

Building Integrity and Reducing Corruption in Defence

A Compendium of Best Practices



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Chapter 17

The Role of Government

The legitimacy of all governments ultimately depends upon public confidence in their ability to effectively and efficiently deliver public goods—in this case, defence capability—and uphold the public trust. By diverting public goods to private interests, corruption undermines that ability. It is in governments' self-interest, therefore, to lead in the fight against corruption. To be effective, anti-corruption efforts should complement broader reform strategies, like the development of a coherent policy, planning, programming and budgeting system (PPBS), with an eye to building the integrity of decision making. There must be a readiness to conform to best practices in transparency and accountability, such as providing timely information to defence leadership, parliament and the public. Effective internal control mechanisms should be in place, supported by easily applied administrative sanctions to correct malpractice in cases where criminal prosecution would be doubtful or disproportionate. Since modern defence management methods require considerable delegation of responsibility and authority, it is essential to invest in building the professional abilities and public service ethos of the relevant civilian and military cadre. Experience shows that with sufficient leadership and attention, the Defence Ministry and armed forces can set a positive example for the rest of government and society.

Corruption Risks

The main areas endangered by corruption are well-known. These include areas of major direct budget distribution: procurement of weapons, equipment, fuel, food and other supplies, infrastructure construction and maintenance, and research/technology projects. Another area with high corruption risk is disposal of surplus property and equipment, which can be knowingly transferred to the civilian sector at a cost far less than its worth. The areas of distributions and admissions offer substantial possibilities for corruption: housing allocation, selection for education (especially abroad) and assignment (especially to well-paid missions abroad). In conscript systems, a particular high risk area is exemptions from service or assignment to less difficult or dangerous occupations. Finally, the abuse of power and privileges provides opportunities for extortion from subordinates. Areas that deserve particular attention are those with limited oversight: flexible operational funds, restricted or "black" projects and projects re-sourced by foreign military missions (where the interaction of two countries' oversight systems might leave gaps).

Corruption occurs even in developed democracies, although it is for the most part an individual rather than systemic phenomena. In the MODs of young democracies, however, corruption is more often present on a systemic level. This can involve a

broad circle of perpetrators, both civilian and military, and may be linked more widely to corruption within society and ruling elites. Particularly vulnerable are areas where effective civilian management is not yet in place due to the absence of civilian experts (and thus are still under control of the military), a shortage of skilled and reliable civilian experts, or lack of good traditions and practices. Post-totalitarian regimes can face especially high risks due to large a number of defence-owned enterprises, huge volumes of redundant equipment and ill-conceived efforts to close budget gaps. Particularly damaging is the creation of non-budget “special” funds, which require the military to earn its own revenue to meet defence needs. These provide broad prospects and logical justification for corruption by openly promoting commercialization of the defence establishment.

Economic and social deprivation can also play a major role in fostering corruption. In the severe economic crisis that many post-Warsaw Pact states experienced during the 1990s, officers’ pay plummeted below subsistence to as little as \$30–50 per month. At the same time, there was a severe housing shortage and a meltdown of the once generous social support system. Servicemen faced stark choices: retire and try their luck in private business, moonlight at one or more additional jobs, or engage in corruption. Economic deprivation was accompanied by a drastic drop in social status, fed by a backlash against the ills of the communist militaries. As the social status and self-esteem of officers and professional non-commissioned officers degraded, so did their incentive for self-control. In some countries, this “survival period” lasted for a decade, during which corruption became deeply entrenched in defence institutions and the military culture.

Building Integrity in Defence Management

The goal of defence management is to efficiently and effectively deliver the defence capability needed to adequately protect society – the “public good” of the defence system. In democracies, this is closely linked to civil democratic control and public accountability. In other words, governmental structures and individual functionaries use public resources (taxpayers’ money) in a legal framework and under parliamentary, media and societal control.¹ Strengthening mechanisms for effective management, accountability and transparency naturally reduces opportunities for corruption.

Several basic principles can be applied to ensure integrity of decision-making processes, be they selection boards, tender committees or leadership decisions. To the maximum extent possible, these processes should be governed by written regulation. Such regulation should identify participants and their responsibilities (all major stakeholders should be included). It should define legitimate inputs (both in terms of appropriateness for consideration and ensuring accuracy) and decision-making crite-

¹ As compared with authoritarian or totalitarian regimes where the defence minister is often a uniformed general responding directly and solely to the head of state, who may also have a military background.

ria. It should also define legitimate outputs of the process, in terms of public good. Goals and objectives should be documented, approved by the official responsible for guidance and oversight of the process and transparent to all stakeholders. Decisions and their rationale should be set out in writing. Information should, in all but extreme cases, be equally available to all participants. To the maximum extent possible, outputs should be measurable and actions taken to assess performance and provide accountability. Vague, opaque procedures and blurry assessment and accountability are tell-tale signs of embedded corruption. The following paragraphs apply these principles to various areas of defence management.

