to perform analysis of budgets and reform processes. The International Budget Project has developed a wide variety of impressive tools under the following headings: provision of training and technical assistance; measure and advancement of budget transparency and participation in the budget process; ensuring of adequate funding for civil society budget work; provision of a hub of information on civil society budget activities; and building an international and regional budget network. This was seen as a good link into the World Bank and NATO structures, particularly in self-assessment, and a promising means forward.

The session returned to the idea of an EITI-based partnership in the defence sector. It was noted that EITI was initially focused on transparency in revenues. It is now in its "double-plus" stage, going upstream in order to consider concessions and licenses and their role in the process. For defence, it was suggested such a process should start with a double-plus version, not the limited version EITI began with.

Finally, there was a question of the role of the African Union and the New Partnership for African Development. It was suggested that the peer review mechanism could be strengthened to provide better oversight of defence budgets, and that there should be means explored of engaging with the African Union to determine how best to proceed on this point.

3. The World Bank and other International Development Banks

The most important proposal emerging from these discussions concerned the Public Expenditure & Financial Accountability Framework, which is an analytical tool for application in public financial management. A key discussion topic was how best to develop this tool for application in the defence sector.

Initial discussion focused on the context, specifically addressing the question of whether international development banks were currently maximising their potential in the defence and security sectors. It was noted that the IMF does not deal with sectors, only with macroeconomic issues. For the World Bank, procedures cover overall budget management and sector-by-sector management; traditionally, defence has been regarded as outside the Bank's mandate, owing to the following:

1. Articles of Agreement prohibit the World Bank from encroaching into internal political processes.
2. Countries very rarely ask for assistance in the defence sector – the most notable exception to this has been Afghanistan, which wanted the World Bank to provide a wide-ranging review of the security sector.

Discussion then covered whether it was within the World Bank's mandate to consider whether defence procedures within a country followed good practice. It was elaborated that it was indeed acceptable for the Bank to look at allocations and processes within the defence sector, but this was dependent on the countries themselves wanting this. Generally, the World Bank and the IMF would very much like to be more involved in issues of defence budget allocations and management, though would never be in a position whereby they could consider what an appropriate level of defence spending should be.

On the issue of the World Bank being able to overcome its internal political obstacles, there was general agreement that the most effective means forward was to develop this work through a small number of willing countries (in a country-driven process), which could then be demonstrated back to the World Bank hierarchy as positive areas of engagement. This process was referred to as "creatively pushing frontiers".

A possible means forward for the World Bank to push these frontiers is to provide its financial management tools to those countries involved in the NATO self-assessment process – the self-assessment process could be extended through the use of the proposed sector-specific PEFA tool, which could then be further modified and applied to the 79 countries the World Bank is engaged with on the core PEFA scheme. The need for practical examples of the process working on the ground was agreed to be essential to this process. Possible routes discussed were to contract a consultant to modify the PEFA process for the defence sector, or to have this done internally at the World Bank; and to extend the core PEFA process to cover the defence sector, which could be done within the Bank.

It was debated among the group what the most effective way to proceed was in relation to potential obstacles. It was agreed that lobbying or trying to influence countries would be an inappropriate use of the World Bank's and the IMF's resources. It was similarly agreed that seeking to use the latitude of country directors was not an appropriate route to follow. The consensus was to focus on the analytical work first: find willing countries through the NATO engagement and any other interested countries with whom to use the process to generate practical examples of positive engagement, and then to feed this back into the World Bank's PEFA process. Other means of engagement for TI(UK) to generate interest in this issue were to use Roundtable events to generate pressures for the process and to build allies, and to engage civil society in this process.

The most appropriate role for the IMF was seen to be the use of technical tools, especially ROSCs.

Again, it was suggested that TI(UK) and any other interested parties should push for the IMF to bring defence budgets back under the IMF remit; as above, the appropriate offices to lobby on this matter were the IMF Executive Directors.

A further area for engagement of international development banks was for a defence sector version of the EITI. It was noted that this would need a government agency from a major donor country to lead on the process, along with one or two other countries willing to commit to the process, and it would require active engagement from the companies in order to develop momentum. A possible route which generated favour among the group was to do this through the African Development Bank and to focus on African countries to begin with. It was agreed that the proposed engagement of the African Development Bank would be a huge step forward in this process.

4. NATO

NATO's key roles, considering its current level of engagement in defence anti-corruption reform and integrity building, were seen as the generation of demand for the tools it is currently trialling, in developing partnerships across international actors in defence reform, and in continuing to seek innovative and practical means of driving change.

Having noted that the communiqué of the NATO Bucharest Summit 2008 contained a reference to NATO's work in building integrity in Defence Ministries, the focus of this group was in prioritising NATO's role both geographically and in terms of competence.

In geographic terms, the priorities should be to focus on those areas where NATO was most effective: the Euro-Atlantic area and the various Partner nations. In terms of competence, there was discussion of developing common standards and goals. There was a balance to be struck between developing these standards for common application and tailoring them to specific countries, contexts, and legal environments.

A key point raised was that of "modesty of competence", and how far along the spectrum of the security sector NATO could be expected to be engaged in. This also raised issues such as the role of the EU in wider security sector reform, and the most effective means of dividing competence between the EU and NATO. The importance of cooperation with organisations such as the UN and World Bank was also discussed, but the relationship with the EU was judged to be the most important.

The group considered the role of NATO's Member countries, and agreed that these should set an example by establishing and following common standards and being models of good practise. The success of NATO's building transparency initiative will require a change in attitude on their part – for example in their attitude to the self assessment questionnaire.

It was generally agreed that NATO could not ignore the broader spectrum of security sector reform, and that this should inform its engagement. The group considered that a holistic approach is essential that avoids treating defence in isolation and places it within the broader societal framework. In this sense it is important wherever possible to associate civil society to the reforms being sought and to defence in general. There was a plea to engage civil society, and to help them provide greater accountability in their own countries.

In the discussion of these issues once fed back into the full session, there was enthusiasm for the proposal that NATO could act as a mechanism for the involvement of civil society – this necessitates NATO to develop a formal policy for engagement with NGOs. On this point, it was noted that NATO had been extremely closely linked to Transparency International (UK) on the building integrity programme, but had to develop its procedures for NGO engagement as it went along as these did not exist in NATO policy.

References were made to the elements of the NATO building integrity programme, concerning the problem of national sovereignty and the difficulty in finding volunteers for the initiative. In order for the programme to move forwards, there is a need for good examples of reform. It was suggested civil society should lobby NATO on this.

There was discussion of the value of creating independent institutes and think-tanks, as Switzerland had done, in various countries, which could then link up to each other and provide credible expertise and training in SSR in general and defence anti-corruption in particular.

There was substantial discussion of the NATO Parliamentary Assembly, and whether there was any scope for action on that front. It was agreed that there was such scope, and that civil society should lobby those Parliamentarians for action on this front. At the same time, it was noted that much of the momentum at NATO would come over the course of the next year as the training courses were piloted and the Self-Assessment process was trialled.

At the level of defence institutions, it was stated that NATO was committed to the comprehensive approach, but wanted partners in the matter at the World Bank, OECD, and other organisations, but noted that finding such partners has hitherto been difficult. As a final point, the practical advice received during TI(UK)'s first engagement with NATO was highlighted: look for practical work which drives change in attitudes.

5. The United Nations

The key means for the United Nations to consider were regarded as promoting integrity and transparency within its own Missions so as to act as a leader in anti-corruption practice, and to develop its increasing involvement of wide-ranging Security Sector Reform tools to incorporate defence anti-corruption reform and institution-building.

In the small group discussion, several participants were able to draw on their direct experiences of corruption in UN Missions. They agreed that considerable effort has been made in reducing corruption: through better selection, education and training, as well with enhanced oversight mechanisms, including the Joint Inspection Teams based in Geneva. A particular problem highlighted was the continuing use of single source procurement, which represented inefficiency and the potential for corruption to occur in single purchases, and for the development of long-lasting networks of corruption.

Owing to its key exemplar role, the top priority must be in seeking to reduce corruption and to promote integrity and transparency within UN Missions. UN Missions suffer from being under-resourced and being dependent upon those member states that volunteer to contribute – too often this means little support from the best-resourced and developed countries.

The UN is increasingly undertaking complex integrated missions that involve an SSR/wider governance role. For participants, this suggested that further onus was put on the UN improving its own standing in terms of its internal procedures. It was seen as vital that the UN engages with the other main international organisations and actors in order to ensure that it plays an appropriate role within a coherent wider international approach.

In dealing with reluctant nations participants as it important that discreet, member state pressure was the main forum for leverage. The UN itself should protect its position so that it can establish the best possible relationship with the nation concerned.

In the feedback at the main session, some spoke of the spirit, mentality, and culture of the UN having evolved over the past 20 years. In speaking of experiences with UN missions, substantial corruption risk among potential and serving members of peacekeeping missions was highlighted, and frustration expressed that the best-trained nations were failing to contribute to UN operations. Much as the UN needed to get its house in order, SSR was on its agenda now, for example in the Sudan.

It was noted that the UN was coming to par with NATO in missions, but that the main contributors to UN missions were from poor countries in South and South-East Asia. This is not to be treated as negative – it provides expertise to those contributing nations, and owing to the relative lack of sophistication needed in UN missions was an acceptable use of resources. This meant that best practice being pursued at the UN could be brought back to those countries through their contributions to missions. In regard to peacekeeping operations, the corruption issue should be focused on training, evaluation of training, updating those programmes.

6. Defence colleges and think-tanks

Defence colleges and think-tanks have important roles to play in the development of ethical procedures and in transmitting these to defence establishments; the development of the anti-corruption module by the UK Defence Academy was seen as an important step forwards. The key means forward was for the development of an international defence integrity alliance, which was to be pursued initially by the Oberammergau NATO School.

Initial discussions centred on the roles of Think Tanks and Colleges and it was decided that these should be: training; education, research (scholarship) and publications. The issues in terms of the costs of corruption and the benefits of integrity, and how to measure integrity, developed with most articulating that in itself integrity was difficult to define. Corruption itself was considered to be an action generating personal gain, which could be either material or influential; this led onto discussion of the metrics required to track success or failure in any anti-corruption programme.

It was agreed that education and research institutes should be the centre of determining and driving forward the ethical dimension, whilst to build and sustain it a meritocracy system was necessary, with mechanisms such as tribal structures and loyalties together with patronage being the potential major influencers. It was also clear that corruption all levels of society needed to be addressed.

Conversely, training for military operations needed to be tailored for different theatres and adjusted accordingly. An overview of requirements needed to be determined which should then drive a

realistic and systems approach to training which should include topics such as: access of information laws; freedom of the press; and attitude of population. The training context was considered important and a range of roles should be addressed which should include: why education was necessary; how integrity building was beneficial; the coverage of issues likely to enhance operational capability; personal and personnel behaviour. Additionally, academic institutions should be the repository of information and also have a dissemination role. Any training agenda should, it was considered, include: terminology; integrity; meritocracy mechanisms to promote ac activity; performance measures and success metrics; context.

