

Building Integrity and Reducing Corruption in Defence

A Compendium of Best Practices



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Chapter 1

The Corruption Curse

Corruption hinders the development and undermines the security of modern societies and decreases trust in public institutions. Defence is not immune to the scourge of corruption. This may come as a surprise to many, given the high regard that the public generally has for the military around the world. Taking a global average, the military is one of the top three most respected institutions and is almost as trusted in terms of corruption as NGOs and religious bodies (see Figure 1.1 below).¹ In many countries, the military is perceived as less corrupt than political parties, legislatures, business companies and the media.

This standing of the military, however, varies strongly across countries and regions. For example, in Western Europe and the United States the military is broadly perceived as being free of corruption. However, in the newly independent states of Central

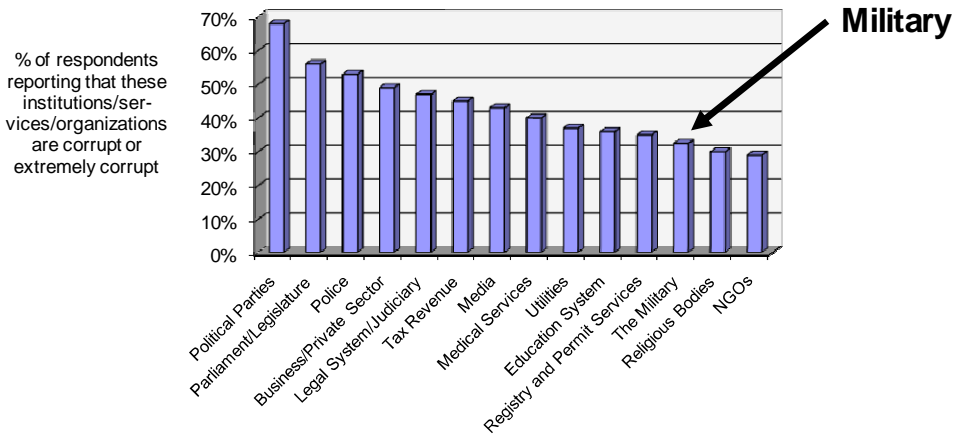


Figure 1.1: Perceived Corruption.

¹ Data from the 2006 Transparency International/Gallup survey "Global Corruption Barometer," as presented in Mark Pyman, Dominic Scott, Alan Waldron and Inese Voika, "Building Integrity and Reducing Corruption Risk in Defense Establishments," *Connections: The Quarterly Journal* 7:2 (Summer 2008): 21–44.

and Eastern Europe, and in Africa and Latin America in particular, the military does not fare as well.²

Notwithstanding the high esteem for the military in most societies, Transparency International studies have rated defence among the most corrupt sectors entrusted with the management of public resources, along with extraction of oil and gas and construction industries.³ In the latest available study, defence falls to #13 on the list of industrial sectors, where bribes to public officials are expected to be paid, and to #8 on the "State Capture" list.⁴

The treatise in this compendium acknowledges that the high esteem for the military and the high corruption potential of defence co-exist. This unusual co-existence and the complex interaction of perceptions and behavioural patterns impact the design and the implementation of counter corruption strategies and integrity building programmes.

Where the military is a highly regarded institution, the defence establishment can inspire and lead wider institutional reform within a country. But it is also possible that, due to the lack of transparency and informed public debate on defence, a high regard for the military can hinder the implementation of integrity building programmes.

Needless to say, countering defence corruption in countries where the military is seen as corrupt is imperative. Often these are countries where corruption permeates many public and private sectors. In such cases, the example of successful reform of defence institutions may have considerable positive impact on other public institutions.

Part I of this compendium presents national and international experience in building democratic and effective defence institutions and countering corruption in defence. The following chapter presents the foundations of a strategic approach to reduce corruption risks in defence. The approach combines efforts to build integrity, increase transparency and improve accountability. Such a combination increases the moral burden of corrupt behaviour, reduces perceived rewards and increases the expected costs, or punishment.

The practicalities of designing and implementing integrity building programmes in defence are discussed in part IV of the compendium. Of particular importance in this regard is to acknowledge cultural specifics of the defence organisation in a particular country and to strengthen those features of the organisational culture that contribute to

² Pyman, et al., "Building Integrity and Reducing Corruption Risk," (2008), 31.

³ Ibid., 22.

