



BUILDING INTEGRITY IN DEFENCE*

Teodora FUIOR, PhD candidate*

Abstract: Corruption in the defence sector raises significant challenges to the operational effectiveness of the armed forces, affects the troops morale and lowers the public confidence in the military; corruption can even become a security risk, jeopardizing the safety of soldiers and the delivery of security to the populace, threatening democratic governance mechanisms, which are at the core of democratic systems. There are several features of defence sector that make it more prone to corruption than other areas of government activity: large size of the budget allocated to defence, the need to protect sensitive information through secrecy, the political nature of the defence budgeting process and its sensitivity to populist slogans. This article reviews the main areas of vulnerability for corruption in the defence establishment (focusing mainly on personnel policy, procurement, offsets and conversion programmes), and points out towards good practices applied in various countries in order to mitigate the risks and build defence integrity.

Keywords: defence budgeting; integrity; corruption; security policies.

In most countries, people tend to trust their armed forces. Public surveys typically indicate that the military is one of the most respected institutions in society, enjoying more public confidence than the media, the private sector, political parties or parliament, and outranked only by religious organisations and non-governmental organisations¹. However, various studies rate defence as one of the most corrupt areas of government activity².

* This Article is based on research conducted by the author in 2014 at the Geneva Centre for Democratic Control of Armed Forces, for the drafting of a brief designed for members of parliament, which will be used in DCAF capacity building activities in Southeast Europe.

¹ See for example Gallup: 2015 "Confidence in institutions", and 2011 "National Governments Get Low Marks in the EU" <http://www.gallup.com/poll/1597/confidence-institutions.aspx>, <http://www.gallup.com/poll/151715/national-governments-low-marks.aspx> (accessed 15 May 2015).

² Transparency International Global Bribe Payers Index 2006 rates the defence sector as one of the top three sectors for bribery and corruption, along with the oil sector and major infrastructure projects. The IMF report on corruption and military spending explains, "Procurement is an important channel through which corruption affects military expenditures." Moreover, according to the same report "bribes account for

Corruption in the defence sector may take many forms, including kickbacks and bribes, single source or non-competitive procurement contracts, manipulation of soldier payrolls, misuse of budgets, the use of military resources to generate off-budget profits and so on³.

Building integrity and reducing corruption are two sides of the same coin. While corruption is the abuse of an entrusted office for private gains, integrity means meeting one's responsibilities honestly and completely. A process has integrity if it works as it is intended to and it fits into the larger system of which it is a part. An organisation has integrity if its activities are conducted with the proper accountability and competence, without any diversion of resources to dishonest, private ends. Both integrity and corruption are usually measured through audits and surveys. An emphasis on integrity, however,

as much as 15% of the total spending on weapons acquisition." The U.S. Department of Commerce estimates that 50% of all bribes in global transactions are paid for defence contracts; numerous single source defence contracts have been awarded for operations in Iraq. See more information in Mark Pyman, Regina Wilson and Dominic Scott, *The Extent of Single Sourcing in Defence Procurement and its Relevance as a Corruption Risk: A first Look*, Defence and Peace Economics, 2009, p. 217,

<https://www.law.upenn.edu/live/files/4421-pyman-m-wilson-r-scott-dthe-extent-of-single> (accessed 15 May 2015)

³ Todor Tagarev, ed., *Building Integrity and Reducing Corruption in Defence. A compendium of Best Practices*, DCAF Geneva, 2010, p. 5.

***Project Coordinator, Geneva Centre for the Democratic Control of Armed Forces**
t.fuior@dcaf.ch



is a more comprehensive, positive and pro-active approach. For this reason, most international and national programmes aimed to tackle the issues of corruption, refer to building integrity in defence.

Building and maintaining integrity in the defence establishment are important to the public in all countries for several reasons. First, defence sector corruption extorts a high price from other sectors of public life. It diverts funds from the national budget, preventing their investment in education, healthcare, innovation and development.

Second, it undermines national defence capacity, reducing the operational effectiveness of the military. This affects the safety of soldiers, training and combat conditions, and has a highly negative impact on troop morale. A corrupt defence sector can contribute massively to the criminalisation of the country's economy and politics, thus becoming a security threat in itself. The lack of integrity in the defence sector allows organised crime, terrorist groups, foreign intelligence agencies and obscure business interests to acquire national information, know-how, dangerous materials and weapons technology.