Policy, Planning, Programming and Budgeting

Effective defence management links resource allocation as clearly as possible with the intended result, be it current operations, improved capabilities for the future or increased social protection for servicemen. This requires, in the first place, clarity and transparency on defence objectives—for example, the roles, missions and tasks of the armed forces—and on the measures that will be taken to meet them. These should be clearly set out in strategic guidance documents that have the greatest possible visibility within the defence system (in the UK, for example, through annual Defence Strategic Guidance approved by the minister) and transparency to the parliament and public (in Ukraine, for example, by an annual public “White Book” report on the status of the armed forces).

The development of plans and decisions on resource allocation (often referred to as “programming”) should be closely linked with the defence outputs defined by policy. Written planning and programming guidance should be drawn directly from strategic guidance documents, reviewed by MOD policy staff, and approved by the minister. Operational plans (current, contingency) and force development plans (organization, equipping, manning, training/education and infrastructure) should also be closely linked to resource allocation. In order to better make these links, many new democracies have implemented variations on the US-developed Planning, Programming and Budgeting System (PPBS).

The core element of PPBS is programming, which links resource allocation with planning over the mid-term (usually five years) and gives visibility on all inputs required to achieve specific outputs. Programming decisions then drive, rather mechanistically, budget development and implementation. Moving the centre of gravity for resource allocation to programming instead of budgeting significantly improves system integrity. Programming brings a far greater number of players to discussions on resource allocation and improves internal transparency. The five-year programming window allows better assessment of the impact of resource allocations than a one- or two-year budget. Responsibility for allocating resources and accountability for achieving outputs is unified under program managers, who submit proposals to a senior-level Program

Review Board that includes a broad group of officials responsible for policy and implementation (as well as finance). This dilutes the monopoly that finance departments often have in budget-driven systems, where they often lead in both shaping budgets and distributing allocated funds in a less than transparent manner.

Normative and organisational arrangements should support the smooth transition from defence policy objectives and long-term plans to defence programmes, and then from programmes to budgets and implementation. Box 17.1 provides an example of an organisational solution intended to guarantee that short-term plans, including the defence budget, and implementation activities clearly correspond to defence programmes, thus preserving the integrity of the resource management process.

Box 17.1. Organisational Solution to Consistency of Planning Disciplines and Processes

Defence ministries in many post-totalitarian countries, inspired by the US experience, attempt to enhance their resource management systems through introduction of Planning, Programming, and Budgeting Systems (PPBS). PPBS, when properly implemented, are a powerful management tool with the potential to provide for substantial increase in the transparency of the decision-making process and the accountability of “line managers.” The Ministry of Defence of Bulgaria, for example, has applied a program-based resource management system since 2000.

On the other hand, organisational resistance to the introduction of such new management tools is not rare. Combined with limited knowledge and weak leadership, it often leads to overwhelming challenges: how to provide for effective interaction among planning disciplines, how to guarantee that programmes lead to the achievement of defence goals and objectives, and that financial and procurement management is clearly in line with approved defence programmes, etc. In particular, when defence ministries have to deal with growing operational demands or are under financial duress, budgeting and procurement decisions follow a logic that often differs from the rationale of the defence programmes. That inevitably leads to a loss of transparency and blurs accountability.

In August 2009—in its first month in office after parliamentary elections—the leadership of the Ministry of Defence of Bulgaria made one organizational change: it created a “Planning, Programming, and Budget” Directorate. Thus, it allocated to a single organisation the functions of long-term defence planning, programming and short-term planning for financial and material resources. This is seen primarily as an organisational solution to the problem of providing consistency between budgets, procurement and construction plans, on one hand, and defence programmes, on the other. Furthermore, this consistency is maintained even when circumstances change, thus preserving the transparency and accountability of defence resource management and lowering the corruption risks.

Personnel Management

People are the most valuable resource of the defence system, yet personnel management is often highly subjective. This subjectivity is magnified in systems where commanders are key players in every major personnel decision. Moving to a more centralised personnel management system can significantly improve the integrity and accountability of the process. This requires effort to standardize performance assessment by objective characteristics and the use of well-regulated personnel boards to assess candidates for promotion or selection for major assignments (e.g. command or professional education). Appointments to senior or highly sought after positions, like major command, long-term education abroad and positions of special trust and responsibility, should be subject to ministerial oversight. A top-level review board, including senior military and civil servants, can help ensure transparent and objective decision making. A more centralised system can also improve oversight and reduce corruption risk in processes like testing for initial officer's education, recruitment and exemptions from conscript service.