⁴ Transparency International website, "Bribe Payers Index 2008 Table", www.transparency.org/policy_research/surveys_indices/bpi/bpi_2008#bpi_table. The sectoral ranking evaluates the likelihood of companies from the 19 sectors in the study to engage in "state capture," whereby parties attempt to wield undue influence on government rules, regulations and decision making through private payments to public officials.

individual and organisational integrity and deter corrupt behaviour. These good practices can then be disseminated to other public organisations in the country.

Sources of Corruption in Defence

Corruption is the abuse of a position of trust for dishonest gain. Corruption within the defence sector may take many forms: kickbacks and bribes, the awarding of non-competitive contracts or the manipulation of soldier payrolls. The recent and rapid growth of private military and security companies—performing activities previously within the realm of the state that are outsourced in accordance with limited regulations—has further increased opportunities for graft.

Part II of the compendium includes nine chapters that look in detail at the sources and the reasons for corruption in defence. The majority of chapters examine corrupt behaviour, as well as good practices in building integrity and enhancing transparency and accountability in main defence management areas: personnel policies and manpower management, defence budgeting and financial management, procurement, off-set arrangements, outsourcing, privatization, public-private partnerships in defence, utilisation of surplus equipment and infrastructure, and the involvement of defence personnel and assets in economic activities. Chapter 12 focuses on corruption risks and integrity issues related to contemporary military operations, while chapter 13 examines defence-related corruption in countries with unresolved territorial disputes.

Below is a list of some of the rationale that facilitates corrupt practices, namely “secrecy,” “urgency” and “concern for the people.” Although benign at first glance, the regular reference to these themes strongly limits transparency of decision making and implementation, as well as the accountability of players in the defence sector, and thus creates a breeding ground for corruption.

Secrecy is the first and worst enemy of transparency in defence. The prolific reference to secrecy in order to “protect national security interests” severely limits the opportunities for parliamentary oversight and other forms of societal control of the executive. In defence procurement, for example, the reference to secrecy strongly limits the number of potential bidders or even leads to single source procurement. That not only prevents competition but, much too often, such schemes are designed and maintained in order to facilitate corrupt practices.

The reference to *urgency* in meeting operational and other defence requirements allows for the implementation of simplified procedures or directly defying the rules, e.g. not holding open tenders and thus circumventing tender requirements for openness and competitiveness. A reference to urgency is often made in the defence establishments of new NATO members and partner countries that contribute to international operations on an ad hoc basis or with “contingents” assembled for a single operational rotation. The need to meet urgent requirements, especially when combined with refer-

ences to secrecy, creates an excellent ground for non-transparent and arbitrary decisions and, hence, for corruption.

Populist slogans also often indicate corruption. One example is the call to “buy national” defence products and services, even when there are only a few or just a single national supplier of those products or services with questionable international competitiveness. Another example is the “concern for the soldiers’ well-being” that has led to non-transparent exchanges of redundant military properties for housing for the military, non-transparent recreation contracts, etc. A third example is the call to act in the “public benefit,” e.g. through offset arrangements⁵ that not only distort market mechanisms but also are conducive for paybacks in variety of ways.

This is just a sample of the main “enemies” of transparency and accountability of the defence establishment that also serve to increase the corruption potential of defence with abundant negative consequences.

Effects of Corruption in Defence

Uncurbed defence corruption poses considerable challenges to the efficiency of the defence establishment and the operational effectiveness of the armed forces, lowers the esteem of the society and international partners for the military, endangers the security of the citizens and, in its extreme manifestation, threatens the democratic governance mechanisms and even the foundations of modern states. These effects are examined below in five relatively distinct groups.

Diversion of Scarce Resources

Corruption is costly. It diverts scarce resources from the generation of the defence capabilities a country needs at a proper cost and limits the opportunities to engage the armed forces in operations that enhance the security of the country and its allies. That means that the country is inefficient in implementing its security and defence policies and has lower levels of defence capabilities available to address security challenges and threats.

Box 1.1 provides an example of the cost of corruption in terms of wasted money and lost opportunities for technological modernisation of defence. It needs to be noted that the text in Box 1.1 accounts only for corruption cases brought to the attention of prosecution authorities.

From a societal perspective, defence corruption also occurs at the expense of more socially productive investments, such as education, healthcare, innovation and competitiveness.

⁵ See Chapter 8 of this compendium for details.

Limited Operational Effectiveness

When a country deploys its troops in operations, corruption dramatically impacts their operational effectiveness. Less than adequate capabilities limit the role and the usefulness of the military units. Equipment of lower quality puts the soldiers at higher risk and potentially increases the casualties. By default, the morale of soldiers who had to pay to get into an operation is low.