Thirdly, corruption in defence sector also undermines public confidence in the state. It leads to a loss of public trust in the military, ultimately undermining armed forces' readiness and prestige. Public respect for the military in various countries was damaged by repeated corruption scandals. In Bulgaria for example, 2009 saw investigations of top defence leaders, which led to several charges for abuse of power and corruption. Public pressure following these revelations led to dramatic cuts in the defence budget and a collapse in prestige and morale of the military⁴.

The potential reward from an act of corruption depends upon several factors: the volume of resources under the control of the public official involved, the discretionary power at his/her disposal, the level of transparency and accountability to which the defence sector is exposed⁵. In the defence sector, these factors combine themselves in a manner that increases the potential reward of a corrupt act: substantial resources plus circumstances such as

the need for "secrecy", "urgency", or "the national interest", can limit the decision making process to a small circle and drastically reduce its transparency and accountability.

In many countries the defence establishment is the biggest state employer, the armed forces being just the central piece in a system that comprises separate education, health, justice institutions, and a significant logistical and administrative infrastructure. Defence budgets are often among the largest components of public spending. Their share of the national budget ranges from 2-3% in Austria, Belgium, and Hungary, to 4.5% in France, Germany, and Greece, to 16-18% in Russia, India, and the U.S.A. Defence spending represents a significant percentage not only of a country's budget, but also of its GDP, ranging from 1% in Japan to 4.5% in the USA and Russia and even 9% in Saudi Arabia⁶.

Secrecy in order to "protect national security interests" is the first and worst enemy of transparency in defence. It often prevents any possibility of meaningful external scrutiny. In defence procurement, it can limit the number of potential bidders (or even lead to single-source procurement), thus preventing competition, and paving the way for price and contract manipulation by suppliers.

Urgency in meeting operational and other defence requirements allows for the simplification of procedures or even for waiving of the rules – avoiding an open competitive bidding process, which is usually the rule for public procurement. The need to meet "urgent" necessities, especially when combined with references to secrecy, creates scope for non-transparent and arbitrary decisions, allowing suppliers to dramatically overcharge.

Populist slogans may also cover corrupt practices. The call to "buy national" defence products and services out of "concern for the people and their jobs", are often used to justify non-transparent, non-competitive contracts, which are conducive to paybacks in a variety of ways. This may lead to inferior products and services being procured at a higher cost. In addition, policies favouring domestic suppliers make it difficult to attract foreign direct

⁴ However, the reforms undertaken in response to this situation rapidly transformed the Bulgarian defence and security sector, the country being now a lead nation in NATO's Building Integrity Trust Fund. See Todor Tagarev ed., *Building Integrity and Reducing Corruption in Defence. A compendium of Best Practices*, DCAF Geneva 2010, p. 9.

⁵ Todor Tagarev, *op. cit.* p. 17.

⁶ Data about military spending and their share in state budget or GDP is made publicly available every year in online publications of several organisations, such as *UN Report on Military Expenditures*, *IISS Military Balance*, *SIPRI Military Expenditure Database*. See for example <http://data.worldbank.org/indicator/MS.MIL.XPND.GD.ZS> (accessed 17 May 2015).



investment and new technology, meaning fewer competitors take part in the process, and a more fertile ground for corruption is created.

Corruption in defence is usually associated with single-source or non-competitive procurement contracts. However, besides procurement, the defence establishment contains several distinct areas and vulnerabilities to corrupt practices, such as personnel management, operations and maintenance, offset arrangements, defence conversions programmes. The development of comprehensive and effective strategies and policies for building integrity in defence should address all of these areas, as we will try to review their specificity below.

A first hint towards these areas is given by the four main categories of defence spending: personnel management; operations and maintenance; procurement and construction; research and development. Each of these categories has its own set of corruption risks and challenges to anti-corruption efforts. Personnel costs represent by far the largest portion of defence spending, at least in Southeast European countries, where they count around 70-80% of the defence budget⁷. This very high percentage makes it a key area of integrity-building efforts.

Corruption in personnel management systems may take the form of extortion, theft, bribery, or the propagation of networks favouring corrupt practices. It can be occasioned by any personnel decision that does not follow a strict application of regulations or policy.