As to promoting anti-corruption activities for those yet to engage, the preferred dialogue was viewed to include the promotion of: regional initiatives; outputs/outcomes together with operational enhancements; and cost benefit analysis of integrity activities.

These issues were reported to the main session, with the additional comments that in terms of overcoming resistance to reform, the nurturing of regional pressures was a promising route forward. External actors could best contribute to the generation of such pressures by highlighting the problem and keeping it on the agenda, allowing domestic and regional interests to gain a better and far broader sense of the costs of defence corruption.

As a final note, the five-day training course developed for trial by the UK Defence Academy, Oberammergau NATO Training School, and Sarajevo Peace Support Operations Training Centre, was highlighted once again.

In discussion of the main session, it was noted that training needed to encompass the elements elaborated by the group, and added the need for leadership training – this was said to especially relevant in defence where corruption occurred at the highest levels.

There was discussion on the issue of resource management, noting that change took a long time to percolate through the system, and that part of facilitating this change was to promote the idea of being an agent for change – this brings individuals on board who are willing to drive the process forward.

Discussion of engagement with Defence Ministries, and in particular the initial contact, was then raised. Participants spoke of their experiences in raising the issues of defence corruption. During the initial meeting, the first hour tends to be characterised by uncomfortable silence; the second hour, by contrast, is an explosion of discussion as officials start to talk about their experiences. There is a small window at this stage where momentum can be captured.

The issue of building demand for reform and the need for better knowledge of the costs of corruption were addressed. While for defence establishments the Value-For-Money argument was obvious, there was not enough research into the wider, harmful effects of corruption (for example, on governance), and driving research forwards in this field would help greatly.

Participants agreed on the need for alliances of integrity to create and protect coalitions for change. One means of doing this was to link senior leadership courses, such as those convened by the Royal College of Defence Studies, working through their Commandants.

It was noted that NATO had already made some progress on this as part of the development of training modules, as part of the assessment of what training was currently conducted in anti-corruption. It was stated that there was great demand for the development of such an alliance across training schools and colleges.

7. Defence Companies

The most important means forward considered by this group was for a Defence Industry Transparency Initiative, to be developed along the lines of the Extractive Industries Transparency Initiative. Key issues to be resolved in the development of such an initiative are to build effective and wide-reaching coalitions of support, and to establish leadership roles in the process from defence companies and from developed countries.

Much discussion focused on the role companies were currently undertaking among themselves and where this could best be deployed going forwards. The Transparency International (UK) initiative to develop an international defence anti-corruption consortium was discussed: current efforts to date have focused around the process driven by the ad hoc group, which comprises the major US and European defence firms and which meets periodically under the chair of Lord Robertson. The long-term intention of Transparency International and of this group has been to internationalise the process by bringing firms from Russia, the Ukraine, Israel, China, Brazil, etc, into the process. Making this kind of progress was highlighted as the next major step for this group.

Another major role of defence companies may be to develop the defence sector version of the Extractive Industries Transparency Initiative. It was agreed that any such process should be based upon the EITI-Plus-Plus programme, which has the widest scope and most powerful reach.

Progress on the defence sector version of EITI has been slow to date, but some enthusiasm has been expressed by the African Development Bank for such a process to go forward initially among African countries. The development of this proposal would require one or two countries to lead the process, and a strong leadership role from leading defence companies. A coalition of support from civil society would similarly be required. The AfDB's engagement, with the blessing from the World Bank and IMF who both indicated provisional support for such an initiative, represents a possible way forward for willing partners to proceed on the matter.

Finally, this group noted that there was presently a favourable climate in which to proceed. First, there was downward pressure on procurement budgets in many countries, making the need for value-for-money purchases all the more crucial. Second, the Corporate Social Responsibility agenda has captured much attention in the public, corporate, and legal worlds, and companies are seeking means to improve their reputations drastically. It was noted in particular that with the world's fourth largest defence company, BAE Systems plc, having recently endured negative publicity in relation to foreign bribery allegations and seeking means of reform both internally and across the sector, there is scope for their engagement. Indeed, the investigations into its dealings with Tanzania and South Africa make their engagement on the African continent all the more pertinent.

This group also highlighted the possible role of the Russia-NATO Council in opening a dialogue with Russian defence companies.

FEEDBACK ON THE KEY TOPICS: CONFERENCE OUTCOMES

The following Outputs were agreed by participants, under the following headings

OUTPUT 1 – DEVELOPMENT OF A DEFENCE INTEGRITY ALLIANCE

The Workshop strongly supported the development of an international network of defence officers and officials committed to high standards of integrity in defence. This might be modelled on a global integrity alliance being built in the development world, sponsored by the World Bank and with the active support of Transparency International. There were several platforms that could help in seeding this: one is the anti-corruption training module currently being developed by NATO, one is the consortium of Defence Training Schools in NATO's Partnership for Peace, and a third is the high-level leadership courses being given in countries around the world.

The purpose of such an alliance is to develop a worldwide coalition of defence officials, military officers, representatives from international and intergovernmental organisations, security sector specialists, NGOs, and academics with a commitment to integrity-building and anti-corruption reform. Developing and nurturing such coalitions provides momentum and impetus for reform.

This proposal elicited much support from Participants. The Commandant of the NATO training school at Oberammergau (Colonel Jim Tabak) offered to lead this action. He was supported by offers of help from the UK Defence Academy (Colonel Mike Montagu), the Peace Support Operations Training Centre in Sarajevo, the Center for International Policy (Nicole Ball) and the Defence team of Transparency International (Air Commodore Alan Waldron).

Action: Colonel Tabak, Liliana Serban, and Air Commodore Alan Waldron will develop a specific action plan going forward, and to engage the other volunteers.

OUTPUT 2 – ENGAGING NEW BODIES AND EXPANSION OF CURRENT ENGAGEMENTS

Participants agreed strongly on the core Workshop theme that there needed to be greater collaboration between institutions and actors in the area of defence sector anti-corruption and integrity-building reform, and a scaling up of current efforts. Possible means forward included the proposed collaboration between the African Development Bank, the UK's Department for International Development, and Transparency International (UK), who are planning to host a summit of African defence and economics Ministers to consider these issues and ways forward; the proposal for a Defence Industry Transparency Initiative, similar to the Extractive Industries Transparency Initiative; cross-civil society support for engagement with the NATO Parliamentary Assembly; and possible expansion of the African Union's Peer Review process for enhanced application to the defence sector.

Actions:

1. It was agreed that the NATO Parliamentary Assembly and its support for NATO's current anti-corruption and integrity-building programmes was an important means forward, and that engagement from international civil society and independent institutes was crucial to building support for these. Simon Lunn of the Geneva Centre for Democratic Control of the Armed Forces agreed to lead these efforts.
2. Participants supported the idea of expanding of the African Union's Peer Review process for greater oversight of defence budgets and management. The Institute for Security Studies agreed to follow-up on developing possible means forward.
3. There was enthusiasm for the current proposal by Transparency International (UK)'s defence team to convene a meeting of African defence and economics Ministers on the African continent later this year. This is in collaboration with the UK's Department for International Development and the African Development Bank. During this event, when it materialises, the Self-Assessment and PEFA frameworks should be offered to countries interested to trial them in defence.
4. Develop links to the EU Defence and Security Sub Committee, and to Clingendal Institute (Willem van Eekelen).
5. It was recommended that the World Bank join one or more of the multidisciplinary teams which will evaluate NATO's Self-Assessment process being trialled over 2008.

OUTPUT 3 – DEVELOPMENT OF THE PUBLIC EXPENDITURE & FINANCIAL ACCOUNTABILITY FRAMEWORK (PEFA) FOR APPLICATION TO THE DEFENCE SECTOR

Participants supported the extension of the World Bank's Public Expenditure & Financial Accountability (PEFA) framework for application to defence budgets and defence budget management.

Two means adapting the PEFA framework were proposed:-

1) The current PEFA framework, which is the government-wide tool, should be expanded so that it includes defence expenditures as part of its overall assessment framework.
2) The PEFA framework should adapted into a sectoral tool which can be used to assess the public financial management processes in defence budgets in supportive countries.

Participants agreed that the World Bank, as one of the principal stakeholders in the PEFA process, should lead on the development of the PEFA framework along these two lines.

The Workshop suggested that the new PEFA tools could be used first on a trial basis in a few supportive countries so as to generate good examples of its application, after which the World Bank should consider offering the tools to other countries currently undergoing the core PEFA process. It was also recommended that the process be offered initially to NATO Partners undergoing the Self-Assessment process.

Actions

1. Participants recommended that the World Bank develop the PEFA framework to ensure

that i) defence expenditures are included as part of the core PEFA process; and ii) that there is a sector-specific PEFA tool available for application in defence budgets.
2. These new tools should be trialled in a few supportive countries initially so as to refine the process and to generate good examples of their application.
3. Once developed and applied in these initial countries, the World Bank could consider offering the newly developed PEFA tools to other countries currently involved in the PEFA process.
4. The World Bank (Sanjay Pradhan) would lead on this area of action, assisted as required by TI (UK) and NATO PfP (Susan Pond).

OUTPUT 4 – CIVIL SOCIETY TOOLS FOR OVERSIGHT OF DEFENCE BUDGETS

The participants agreed on the need for enhanced tools available to civil society organisations to analyse the defence sector and provide oversight and scrutiny of defence budgets. A proposal which generated substantial engagement from participants concerned the tools being developed by the International Budget Project, based at the Center on Budget and Policy Priorities in Washington, D.C. The International Budget Project engages with civil society organisations aiming to develop or strengthen dedicated public capacity to engage in public budget procedures, and in making budget procedures and systems more transparent and accountable to the public. Participants were particularly enthused in agreement that the use of the Open Budget Index, an index which ranks countries according to the openness and scrutiny of public budgets, and in particular its expansion to the defence sector, would be an invaluable means forward.

Participants agreed that Transparency International (UK) should lead on engagement with the International Budget Project, and the development of its tools for application to the defence sector. Many organisations offered their support to Transparency International (UK), including the Institute for Security Studies, Balkans Analysis, and the Postgraduate Naval School. The preferred means forward was for Transparency International (UK) to engage the International Budget Project and for them together to build a coalition for defence budget transparency, with support from the above actors.

Actions:

1. Transparency International (UK) would lead on this engagement with the Open Budget Index. The wider tools of the International Budget Project may be extendable to the defence sector through the Center on Budget and Policy Priorities.
2. Transparency International (UK) received support for this from many participants including the Institute for Security Studies, Balkans Analysis, and the Postgraduate Naval School, who will assist as requested by TI (UK).

OUTPUT 5 – REFORM PROCESS REVIEWS

The Workshop agreed that the capture of momentum and the building of demand for reform at the country level required examples of good practice in defence integrity-building and anti-corruption

reform, and a body of reference materials for consultation. To this end, it was agreed that there should be rigorous review of the application of defence anti-corruption tools and of countries engaging on reform processes. The experiences of Poland and Colombia initially were offered as countries where such reviews could take place. It was proposed that the NATO School and Transparency International (UK) should take the lead on the development of these two initial analyses.