Corruption may be used, and in fact is used, by terrorists and organised crime to acquire information, know-how, dangerous materials, weapon technologies and systems. Corruption may further compromise operational security, as shown in the example presented in Box 1.2.

Lower Morale and Regard for the Defence Institution

Even occasional cases of corruption in defence put a stain on the whole defence establishment and may have a detrimental effect on public trust in the military and the ethos of the armed forces of the country. The pride of the military and defence civilians in their service to the country is seriously degraded when they learn of corruption among their leadership. The lack of punishment in publicly known cases of drastic corruption among the high ranks of government further degrades the morale of the defence personnel and the public's esteem in the military. That has a negative effect on the opportunity to attract quality people to serve either in uniform or as civilian defence experts.

Box 1.1. Direct Costs of Corruption

In an interview with *Rossiiskaya Gazeta*, Major General Alexander Sorochkin, deputy chair of the Prosecutor's Office Investigations Committee, admitted that corruption in the Russian Armed Forces resulted in losses of 2.2 billion rubles (\$78.6 million) to the state budget in the first nine months of 2008 and the number of corruption-related crimes in the Russian Armed Forces increased by at least 30% compared to the same period in 2007 to a total of 1,400. The money lost is "enough to buy at least 30 modern T-90 main battle tanks," while general officers have been involved in at least 18 of the corruption cases.

Russia's chief military prosecutor, Sergei Fridinsky, has added that while the total number of crimes had declined in the country, offences in the first nine months of 2008 soared 220% among the interior troops, 60% in the Emergencies Ministry, more than 10% in the border guard units of the Federal Security Service and 24% in the Defence Ministry. Among these crimes, instances of bribe-taking and office abuse increased 50% and over half of the offences were related to military property and budget funds.

Russian President Dmitry Medvedev has made the fight against corruption one of his top priorities since coming to office in May 2008, signing a decree to set up a presidential anti-corruption council just two weeks after his inauguration.

Source: "Military corruption costs Russia almost \$80 million in 2008," *RIA Novosti* (2 December 2008), <http://en.rian.ru/russia/20081202/118637765.html>.

Box 1.2. Corruption and Security Threats in Volatile Areas

The corruption and ideological conversion of law enforcement officers by extremists in the North Caucasus has emerged as a major security threat, as the investigations of many major terrorist attacks have unearthed cases of corrupt or ideologically driven police officers who have assisted the attackers. Neither the boosting of passive defence measures nor increased preventive strikes against militant hideouts will succeed in curbing domestic terrorism if the Russian authorities fail to take serious action to root out the corruption that plagues the country's law enforcement community.

Source: Simon Saradzhyan, "Dynamics of Maritime Terrorist Threats to Russia and the Government's Response," *Connections: The Quarterly Journal* 8:3 (Summer 2009): 53–84.

Corruption reduces public trust in the military. Endemic corruption can have detrimental effects on public trust in the defence institution. Box 1.3 provides an example in which the public regard went so low that the resulting cuts in the defence budget jeopardised even the nominal functioning of the defence establishment.

Corruption-based limitations on capability and low morale, discussed in the previous section, reduce the credibility of national forces deployed on multinational peace missions.

Overall, defence corruption has a negative impact on the prestige of the armed forces—and the country as a whole—in the eyes of allies, partners and international organisations such as NATO, as well as in the wider international community.

Immediate Security Threat

Furthermore, corruption-based links of security and defence organisations to organised crime pose immediate threats to the security of the country and its citizens. Corrupted defence and security sectors are conducive for the creation and functioning of organised crime and piracy groups. Box 1.2 provides one example; another example is described in Box 1.4.

Threat to the Foundations of the State

Defence sometimes serves as a focus of corruption across government and involves numerous actors. In lacking transparency and accountability to the public and civil society, it is relatively easy to divert money from the defence sector and for behind-the-scenes networks to keep corrupt officials, businesses, intermediaries, accountants and lawyers, facilitated by spin doctors and fraudulent media, in business.

Box 1.3. Loss of Public Trust and Resulting Cuts of the Defence Budget

For years, there have been suspicions and media hints of large scale corruption in the Bulgarian defence ministry and armed forces but only a few cases of petty corruption have been officially acknowledged. Only after the change in government in 2009, the Ministry of Defence and the law enforcement agencies started to investigate the activities of the top leadership in defence. Dozens of instances of corruption emerged and by December 2009 Bulgarian prosecutors had charged a former defence minister with abuse of power in three cases.

