

Building Integrity and Reducing Corruption in Defence

A Compendium of Best Practices



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Chapter 3

NATO and the Evolution of the Building Integrity Initiative

The Principles of NATO

NATO was founded in 1949 with an enduring vision: the indivisibility of Allied security. More than sixty years later, NATO continues to sustain this vision and remains the primary forum for security consultations among the allies of Europe and North America. These consultations take place through a transatlantic framework that underpins the collective defence of the populations and territory of NATO states, as well as ensuring the ability of its forces to perform a full range of missions and operations.

The common vision and shared democratic values embodied in the Washington Treaty of 1949 are the inspiration that enables NATO to not only maintain its core purpose of territorial defence but to address and respond to the emerging challenges of the 21st century.¹

NATO Partnerships

The process of Euro-Atlantic integration, together with the development of NATO's relations with many countries across the globe, has been considerably strengthened and nurtured through the various distinctive partnerships that NATO has developed since the 1990s, strengthening the political dimension of NATO. NATO's policy of outreach through partnerships, dialogue and cooperation is an essential part of the Alliance's purpose and tasks. The Alliance's partnerships across the globe have an enduring value, contributing to stability and security in the Euro-Atlantic area and beyond. In the same spirit, the contributions of partners to NATO's missions and operations are highly valued.

The Euro-Atlantic Partnership Council

The largest of the formal partnerships is the Euro-Atlantic Partnership Council (EAPC). Established in 1997, the EAPC superseded the North Atlantic Cooperation Council (NACC) that was initially established in 1991. The formation of the EAPC reflected the realisation that it was increasingly important to create a security forum better able to promote a more enhanced and operational partnership, in line with the growing aspirations of Allies and Partners for a more sophisticated partnership relationship. The 50-

¹ The new NATO Strategic Concept to meet the challenges and threats of the 21st Century will be introduced at the Lisbon Summit in the autumn of 2010.

nation Euro-Atlantic Partnership Council (28 Allies and 22 Partners) has therefore evolved as a multilateral forum for dialogue and consultation on political and security-related issues among Allies and Partner countries.

NATO remains committed to substantive political discussions and effective political cooperation within the Euro-Atlantic Partnership Council and Partnership for Peace, based on shared values and principles. Based upon these values and principles, NATO encourages and continues to support further defence, and other, reforms among its partners, including within the strategically important regions of the Caucasus and Central Asia.

NATO and the 60th Anniversary Summit

NATO's 60th anniversary summit at Strasbourg-Kehl was an occasion to recall the Alliance's major contribution to peace and security in Europe and the wider world. It was also a timely reminder of NATO's willingness and commitment to reach out to Europe's neighbours to the East and South to promote trust, dialogue and cooperation.

NATO's success in preserving peace and stability within the Euro-Atlantic region has sometimes meant that these achievements can be taken for granted. However, they are not self evident. They enshrine: the peaceful ending of the Cold War and the transformation of former Warsaw pact countries; the ending of the division within the European continent; the building of a permanent transatlantic community of values and interests; the integration and coordination of US, Canadian and European military forces and capabilities; the contribution to building a new cooperative European security system; and support for the arms control and disarmament processes that helped to end the conflicts in the Balkans and paved the way for Euro-Atlantic integration of the region.

The Evolution of the Building Integrity Initiative

Following discussions between representatives of the NATO Defence and Security Economics Directorate, Political Affairs and Security Policy Division and the defence team of Transparency International (the pre-eminent non-governmental organisation monitoring international public corruption), the NATO Political-Military Steering Committee and Political Committee, within the EAPC framework, prepared an initial report on building integrity in defence establishments, outlining possible EAPC contributions to building integrity in the security sector. This report was approved by EAPC Ambassadors in November 2007.

The genesis of the Building Integrity initiative also benefited in 2007 from a major conference addressing *inter alia*, the linkages between reducing corruption and the better management of defence resources. This conference, organised by the NATO Economic Committee in EAPC session,² together with a workshop on Building

² Defence Economics IX: Lessons Learned in Defence Resource Management from the NATO Accession 2004", Ljubljana, Slovenia, September 2007.

Transparency and Integrity in the Defence and Security Sector,³ did much to demonstrate the importance of, and interest in, the role and measurement of integrity in the better management of defence resources.

Within the EAPC framework, the Building Integrity initiative has been conceived and nurtured in a 10 point Work Plan. The heart of the 10 point EAPC Building Integrity Work plan has been the development of an education module led by the UK; a Self Assessment Questionnaire, developed by Poland; and the development of this Best Practices Compendium led by Switzerland.