Actions:

1. The NATO School offered to initiate a review of Polish reform processes at an appropriate time, with support from the Polish Ministry of National Defence Transparency International (UK) as required.
2. Transparency International (UK) offered to initiate a similar review and analysis of the reform experiences of Colombia, and would contact the Colombian government to this purpose.

WORKSHOP CLOSE

The participants were thanked for their invaluable contributions. The result of efforts over the three days had been to bring together a unique blend of defence and development experts who were able to get together to find common ground on an area of crucial importance.

The contributions and actions agreed, from the World Bank and IMF through to military leaders, defence colleges, and to persons operating in individual countries, were of crucial importance. In between twelve and eighteen months, the participants would be called back to report on their progress in the coming year.

Through the participants' engagements in concepts, policy, and training, the work would continue in the coming year and beyond, and all were invited to return in twelve months time to assess and review progress.

ANNEXE 1 – *Participants*

Mr. Ebo Adedeji – DCAF Senior Fellow, Head of Africa Programme

Mr. Pierre Aepli – DCAF Senior Consultant, Border Security Programme and Police Programme

Mr. Nayef Al-Rodhan – GCSP Director of the Programme on the Geopolitical Implications of Globalisation and Transnational Security

Ms. Lena Andersson – Balkans Analysis

Ms Nicole Ball – Center for International Policy Senior Fellow

Supt. Richard Barszczewski – DCAF Programme Manager, Police Programme

Brig. Dennis Blease – Centre for Security Sector Management, Acting Director of Operations

Ltc. Dominique Cacciaguerra – PSOTC Project Officer

Mr. Eden Cole – DCAF Deputy Head, Operations NIS and Head, Deputy Director's Office

Col. Christophe Deherre – European Union military staff (EUMS) Planificateur stratйgique

Mr. John Dixon – Security Sector Development Advisory Team (SSDAT) Security Sector Development Advisory Team (SSDAT)

Mr. Alex Dowling – DCAF Brussels Coordinator

Rear Admiral Hugh Edleston – Transparency International (UK) Military Consultant, Defence Against Corruption

Dr Phillip Fluri – DCAF Deputy Director

Dr Peter Foot – GCSP Academic Dean

Dr. Cornelius Friesendorf – DCAF Fellow, Special Programmes

Mr. Anton Fritschi – Transparency International (CH) President

Mr. Nigel Hall – Transparency International (UK) Defence Against Corruption

Mr. Bernard Jaggy – Federal Department of Foreign Affairs Chef de la section des affaires йconomiques de la Division politique V

Professor Adrian Kendry – NATO Senior Defence Economist

Ms Nina Khatiskatsi – Transparency International (Georgia), Director

Ms Amalia Kostanyan – Transparency International - Armenia Chairwoman

Mr. Heorhiy Kriuchkov – Ukraine Parliament, Chair of Committee on National Security and Defense

Mr. Antoine Laham – DCAF Senior Adviser and Head of Lebanon Project

Mr. Luc Leruth – IMF Senior Economist

Mr Arnold Luethold – DCAF Senior Fellow - Head Middle East and North Africa

Dr. Simon Lunn – DCAF/GCSP Senior Fellow, DCAF/ Associate Fellow, GCSP

Mr. Ben Magahy – Transparency International (UK)

Dr Robert McNab – Naval Postgraduate School Associate Professor of Economics at DRMI

Colonel Mike Montagu – Defence Academy of the United Kingdom COS

Mr. Daniel Pfister – GCSP, Assistant to the Academic Dean and Project Coordinator

Amb. Jacques Pitteloud – Federal Department of Foreign Affairs Director, Centre for International Security

Ms Susan Pond – NATO International Staff, Head of Partnership for Peace Programme

Mr Sanjay Pradhan – World Bank, Head of Public Infrastructure Projects

Mr. Olivier Praz – Federal Department of Foreign Affairs Collaborateur scientifique de la section des affaires йconomiques de la Division politique V

Dr. Mark Pyman – Transparency International (UK) Project Leader, Defence Against Corruption

Maotre Hassan Rahmouni – Casablanca Order of Lawyers

Brig.-Gen. Walid Salman – Lebanese Armed Forces Representative to DCAF

Mr. Dominic Scott – Transparency International (UK)

Ms Liliana Serban – NATO School Director, Research Department

Mr Steve Shaw – US Dept of the Air Force Head of the Contractor Responsibility Department

Mr. Alexander Shevchenko – Ukraine Mission 1st secretary, Interpreter for Mr. Kriuchkov

Mr James Squelch – NATO Defence Policy and Planning Division Country Defence Rapporteur in the Force Planning Directorate

Col. James T. Tabak – NATO School Commandant, NATO School

Professor Todor Tagarev – G.S. Rakovski Defence and Staff College Head of Department Defense & Armed Forces Management Department

Admiral Ram Tahiliani – Transparency Interanational (India) Chair

Ambassador Fred Tanner – GCSP Director

Professor Trevor Taylor – Defence Academy of the United Kingdom

Ms. Christelle Terreblanche – Institute for Security Studies (ISS) Researcher

Mr. Julien Thцni – Federal Department of Foreign Affairs, acting Head, International Security Section

Dr. Willem F. van Eekelen – Formerly of the Dutch Senate, Former Minister of Defence (The Netherlands)

Mr Hennie van Vuuren – Institute for Security Studies (ISS) Programme Head: Corruption & Governance

Ms. Inese Voika – Transparency International (UK)

Mr. Linus von Castelmur – Swiss Mission to NATO, Deputy Head of Mission

Air Commodore Alan Waldron – Transparency International (UK), Military Consultant

Mr. Maciej Wnuk – Polish Ministry of National Defence

ANNEXE 2

Public Expenditure & Financial Accountability

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The PEFA Programme[4] was founded in December 2001 as a multi-donor partnership between the World Bank, the European Commission, and the UK's Department for International Development (DFID), the Swiss State Secretariat for Economic Affairs (SECO), the French Ministry of Foreign Affairs , and the Royal Norwegian Ministry of Foreign Affairs, and the International Monetary Fund (IMF). A Steering Committee comprising these agencies manages the Programme, while the Secretariat implements the PEFA activities. The programme works closely with the OECD/DAC Joint Venture on Public Financial Management.

The Strengthened Approach

The PEFA Programme is committed to its core values which are linked to the Strengthened Approach to Supporting Public Financial Management Reform. The Strengthened Approach comprises three components:

i) a country-led agenda, i.e. a government-led reform programme for which analytical work, reform design, implementation, and monitoring reflect country priorities and are integrated into government's institutional structures;
ii) a coordinated programme of support from donors and international finance institutions in relation to both analytical work, reform financing, and technical support for implementation;
iii) a shared information pool on public financial management i.e. information on PFM systems and their performance which is commonly accepted by the stakeholders at country level, thus avoiding duplicative and inconsistent analytical work, and available for a variety of purposes.

The PFM Performance Measurement Framework

The PFM Performance Measurement Framework is a high level analytical instrument which consists of a performance indicator set and a supporting PFM Performance Report. It provides an overview of the performance of a country's PFM system. It covers the entire financial management cycle and embraces international standards and codes in its structure. Through repeat assessments in a country, it is capable of demonstrating performance changes over time. The Framework's focus is central government, but it may also be used at sub-national government level.

The PFM Performance Measurement Framework provides a shared base of information and is considered a first step in rolling out the Strengthened Approach. The Framework was officially launched in June 2005. As of March 2008. 83 assessments in 74 countries have been fully or substantially completed, while another 15 assessments are ongoing. Decisions on implementation

[4] http://www.pefa.org/

of the Framework are taken exclusively by the stakeholders at country level. The Framework provides for 28 indicators which together provide an assessment along the following lines:

- *Budget credibility*: Is the budget realistic, and implemented as intended?
- *Comprehensiveness and transparency*: Are the budget and the fiscal risk oversight comprehensive, and is fiscal and budget information accessible to the public?
- *Policy-based budgeting*: Is the budget prepared with due regard to government policy?
- *Predictability and control in budget execution*: Is the budget implemented in a practical manner and are control and stewardship exercised in the collection and use of public funds?
- *Accountability, recording, and reporting*: Are adequate records and information produced, maintained, and disseminated to meet decision-making, control, management, and reporting purposes?
- *External scrutiny and audit*: Are there effective arrangements for scrutiny of public finances and follow up by the executive?

Key Services

The PEFA Programme's main activities are (i) development and maintenance of the Framework, (ii) support and guidance to the users of the Framework at country level, (iii) development of training programmes and materials, and (iv) monitoring of the roll-out of Strengthened Approach and application of the Framework for lesson learning and dissemination. The Programme provides its services through the PEFA Secretariat. Reports, materials, and general guidance are available from the PEFA website.

Advice to users of the Framework and quality review of assessment reports is available upon request by email to the Secretariat.

ANNEXE 3

Selections of Participants' Pre-Workshop Comments

Prior to the Workshop, participants were invited to fill in the following questionnaire and submit their answers to the group. Some of the comments from this process are reproduced in this annexe.

1	YOUR EXPERIENCE
	Please tell us the ways you have encountered/worked with defence transparency, integrity, and corruption issues.
2	PRIORITY
	In your opinion, does corruption in defence matter? Elaborate on the circumstances, e.g. where and why.
3	DIAGNOSIS
	In your opinion, what forms does corruption in defence take, and which are the more important for your organisation?
	SENSITIVITY
4.1	*Addressing corruption can be a sensitive topic. Is this the case in your organisation/country? If yes, outline briefly why.*
4.2	*If yes, what are the ways of tackling this sensitivity, so the issue can be addressed in practice?*
5	IMPROVING THE SITUATION
5.1	*What are the most practical ways, in your view, to reduce corruption and increase transparency in defence?*
5.2	*How can NATO have most impact?*
5.3	*How can defence companies have most impact?*
5.4	*How can development banks have most impact?*
5.5	*How can reform minded governments have most impact?*
5.6	*How can arms exporting governments have most impact?*
5.7	*How can defence colleges, think tanks and research groups have most impact?*
5.8	*How can civil society have most impact?*
5.9	*Which other organisations can help/contribute?*
6	*GOOD EXAMPLES: Do you have examples of governments having a positive impact on transparency, integrity and corruption issues? Please list them.*

PRIORITY

In discussion of priorities, the following issues were raised most frequently by participants.

Resource Allocation
Participants expressed concerns with the use of public resources, and the possible effects defence corruption had on these resources. At the simplest level, defence corruption resulted in deadweight losses as resources were stolen from defence budgets; this was widely seen as inefficient and harmful to countries with scarce public resources. Many participants also expressed concerns that resources were diverted from other parts of government to be spent on defence budgets because of the opportunities afforded in the defence sector for corruption to occur – this is linked to the expensive and highly technical nature of defence purchases, and the lack of transparency and scrutiny which generally apply to defence budgets.

Governance and development
Some participants linked the effects on resource allocations to general governance processes and their effects on economic development. Corruption in defence was seen by many participants in their pre-work to have deleterious effects on governance in defence and security. This in turn was argued by some participants to undermine governance across the rest of government, partly because of the resource diversion from other sectors to defence, and partly because defence sector corruption was seen as having spillover effects into other parts of government. Through undermining effective governance and through the waste of resources, defence corruption was argued by several participants to have an adverse effect on economic development.