The official report for the first 100 days of the new government acknowledged that the ministry and the armed forces are at the edge of a moral crisis and stated that “main attributes of the people in defence such as duty, honour, integrity, confidence, and self-esteem were provoked by bad governance and corruption.”

While important for cleaning the defence establishment from practices of mismanagement, waste and corruption, the disclosure of the scale and methods of corruption in defence increased the resentment among the people. The public trust in the defence institution further eroded. One of the consequences was the severe cut in the defence budget, never witnessed before in the history of the country (see Figure 1.2). It is important to note that the economic and financial crisis had only a minor effect on this cut and, given the “morale collapse” of the defence institution, no defence experts, think tanks or media challenged this ruthless downsizing of the defence budget.

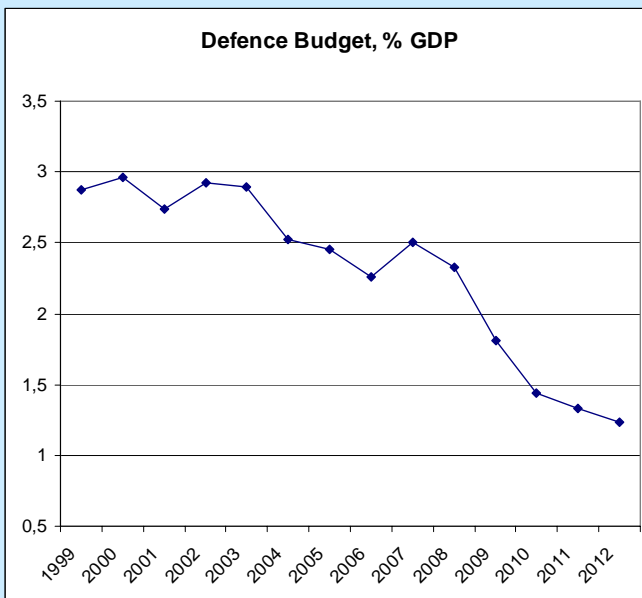


Figure 1.2: Bulgarian Defence Budget as a Percentage of GDP.

On the other hand, this severe cut jeopardised the sustainment of the armed forces and the development of requisite capabilities, thus turning systemic corruption into a threat to national

security and the international stance of the country as a reliable ally.

Sources: "Former Bulgarian Defence Minister Facing Contract Fraud Charges," *Agence France-Presse* (20 November 2009), www.defensenews.com/story.php?i=4386991&c=EUR; "The Defence Ministry in a Financial and Morale Collapse," *Mediapool.bg* (9 November 2009), www.mediapool.bg/show/?Storyid=158371.

In such "grand" corruption, oligarchic circles and shady businesses criminalise the economy and the politics of the country and impose their private interests – a phenomenon known in the specialised literature as "state capture."⁶

In this train of thought, countering corruption does not mean simply introduction of regulations or "cleansing" the government; to defeat corruption means to take the country back from the oligarchic circles of corrupt officials, firms and ways of conducting illegal business and to establish the rule of law, applied universally and in a transparent manner.

In a situation when the security or the very existence of the country is under threat either by external or internal enemies, or both, the situation is further aggravated by endemic corruption. Box 1.5 highlights some of the ways in which corruption threatens the stability of a country.

Box 1.4. Piracy and Its Links to Corruption

On November 15, 2008, Somali pirates hijacked the oil tanker *Sirius Star* carrying 25 crewmen and 2.2 million barrels of oil. The ship was estimated to be worth approximately US\$150 million, with its cargo worth at least another US\$100 million. That incident, and a series of similar pirate attacks on smaller vessels, led to increased demands for naval presence in large areas of the Indian Ocean.

There are many reasons for the recent increase of piracy off the Somali coast. One reason rarely referred to is the corruption linkage between pirates and Somalia's politico-military elites. According to Roger Middleton, consultant researcher at Chatham House, pirates are "paying off any significant political and military powers so they can carry on with their activities unhindered."

Source: Barney Jopson, "Somalia's bandits broaden their horizons," *Financial Times* (19 November 2008), 5.

⁶ See, for example, Joel S. Hellman, Geraint Jones and Daniel Kaufmann, *Seize the State, Seize the Day: State Capture, Corruption and Influence in Transition*, World Bank Policy Research Working Paper No. 2444 (September 2000).

Box 1.5. Corruption Impedes Stabilisation and Reconstruction Efforts.