Equipment, Logistics and Infrastructure

This is perhaps the area of highest corruption risk due to the large amounts of money involved in acquisition, maintenance and service contracts. To ensure that procurement supports real operational needs, it is important to have close oversight and review of the entire requirements process, from designation of an operational need through technical specifications, tendering and quality testing of the delivered product. To ensure the efficiency and fairness of the system it is important to safeguard the integrity of the competitive system, including level tender conditions, bid evaluation procedures and contract drafts. Placing information on upcoming and ongoing procurements on the internet is a good way to improve transparency and promote increased competition. It also allows vendors to file a complaint if they feel unfairly excluded from a competition. "Single sourcing" or non-competitive purchases should be strictly limited.

Requirements and tendering committees can play an important role in building integrity by ensuring internal transparency to major stakeholders. Special regulations should require that members of tender committees disclose conflicts of interests and recuse themselves from participating in relevant deliberations and decisions. To ensure better application of safeguards, it can also be useful to limit the number of procurement officials and bidding committees. Information on previous misconduct by tender participants and their possible blacklisting can also help ensure the integrity of the process (see Box 17.2).

Box 17.2. Cleaning up Public Procurement: Publishing Misconduct & Administrative Debarment

Publishing contractor misconduct can play an important role in helping to maintain the integrity of public procurement. In the United States, since 2002 the non-governmental Project On Government Oversight (POGO) has maintained a Federal Contractor Misconduct Database (FCMD) that includes over 750 instances of misconduct including fraud, antitrust, environmental, securities and labour law violations since 1995. It also matches that list against the top 100 federal contractors. The US National Defence Authorization Act for Fiscal Year 2009 has a provision to establish a database of information regarding the integrity and performance of federal contractors and grantees, modelled after the POGO database, although not accessible to the public.

It is useful to note that 25 of the top 100 contractors in the FCMD have no known instances of misconduct and 14 of the contractors only have one instance. Thus, 39 of the top 100 government contractors do not show a pattern of misconduct, belying the myth that any company big enough to do business with the government will inevitably have multiple instances of wrongdoing.

The government of the Czech Republic has recently gone one step further, introducing in its latest anti-corruption program the instrument of barring certain companies convicted of corrupt activities from participating in public contracts (i.e. blacklisting). This measure has long been championed by the Czech branch of Transparency International, which considers that it would provide an important administrative measure to purify the market of those companies that corrupt it, pending the completion of investigations and prosecutions. It would also create a credible deterrent for other potential wrongdoers. A 2007 report lists recommendations for the success of the debarment program, including: public availability of rules; the binding nature of the blacklist for all procurement; a fair process with equal conditions applied to all; and strictly administrative penalties, with the goal of encouraging reform rather than inducing bankruptcy. The report also recommends that blacklisting should be a part of a more complex strategy of anti-corruption measures in public procurement: observation of the codes of ethics of public contracts, integrity pacts, whistleblower protection, leniency programs and other measures.

Sources: "Project on Government Oversight Releases New Federal Contractor Misconduct Database," *Ethics World* (15 October 2008), www.ethicsworld.org/publicsectorgovernance/publicprocurement.php#pogo; "TI Czech Supports Blacklisting to Clean Up Public Procurement. Report provides key conditions for blacklisting to be successful," *Ethics World* (11 December 2007), www.ethicsworld.org/publicsectorgovernance/publicprocurement.php#blacklisting.

Disposal of surplus equipment and infrastructure introduces additional challenges to integrity. Here the challenge is to effectively assess whether an item is actually surplus and, if so, its worth. Open auctions with good transparency on items to be sold can help ensure that MOD extracts the maximum possible value from surplus items. Countries with significant surplus may wish to establish specialized departments to

manage the process of transfer or disposal, thus removing MOD from the role of auctioneer.

Inspection and Audit

Effective inspection and audit systems play a major role in deterring potential corruption by providing a real chance of detection and punishment. Even in the absence of corruption they are important tools to ensure effective and efficient use of scarce resources and the integrity of the defence management and decision-making systems. These can include both inspections for legality, such as those usually performed by inspector generals, or checks by audit bodies on the efficiency, effectiveness and integrity of processes. Measures to strengthen inspection and audit can include increasing the number and professional preparation of inspectors, refining procedures and increasing powers, and better use of information technology.