Some participants argued that corruption in defence and security had other adverse effects on economic development through other channels. One participant put this succinctly in arguing the following:

> "Security and justice bodies that are poorly managed and engage in political and economic impunity tend to be professionally weak and unable to adequately protect the state, communities and individuals against aggression, internal subversion, criminality, weak justice or human rights abuses. They often are themselves a major source of instability, insecurity, abuse, economic mismanagement and repression.
>
> Eliminating economic impunity by the security sector is, therefore, a critical component of improving prospects for social and economic development, democratic consolidation, and the peaceful resolution of conflicts."

Operational Effectiveness
Defence corruption was widely seen as having negative impacts on operational effectiveness, operating through several channels linked to the procurement process. Opportunities for enrichment through corruption were argued to affect the judgement of officials when it came to the determination of needs, the drawing up of specifications, and decisions in the awarding of contracts. In turn, this had the effects of armed forces purchasing expensive and inadequate equipment, with severe consequences for the capabilities of the purchased equipment. One participant argued that such circumstances could have the effect of putting soldiers' lives at risk.

Trust in Armed Forces
The presence of corruption in defence, and especially within the armed forces, was regarded as having two major consequences in terms of trust in armed forces and in morale.

Internally, the effects of corruption on serving personnel could be to reduce morale and trust in leadership and the chain of command. In addition to the immediate consequences of corruption in the armed forces, some participants also referred to long-term adverse effects, with one participant noting:

> "Corrupt officers and civilian officials cannot be trusted. Having been corrupted the first time they can be more easily corrupted subsequently by vendors, by organized crime, by terrorist organisations, and by potential enemies. In such a way corruption undermines the defence capabilities of the country and decreases the level of national security."

The other major consequence concerned how the public viewed the military. Participants noted concerns that if the military was regarded as corrupt by the public, then it could not command public support, which undermined the credibility and effectiveness of national and international armed forces. Such lack of trust was further seen by some participants of undermining civilian control of the armed forces by precipitating an adversarial relationship between civilian leaders and armed forces.

DIAGNOSIS

Participants focused on four main areas in their diagnosis of the problem of defence corruption: procurement, governance and management of defence budgets, payroll issues, and small bribe issues.

Procurement
Procurement was overwhelmingly the area most cited by participants in this section. The scope for corruption in procurement was seen as arising in the following areas of vulnerability, at each of which corruption was possible: definition of operational needs; definition of technical and tactical requirements; preparation of procurement specification, including technical specifications, award criteria, and contract draft; conducting tenders or negotiations; implementation of contracts.

Some participants suggested that even where bribery was not necessarily a risk facing procurement officials, there were still concerns over the closeness of relationships between contractors and defence department employees. Others highlighted the increasing trend away from competition and towards sole- or single-source contract awards. One participant suggested that this trend favoured large indefinite delivery/indefinite quantity (IDIQ) contracts, enabling task orders to be placed to favoured contractors without competition.

Other concerns raised included the use of agents and the lack of diligence and transparency of such arrangements, and the inclusion of offsets provision in international arms sales contracts. On the latter issue, one participant noted that the lack of transparency in the negotiation and execution of offset obligations created opportunities for corruption, concealing commissions to agents, and favours

to government purchasing officials. It was further noted that there is little effort internationally or from governments to prevent the use of offset arrangements.

Governance and Management of Defence Budgets
Participants noted that corruption results from governance failures. A key factor is the strength of the public financial management system, and the extent to which basic principles of sound financial management are applied to the defence sector. Corruption in the defence sector may result from general failures in the public financial management system across the whole of government, while in other contexts it may result from special dispensation accorded the defence sector allowing it to bypass regular controls. Both scenarios are a cause for concern, but there is reason to believe that the defence sector may be particularly prone to poor financial management systems because of the lower standards of transparency and accountability often applied in defence.

One participant detailed the means by which budgetary mechanisms in defence could disguise the level of spending and make effective public management difficult. While some of these resources may be used for defence purposes, rather than diverted for corrupt purposes, the lack of transparency and accountability breeds corruption and was to be regarded as a form of corruption in its own right. This participant described seven main types of budgetary mechanisms for disguising defence spending, and twelve main types of extra-budgetary sources of military revenue.

- Budgetary mechanisms: 1) contingency funds; 2) supplementary budgets; 3) spending under non-defence budget lines; 4) non-transparent / highly aggregated budget categories; 5) diversion of resources from non-defence budget lines after budget approval; 6) procurement (major and minor); 7) under-valuation of economic resources.
- Extra-budgetary sources: 1) parastatals; 2) military-owned businesses / military involvement in business; 3) creation of funds; 4) barter trade; 5) direct financing of military in field through extraction of natural resources; 6) tax avoidance; 7) diversion of national resources; 8) war levies; 9) foreign military assistance; 10) donor assistance for demobilisation; 11) assistance from multi-national companies; and 12) informal / criminal activities."

Payroll and Small Bribe Issues
Several participants noted problems related to payroll processes in the armed forces. Some participants spoke of the 'ghost soldiers' phenomenon, whereby payrolls are deliberately inflated with artificial soldiers so as to allow the theft of resources allocated for salaries. Concerns were also raised with the 'top-slicing' of resources allocated for salaries. Others pointed to the problems of black market activities by soldiers not receiving pay whilst on missions. Avoiding conscription through the payment of bribes, bribes paid for promotion or advancement, and soldiers asking for bribes at checkpoints were also raised by various participants in this section.

SENSITIVITY

The question as to whether defence corruption was regarded as a sensitive issue elicited polarised responses – some participants regarded defence corruption as a sensitive area, whilst others insisted it was not.

Those who suggested defence corruption was an area of sensitivity focused on various areas. One participant, discussing the experience with reform in NATO Partner Nations, suggested that there was a residual sensitivity in the area, which resulted first from the issue of 'mindset', with may post-Communist countries maintaining legacies of secrecy in defence, which meant that any proposals to increase transparency could meet with sensitivity and resistance. Second, many countries were said to be reluctant to accept advice or criticism from other countries or organisations, regarding these as intrusions on national sovereignty.

Concerns were raised that sensitivity of the topic was often related to the level of seniority at which corruption was believed to occur – thus the higher the seniority of those engaging in corruption, the greater was the perceived need for sensitivity in addressing corruption concerns.

For some, the question of corruption and its sensitivity was tied to the perception that transparency and accountability slowed down the procurement process. In such cases, anti-corruption reform was regarded not so much as a sensitive issue, but as something appropriate to other departments but not defence.

For development practitioners, the consensus was that defence sector corruption was a sensitive area which many found difficult to engage in. As an example, it was noted that the World Bank found tackling defence corruption a sensitive issue for the following reasons:

- The Bank's articles forbid interference in the internal affairs of a country
- Data problems, including legal restrictions in some countries on the release of unpublished expenditure data
- Lack of specific competence in Bank, and the marginalization of the Bank's natural counterparts

In terms of those who did not believe corruption was subject to concerns of sensitivity, the responses were easily divided into two areas: those who argued that the necessity of reform to join organisations such as the EU or NATO had helped to reduce the sensitivity of the issue of corruption in those countries; and some of the participants from developed countries, who argued that corruption had not been an area of sensitivity in their own countries. One participant summed this up as follows:

> "It is not a sensitive issue in countries where regulations are clear, with sufficient social control and few cases where a single official has the authority to commit funds."

However, one participant did deliver an attack on this perception, arguing that governments in developed countries are often cautious over the extent they will engage in efforts to combat corruption in defence especially when it affects domestic companies operating overseas.

Tackling Sensitivity

Several participants noted that overcoming the sensitivity of defence sector corruption could be achieved through the commitment technologies afforded through the aspiration to join international institutions. The desire to join or engage in partnerships with organisations such as NATO provides a strong means by which countries can reduce sensitivity and open up defence establishments to reform.

In terms of addressing the sensitivity in countries with exporting defence industries, it was noted that companies could play a role by calling for international efforts in this field, demonstrating to governments that they wish to operate in non-corrupt business environments. Sustained engagement and encouragement from civil society on the issue so as to make defence corruption a less sensitive issue was also advised.

For development agencies, various means were suggested. One means was to address the issue of defence sector corruption through the World Bank's expanded Governance and Anti-Corruption agenda (CGAC country reviews), and through other analytical work, such as Public Expenditure Reviews. Such processes could lead to a mainstreaming of the interest in this sector. Civil society engagement was also cited as a means by which sensitivity could be addressed, in terms of reducing the secrecy and closed nature perceived to surround many defence establishments.

IMPROVING THE SITUATION

General
Numerous means were put forward of how to proceed in defence anti-corruption reform.

In preparing a strategy for anti-corruption and integrity-building reform, participants suggested the following. The reform process should begin with an assessment of corruption risk, with the priorities clearly defined. Political will, if not already existing, had to be generated through public engagement; similarly, participants suggested there was a need to strengthen demand for transparency, accountability, and integrity through centres such as legislatures and civil society. Reformers were advised to focus on the economic arguments for addressing corruption, such as improved effectiveness, efficiency, and increased investment.

In terms of general strategies and principles for addressing corruption, participants had several key themes. Efforts to increase openness and transparency in the decision-making process received widespread endorsement. Participants stressed the need for transparency in decision-making, with obligations on officials to provide information to the public on a sound basis.

The role of Parliamentary oversight also received substantial treatment. Parliamentary control of defence budgets was widely seen as an important component of reducing corruption risk, and some participants stressed the need for increased capacity for Parliaments to audit defence establishments, and increased powers to initiate investigations and inquiries. A practical suggestion in the area of procurement was for defence establishments to use mixed tender commissions comprised of civil society, Executive, and Legislative sources.

In terms of public financial management, participants stressed the need to apply best practice in this field, especially when it came to matters such as accounting and procurement. There were further calls to encourage the development of transparent and monitorable results frameworks for the sector, with a need for defence objectives to be clear and open to review.

Finally, participants also made submissions as to legal and regulatory frameworks. Whilst some

participants stressed the need for strong national laws in the field of anti-corruption, the general conclusions were that these had to be complemented by internal codes of conduct in defence establishments to regulate individual behaviour, based on the inculcation of ethical values and strong commitments to a public sector ethos.

NATO

In their pre-work, participants saw NATO's role primarily in the fields of the provision of training and education, in identifying and disseminating best practice in anti-corruption reform and integrity-building, and in encouraging reform through comparison and peer review mechanisms.

Participants generally saw a role for NATO in the provision of education programmes in anti-corruption to defence officials, especially those from Partner and aspirant nations. One participant expanded on this to suggest that NATO should provide extensive training on Planning, Programming, and Budgeting Systems and on accounting procedures.

In terms of providing advice to countries on how to reform, it was generally felt there was a strong need to identify best practice, especially in the development of: effective and transparent civilian control of the armed forces; Executive, Legislative, and Judicial oversight; and effective and transparent arrangements and practices to ensure compliance with internationally accepted norms and standards in public financial management. Participants also identified the setting and promotion of common standards in defence establishments, such as in the fields of individual conduct, internal procedures, and management structures.