Examples may include⁸:

- conscription avoidance schemes (involving networks of corrupt officials, doctors, and instructors at recruitment centres)
- unmerited acceptance into entry-level officer training programmes
- unjustified promotions and assignments of posts
- preferential treatment in decisions on foreign postings (for example, for training assignments or participation in peacekeeping operations)
- unjustified advantages in the distribution of pay and benefits (housing, food, medical care, uniforms, time off)

Ensuring transparency in personnel management

⁷ See Military Spending by Resource Cost in *United Nations Report of Military Expenditures*, <http://www.un-arm.org/MilEx/Home.aspx> (accessed 17 May 2015).

⁸ Todor Tagarev, *op. cit.*, pp. 43-56.

is complicated by several factors. Whereas recruitment and assignments are diffused across the entire system, reporting is hierarchical, via chain-of-command. The organisational divide between operational units and central staff, combined with the unwritten norms and traditions at the heart of military culture, create strong disincentives for whistleblowers. This makes collecting accurate information a challenging task. The first measure in fostering integrity in personnel management is to ensure a clear framework governing the legal status of the armed forces, conditions for recruitment, education and career development, respect for human rights and working conditions. The leading role in ensuring that this legal framework exists should be undertaken by parliament, who could also play a role in formally approving or endorsing senior appointments in the Armed Forces.

A more specific and effective measure is the creation of a specialized ombuds-institution who deals with complaints received from within the Armed Forces regarding abuses, discrimination and misadministration in personnel management. Such institutions complement the role played in all defence ministries by an Inspector General, and work closely with the parliamentary committees mandated to exercise oversight over the defence sector. The office of the Parliamentary Military Commissioner fulfils this role, with successful results, in countries like Norway⁹, Germany¹⁰ or Bosnia Herzegovina¹¹.

Operations & Maintenance absorb on average 20% of a country's defence spending. This covers items such as, the training of forces in peacetime, their preparation for operational deployment, the conduct of joint exercises and international peace-building missions. Decisions regarding national participation in peace operations tend to be made at short notice. Often, related procurement procedures are simplified, avoiding competitive processes. Cost considerations are frequently side-lined by inter-operability requirements and concerns about soldiers' safety. In many countries personnel are selected for deployment on the basis of unclear and non-transparent procedures, whereas remuneration

⁹ <http://www.ombudsmann.no/mil/english.asp> (accessed 07 May 2015).

¹⁰ http://www.bundestag.de/htdocs_e/bundestag/commissioner/ (accessed 07 May 2015).

¹¹ https://www.parlament.ba/sadrzaj/komisije/ostalo/vojni_povjerenik/default.aspx?id=3188&mid=1&langTag=en-US&pril=b (accessed 07 May 2015).



for international deployments is several times higher than a normal salary. This can lead to lobbying, bribery, and influence-trading within the defence establishment, as troops and officers attempt to secure postings abroad. In the case of peacekeeping deployments, some experts recommend deploying standing organisational units instead of contingents assembled for a specific mission, because such units would only need minimal additional assets and training to fulfil mission requirements.

Another area of vulnerability for corruption in defence comes from the fact that operations increasingly rely on the private sector. There are three main ways of private sector involvement in defence operations. Outsourcing happens when organisational activities are contracted out to vendors or suppliers who specialise in these activities. Privatisation refers to those instances when current government property, equipment, and facilities are sold to the private sector. Public-private partnerships occur when the private sector invests in defence projects or operations, sharing resources, expertise, risks and rewards in a joint venture with a state partner.

These arrangements offer considerable opportunities to improve the efficiency of defence forces. However, in the absence of strong ethical leadership, institutions and oversight, they can open avenues for illegal acts such as bribery. This can occur alongside legal lobbying activities by private companies meant to encourage political and bureaucratic processes to choose sourcing options that favour private interests to the detriment of the defence establishment.

The use of contractors—in particular, the rise of private military companies—in operational deployment, peacekeeping, and stabilisation campaigns, is also a prime concern in this area. There is frequently a lack of transparency in bidding, creating scope for favouritism, misappropriation, nepotism, bribery and corruption.