Transparency and Accountability

Transparency of information and accountability to higher authority are significant instruments to build integrity and deter corruption. Traditional methods of external transparency include public white papers and reports to parliament (see chapters 18 and 21). These are important tools to limit officials' frequently all-too-convenient use of secrecy to avoid accountability. Secret categories or projects should be used in only the most urgent circumstances and with appropriate (classified) oversight. Transparency and public accountability can also be developed through innovative relations with civil society, like establishing civil advisory boards and including board members in ministry business. Such direct contacts between the defence establishment and civil society can also help ensure that the political elite stay accountable to the public for its defence policy.

Equally important is transparency inside the ministry. Internally, horizontal transparency promotes inclusive, effective decision making. It also has a deterrent effect on corruption by distributing information within a peer community that is most likely to detect and potentially act against wrongdoing. Proper application of management principles will also promote vertical transparency, with accurate information passed up the chain of command in sufficient detail to provide a clear picture without overwhelming leaders' ability to adsorb it. Such practical transparency has the added benefit of making accountability more relevant.

Professional Cadre

Equally important to building integrity of decision-making processes is building integrity within the professional cadres—civil servants and professional military—that are the implementers of those processes. In the context of democratic civilian control it is civilian (rather than military) authorities within MOD who take responsibility for the state of national defence and lead in major policy development, administrative control, legal support, procurement and budgetary functions. This allows the uniformed military to

focus on their indigenous business of training troops, operational planning and conduct of operations. Notwithstanding their public trust, senior civilian officials present a significant corruption risk, particularly in transition countries where they may be intertwined with corrupt political and societal elites.

A key element to effective civilian control is the development of a cadre of civilian experts in the MOD who can serve as professional intermediaries between the military and the government and society. The fostering of a public service ethos within this cadre is a powerful tool in building integrity, albeit one that takes time, particularly for post-totalitarian states where corruption has become deeply entrenched in society. The observations made by the German political scholar and sociologist Max Weber over 90 years ago are still valid today: "Modern bureaucracy in the interest of integrity has developed a high sense of status honour; without this sense the danger of an awful corruption and a vulgar Philistinism threatens fatally. And without such integrity, even the purely technical functions of the state apparatus would be endangered."² On the other hand, fostering "honour sense" within the professional civil service will provide a degree of inoculation even against senior-level misdeeds.

Professional training in defence management can be an important tool in building this public service ethos. It is particularly effective in the context of international cooperation, which helps build a sense of belonging to an international community with its own norms and practices. Programs like NATO's Defence Institution Building and the NATO-Ukraine Professional Development Program provide good examples of successful efforts. Recruiting personnel from outside the current defence establishment can also help to build a public service culture. Experience shows the importance of steps by senior leadership to establish new norms and standards – and to implement these standards by personal example.

Constructive tension between the military and civil service, with different roles but a common civil service ethos, can be of particular value in ensuring defence integrity. In many countries, the military is considered to be one of the least corrupt institutions. According to Transparency International, "The 2007 Global Corruption Barometer (GCB) shows that the military is held on average in higher regard than all other sectors of society – except religious groups and civil society organizations (CSOs)."³ If the armed forces is provided with sufficient compensation to eliminate "corruption by need" and is removed from economic areas where "corruption by greed" is most tempting, then it has the potential to maintain an independent culture of integrity. If allowed to exert their professional voice within the decision-making system, the military can play an important role in promoting integrity throughout the defence system and government more widely.

² Max Weber, H.H. Gerth and C. Wright Mills, *From Max Weber: Essays in Sociology* (New York: Oxford University Press, 1958), 88.

³ Transparency International, "Addressing Corruption and Building Integrity in Defense Establishments," TI Working Paper #2 (2007), 2.

It goes without saying, however, that no defence system is immune from the ills of society, including corruption. Effective sanctions for misdeeds, particularly administrative measures that can be applied quickly to restore system integrity (rather than strictly to punish) are an important tool for the MOD to enforce a stricter standard than that observed by society at large.

Box 17.3 provides an example of how the principles discussed above have been applied in the particular case of Ukraine's post-Orange Revolution reformist government.

Box 17.3. Ukraine's Integrity Building Effort Post-Orange Revolution (2005-2007)

Before the end of 2004, Ukraine was a transitional, quasi-democratic state suffering from widespread corruption that permeated the government, including the Defence Ministry. Corruption was especially bad in departments related to the appropriation of scarce budgetary funding: logistics, acquisition, medical support, disposal of redundant ammunition and equipment, demilitarizing of surplus land and infrastructure, R&D orders, communication, maintenance and construction, etc. Corruption was also felt in the distribution and selection processes: education, career promotion (for "good" positions or "good" places of service), distribution of housing – even in training and selection for peacekeeping missions and in education abroad.