Some participants also suggested means that NATO could use to promote these common standards and best practices within countries. General strategies focused on peer review mechanisms for countries to assess their progress against one another, with NATO facilitating this process, and the setting of benchmarks. One participant noted that it was important that NATO Allies adhere to common anti-corruption standards in full so as to provide appropriate role models for Partner and aspirant nations.

One participant also saw a role for NATO in the development of international partnerships in anti-corruption and integrity-building, suggesting NATO should work closely with other international organisations and NGOS working in Security Sector Reform; specific organisations noted by this participant included the European Union, Organisation for Security and Cooperation in Europe, Organisation for Economic Cooperation and Development, and Transparency International.

Defence Companies

Adherence to laws prohibiting bribery was seen as an elementary component of their role, but participants also noted the difficulties of individual companies committing themselves not to bribe when they did not see their competitors doing the same. Participants therefore suggested several means by which companies could act collectively to commit themselves not to engage in corrupt practices.

Some participants highlighted the importance of relatively recent legal instruments such as the OECD

Convention on Combating Bribery of Foreign Officials, and the need for companies to comply with its regulations as a first step.

Other participants went on to discuss means by which the industry could engage in internal actions to create a business environment free of bribery. The creation of an international defence anti-corruption forum encompassing companies from the US, Europe, Russia, China, Brazil, and elsewhere, was highlighted as an important means for companies to act. Such a forum would need to develop common anti-corruption standards for companies to adhere to, which should address appropriate standards for business conduct with defence establishments.

Finally, several participants expressed a desire for a Defence Industry Transparency Initiative to be modelled on the Extractive Industries Transparency Initiative. Leadership from companies in developing such a programme would be crucial in the creation of a strong coalition to drive this process forwards.

International Development Banks

In terms of the appropriate role of development banks, responses generally focused on the themes of budget and financial management, and the need to mainstream engagement in the defence sector.

One participant noted that all forms of aid are fungible, and that ignoring the defence sector was a fallacy. It was therefore regarded as appropriate that if international development banks and other donors were going to make aid conditional on sound public financial management, then it was appropriate for defence budgets and management to be included in this. Participants generally agreed on the need to normalise the defence sector, in agreement that it should be subject to the same kinds of scrutiny and controls that other areas of government are.

In terms of what kinds of reforms development banks should be developing and promoting, some participants suggested they establish firm metrics for analysing defence financial management, and align these metrics with milestones. The publishing of funds disbursed, what they are to fund, and how they are to be spent should be required so as to encourage citizen participant and oversight.

One participant suggested that development bank support in the development of a Defence Industry Transparency Initiative would also be an extremely useful means on which to go forward.

Reform-Minded Governments

Participants made general commitments to the ideas of promoting integrity, transparency, and chains of accountability, and linking the development of defence anti-corruption policy to wider national anti-corruption reform.

Some of the more detailed responses considered other measures, including relations with contractors, legal and other regulatory reforms, and the establishment of anti-corruption bodies within government and government departments.

It was argued that the debarment tool protects governments against corrupt contractors by preventing

companies which have engaged in violations from new government contracts in a transparent manner. The threat of debarment, representing a major threat to income streams, also helped to deter corruption. One participant argued that the debarment sanction should be used broadly so as to optimise its potential. Another participant suggested that debarment procedures should ensure that companies could be subject to their sanctions if they had engaged in bribery of foreign officials rather than restricted only to domestic officials.

Some participants suggested that reformist governments should commit to certain ethical practices in their procurement processes, such as consideration of a company's ethical conduct and compliance programme in determining their suitability to bid for government contracts. Another participant suggested that governments should commit to buying equipment only from those companies which adhered to international anti-corruption standards.

Whistleblower legislation and protection was encouraged by some participants as a means of improving internal procedures for countering bribery in defence establishments. It was argued that whistleblowers should be given incentives to engage in these practices, such as provisions for them to be granted a share of damages recovered in corruption cases.

In a wider sense, some participants suggested the establishment of internal anti-corruption agencies within defence establishments to regulate internal procedures and to act as a potential resource for individuals who suspect corruption in their departments. Additionally, there should be further recourse to external anti-corruption agencies to protect against the possibility of agency capture, and to maintain standards of accountability. Requirements for wider systems of checks and balances, internal codes of conduct, and commitments to due diligence were also highlighted.

Arms-Exporting Governments

Participants generally agreed on two broad measures which governments with defence export sectors to pursue. The first of these was for governments to adopt anti-bribery codes of conduct for their companies to adhere to as a condition for the granting of export licenses. Some suggested this should be based on OECD anti-bribery regulations. One participant suggested that governments should conduct random audits of export contracts so as to increase the possibility of detection of corrupt behaviour on the part of companies.

The second means participants agreed on was for exporting governments to criminalise bribery of foreign officials, as for example on the basis of the regulations of the OECD Convention against Corruption of Foreign Public Officials, or the USA's Foreign Corrupt Practices Act.

One participant also suggested that exporting governments should cooperate in initiatives designed to facilitate the recovery of stolen assets from past defence corruption.

Defence Colleges and Think-Tanks

The responses to this section focused on educational needs within defence establishments and the wider research needs in the field of defence anti-corruption.

One participant noted a general frustration in the lack of handbooks, guides, and knowledge bases available on combating corruption, arguing that whilst there is a substantial body of knowledge in existence, it is often too scattered among various bodies to be of immediate use. This participant expressed a desire for a readily available starting point for persons wanting to engage in reform.

In terms of the educational needs of defence establishments, participants divided the requirements into two broad sections: the need for general anti-corruption training for all officials, focused on short courses dedicated to enhancing and promoting understanding of the importance of increasing transparency and reducing corruption; and the need for extensive training for officials in areas such as advanced management, defence planning, budgeting, and acquisition and procurement. Defence think-tanks could contribute to this training in the development of models for planning, development, and acquisition, and the elaboration of best practice in these fields.

In terms of wider research needs, participants highlighted requirements for studies of the impact of corruption in the defence and security sectors, and the wide dissemination of these studies for public debate. In particular, there was a need for research into the relationship between poor governance in the defence sector and socio-economic outcomes. Further, there was scope for research into country experiences with reform processes.

Civil Society

The role of civil society envisaged by participants generally focused on three areas: civil society's ability to advise in reform processes; to participate in processes in defence; and to hold officials to account.

In terms of its advisory role, participants suggested that civil society had a key role to play in generating demand for reform from governments through engagement with the public. It should further be a forum for advising on the available anti-corruption tools, and could help fill expertise gaps in the public sector through the provision of expertise.

There was a role for civil society to participate in defence processes, such as the formulation of policy, and also in the procurement process, where it was suggested that civil society actors could provide the role of monitoring of acquisitions.

Finally, participants argued that civil society had a role to play in holding governments to account in terms of how well Parliament was performing its oversight role, and in public scrutiny of how transparent Ministries were in how they spent and managed their budgets.

One participant made the following comments:

> "Civil society should engage on strategies of engagement, and not confrontation, of defence establishments. It can provide independent monitors, support to reformist governments, advice on anti-corruption strategies, and dedicated research on defence corruption. There is a clear need to overcome civil society resistance to positive engagement with the defence sector."

Other Organisations
Other organisations regarded as having roles to play in the field of anti-corruption reform and integrity-building in defence included supranational organisations such as the various offices of the European Union, including the European Commission and European Parliament, which one participant suggested could contribute by proposing a well-prepared directive on defence procurement.

The enhancement of the roles of national audit offices in the defence sector was seen as a practical domestic reform which could provide advantages. Similarly, the use of organisations related to Parliaments, such as Public Accounts bodies and Auditors-General, were highlighted. One participant suggested the creation of broad-based advisory councils to develop policies and equipment choices in defence.

The United Nations was suggested as an international body which could have a role to play in defence anti-corruption reform.

GOOD EXAMPLES OF REFORM

The expansion of organisations such as NATO and the EU were generally seen to have generated much potential for reform processes in the fields of increasing transparency and reducing corruption. Some participants did note concerns over the commitment to sustaining the process once countries had succeeded in their accession ambitions.

In terms of countries which had instigated successful reform processes in defence and security sector reforms, South Africa's experience was highlighted, as were those of Poland, the Netherlands, and Australia.

Links to resources on reform processes suggested by participants are as follows:

- Poverty Reduction and Economic Management Sector Unit, *Afghanistan: Managing Public Finances for Development. Vol. V: Improving Public Financial Management in the Security Sector*, Report no. 34582-AF, Washington, DC: Poverty Reduction and Economic Management Sector Unit, South Asia Division, World Bank, December 22, 2005, http://siteresources.worldbank.org/AFGHANISTANEXTN/Resources/305984-1137783774207/AfgPfmVol5.pdf

- Mark Pyman and Maciej Wnuk, "Integrity Reforms of the Polish Ministry of National Defence (since 2005)", http://www.defenceagainstcorruption.org/index.php?option=com_docman&task=doc_download&gid=34"

- Department of Defence (Australia), "Defence Management Review in Australia (2007)", Review team chaired by Elizabeth Proust, http://www.defence.gov.au/dmr/DMR_report_2007.pdf"

- J.Eduardo Campos and S. Pradhan, *The Many faces of Corruption*, World Bank, 2007

- N. Ball (et al.) *Enhancing Democratic Governance of the Security Sector: An Institutional Assessment Framework*, Clingendael Institute for the Netherlands Ministry of Foreign Affairs, 2003. Available at: http://www.clingendael.nl/publications/2003/20030800_cru_paper_ball.pdf"

ANNEXE 4

Paper produced for the Workshop by Heorhiy Kriuchkov, Chair of the Committee on National Security and Defense, Parliament of Ukraine

Dear Mr. Chairman! Dear Colleagues!

First of all, I would like to express my sincere gratitude for the invitation and for giving me an opportunity to take part in the forum and speak up as a representative of the Ukrainian State. The problems discussed here are of great importance for my country. There is still much to be done for strengthening the democratic principles and respect to the Law in Ukraine.

Transition to market economy and privatization in our state quite often have been accompanied with abuse and bribery of state officials. All spheres and levels of state organism, including force structures have been affected with corruption more than in many other countries. According to the Transparency International data, Ukraine takes the 118 (one-hundred-eighteenth) position from 180 (one-hundred-eighty) countries by the index of corruption perception. Lack of transparency in the activity of law enforcement structures, their involvement in business and often even criminality, have had their influence.

For eight years I had been working as a member of the parliamentary committee on social security and defense, six years of which as a Chairman of the Committee.. Our main task was to create a modern legal basis for strict implementation of security and defense structures activity in accordance with Constitution and laws of Ukraine. Doing this, we cooperated actively with Geneva Centre for Democratic Control of Armed Forces and I'm sincerely grateful to its leadership and personally to Doctor Theodore Winkler and Doctor Philippe Fluri.

This activity resulted in making possible for our committee to bring all the massive of legislation in this sphere in accordance with the Constitution of Ukraine adopted in 1996 (Nineteen-ninety-six.). With the help of DCAF and NATO Leadership we issued the collection of legislative and other normative-legal acts concerning national security and defense in the Ukrainian, Russian, and English languages. By the way, our committee was the first to do this.