So far, there is no international system for evaluating, registering, or licensing private contractors and defining or upholding professional performance standards. However, small steps have been taken for the development of such a system. The *Montreux Document on Private Military and Security Companies*¹² of 2008 breaks new

ground in defining how international law applies to the activities of private military and security companies. The *International Code of Conduct for Private Security Service Providers*¹³ (ICoC), is a multi-stakeholder initiative that aims to both clarify international standards for the private security industry operating in complex environments, as well as to improve oversight and accountability of these companies. Governments are encouraged to outsource defence services only to private security companies that have endorsed this oversight mechanism, allowing for external, independent inspections on how they conduct their affairs and comply with the rule of law.

Defence procurement has been identified as a main issue of concern in the discussion about defence corruption, for reasons dealing with transparency, democratic oversight, value for money and high corruption risks¹⁴. Defence procurement refers to two distinct processes: acquiring new defence capabilities through introduction of more advanced weapon systems, and maintaining existing capabilities through the provision of spare parts, fuel, logistic services, etc¹⁵.

Defence procurement is a process highly prone to corruption, for several reasons. Given the large size of the defence establishment, even the procurement of simple products (such as food, fuel, uniforms) involves large amounts of money. When it comes to the procurement of highly advanced and specialised technologies the number of potential providers tends to be limited. In addition, national security considerations can limit alternative procurement options, giving inordinate power to suppliers to influence negotiations and contracts. It is also difficult to directly link defence needs to procurement as statistics about costs can be hard to obtain, incomplete or non-existent.

Corruption in defence procurement originates either with a bidder (offering an illegal payment to influence the outcome, i.e. bribery) or a public official (demanding a payment to influence the outcome, i.e. extortion). In order to reduce corruption in defence procurement, initiatives to

¹² <https://www.eda.admin.ch/eda/en/fdfa/foreign-policy/international-law/international-humanitarian-law/private-military-security-companies/montreux-document.html> (accessed 07 May 2015).

¹³ <http://www.icoca.ch/> (accessed 07 May 2015).

¹⁴ Mark Pyman, Regina Wilson and Dominic Scott, *The Extent of Single Sourcing in Defence Procurement and its Relevance as a Corruption Risk: A first Look*, Defence and Peace Economics, 2009, p. 215.

<https://www.law.upenn.edu/live/files/4421-pyman-m-wilson-r-scott-dthe-extent-of-single> (accessed 15 May 2015).

¹⁵ Todor Tagarev, *op. cit.*, p. 72.



enhance the integrity of the process have to address three main dimensions of the process: the conduct of participating organisations, the behaviour of individuals involved and the decision-making process.

Regarding the integrity of participating organisations, it is important to aim at building integrity on both sides of a procurement contract – both the demand and supply dimensions. On the demand-side, within the Ministry of Defence and military establishment, clear delineation of competencies is essential – especially regarding decision-making authority and oversight responsibilities. In the 1990s, Transparency International developed the Integrity Pact as a tool governments can use to combat corruption at the tendering and contract stage of procurement. The Integrity Pact is a contract that binds bidders and buyers to non-bribery pledges for a specific procurement. Furthermore, it restricts government officials and close relatives from obtaining work at bidding firms for a set period after the bid has been submitted; they also require the disclosure of details of agents and intermediaries. To ensure transparency of such pacts an independent monitor or a monitoring team is appointed, which is then provided with full access to all meetings and documents. 15 countries around the world have applied such pacts to major defence procurement contracts, including Croatia, India, Poland, and the United Kingdom¹⁶.

Another good example comes from the USA, where the major defence companies formed the Defence Industry Initiative, wherein each signatory agrees to complete a detailed annual questionnaire relating to their ethics programs and practices. The results of this questionnaire are then compiled and published in an annual DII Public Accountability Report. All companies that are part of this initiative have codes of conduct, ethics departments, whistleblower hotlines, and ethics training programmes for staff¹⁷.

On the supply-side, the defence industry has faced in recent years numerous corruption scandals which have weakened public confidence in defence contractors. A company may pay to be included in the list of qualified bidders or to restrict the number of competitors. Those who make such payoffs expect not only to win the contract, but also to ob-

tain future subsidies, monopoly benefits, and loose regulations in their favour. Often, suppliers are expected to take the lead in rooting out opportunities for corruption that they can fall prey to.