The Orange Revolution of November–December 2004 did not immediately repair the country's ills but it did allow more democracy. Two aspects in particular had a healthy effect on countering systemic corruption in the Defence Ministry. First was true freedom of expression, greater transparency and higher expectations, which improved public oversight. Second was the arrival of many honest, responsible professionals, untainted by corruption, to positions of responsibility in the Defence Ministry (and the government more widely).

A new team of civilian leadership arrived at the Defence Ministry in February 2005. Much of this team was retired military with experience in the think tank community or the commercial sector. There they found a number of officials with high potential but who had lost motivation in what was an unexpectedly poor professional environment. The new team, under the leadership of Minister Anatoliy Grytsenko, took a number of quick steps to unlock this potential by establishing new norms and standards. The strategy that he implemented included the following elements:

Strongly discourage corrupt behaviour. Officials implicated in corruption were immediately suspended from executing their duties, pending investigation. External agencies were brought in to help with investigations, in particular military counterintelligence (in the Security Service) and Interior Ministry anticorruption bodies. When investigations proved wrongdoing, the MOD took quick action, using its own authority where possible to force resignation, dishonourably discharge, reduce military rank, etc. Over a dozen general officers and many more senior officers were thus removed during the first few months of 2005. In many cases, files were then transferred to the Prosecutor General's Office for criminal procedures. The principle of immediate responsibility, regardless of status or rank, continued through Minister Grytsenko's tenure (until Dec 2007), with the dismissal of officials as senior as a deputy defence minister and a service commander.

Streamline defence management processes. Streamlining procedures improved management and reduced risks of corruption and misappropriation. In some cases, optimizing practices eliminated opportunities for corruption; for example, the decision to assign complete, pre-existing units to peacekeeping operations removed local mobilization departments' lucrative role in selecting servicemen for well-paying peacekeeping assignments abroad. Planning and budgeting improvements included steps toward implementing a PPBS system, better procedures for developing strategic guidance documents and the creation of a special "ad hoc" budgetary commission. That commission brought senior MOD and General Staff officials responsible for policy, planning, operations and finance together under the chairmanship of the first deputy minister to provide timely strategic input for drafting and implementing the budget. A similar top-level board helped to increase transparency and accountability for critical personnel selections, in support of a transition from a *nomenklatura* to a more centralized personnel management system. The selection process for military educational institutions was also centralized, allowing for better supervision over candidates' testing and other entrance selection processes. Similarly, acquisition procedures were consolidated, with three bidding committees taking over responsibilities that had previously been executed by several dozen. Finally, a special department, with the head appointed by the government, was established to manage the transfer or disposal of surplus equipment. The MOD supported legislation that would relinquish its rights to sell surplus directly to buyers and pass the responsibility for auctions and other forms of transfers to authorized governmental agents. A key element of these reforms was to minimize the involvement of military personnel in economic activity.

Strengthen the system of inspecting and auditing. The authority and manpower of the inspection and auditing system was increased, with the key elements being the MOD Main Military Inspection, the MOD Main Control-Auditing Directorate and the General Staff Control-Auditing Directorate. Structural and procedural reforms to this system helped improve its effectiveness, as did efforts to attract the best personnel, increase their professionalism and safeguard their integrity. Finally, the ministry began to introduce modern computer-based administration and management systems that would allow for precise accounting and supervision of all financial, material and personnel flows.

Promote democratization and public transparency. For the new MOD leadership it was immediately clear that the struggle against corruption would require the strengthening of democratic institutions and increasing transparency in defence. A Civil Council (*Gromads'ka Rada*) was created, with over 70 representatives from different NGOs and think tanks, in order to provide for direct communication with civil society. This advisory body also had important supervisory functions; for instance, a member of the council was always present at the minister's regular reception hours, when citizens could address requests and complaints to the minister personally. Another example of transparency and accountability was the annual "White Book," which gave a detailed report to the Ukrainian public on major defence activity during the year. Finally, the ministry created officers' councils in brigades and in higher headquarters. These councils performed certain advisory and supervisory functions, as well as helping to build officers' sense of honour, dignity and intolerance to corruption.