Verhovna Rada adopted an exclusive law on democratic civil control over military organization and law enforcement bodies elaborated by our committee. The participants of the conference have the text of this document at their disposal. Adopting this law, we wanted to take into account the experience of democratic states, to lay legal foundation for the transparency in this sphere, considering of course its. I have every reason to state that our society now is better informed about this situation in armed forces, security and law enforcement bodies, including negative features and corruption. But, frankly speaking, transparency in these issues is often subordinate to sensationalism lacking professionalism and constructivism.

Social councils have been created in ministries and departments. Though, some of them are not enough active and persistent.

Along with this, there is a tendency to make social councils "tame", guided, and to use them as a democratic sign board distracting from the acute issues where the public could utter its weighty opinion. Our people worry about low results of struggle against corruption, although much is said about this on the highest level. Thinking about the reasons for all this, I've come to the following conclusions:

I think those are right who believe that a society without corruption and corrupters is not a democratic society - there are no such societies, a democratic society is the one, where corruption is punished and corrupters are expelled from politics and from their positions.

First of all, it concerns the highest officials and employees of departments called to stand on guard of the state and observe the rights and freedoms of its citizens. Unfortunately, I cannot give any example of bearing responsibility for corruption by any VIPs. All is restricted to words about «clean hands that don't steal», declaration of slogans like «let's separate business and power!», «bandits to prisons!» That is all what is done. These slogans are much exploited during election campaigns which are becoming almost a permanent process in Ukraine. Elections are followed by elections, names in power structures are changed, but nobody takes responsibility for the sacking of the state.

There appeared such a term as «political corruption», meaning the cases of political figures' «outbidding», including members of Parliament, their transition from one fraction to another, and this is, by the way, what caused pre-term elections to the Ukrainian parliament in 2007 (two-thousand-seven.) And no name of any corruptor has been made public.

As a result, the Ukrainian society is getting the idea of impunity of VIPs and ineradicability of corruption that is corroding the social organism. At the recent council President Yushchenko noted that in Ukraine the internal affairs department, prosecution and customs departments, courts, medicine and education as well as parliament and political parties are the most corrupted. It was decided to create a special agency dealing with coordination of struggle against corruption. I'd like to stress the overstated level of deputy immunity that hinders the struggle against corruption in Ukraine.

Only Verkhovna Rada can give consent for the arrest of a member of parliament (if there are grounds for this), and instigate a criminal case against him. I think, this distortion will be eliminated by the changes in the constitution.

We are becoming more and more confident that the struggle against corruption is impossible without implementation of reforms within the structures, whose existence and functioning cause corruption. In particular, it concerns the state of state commodities and services through tender system, mediation in gas sphere, land property, and other problems.

Law enforcement organizations should play much greater role in putting in order these problems, but their officials are themselves often involved in corrupted structures.

In conclusion, I would like to emphasize: we have to do a lot to overcome corruption, this cancerous tumor. That is why the experience of effective struggle against this evil discussed by the members of the workshop is of such great importance for us.

ANNEXE 5

Transparency in defence management.

Paper prepared for the Workshop by Willem van Eekelen

Transparency in conjunction with accountability is the essence of democracy, Its application, however, varies greatly, especially in the field of defence and security. Defence is different from other areas of government through its possession of the monopoly of the use of force and the existence of a trained military establishment which has its own views on the best way of safeguarding national interests The primacy of politics over the military has been widely recognized, but harmonious relations require a balance of trust, in which politicians refrain from attempts at micro-management after they have agreed strategic documents and mandates, and the military accept accountability for the way they implement them. This is particularly important for the conduct of peace support operations, where modern communications tempt the leadership at home to follow every decision of the field commander.

Defence also is different from other government departments because of its emphasis on the long haul. Planning should be based on a rolling forward plan for 10 years or more, but with sufficient flexibility to take account of unforeseen developments and for delays in the realisation of specific items. Other spending departments do not have the same ratio between investment and running costs as defence, which in many ways resembles a commercial company in its activities. The most difficult area in civil-military relations is the allocation of resources, which usually are deemed inadequate by the military for the execution of their tasks, but have to be evaluated by the political bodies in the competition for money with other departments. In the end, politics will prevail, but in a way in which the final responsibility for adequate forces will lie with the politicians in Cabinet and Parliament.

In the U.S. in the early 1960's, Secretary of Defence Robert McNamara introduced a Planning, Programming and Budgeting System to relate budgets to military missions. His attitude boiled down to the principle that if his "whiz kids" analysts could prove that a particular weapon system was needed, he would provide it. PPBS was intended as a system that would help the Secretary of Defence in making choices about allocating resources among competing programmes for accomplishing specific national defence objectives. Its ultimate goal was to provide operational commanders with the best mix of forces, equipment and support attainable within fiscal constraints.

As a system PPBS has had its ups and downs, but remains a valuable tool for justifying budget proposals by clarifying what they intend to deliver in terms of the quantity and quality of goods and services, and by defining resource allocations based on expenditure levels appropriate to achieving the planned results. At the end of the planning cycle it will also be possible to determine whether what has been achieved has been worth the cost. In this manner the system provides an important underpinning for transparency and accountability with regard to parliament and public opinion.

McNamara had the advantage of growing defence budgets, which allowed him to honour established priorities. At times of shrinking budgets, however, PPBS tends to produce lists of unfunded priorities,

which can be realized only when other programmes are delayed or specific allocations become available. In Europe, countries like Germany and Romania have experienced periods of defence planning for the realization of which the available defence budget was insufficient.

It is a major task of the Chief of Defence Staff / General Staff to produce a consolidated plan, incorporating the requirements of the different services within the available financial resources. He should be the "corporate planner" who gives everybody in the system a fair share. That remains one of his most difficult jobs, even more thankless when cuts have to be made. Then his attention shifts to the "posteriorities", the activities which could be abandoned with the least damage to the overall defence effort. Usually, their consideration is the subject of considerable bickering, for a posteriority for one might be an unacceptable cut for others.

In principle, accountability in defence and security should resemble general practice throughout the government, particularly by providing an adequate level of budget detail, but there are obvious exceptions. Although it should be possible to indicate budgetary lines for the intelligence services, details of their work will have to be kept confidential. That need is enhanced by the coalescence of internal and external security, largely on account of the emergence of terrorist groups and organized crime. Currently, we are all faced with the dilemma of simultaneously maintaining individual liberty and public security, which has an implication for the administration of justice but also for the application of transparency in the conduct of government business.

Accountability applies politically to the relationship with parliament and financially also to the national Court of Auditors and internal accounting procedures within the Ministry of Defence. In many countries we now have Public Information Acts, which allow individuals, but more often the media, to seek information on policy decisions and the way they have been arrived at. These are important supplements to written and oral questions which parliamentarians can ask and round off the basic elements of parliamentary democracy. Governments should reveal, explain and justify their policies and plans. They should reveal what they want to do and explain and justify them publicly in a debate, both in parliament and in the media, in which their priorities are assessed and possible alternatives evaluated. The more transparency and accountability, the better the chance of maintaining public support for the military.

The rule of law

Application of the rule of law has become a major criterion for judging the democratic character of a state and its eligibility to join organisations like NATO and the EU. Of course, laws are important, but the way they are arrived at is even more important. Autocratic systems also produce laws, but they have little or no legitimacy in comparison with the legislation of pluralistic democracies. The 'role' of law is to protect the security, property and human rights of the citizen, to provide a basis for settling disputes peacefully, and to restrain the use of political power by subjugating government authorities to the law. Elements of a complete rule of law system are:[5] [1]

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[5][1] See Voorhoeve, Joris, *From war to the rule of law. Peace building after violent conflicts.* Scientific Council for Government Policy (WRR), Amsterdam University Press, 2007, p. 91-92.

- an independent judiciary
- independent human rights institutions
- government powers that are determined by the Constitution and/or laws
- free and fair elections
- transparency and accountable access to political power
- police and detention systems whose powers are defined precisely by laws
- military and security systems that function under the law
- access to justice through competent and affordable lawyers, and no prohibitive levies or delays which discourage seeking justice.

In addition to these elements, Voorhoeve distinguishes eight different functional requirements which have to be met:

- all laws are applied equally to all citizens, without discrimination based on legally irrelevant personal or group differences among the citizens
- the right to fair trial is guaranteed to all
- there is no arbitrary detention, no torture and cruel, inhumane treatment of detainees/ prisoners
- all laws are openly promulgated and can be scrutinized by the citizens and their legal aids
- there is no retrospective application of penal laws
- the judiciary is professional, intellectually independent and impartial
- authorities derive their powers from laws; their policies, decisions and implementation are also under the law
- all law enforcement agencies are given adequate means to perform their tasks.

The working of parliamentary democracy.

A major shortcoming in many parliamentary democracies is the gap between legislation and implementation. Governments draft laws, parliaments amend and approve them, but few pay any attention to the way they are implemented in practice. Did they reach the results intended and, if not, why not? The Netherlands parliament devotes a Wednesday in May to reviewing progress in spending the budget for the purposes earmarked, popularly known as "minced meat day" because of the many anomalies it reveals. This indicates how difficult it is in a complex economy to plan and budget properly. It is even more difficult to assess the long term effects of legislation. Much is to be said for sunset-clauses or for periodic review to improve or repair weak points. The need for such assessments is increasing on account of the competition between political parties, which after each scandal or accident clamour for new controls, often based on headlines in the morning papers. Some sound thinking seems to be in order, for ultimately the citizen will be more interested in a balanced approach in which bureaucratic controls are kept to a reasonable minimum. Ideally, the solution would be to aim for self-regulation among the professional organizations involved.

A particular problem in defence spending is the need for equipment to be sturdy and long lasting, sometimes up to forty years. This means that new purchases have great implications for the future of the armed forces, which militates in favour of equipment having growth potential and being able to be updated in "mid-life modernization" programmes. Equally important is the assessment of "life cycle cost" in comparing alternative equipment solutions. Here transparency becomes particularly

important, for the full cost of new equipment should be revealed, including necessary adaptations in infrastructure, spare parts, personnel and training. It simply is not sufficient to count only the cost of the new hardware. But who will be the judge of these calculations? It cannot be left only to the service which requires the new armament, but rather in combination with the second opinion of an independent body.

Another consequence of the lengthy life cycle of military equipment is the long term claim an individual decision places on future defence budgets. This impact is even greater where major purchases are concerned, which are not delivered and paid for in a single year and may be stretched over a decade or more. Then parliamentarians will need to watch closely how much money is available for new spending. In the recent past we have seen examples in Germany and Romania of defense plans which exceeded future budgets.