Building Integrity and NATO Summit Declarations 2009 and 2008

NATO's commitment to meeting the challenge of introducing reforms to combat corruption and foster good governance in the defence sector was underscored in the communiqué from the 60th Anniversary Summit in Kehl-Strasbourg where Heads of State and Government (paragraph 36) encouraged the EAPC "to further develop the Building Integrity initiative which promotes transparency and accountability in the defence sector, and to report back to us on this initiative at our next Summit" (in Lisbon in autumn 2010).

This declaration followed on the seminal statement on the Building Integrity initiative at the 2008 summit in Bucharest. In Bucharest, Heads of State and Government had asserted that: "We will give priority to several new practical initiatives, which include building integrity in defence institutions..." (Paragraph 32)

Trust Funds and the Building Integrity Trust Fund

The Building Integrity Trust Fund is funded through voluntary contributions and is led jointly by three nations: Poland, Switzerland and the United Kingdom. This fund was launched on 1 July 2008 in order to build integrity and reduce the risk of corruption in defence establishments.

This is the first trust fund project aimed at providing practical support to defence institution building. The pilot project phase (Phase 1) was based upon three pillars: a training module in Building Integrity in Defence Establishments; an Integrity Self-Assessment Process; and a Compendium of Best Practices in Building Integrity and Reducing Corruption in Defence. In practice, these elements have implied the development of building integrity courses for civilian and military personnel that have been offered on a trial basis at the United Kingdom Defence Academy, the NATO School in Germany and The Peace Support Operations Training Centre in Bosnia-Herzegovina. The practical training in the other two elements has led to the development of a self assessment tool (that various nations have used in a trial) and the commissioning of essays for this Compendium. These activities have benefited significantly from the advice, inputs and contributions of partners from civil society, including the Centre for the

³ Building Transparency and Integrity in the Defence and Security Sector, UK Defence Academy, Shrivenham, UK, July 2007.

Democratic Control of the Armed Forces and the Geneva Centre for Security Policy, Switzerland, the United Kingdom Defence Academy, (a Partner for Peace Training and Education Centre of Excellence) and Transparency International. Phase 2 of the activities underpinned by the Trust Fund will consider the best ways of embedding and deepening this cooperation.

Training and Education

In reaching out to Partners old and new, it is vital to recognise that the continual process of managing change in the defence and security sector requires further, and deeper, training and education of individuals and personnel. More than 50% of NATO's partnership programme is devoted to training and education, incorporating operational capabilities and good governance.

In the case of the Building Integrity initiative, this project has been developed in close consultation with Partnership for Peace (PfP) training centres and representatives of other international organizations. In addition to supporting PfP priorities, the initiative is intended to help nations meet their obligations within the UN framework, including the implementation of the UN Convention against Corruption.

The Financial and Democratic Challenges to Defence Reform

The budgets for training and education in the defence sector, and elsewhere, within national economies will not escape from the potential savings that finance ministries are seeking to effect at a time of economic hardship. The global economic crisis has imposed, and is imposing, severe and sustained pressures on the financial resources of the public sector of many countries. Such pressures, reflected in growing public sector deficits and rising national debt, have created highly publicised political and social unrest in developed and less developed economies alike.

In this volatile environment afflicting many countries, the claims of the defence and security sectors to maintain or increase their shares of public expenditure are subject to increasing scrutiny and critical evaluation. Increasingly, the imperative is to ensure that scarce resources allocated to the defence sector are used not only efficiently (through strong defence resource management) but are seen to be accountable and transparent. This is vital if taxpayers are to be convinced that their tax revenues are being used by governments in ways that are both judicious and honest. The Building Integrity initiative can make an important contribution to raising public awareness of the application of prudent, ethical and transparent financial management in the defence sector.

NATO Values and Building Integrity

NATO has, since its inception, emphasised that membership of the Alliance is based on values and performance that are underpinned by various key ideals such as: democratic governance and the protection of human rights; recruitment, on the basis of merit, of competent and credible professionals to public service; the establishing of

more effective, accountable and transparent administration at all levels of Government; and the implementation of measurable improvements in fighting corruption, upholding justice and the rule of law.

Following the introduction of the Partnership Action Plan in Defence Institution Building at the NATO Summit in Istanbul in 2004, a foundation for improving the efficient and accountable management of defence resources was established. The development of a practical programme to combat corruption, strengthen governance and build integrity in the defence sector is increasingly seen as vital to the efforts of partners to build efficient and transparent defence institutions. In this regard, the efforts of the Euro-Atlantic Partnership Council to highlight the value of anti-corruption initiatives have been, and are, of great importance.

Transformation and the Management of Change in the Defence Sector

During its six decades, NATO has sought to strengthen the Alliance and its partnerships through managing change and encouraging transformation in the defence sector. The ten pillars of the Partnership for Peace Framework Document on Defence Institution Building⁴ was, as previously noted, a major initiative that has supported defence institution building and security sector reform in countries inside and outside the Partnership for Peace.