The example of Ukraine's Defence Ministry in 2005–2007 demonstrates that energetic, concentrated and consistent efforts to fight corruption can produce significant results, even in an

environment of widespread corruption in other government departments and society. The key factors behind these results can be formulated in words like democratization and transparency, streamlining and concentration, leadership and teamwork, effective inspection and auditing, and quick and proportional punishment. It is noteworthy that NATO officials, while sometimes having reservations about the readiness of Ukraine as a whole to join the alliance, frequently admitted the success of Ukraine's Defence Ministry in reaching NATO standards.

The Defence Ministry's success at countering corruption, against a continuing high level of corruption in the country overall, came at a price. This price was the level of high-level supervision needed to ensure integrity. Too many decision-making responsibilities were placed at the level of deputy ministers and the minister himself, slowing processes and leading to near exhaustion of the MOD leadership and their support staff. This produced a big difference but to be sustainable in the long run, systemic changes in society and the creation of self-sustaining dynamics within professional cadre are needed.

Preventing Conflict of Interest

In order to ensure the integrity of government decision making, it is important to identify and eliminate conflicts of interest. This is important first of all for senior leaders and members of committees and boards (e.g. for tendering or assessing promotions) for whom disclosure and recusal requirements apply. This is also important for all uniformed and civilian officials – any one of which may have the opportunity to inappropriately influence decision making. Codes of conduct are a useful tool for preventing conflicts of interest in the broader sense. These may regulate such issues as (examples are drawn from the Polish code of conduct for relations with industry):

- Acceptance of gifts and other benefits (general rule: no gifts);
- Participation in industry sponsored events (limited to common events directly linked to signing or implementation of a contract);
- Presentation of defence goods and services by industry (direct presentations, no agents); and
- Renting of military property for external events (defence industrial lobbying prohibited).

Other regulations may define obligations relating to professional military service, for example:

- Prohibition on taking up additional work for the defence industry during military service;
- Obligations for all officers to submit asset disclosures; and
- Moratorium on defence industry employment (three years after the end of the service for military personnel involved in procurements or implementing contracts).

One of the aims of the Polish code was to eliminate “intermediaries” from the relationship between the Ministry and defence industry, often presenting themselves as “independent” experts, journalists and publishers but whose activities were non-transparent, unregistered industrial lobbying. Governments should demand that suppliers fully disclose the use of agents and intermediaries, their identities and payments, and the terms of their contracts. This is particularly important in identifying the possible improper role of current or former senior officials or family members in influencing government decisions.

Anti-Corruption Bodies

In addition to efforts aimed at promoting good governance, defence ministries have also found it useful to create dedicated anti-corruption bodies and strategies. Two principle approaches can be taken for establishing anti-corruption bodies in the ministry: enforcement and prevention.

An enforcement approach calls for the establishment of dedicated investigative bodies. These institutions have essentially law enforcement functions and carry out independent investigations into major fraud plots and organised crime. The MOD can also gain support from external agencies to more effectively investigate corruption.

The prevention approach calls for establishing a bureau for anti-corruption procedures and policy. This bureau may serve as a watchdog for general legislative processes in the ministry, analyzing proposed new regulations and procedures from the point of view of their legality, transparency, prevention of conflicts of interest and good governance. It may also provide independent expert advice to the minister or other officials, particularly in cases where the minister has been asked to approve actions beyond existing procedures, such as acquiring armaments based on urgent operational need. The bureau may analyse whether such proposals are legal, economical and well-justified, as well as recommend the correct and legal way to address them. The bureau can also advise officers and officials to help them stay compliant with regulations and codes of conduct. Dedicated anti-corruption bureaus also usually play a key role in developing and implementing anti-corruption strategies. Such bureaus can also help supervise key elements of the procurement process. Information on the Polish example is in Box 17.4.

Concluding Thoughts: Strategy & Sequencing

All too frequently, efforts to build integrity are reactive, implemented in response to scandals that exceed society's patience. While immediate action is called for to restore public confidence, the short timelines involved often result in a patchwork of actions and mixed results that may alienate the defence institutions. Box 17.5 gives one such example.

Box 17.4. Building Integrity – The Polish Story

According to the Transparency International Corruption Perceptions Index, in 2005 Poland was the most corrupt country within the European Union. At that time, the anti-corruption efforts of the Ministry of National Defence were quite inefficient, as they were in the whole of the Polish administration. On the positive side, many institutions were involved in counteracting corruption in defence; on the negative side, the anti-corruption activities of these institutions were completely uncoordinated. Many corrupt schemes were uncovered, a few officers and civilians were charged and a special report on corruption in defence was prepared for the minister. But despite the report, knowledge of corruption schemes was not used to carry out systematic changes. There was no focus within the ministry on preventing corruption, no anti-corruption policy was introduced and there was no integrity building program. In this environment, anti-corruption measures were ineffective.