Transparency has become more diffuse with the increasing tendency to privatise functions within the defence establishment, functions which in the past were regarded as belonging to their core business. The downsizing of the armed forces has led to a concentration on combat capability and the, sometimes mistaken, conclusion that certain functions would not require permanent availability under operational conditions and could more cheaply be delegated to private companies. Examples are to be found in the field of catering and logistics but also in private security companies. The same phenomenon occurs elsewhere in government, where political decisions to reduce the number of officials usually led to the creation of other implementing agencies and consultancy contracts .In defence, privatization ranges from catering, maintenance and logistics to private security companies performing guard and surveillance duties. DCAF has done important work on this subject and particularly on the question of who is responsible if things go wrong.[6] [2] A rule of thumb should be that the defence organization remains accountable. In terms of possible corruption there is a double problem: the awarding of the contract might have been subject to preferential treatment, and the company selected might resort to corrupt practices in the conduct of its business.

A model sequence of defence procurement.

Defence procurement never is a single decision, but involves several stages. Starting with a national strategic concept or similar policy document, military requirements have to be formulated and priorities defined among proposals from the different services. A budgetary envelope for the life cycle costs of the project will be defined. Then the market has to be explored to see whether the equipment sought is readily available, or will have to be developed or modified. Exploratory contacts with suppliers follow and a short list of possible alternatives will be drawn up. Negotiations will follow regarding price, delivery schedules and compensation arrangements, which will emanate in a preferred choice with whom detailed contract negotiations will conducted in order to clinch the deal. Each of these steps lends itself to transparency and parliamentary scrutiny.

Military requirements are the outcome of a process in which past experience, new strategic and tactical insights, new technological possibilities, and the capacities of potential adversaries are

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[6][2] Fred Schreyer and Marina Caparini, *Privatising Security: Law, Practice and Governance of Private Military and Security Companies.* Occasional paper No. 6, DCAF, Geneva 2005.

taken into consideration. Operational research and war-gaming have become new tools. The process usually starts with the plans and policy section of the staff of the armed service concerned, but the need for integrated force planning tends to increase the role of the Defence Staff. In the past, a weak spot used to be insufficient contact between the various sectors: operational, research and technology, and procurement. It became clear, therefore, that internal transparency was as important as external transparency.

The NATO defence planning process had the great advantage that the Supreme Allied Commander formulated Force Proposals as guidance for national planning with the aim of building a coherent collective defence. Today, that aim remains but has largely been superseded by a selective approach to international crises, leading to the formation of 'coalitions of the willing' within or outside the Alliance. Defence policy not only has become an element of security policy, but also lost an important cohesive element by the uncertainty with whom peace support operations would be conducted. As a result, the incentive of multilateral standardization of equipment did not get the push originally anticipated. At the same time, the new demands of intervention and more recently of a-symmetric warfare have made it very difficult to quantify future requirements. flexibility and mobility have become new catchwords, which were difficult to translate into objectively justifiable needs. Much depended on the level of ambition countries set for themselves and their willingness to take responsibility for operations which were not directly aimed at defending territorial integrity and independence. Moreover, the increased threat of terrorism has had the double effect of linking internal and external security and deflecting the emphasis on High Tech capabilities in a process of transformation. Soldiers on foot had to risk their lives and needed protection against mines and other explosive devices. Several countries had to change their procurement programmes drastically in the light of new experience, which included heavy wear and tear on equipment.

The military profession has changed as well. It has become more dangerous, more demanding in terms of absence from home and more multi-faceted in having to deal with the whole spectrum of conflict, stabilization and reconstruction. This means that a Ministry of Defence will have to devote much more time to training for an enhanced set of duties, but also in explaining the purpose and conduct of an operation, which is taking place far away in unfamiliar lands and likely to be of long duration before tangible results can be achieved. Special care will have to be given to contacts with the home front of the soldiers and to dealing with stress symptoms of returning personnel. The more the military have to act in the role of the 'guardian soldier' in peace support operations, the more they are entitled to maximum attention to their physical safety. On the whole, our populations have accepted that operations in Iraq and Afghanistan will entail casualties, but with every dead body they will also want to know more about the purpose and rationale of the action and whether the share their country takes is proportional to the efforts of others.

Defense also has become more political. In collective defence the military would have taken, but peace support opeations have a predominant political component. This is also reflected in the new dimension of contacts with the media. During the Iraq operation of 2003 journalists were "embedded" with the fighting forces, but in the subsequent phase of guerilla warfare and road-side bombs they were able to roam around more freely, sometimes at their peril. In doing so, they obtained stories and impressions of their own concerning the nature of the conflict and the way in which our soldiers are doing their job, which in turn will impact on domestic support for the operation. What happens today will be on our television screens at home in the evening. Consequently, transparency with

regard to the media, both at home and to their correspondents abroad, also about negative experiences acquires a new significance for maintaining the credibility of our policies..

Parliaments and procurement

The degree of parliamentary involvement in procurement decisions varies greatly. Germany excels in a line-by-line examination of the budget. The Netherlands have adopted a model sequence for the entire process, from start to finish. The first communication is sent to parliament when the operational requirement has been defined in general terms: the type of equipment, a general indication of the numbers needed in replacing old equipment, the estimated cost of the project and how the expenditure would be spread over the years.

Once the Defence Committee 'takes note of the document', which means that it is not rejected, the next phase concerns preparatory studies on a number of subjects. The operational requirements have to be translated into technical specifications. The market has to be explored and an exhaustive list of all possible suppliers drawn up. If there is nothing available in the near future, plans have to be drawn up for a development phase in cooperation with industry and, where possible, with other interested countries.

The third step is a thorough study of the information provided by interested suppliers. Are they able to meet the specifications or do they suggest alternative ways of meeting the requirements? Is their equipment in use by other countries and what is their experience regarding performance? What are the possibilities for co-production and offset arrangements. The study should lead to a short-list of alternative suppliers.

The fourth phase concerns preparations for the acquisition on the basis of negotiated offers, possibly accompanied by field trials. The armaments directorate will compare them on the basis of a range of criteria. If several offers meet the criteria, other elements will be introduced in the comparison, like gradations in military effectiveness and safety of personnel. Concurrently the Ministry of Economic Affairs will negotiate co-production and, when necessary, compensation outside the project concerned. Over time, parliament has become more demanding and insists on compensation contracts with domestic industry for every defence dollar or euro spent and sometimes even more. In this phase some of the information might be classified, especially when it concerns weapon characteristics. The need for secrecy should not be exaggerated, however, as most of the information parliamentarians need can be found in professional journals. If there remains a need to know, confidential briefings will be arranged.

The final phase, the decision, is subject to intense lobbying, involving media, parliamentarians and think-tanks. Decision makers are invited to visit factories or attend demonstrations. This is also the phase in which everybody has to be extremely careful not to accept favours which might be seen as influencing their judgment. Practice varies how authority is obtained to sign the final contract, sometimes preceded by a letter of intent. In the Netherlands contracts below € 5 million are left to the service concerned. Up to € 25 million the projects have to be included in the overall defence plan submitted by the Chief of the Defence Forces to parliament in his role of corporate planner. Between € 25 million and € 100 million the requirement has to be approved by the parliamentary

committee, but further execution is mandated to the serve, unless the project has been qualified as 'politically sensitive'. Contracts of higher value need parliamentary approval before signature; above € 250 million they require approval by the full Cabinet before they are submitted to parliament.

A model sequence along the above lines is practiced in only a few NATO countries. The record is not bad in terms over scrutinizing legislation, but less good on controlling the executive. Only in Germany, the Netherlands, Norway, and the UK the Minister of Defence was obliged to provide information to the Defence Committee on procurement decisions above a certain amount. In all these countries except the UK he needed parliamentary consent to conclude the contract. Involvement of the committee in specifying the need for new equipment is provided for in Canada, the Czech Republic, France, Germany and the Netherlands. This extends to the comparison of offers and the selection of a producer in the Czech republic, the Netherlands and Norway. Only the Czech and Netherlands parliaments reported involvement in the assessment of compensation and off-set arrangements.[7] [3]

Closely connected with the quality of parliamentary scrutiny is the availability of qualified professional staff. Rarely do parliaments instigate research of their own to challenge official views, although hearings are organized more frequently. Only the French and German parliaments have people in their research services who work specifically on defence subjects and assist the members.[8] [4]

To the extent that parliaments have staffers for defence and security, they will rely heavily on the monitoring work and analysis of independent institutes, think tanks and non-governmental organisations. At the international level the SIPRI Yearbook on Armaments, Disarmament and International Security has established itself over the years as an indispensable tool for following military expenditure, arms production and international arms transfers. At IISS the Military Balance and the Strategic Survey are equally important. The EU Institute for Security Studies in Paris publishes an impressive array of Chaillot Papers [9] [5] and Occasional Papers on issues connected with the CFSP, and brings together the directors of the many national institutes in an annual 'State of the Union' meeting with Javier Solana. DCAF has extended its original scope of democratic control of armed forces to the wider issues of security sector reform and good governance. Its handbook for parliamentarians and the sourcebook on defence institution building devote considerable attention to transparency and accountability in the processes of arms procurement. Among the NGO's Transparency International and SaferWorld should be mentioned.

The European Council established the European Defence Agency in 2003 with the following objectives:

- to contribute to identifying member states' capability objectives and evaluating observance of their commitments;
- to promote harmonization of operational needs and the adoption of effective, compatible procurement methods;

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[7][3] See my Occasional Papers no 2 and no 5 for DCAF. No. 2 of October 2002 contained parliamentary responses to a questionnaire. Other parliamentary procedures might have evolved since.

[8][4] See DCAF Occasional Paper No. 5 (2005) p. 13-14.

[9][5] See Chaillot Papers by Burkard Scmitt, No. 59 *European Arms Cooperation, Core documents,* and No. 63 *The European Union and armaments. Getting a bigger bang for the Euro.*

— to propose multilateral projects, ensure coordination and manage specific programmes;
— to support defence technology research and coordinate and plan joint activities and the study of technical solutions meeting future operational needs;
— to contribute to identifying and, if necessary, implementing any useful measure for strengthening the industrial and technological base of the defence sector
— and for improving the effectiveness of military expenditure.[10] [6]

In the three years of its existence the EDA has produced some positive results. The European defence market has been facilitated by the publication of a bulletin of national plans and tenders, but trans-border tendering remains very limited. A voluntary code of conduct aims at reducing the impact of Art. 296 TEU which excludes defence material from the EU internal market. Unfortunately, on research EDA was a near-failure. Before the end of its activities the precursor of EDA, the Western European Armaments Group, had for € 300 million joint projects running, but these have not been continued. The joint investment programme only amounted to € 54 million and gave rise to discontent over the rules of the game as far as intellectual property was concerned.

The European Commission – Commissioners Verheugen and McCreevy – announced two directives: one to regulate the rest of the market which did not fall under a limited interpretation of Art. 296, and one to facilitate transport from one EU member country to another. The Commission repeated that restructuring of the European Defence Equipment Market was essential if it was to survive in a globalizing world. It will be interesting to see how the European parliament will deal with these directives. Several countries, including France and the UK, dispute the competence of the European parliament (and of the European Commission) to deal with intergovernmental issues like the Common Foreign and Security Policy and the European Security and Defence Policy. High Representative Javier Solana regularly keeps the Parliament informed, but debating these issues remains a delicate matter. Draft directives from the Commission will be another matter. The Assembly of the Western European Union remains the only functioning body of the WEU since the Treaty of Amsterdam transferred its functions the EU. Its reports continue to be of high quality, but the absence of a dialogue with a Council has placed the Assembly in limbo. Consequently, parliamentary scrutiny of the CFSP and the ESDP is rudimentary, which poses the question: who controls them?