The tools and methodologies of defence reform, exemplified by the Building Integrity initiative, have supported, and are supporting, ongoing reform in NATO members, as well as in the diverse partnerships with more than 40 countries in Eastern and Central Europe, the Middle East, Africa, the Gulf and, further a field, to countries such as Australia, Japan, South Korea, New Zealand and Singapore. The Building Integrity tools, when completed, will be made available to all interested parties through the NATO website.

The International Effort in Reducing Risks in Corruption

Neither NATO nor the EAPC have the international lead in building integrity or reducing risks of corruption. NATO's efforts support the wider international effort and are directed at developing practical activities to help nations meet their international treaty obligations to the UN, (the UN Convention against Corruption), the Organisation for Economic Cooperation and Development (OECD) and others. The efforts undertaken by NATO and the EAPC are targeted at building integrity, increasing transparency and improving accountability within the defence and security sector, specifically.

⁴ The Partnership Action Plan on Defence Institution Building (PAP-DIB) aims to reinforce efforts by Partner countries to reform and restructure their defence institutions to meet domestic needs as well as international commitments. Effective and efficient state defence institutions under civilian and democratic control are fundamental to stability in the Euro-Atlantic area, and essential for international security cooperation.

NATO's values, previously defined, are fundamental to the further strengthening of governance in defence ministries. Defence ministries in Allied and Partner nations are in no doubt as to the continuing challenges posed by corruption and recognise the need to implement measures that will address this malaise in a serious, comprehensive and transparent manner.

National Ownership and International Cooperation

Participation in, and implementation of, the Building Integrity initiative is the decision and responsibility of nations. National ownership and commitment is the pre-requisite and basis of involvement. As the initiative has developed, it has clearly benefited from excellent and ongoing cooperation between nations, NATO, defence industry and Transparency International. This cooperation is testimony to the strength that comes from the shared values and interests of all of the relevant organisations and actors.

As previously noted, the interest in, and support for, building integrity reflects the financial pressures increasingly imposed by finance ministries upon defence and security budgets at a time of increasing financial stringency arising from the deep and damaging international recession. Allies and Partners understand the need to spend increasingly scarce resources in an effective, efficient and visible manner. In this regard, the Building Integrity initiative can contribute to this objective in providing practical tools to build capacity and ensure value for money.

Working in Cooperation

NATO's experiences in Afghanistan and the Balkans have demonstrated that the security challenges of today necessitate that the international community works cooperatively in combining civil and military measures and coordination. Working together effectively requires the cooperation and contribution of all major actors. It is essential for all international actors to act in a concerted manner that takes into account respective strengths and mandates. NATO is strengthening its ability to work effectively with partner countries, international organisations, non-governmental organisations and local authorities, enhancing synergy at all levels. Such cooperation applies equally to NATO operations and the continuing efforts to transform in order to meet the challenges of the 21st Century. The principal international organisations are increasingly involved in the development and delivery of policies that will bring a more integrated approach to defence reform, security and development.

Such an integrated approach applies not only to operations but more broadly to many of NATO's efforts, such as the building of integrity, the fight against terrorism and the enhancing of energy security. For these and other reasons, NATO will continue to seek permanent, structured and cooperative relationships with partner countries and important international organisations (including the European Union, the United Nations, the World Bank, the International Monetary Fund and the Organisation for Economic Cooperation and Development).

The Deliberations and Findings of the Monterey Conference February 2009

At the end of February 2009, an important international conference took place in Monterey, California to take stock of what had been achieved in the development of the Building Integrity initiative and to contemplate the road ahead in broadening and deepening the implementation of the initiative.

NATO, in cooperation with the Naval Postgraduate School (the Partnership for Peace Training and Education Centre in North America) and Transparency International, conducted a conference that sought to evaluate the progress made in developing practical tools and to exchange views on the further implementation of the Partnership Action Plan on Defence Institution Building agreed at the Istanbul Summit.

The Monterey Recommendations

The recommendations from the Monterey Conference were intended as a contribution to the stocktaking report that was delivered to EAPC Ambassadors and as guidance in the further development of a programme of work, including identifying practical activities to be undertaken by NATO and the EAPC in support of the UN-led effort to build integrity, increase transparency and improve accountability in the defence sector.

Strengthening Integrity in Theatre

In cooperation with other international organisations, NATO has focused upon assessing the economic footprint of the International Assistance Security Force (ISAF) and Provincial Reconstruction Teams (PRTs) in Afghanistan. In this regard, work has been undertaken to identify mechanisms that would build integrity, increase transparency and improve accountability in order to encourage more effective and efficient spending of resources in theatre, accelerate economic development, and promote best practices.

In collaboration with other international organisations, NATO has developed and supported events focused on exchange of knowledge and expertise and the promotion of best practices for PRTs (including events organised in capitals as well as Afghanistan).