General Stanley McChrystal repeatedly highlights corruption and weak state institutions as a major threat to the success of ISAF and Operation Enduring Freedom. He states that insufficient comprehension of the dynamics of corruption and criminality has led to a “crisis of confidence among Afghans.” US General Robert Cone, commander of the force that trains the Afghan army and police, has expressed similar sentiments noting, “Endemic corruption is one of the main obstacles to the Afghan army and police being able to take over their country’s security duties.”

Corruption and chronic mismanagement have been blamed for holding back reconstruction efforts in the country. International aid workers have said that up to one third of the funding already dispersed (about US\$15 billion) has been wasted, which has deepened the resentment of locals toward foreign troops. A day after President Hamid Karzai was sworn in for a second term, the U.S. Defence Secretary Robert Gates said “donors should tighten control of how the ‘significant influx’ of money into the country is used.” Western leaders have put pressure on Mr. Karzai to deal with corruption and remove former warlords from government.

Fifteen current and former Afghan ministers are under investigation over allegations of corruption that have plagued the government of President Karzai. In his inaugural address for his second term as president, Karzai pledged to arrest those who spread corruption. International leaders, who have threatened to hold back troops and development aid unless Karzai cleans up corruption in his government, are watching closely to see if he keeps his promise.

Sources: “McChrystal: More forces or ‘mission failure’,” *Washington Post* (21 September 2009), www.washingtonpost.com/wpdyn/content/article/2009/09/20/AR2009092002920.html; Jon Hemming, “Corruption holds back Afghan army expansion,” *Reuters* (11 December 2008), www.reuters.com/article/worldNews/idUSTRE4BA5S420081211?pageNumber=1&virtualBrandChannel=0; “US Secretary of Defence Robert Gates in the Pentagon,” *BBC News* (21 November 2009); AJ Henninger, “Corruption: 15 Afghan ministers under investigation; bribes, perks, skimming,” *on the DEFENSE* (November 24, 2009), <http://onthedefense.wordpress.com/2009/11/24/corruption-15-afghan-ministers-under-investigation-bribes-perks-skimming>.

Is Defence Corruption a Never-ending Story?

Defeating defence corruption is a notoriously difficult endeavour but is a pre-condition for regaining societal confidence and provision of defence and security at an affordable cost and with acceptable risk. And while it is far from clear whether defence corruption can be entirely overcome, there are proven approaches and good practices that, when implemented in the proper context, can be used to curb corruption.

In addition to the good practices in functional defence areas presented in part II of the compendium, part III presents details on relevant regulatory frameworks and proven practical approaches to integrity building at the level of the individual, the executive branch of government and the defence ministry in particular, parliaments and

audit offices, ombudsman institutions, the defence industry, civil society and the media, and international organizations.

Even a long journey starts with a few steps. While the treatment of defence corruption risks and counter-corruption strategies and measures in this compendium is comprehensive and detailed, the application of the approach is always context specific and requires establishment of clear priorities and realism in matching objectives and resources. Box 1.6 presents an example in defining a set of practical measures in an ambitious programme to drastically reduce defence corruption.

Box 1.6. Establishing Practical Priorities in Reducing Defence Corruption Risks

A non-governmental study, conducted in 2008, identified several key measures that would lead to a quick reduction of the corruption potential in the Bulgarian defence establishment:

- Creation of favourable normative and procedural conditions for eradication of corruption in defence, with a priority on:
 - Elaboration and steady application of objective-oriented budgeting, based on programmes;
 - Substantial increase in transparency of the procurement process and admission of a maximum number of bidders in tender procedures;
 - Immediate discharging of the Ministry of Defence and the military from all types of economic functions;
 - Suspension of property exchanges and of similar transactions;
 - Sending to operations abroad only existing units with already developed capabilities.
- Conducting additional studies on problems connected with corruption in stabilization and reconstruction operations; formulation and realization of offset and similar programs and projects; identification of the roots of non-efficient management; development and comparative analysis of methods and approaches for solving those issues.
- Monitoring the level of corruption potential in the defence sector, of the measures undertaken by the legislative and executive power, business and non-governmental organizations to counter corruption, and of the real level of corruption.

In 2009, members of the study team were assigned to leadership positions in the Ministry of Defence and immediately embarked on realising these recommendations.

Source: Todor Tagarev, "Defence Decision-making and Corruption Risks," in *Integrity in Defence: Effective, Transparent and Accountable Management*, Avgustina Tzvetkova, ed. (Sofia: Euro-Atlantic Education Initiative, 2009), 189–214.