Not surprisingly, corruption was a major issue in the presidential and parliamentary election campaigns in 2005. Following that election, the Polish Ministry of National Defence introduced an anti-corruption plan. This was driven by support from the minister at the top level, who appointed an experienced anti-corruption expert inside the organisation to develop and implement the plan. The Anti-Corruption Procedures Bureau, reporting directly to the minister, was founded early in 2006 as a new body with the mission of improving procedures for integrity and creating anti-corruption policy. Four civilians were employed, all from outside the defence sector and industry, in order to preclude any possible conflicts of interest. Most of them had an anti-corruption background from NGOs, local administration or the judiciary. The primary idea of its foundation was to anchor the anticorruption duties more firmly in the structure of the ministry.

Starting with practical reforms, the bureau decided to tackle corruption from the top, from the point where potential losses for the society were highest. The aim was to show the reforms as serious and reliable. To define our priorities we provided a short risk assessment to determine the highest corruption risk area with the emphasis on heavy potential financial losses and senior officials' engagement. As a result, we assessed public procurement of military equipment as the most important issue to tackle. It was less transparent than normal public procurement, consumed a significant part of the budget (c. 20%, more than €1M/year) and engaged top management of the ministry and armed forces.

Reform of the procurement system comprised several elements, including:

- Increasing transparency by putting information on planned, ongoing and finished procurements on the web;
- Extending the use of electronic auctions;
- Enhancing quality assurance, including additional tests of the Rosomak armoured vehicle, for which ballistic resistance had not been properly tested previously during the procurement process;
- Preventing conflicts of interest of the tender committee members through additional regulations;

- Promoting more competition through the limitation of single source procedures to the well-justifiable cases; and
- Preliminary auditing by the bureau of key procurement documents, such as technical requirements, tender conditions, bid evaluation procedures and contract drafts.

In addition, a new code of conduct for military and civilian personnel in relations with the defence industry was developed, containing general commonsense principles and detailed regulations such as a “no gifts” policy and a policy of no cooperation or participation in events sponsored by industry.

The bureau also started cooperation with Transparency International (UK), introducing some elements of Defence Integrity Pacts—which introduces oversight together with the independent review of equipment specifications and contracts—into a tender for the acquisition of VIP jet aircraft.

As a result of these reforms, today the Polish Ministry of Defence buys equipment of better quality for less money. Procurements are better prepared overall and more focused on buying capabilities and not just goods. Poland’s lessons learned are applicable to other countries and we found that even small changes in key points can have a major impact. Building integrity and reducing corruption risk is not an insurmountable task if tackled coherently.

On the other hand, a well-targeted, proactive strategy can help prevent scandals—and mitigate the need for ad hoc responses. Box 17.6 sets out an example of a road map for developing such a strategy.

Officials tasked with developing and implementing such a strategy should take into account the real conditions of society and institutions not to dilute efforts but to target them realistically. Even the term “anti-corruption” should be applied cautiously, particularly in situations where officials may perceive corruption as essential for their livelihood or even for their legitimate professional activity; for example, supply officers are legendary for using barter and informal agreements (often encouraged by commanders) when the formal supply system is unable to provide crucial parts in a timely manner. Attacking such barter arrangements without improving the system that makes it necessary will be considered by many officials as counterproductive at best and hostile at worst.

This suggests a three-tiered approach. The first tier addresses what British scholar James Sherr has called (in the case of Ukraine) the “realistic and urgent goal: creating a state of affairs where corruption is a matter of choice rather than a necessity of life.”⁴ This should be combined with measures that protect junior personnel from being pressured into joining “corruption pyramids” where they are forced into corrupt schemes and a portion of their gains passed to senior officials. The second tier looks to streamline procedures and improve management and governance. Focusing on *improving*

⁴ James Sherr, “Ukraine and NATO: Today Realism, Tomorrow Membership?” *Dzerkalo Tyzhnia* # 42 (570), (29 October–4 November 2005).

Box 17.5. Reacting to Scandal – The Peruvian Example

In response to domestic insurgency, Peru's Intelligence Service was greatly increased during the 1990s. Yet the service was also used to keep tight control of political opposition to the government of President Alberto Fujimori. Officially a presidential advisor, Vladimiro Montesinos was the real chief of the Intelligence Service and de facto controlled the national defence institutions, reporting only to the president. Under his direction, the Intelligence Service bribed and blackmailed important public figures, provided weapons to Colombian guerrillas and even accepted large sums of money from drug traffickers. In 2000, Montesinos was caught bribing an official on tape, leading to his dismissal and, in November 2000, to President Fujimori's resignation.