The individual integrity of the persons involved in a procurement contract is even more difficult to tackle. No measures against procurement-related corruption will be effective if individuals involved in the process lack integrity. The theory of rational behaviour in economic crime makes it possible to examine corruption as the result of rational choices made by individuals, after having evaluated potential personal rewards obtained from breaking the law, against the likelihood of apprehension, conviction and the severity of punishment they might get. According to this approach, there are two factors deterring corruption: the "moral burden", determined by culture and individual ethics; and the "expected punishment", determined by legislation¹⁸. To reduce the risk of corruption at the level of individuals, countries use both "hard" and "soft" measures¹⁹.

Hard measures can be used to criminalise conflicts of interest and acts of bribery. These can cover the period of the actual procurement, but also the past and future. For example, measures can be taken to restrict conflicts of interest resulting from the prior involvement of government officials or military officers with defence contractors, or potential involvement with the private sector after retirement from government or military service. Conflict of interest occurs when an official has personal or private interests that result in him/her putting these before his/her statutory duties. Some countries define a conflict of interest as present, but also future advantages, an official might gain from a current procurement contract, for example, when the official starts working for, or receives other benefits from, a defence supplier for a determined period after having stopped working for the government.

Soft measures usually take the form of Codes of Conduct applied by both government institutions and defence suppliers on their staff. Whistleblower protection lies somewhere between the hard and soft approaches described above. It is designed to encourage people who know about corrupt

¹⁶ *Ibidem*, pp. 84-85.

¹⁷ *Ibidem*, p. 83.

¹⁸ Gary Becker, *Crime and Punishment: An Economic Approach*, *The Journal of Political Economy* 76: 169-217.

¹⁹ Todor Tagarev, *op. cit.*, p. 82.



behaviour to report it to the authorities.

Norway has adopted specific legislation on the protection of whistle-blowers. This gives all employees in the private and public sector, the right to bring to the attention of authorities suspected misconduct in their organisation, on the condition that the employee follows an "appropriate procedure". The law prohibits "retaliation" - understood as any unfavourable treatment that is a direct consequence of, and a reaction to, the notification submitted by the employee. Any bad faith in the whistle-blower's motives will not hinder lawful reporting as long as the disclosure is in the public interest. An employee who "signals" that he/she will submit a notification (for example by copying documents or threatening action unless the unlawful practice is changed) is also protected against retaliation. If there is any kind of retaliation against the "whistle-blower" following his/her disclosure, the compensation awarded can be unlimited.

The law in Romania²⁰ is one of the rare European regulations on the matter to propose a definition of the term "whistle-blower". "A 'whistle-blower' is an individual who reveals violation of laws in public institutions made by persons with public powers or executives from these institutions". This definition must be read in conjunction with that of "whistle-blowing in the public interest", which is defined as reporting, in good faith, any deed infringing upon the law, the professional ethical standards or the principles of good administration, efficiency, efficacy, economy and transparency.

Regulations in the USA make ethics programmes, training, reporting, and whistle-blower protection mandatory for all defence contractors. Protection covers all contractor employees who disclose information to government officials with regard to waste or mismanagement, danger to public health or safety, or legal violations related to the defence contract. An employee may not be discharged, downgraded, or otherwise discriminated against as a reprisal for disclosing information concerning contract-related violations to the government. All contractors are obliged to inform their employees in writing of these federal whistle-blower rights and protections. Similar reporting requirements also apply to government employees; any case of reporting may be done by mail, online,

or phone and can be anonymous and non-traceable if the reporting person wishes so.

In Poland, all contractors are obliged to inform their employees in writing of these federal whistle-blower rights and protections. Similar reporting requirements also apply to government employees; any case of reporting may be done by mail, online, or phone and can be anonymous and non-traceable if the reporting person wishes so²¹.

In order to foster integrity within the integrity of the decision-making process, regulations have to provide for a clear causal link between defence policy and procurement, taking in consideration budgetary fiscal restraints. Acquisition requirements must be carefully prioritised in order to assemble an overall defence programme that is as comprehensive and balanced as possible. Close examination of competing requirements and value for money analysis are essential.

Another major corruption risk, even in the most developed countries, is represented by offset arrangement²². Offsets are designed to compensate local stakeholders for the purchase of equipment or services from a foreign contractor. They are frequently an integral part of international defence contracts, and in some countries legislation requires offset arrangements for contracts above a certain value. Offset commitments can encompass a wide variety of activities such as co-production, production under license, marketing and exporting assistance, subcontracting, training, technology transfer, financing or foreign investment. Offsets support the development of national industry and can help bring a country's balance of trade into equilibrium. They often offer government an opportunity to ease opposition, on the part of national producers and the general public, to major defence spending. The choice of what is needed, or even whether something is needed, can be influenced by "incentives" offered under the offset clauses.