Corruption

In the words of the American scholar Joseph Nye "Corruption is behaviour which deviates from the normal duties of a public role because of private pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence. This includes such behaviour as bribery, nepotism and misappropriation". Corruption concerns both the breach of rules governing public office and the infringement of non-codified, widely accepted ethical norms. Some of these norms develop over time, such as the illegality of party financing. Alternatively, it is possible to give a more market-oriented definition as an exchange of money for decisions (the asset), which private actors seek to acquire (demand) and public agents are willing to sell (supply) by avoiding being caught (liability). A third approach focuses on the public interest and sees corruption as deviant

[10][6] See my *From words to deeds. The continuing debate on European security.* CEPS/DCAF, Brussels/ Geneva, 2006. Chapter 7 "Towards an EU Armaments Agency".

behaviour which subjugates public interests to private gain. Corruption grows where public ethics have degenerated, where there are no clear rules through which the public interest is pursued, and where public or private activities lack proper modes of regulation guaranteeing due process and fairness.[11] [7]

Corruption is a transnational and global phenomenon, which poses a latent threat against orderly government and the rule of law. It channels resources intended for public purposes into private pockets and seriously distorts decisions and daily actions by government officials. Corruption is often associated with the buyers of equipment and the recipients of development aid, but it also is a serious weakness among many suppliers and donors. The prevention of corruption has been recognized as a responsibility of all states, non-governmental institutions and private companies. The UN Convention against corruption of 2003 was signed by 140 states and entered into force after ratification by at least 30. It regulates recovery and restitution of assets which have been acquired through corruption, but obviously the proof of the pudding remains in the eating, i.e. the vigorous application by the signatories and their legal systems.

At the Doha ministerial conference of the World Trade Organization in November 2001 ministers recognized the case for a multilateral agreement on transparency in government procurement and agreed that negotiations would take place after the Cancun conference of 2003 "on the basis of a decision to be taken, by explicit consensus, on modalities of negotiations". The developing countries made clear that these negotiations should not restrict the scope for countries to give preference to domestic supplies and suppliers. At Cancun no agreement was reached on the start of the negotiations and the matter was referred to the General Council, which in August 2004 agreed that this issue would not form part of the Doha Work Programme and therefore no negotiations would take place during the Doha Round. Since this decision the Working Group on Transparency in Government Procurement, formed in 1996 at the Singapore conference, has been inactive.

Good governance implies transparency in decision making and a minimum of corruption. The two go hand in hand but are not co-terminous. Before the start of the EEC there was a common saying in the north of Europe went that south of the 'olive border' – the line south of which olives were grown – different morals applied in terms of applying rules and paying taxes. Corruption is more engrained in some societies than in others. In some it is quite normal to pay for services rendered even if they concerns the regular task of the person involved. Those differences became evident in the processes of enlargement of NATO and the EU. Shortly before their entry into the EU the European Commission concluded that corruption was engrained in Poland and was a serious problem in Latvia and the Czech Republic. The accession of Romania was very nearly held up altogether because of deficiencies in the administration of justice. Bribes to poorly paid policemen in an attempt to avoid being fined are common practice in many continents.

Any institution, governmental or otherwise, with substantial outlays for goods and services is liable to corruption. This might take the form of kickbacks on the contractual payments, "commissions",

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[11][7] See Y.Mйny and L. de Souza, *Corruption: Political and Public Aspects,* in the International Encyclopedia of the Social and Behavioral SWciences, Pergamon, Elsevier, 2001, pp. 2824-2830. The quote from J.S.Nye is in his *Corruption and political development: a cost-benefit analysis.* American Political Science Review, Vol. 61(2) 417-427.

payments under the table which don't figure on the bills, favours outside the contract like holiday trips or other services, payments to political parties, and outright payments to sway the decision of influential individuals. Large scale corruption often takes place indirectly, through agents or other intermediaries, thus avoiding direct contact between supplier and buyer. There is no limit to human inventiveness and brinkmanship in finding ways to influence acquisition processes without being in outright conflict with the law. Therefore, clear rules are necessary on what is allowed and what is not, and where officials should draw the line in their contacts with suppliers.

There is no indication that people working in the field of defence are more prone to corruption than those in other government departments, but, of course, the defence budget is so large and involves so many people. Petty corruption seems to be more a problem for the police, who are in closer contact with the general public than for those working people in Defence. One area where officials and citizens meet in the area of defence is conscription and consequently corruption occurs in obtaining exemptions or deferrals or more attractive assignments. Similarly, defence officials might engage in commercial activities on the side by selling military goods for personal gain. But, unlike some colleagues in other governmental acquisition departments, defence personnel will not easily cheat on quality and durability of equipment, which might become a matter of life and death for their colleagues. Moreover, accountability has been regulated carefully, often in excruciating detail, and most defence departments have a special office within their procurement division to screen acquisition processes. To work effectively and without personnel pressure on their career perspectives, those offices will need to have an independent position outside the line of command.

The problem of corruption lies more in the lobbying by defence industries, which depend on obtaining major contracts for their very existence. Such contracts are few and far between, sometimes constituting the "buy of the century", but always the result of innovative and costly research and development. Much is at stake and sales campaigns are aggressive, both at the technical and political levels. Competition is particularly fierce when several offers meet the requirements and the decision will be swung by additional elements, including foreign policy considerations.[12] [8]

How should the political leadership and parliamentarians position themselves in this battle for honesty. One the one hand they need as much information as possible, but they should avoid being unduly influenced by any of the competitors. In a tendering process all potential suppliers should get equal treatment, at least initially. The political leadership of the department should avoid direct contact with their agents, but a minister or state secretary in charge of procurement should be allowed to visit a factory provided he visits all of the serious competitors. Parliamentarians are more free in their contacts, but would be wise not to visit production facilities on their own. In order to avoid any improper approaches, it would be better to organize visits by Defence Committees or at least for an individual to be in the company of defence spokesmen from other political parties.

Under a district system parliamentarians lobby for their constituency and important industrial activities located therein. In the U.S. this results in riders being attached to Defence appropriation bills, in

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[12][8] Transparency International makes the point that more than half of defence contracts are placed without competition, which usually means that the buyer does not get the best possible deal. Competition certainly will enhance transparency, but it is doubtful whether it will reduce corruption. Moreover, several countries support their 'national champions' in a process of consolidation deemed necessary for their survival.

other cases the pressure might be more discreet. To withstand such lobbying, which always concerns the preservation of job, ministers and their senior advisers will have to make a thorough analysis of quality and cost of their preferred solution if they have a chance of persuading parliament.

Fighting corruption has to focus on both the individual and the organizational level. Individual morality can be influenced by education, which should instill a sense of values at an early age. Organisations and corporations should establish codes of conduct and to clarify what they could accept from a supplier: a cup of coffee, a luncheon, a Christmas present, or nothing? Important progress has been made through the development of a code of police ethics.[13] [9] It should become a major item of the curricula of police academies, so that each individual officer internalizes value judgments. In training they should be confronted with concrete cases of moral dilemmas. An interesting case is the following: a commissioner of police is engaged in building an extension to his office. At the same time his wife wants a new kitchen? Would it be proper to have the same contractor do both jobs? Most people would answer no, because they would be suspicious of the price asked for the kitchen. But then a new element is introduced in the setting: both jobs have to be done by a contractor with security clearance and unfortunately there is only one contractor in the area who possesses such a certificate. Would this change your opinion and, if so, what safeguards could be applied to avoid any semblance of inappropriate connections? Of course, under normal circumstances, tendering for the jobs would be established procedure. The point of such a case-approach is that most people only become aware of complexities when they are taken through a logical process on the margins of good and bad practices.

Concluding remarks

The shift from collective defence to peace support operations has had a great impact on attitudes towards defence and security. Two factors militate in a positive sense: firstly, the increased link between internal and external security as a result of terrorism, organized crime and illegal immigration, and secondly, recognition of the need for a minimum of security before development or reconstruction can be undertaken successfully. More problematical is the inherently selective character of the national decision-making processes concerning participation in peace support operations. As a result of low preparedness to participate in risky operations, there are currently insufficient forces available for the ISAF operation in Afghanistan. Still worse, the varying conditions under which forces are contributed makes "constraint management" a continuing headache for the commanders. Although it will not be necessary for all members of NATO or EU to join in every operation, some scenario planning should be necessary in order to be able to react quickly to a crisis, The treaty of Lisbon might do that on the EU side and after the Bucharest summit of NATO a new strategic concept for the Alliance might be forthcoming under the new U.S. administration. At the national level, the decision to join an operation will require ever more careful preparation of public and

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[13][9] Appended to Recommendation (2001)10 of the Committee of Ministers of the Council of Europe, adopted on 19 September 2001. Paragraph 19 of the Code reads: "Police organizations shall be ready to give objective information on their activities to the public, without disclosing confidential information. Professional guidelines for media contacts shall be established". Paragraph 20 says: "The police organization shall contain efficient measures to ensure the integrity and proper performance of police staff, etc.". The Code does not define integrity, nor does it mention corruption. Such elaboration is left to the individual police corps.

parliaments. Adequate information and briefings of the relevant parliamentary committees is called for. On this point many European countries still have a long way to go. Most of them have adequate procedures for the budgetary and legislative processes, but many parliaments lack involvement in policy decisions. Yet, adequate information by way of frequent situation reports and briefings will be essential to prepare public opinion for the likelihood that most peace support operations will take longer than originally anticipated and be more costly in human blood and resources.

Finally, the international community will have to do better in coordinating the multitude of governmental and non-governmental organizations involved in crisis management. Our current way is not the most cost-effective and is bound to lead to criticism of wasted resources. Both NATO and EU will have to update their strategic concepts, which date from 1999 and 2003 respectively. The EU has concepts for Security Sector Reform, but neither NATO nor the UN has one. The lessons from Iraq and Afghanistan are that right from the start of a military operation plans have to be ready for the subsequent phases of post conflict stabilization, reconstruction, development and security sector reform in the wide sense of the words[14] [10]. These should not be seen as consecutive activities, but integrated in a comprehensive approach from the beginning. Otherwise our efforts are doomed to have temporary effects only and crises are bound to flare up again. This comprehensive approach should be reflected in the work of our governments and parliaments, bringing together the strands of security – both military and police - , justice, reconstruction and development. Thus we have a chance to muster continuing support for our defence establishments.

[14][10] Another notion obtaining currency is that of the 3 D's, standing for "Defence, Diplomacy and Development", which, however, needs some further explanation. In this context Defence should stand for the military role in the conflict phase, and Diplomacy for the wider area of negotiations, stabilisation and laying the foundations for good governance.

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ЧП Сувальдо В. Р.
91022, г. Луганск, ул. Лермонтова, 1-б.
Тел. 53-25-56, 53-33-60, факс 53-12-56, 53-40-81