Strengthening Integrity through Education

It was recommended that lead nations would continue to provide support through the Building Integrity Trust Fund to implement the Building Integrity in Defence Establishments (BIDE) package. This package included 2009 trial courses in Ukraine, Bosnia-Herzegovina and Afghanistan.

Taking account of the work undertaken by the NATO School in using electronic platforms, and the experience of others (such as the African Security Sector Reform Network,) efforts have continued in order to develop a network of practitioners able to promote best practices and exchange experiences and information.

The UK Defence Academy, together with other interested parties, has continued to develop course material to be used as a “stand alone” and to support a Distance Learning Module. Taking account of the results of 2008 self assessment process and the 2009 trials, recommendations are being developed to strengthen the link with on-going NATO Partnership for Peace (PfP) force planning activities and other tailored programmes of work such as Individual Partnership Action Plans.

Working with interested NATO and national education institutions, including PfP Training and Education Centres, as well as representatives of civil society, a schedule of BIDE activities for 2010-2012 has been developed. Such activities include the preparation of modules to be integrated into existing training and education (such as development of a pre-deployment training module).

Efforts have been made with others, such as the NATO Parliamentary Assembly, to pursue potential opportunities for collaboration that draws upon the expertise of parliamentarians. This offers the possibility of developing modules tailored for members of parliament and staffers.

Strengthening Integrity in Procurement

The conference took account of the initiatives and efforts of the aerospace and defence industry to develop a common Trans-Atlantic industry code of conduct. Efforts continue to be made to incorporate such developments into the further elaboration of the Building Integrity in Defence Establishments (BIDE) initiative. On this basis, it has been agreed to explore the feasibility of a best practices workshop on Common Industry Standards on building integrity, increasing transparency and improving accountability.

Furthermore, the intention is to continue to promote the exchange of nations’ experiences on reducing corruption risks in procurement. These exchanges can include the development of workshops and roundtables, focusing on improving financial rules and regulations, implementing Building Integrity ethics programmes, and using e-procurement to increase competition and improve accountability. A Best Practice Workshop on “Ethics and Procurement took place in Norway in autumn 2009.

In addition, it was recognised that offsets accompanying defence procurement can involve additional corruption risks and contribute to a misallocation of resources. All nations might review policies directed at offsets in order to take steps to identify the risks and to increase transparency and improve accountability accompanying the implementation of offsets. Such steps can include a review of procedures associated with the award of offsets, ensuring that tender prices, with and without offsets, will be compared in order to facilitate a quantitative assessment of the costs and benefits.

Strengthening Integrity through Research and Analysis

The importance of encouraging the NATO Defence College, the NATO School, and relevant PfP Training and Education Centres and NATO Centres of Excellence to incorporate Building Integrity initiatives in their courses and research agendas has been

widely acknowledged. Such efforts might include the strengthening of integrity at the level of PRTs and identifying best practices, with the results to be shared in NATO and national publications and conferences.

NATO/EAPC Support to Strengthening Integrity

It is clear that nations need to reinforce existing efforts for the development and implementation of the Building Integrity work programme. Drawing on voluntary national contributions and interns, such an approach can enhance national capacity building efforts and promote best practices.

A key element in the ongoing work of the initiative is for nations to continue to provide resources to the Building Integrity Trust Fund in Phase 2. In addition, the NATO International Staff will continue to work with the Organisation for Economic Cooperation and Development to identify contributions to the Trust Fund that are eligible as Official Development Assistance.

Future Work and Ambitions

The Monterey Conference was a major milestone in propelling the Building Integrity initiative. The conference took note of the proposal that a similar stocktaking conference on Building Integrity in Defence Establishments could take place in 2011 with the Naval Postgraduate School once more acting as the host. From these recommendations, a stocktaking report has been prepared for EAPC Ambassadors, including the proposed work programme for 2010-2012.

Building Integrity in a Turbulent World

The defence and security sectors of many countries are part of an ongoing international financial turbulence that is imposing severe budgetary pressures. Major defence and security reviews are taking place to assess the correct level of resources to flow into these sectors, given the competing claims of so many other areas of public expenditure such health, education and transport infrastructure.

In the three years since the Building Integrity initiative was launched, the need to strengthen values, governance, reforms and international cooperation remains of paramount importance. The initiative has an enduring importance in enabling nations to implement mechanisms that will raise the standards of public administration, accountability and judicial reforms. Such mechanisms will also assist in providing additional resources for defence capabilities by reducing the waste of resources from corruption.

In conclusion, *The Building Integrity and Reducing Corruption in Defence Compendium of Best Practices* offers considerable insights and draws upon a variety of experiences concerning practical approaches for tackling the corruption challenge. These insights and experiences will help nations to implement far-reaching defence reforms that can serve to reduce corruption risks in defence and security sectors of nations across the world.