Defence purchases are rarely a simple economic transaction. They often have an international political dimension whereby the purchasing nation is hoping to deepen political relations with the supplying nation. They are also large enough to have an impact on the domestic political agenda – the offer of defence suppliers to provide investment,

²⁰ Law 682/2012m <http://legislatie.resurse-pentru-democratie.org/legea/682-2002.php> (accessed 15 May 2015).

²¹ Todor Tagarev, *op.cit.*, p. 84.

²² *Ibidem*, p. 86.



job creation, or special goods and services within a certain country, region, or city can influence local politics in favour of the purchase. These can make otherwise unattractive products appear politically attractive.

Governments often also place 'multipliers' on offsets as a measure to incentivise investment in priority fields. For example, if a multiplier value is kept at 3, it means a foreign company can claim credits up to three times of its actual offset investment. So, if the Ministry of Defence urgently requires a specific technology for producing tank armour, a multiplier of 4 could be placed on that technology. That would give a vendor who provides technology worth \$20 million an offset credit of \$80 million. It has been reported, though, that such clauses can be used by vendors to minimise their actual offset investments in the country. For example, a major defence contractor from the U.S., despite having \$10 billion of nominal obligations in one of its markets in the Persian Gulf, only needed \$1 billion to fulfil its obligations, through the use of multipliers. Another example comes from South Africa, where a Swedish defence supplier received more than \$200m in offset credits just for spending \$3m on upgrading swimming pools in Port Elizabeth and marketing the town to Swedish tourists. In order to prevent misuse of multipliers to reduce or misdirect offset obligations, many countries place limits or conditions on multiplier values. In India, the maximum multiplier of 3 is allowed only when a foreign company provides a listed technology without any restriction on its volume of production and sales, including exports²³.

The use of offsets has grown substantially in the recent past, as suppliers have understood the power of such clauses in influencing procurement deals. The average value of offset arrangements represented 49% of procurement contract value in 1995, but grew to 103% in 2005. For example, Lockheed Martin, one of the largest defence contractors, has US\$ 19 billion of offset obligations across 12 countries.

Offset arrangements are often commitments that are not finalised until after the award of the contract. They can then take years to be fully implemented. Owing to this time delay, and the concomitant lessening of political and media scrutiny, there is scope for making opaque deals and return-

ing favours to those that helped win the contract. Offset clauses are not just limited to investment in the country's defence sector. Saudi Arabia's defence contracts with the UK included offsets obliging the British companies to develop a sugar processing complex, a pharmaceutical plant, and commercial computer training facilities within the country. Malaysia's offsets contracts have seen the development of its higher education sector through investments in universities, while Kuwait has used offsets to develop small and medium enterprises in the civilian sector.

Defence conversion programmes represent another area vulnerable to corruption, especially in East European countries where often the military is a large owner of property, infrastructure, industry facilities and surplus equipment. Several components of defence conversion programmes can raise integrity challenges: for example, the conversion of military bases and facilities, the disposal and destruction of surplus military equipment weapons and stockpiles, and the restructuring of military industries. Private commercial interests can find these military assets highly attractive. For example, private companies can attempt to influence the decision-making process so that valuable assets are labelled to be "unnecessary" for future defence needs, or valued below market price before being sold off or exchanged. Barter and exchange of such defence assets present even a higher corruption risk than procurement.

On the other hand, defence ministries are also often subjected to intense public pressure and (legal and illegal) lobbying by states, cities, localities, and special business interests to prevent base closings or property transfers that might entail the loss of revenues and jobs – even when those assets or activities are no longer necessary for national security and represent a drain on the defence budget.

Outsourcing of specific services, such as ensuring the security of storage areas, destruction of surplus weapon systems, equipment, and ammunition, can lead to contract and tender manipulation or negotiations with a single company. Both sides may have an interest to prolong the contract as long as possible, thus delaying the destruction of surpluses. As with other defence contracts, the risk of corruption in defence conversion decreases with the implementation of open tenders and trans-

²³ *Ibidem*, p. 91.



parent, competitive procedures with clearly formulated requirements.