An interim government was established and, in the few months before a new elected government took office, it initiated a number of steps aimed to regain civil control over the security establishment. The Intelligence Service and Defence Ministry were reorganized, their budgets reduced, and Congress given stronger oversight of both of them. Top security officials were prosecuted for corruption and human rights abuses during the internal war, as well as corruption in weapons acquisitions during the 1995 border war with Ecuador. Some retired military officers and security experts helped in this reform process, which was deepened by the administration elected in July 2001. The National Intelligence Service was reformed several times in the following years, reducing its activities quite significantly, and Congressional control was strengthened through the Defence Commission and the Intelligence Commission. To improve confidentiality, beginning in 2006 membership in the Intelligence Commission was set at a full five-year Congressional term, rather than being renewed yearly, as with other Congressional commissions.

Overall, these actions were well-received by the public, and helped restore confidence. Within the security institutions, however, it was perceived as "collective punishment" for the improper behaviour of former leaders. Thus, national security institutions have become more transparent but with a significant loss of effectiveness. This has been one factor in the resurgence of terrorist activity and a general perception of vulnerability to a better armed Chile.

Source: Dr. Jorge Ortiz, Instituto Peruano de Economica y Politica

capability rather than *countering* corruption can help build bridges to professional constituencies within the defence establishment. When defence officials are able to live and work effectively without corruption, they will willingly support the third tier: a dedicated anti-corruption campaign.

The fact that corruption exists virtually everywhere does doom defence ministries to the same level of corruption as the rest of society. Even in countries with endemic corruption, factors like rising public expectations and increasing public oversight can combine with the mission-oriented ethos of the defence establishment to create an island of integrity. Paradoxically, most societies, even if corrupt, consider integrity in the armed forces and defence civil service as a matter of national pride and respect. Ironi-

cally, authoritarian regimes may find this situation uncomfortable, since corruption is frequently a means to tie defence and security sector leadership to the regime and thus ensure their support against the public, should it be necessary. Thus, democratic governance helps build defence integrity and defence integrity helps promote democracy. A wise government will work with, and benefit from, this positive and mutually reinforcing dynamic.

Box 17.6. Road Map for Integrity Reforms

The following road map on integrity reforms in defence is based on the Polish experience.

First, carry out a self-assessment of corruption risks to identify the issues in need of reform. NATO offers a tool, the Integrity Self-Assessment Questionnaire, and can also provide subject matter expertise. After assessing the areas of corruption, determine priorities for addressing them. Reliable reforms should start from the top, where high corruption risk intersects with heavy potential losses and senior officials. Then prepare the strategy, which should set priorities, identify key points for change and set out an action plan, needed budget and staff.

The action plan should be implemented by full-time staff designated for this job. This means officials for whom prevention of corruption and building integrity are the main tasks of their job description. Engaging new people from outside the defence establishment and defence industry can protect against conflicts of interest.

In preparing reforms, concentrate on substantive changes. This means change the law and procedures first and make personnel changes afterwards. Substantive changes are more durable.

Cooperate with anti-corruption institutions in and outside of defence. Law enforcement agencies can share knowledge of new corruption schemes and civil society organisations can be an excellent source of advice. Train staff and educate defence personnel. NATO offers a tool, namely the education module on integrity building in defence. In searching for solutions, learn from the best practices of other countries and institutions.

When starting your effort, there will be many requests to deal with specific issues. Limited resources will not allow you to deal with all of them effectively. Concentrate on priorities. And be consistent in your activities: supervise implementation of newly introduced rules comprehensively and over a protracted period of time.

Finally, use moments of high political will to introduce substantial reforms. These can be implemented in periods of lower political will. And even when there is no political will, some of the reforms will be continued.

Integrity reforms – How to start and continue?

Carry out a self assessment of corruption risks **NATO offers a tool**

Find priority areas: high corruption risk + heavy losses + high ranks

Prepare the strategy: define priorities + find key points for change

Base activities on fully-paid staff, designated for this job

Engage new people from outside the defence establishment

Change the procedures first, make personal changes second

Cooperate with a-c institutions, in and outside defence, e.g. DIP

Train your staff, educate defence personnel **NATO offers a tool**

Learn from the best practices **You are reading the NATO tool**

Concentrate on priorities **Be consistent in activities**

Use momentum of high political will to introduce substantial reforms

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