In some countries, the defence establishment is an economic actor, using its resources (personnel and assets) in profit-generating activities, to generate revenue for the military, independently of the state budget. The risks involved in such cases are two-fold. Firstly, the professionalism of the armed forces can be compromised if its resources and personnel are diverted towards the private sector. In the process, the military can become more interested in generating profits than providing security to the state and its citizens. Secondly, this can reduce the accountability of the armed forces. Having established an independent means of financing itself, the military can detach itself from civilian control, which in turn can generate risks for its overall role in society.

Several regional initiatives, especially relevant for countries in Eastern Europe, reflect the importance placed on building integrity in defence, as an essential component of security sector reform and efforts to achieve good governance. At the European level, there are initiatives designed to promote open competitive bidding through the use of the European Bulletin Board (EBB) on Defence Contracts Opportunities maintained by the European Defence Agency²⁴. This platform not only provides opportunities for inter-governmental cooperation and transparent defence procurement, but also has a series of detailed codes, rules, and procedures aimed at establishing norms and best practices among member-states.

The NATO Building Integrity Initiative²⁵ was created out of discussions between NATO and Transparency International to support the wider international effort at reducing corruption risks. The Initiative is open to all NATO allies and partners in the Euro-Atlantic area, the Mediterranean, and the Gulf region, as well as other countries across the globe, including Afghanistan. Participation in it is on a voluntary basis, and the implementation is a responsibility of nations – national ownership and commitment being a pre-requisite. Activities aim to develop practical knowledge to help nations meet their international treaty obligations to the

UN, OECD, and others. These activities include: integrity self-assessment tools, tailored training programmes, workshops, roundtables, publishing guidelines and best practices, research and analysis. The involvement of Members of Parliament, parliamentary staffers and civil society is welcomed.

The South-eastern Europe Defence Ministers (SEDM) Process was prepared by NATO with Bulgaria as the lead nation, following extensive and successful reform efforts in Bulgaria. States participating in the SEDM's tailored Building Integrity Programme include Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Montenegro, Romania, Serbia and Slovenia. The process is open to other SEDM nations as well as observers. As of 2014, Bosnia-Herzegovina, Bulgaria, Croatia, and Ukraine have already completed the Building Integrity Self-Assessment and Peer Review.

It is a world recognised fact that corruption undermines the development of nations. In spite of a wide array of corruption vulnerabilities in the defence sector, a careful and comprehensive analysis of these vulnerabilities enables governments to put in place effective strategies to build the integrity of their defence establishments. Such efforts have high payoffs, translated in better effectiveness of armed forces and increased levels of legitimacy and public trust in the military.

BIBLIOGRAPHY

1. Baldwin, Harriett, rapporteur, *Defence Spending, National Security and Alliance Solidarity*, NATO Parliamentary Assembly, Economics and Security Committee, 2013.
2. Bucur-Marcu, Hari, *Defence Institution Building Self-Assessment Kit. A Diagnostic Tool for Nationals Building Defence Institutions*, DCAF, Geneva, 2010.
3. Fuior, Teodora, *Budget Analysis*, in *Public Oversight of the Security Sector. A Handbook for Civil Society Organisations*, UNDP, 2008.
4. Hutchful, Eboe ed. *Budgeting for the Military Sector in Africa*, Oxford University Press, 2006.

²⁴ <https://www.eda.europa.eu/procurement-gateway> (accessed 15 May 2015).

²⁵ <http://buildingintegrity.hq.nato.int/News.aspx?id=522015527>



5. Pyman, Mark, Wilson, Regina and Scott, Dominic, *The Extent of Single Sourcing In Defence Procurement and Its Relevance as a Corruption Risk: A First Look*, Defence and Peace Economics, 20:3, 2009, pp. 215 -232.
6. Tagarev, Teodor, *Building Integrity and Reducing Corruption in Defence. A compendium of Best Practices*, DCAF, Geneva, 2010.
7. Transparency International UK, *Watchdogs?* *The Quality of Legislative Oversight of Defence in 82 Countries*, Defence and Security Programme 2013.
8. Wheeler, Winslow, ed. *The Pentagon Labirinth*, Center for Defence Information, World Security Institute, 2011.