

Building Integrity and Reducing Corruption in Defence

A Compendium of Best Practices



CONTENTS

Part I Introduction	1
Chapter 1 The Corruption Curse.....	3
Chapter 2 A Strategic Approach to Building Integrity and Reducing Corruption in Defence...	13
Chapter 3 NATO and the Evolution of the Building Integrity Initiative.....	22
Chapter 4 National Approaches in Support of Building Integrity and Reducing Corruption in Defence.....	31
Part II Corruption Risks and Vulnerabilities in Defence	41
Chapter 5 Personnel Policies.....	43
Chapter 6 Defence Budgeting and Financial Management.....	57
Chapter 7 Defence Procurement.....	72
Chapter 8 Offset Arrangements.....	86
Chapter 9 Opportunities and Risks with Outsourcing, Privatization and Public-Private Partnerships in Defence.....	99
Chapter 10 Utilisation of Surplus Equipment and Infrastructure.....	112
Chapter 11 The Involvement of Defence Personnel and Assets in Economic Activities.....	124
Chapter 12 Integrity Issues Related to Military Operations.....	135
Chapter 13 Combating Defence-related Corruption in Countries with Unresolved Territorial Disputes or Frozen Conflicts.....	148
Part III Building Integrity and Reducing the Corruption Potential in Defence Establishments	163
Chapter 14 The Importance of Integrity Building.....	165
Chapter 15 Regulatory Frameworks.....	172
Chapter 16 The Human in the Loop.....	193
Chapter 17 The Role of Government.....	205
Chapter 18 The Role of Parliaments and Audit Offices.....	222
Chapter 19 The Role of Ombudsperson Institutions.....	234
Chapter 20 The Defence Industry as an Ally in Reducing Corruption.....	250
Chapter 21 The Role of Civil Society and the Media.....	261

Chapter 22 The Role of International Organisations.....	281
Part IV Implementing Integrity Building Programmes.....	297
Chapter 23 Making Change Happen	299
Chapter 24 Cultural Awareness in Implementing Integrity Building Programmes.....	312
Annex 1: Selected Resources	323
Annex 2: TI International Defence and Security Programme	327
Annex 3: Abbreviations	329

Chapter 10

Utilisation of Surplus Equipment and Infrastructure

In the process of adaptation to the post-Cold War security environment, the countries on the two sides of the then dividing line reduced their armed forces significantly. A considerable amount of weapon systems, equipment, ammunitions and military sites became unnecessary in the process. Defence establishments to the West of the dividing line did have to resolve certain challenges but the combination of sound defence management mechanisms, parliamentary scrutiny and societal interest kept the problem manageable. To the East of that line, however, countries had to deal with the issue of defence surpluses in parallel with the return to free market and the principles of democratic rule, with burning conflicts on their territories or nearby, very limited transparency and, generally, quite weak democratic institutions.

Not surprisingly, defence establishments in Eastern, South-Eastern Europe and elsewhere were not able to cope efficiently with this legacy and still face numerous problems. First, maintaining surpluses costs much. Secondly, poor protection, storage and handling of surpluses directly threatens the life of soldiers, employees, the people working or living in nearby communities and the environment, and increases the risk of illicit trafficking and uncontrolled spread to criminals and even terrorists. And third, non-transparent and unaccountable management of the surpluses involves very high corruption risks.

This chapter examines these three groups of problems and presents examples of good practice in resolving them. The final section provides a list of recommendations, the implementation of which lowers the corruption potential of utilisation.¹

Waste of Resources

The costs of removing defence materiel that has become redundant may be significant. On the other hand, keeping redundant weapon systems, equipment, ammunition and infrastructure diverts valuable human and financial resources away from developing necessary defence capabilities and deploying armed forces in operations that increase the security of the nation, its allies and partners. As the example in Box 10.1

¹ Here the term “utilisation” denotes the removal of surplus defence materiel and infrastructure from the defence establishment through sale, exchange, donation, conversion, destruction or other legitimate ways.

Box 10.1. Indirect Costs of Delayed Utilisation

As a member of NATO since 2004 and of the EU since 2007, Bulgaria continues to deal with the legacy of its large Cold War military. Twenty years after the fall of the Berlin Wall, the defence establishment still cannot get rid of numerous weapon systems, tens of thousands of tons of ammunition and hundreds of military sites that it does not need. On average, the speed of utilisation of surplus defence materiel hardly exceeds the pace with which the military fills in the stock of redundant weapons and ammunition and releases additional infrastructure.

On the other hand, the country strives to meet its alliance commitments for contribution to international operations and development of interoperable defence capabilities. Hence, the cost of keeping surpluses is mostly covered by limiting long-term investments. For example, the cost of outsourcing the guarding of redundant infrastructure alone consistently exceeds the money Bulgaria invests in defence research and technological development.

shows, inefficient utilisation also impairs the long-term development of the national defence capacity.

Security and Safety Risks

Any stock of ammunition, explosive material and detonating devices creates risks for the security of the people responsible for protecting and handling them, for nearby communities and for the environment. But when such stocks are handled by active military units, and in accordance with strict rules and procedures, these are routine risks.

The situation may change dramatically when the military gets rid of the ammunition and leaves only limited personnel to handle the surpluses. Often this task is outsourced and the stockpiles are guarded by private companies and may be handled by technical personnel, possibly with lower qualifications and discipline. The risks are even higher in the presence of abandoned or damaged ammunition and explosives in post-conflict zones. Box 10.2 describes the threat and provides examples of the possible damages, including casualties caused by explosive events in ammunition storage areas.

No less important than the safety risks are the security implications of poorly protected stocks of surplus weapon systems and ammunition. The European Union, for example, has consistently expressed the view that stockpile management is an important means to block one of the most damaging channels for acquiring illicit weapons and ammunition. The EU includes in "weapons management" a wide range of issues, such as stockpile management, marking and record keeping of weapons and ammunition, identification of surplus weapons, disposal of weapons and the fight

Box 10.2. The Threat from Explosive Events in Ammunition Storage Areas

News of major ammunition depot explosions makes the headlines several times in any single year but many minor events go unreported. All of these events have a devastating impact on local communities. Large numbers of casualties, widespread destruction of infrastructure and the disruption of the livelihood of entire communities often result. In addition to the immediate human suffering, such explosions can have major negative effects on the environment and, in states with limited means to finance the technically challenging clean-up costs, local populations, especially children, are all too often exposed to the risk of injury or death due to the unexploded ordnance that tends to litter large areas for extended periods of time after the initial undesirable ammunition explosion.

The table below contains details of selected explosive events within ammunition storage areas from the mid-1990s onward.

<i>Date</i>	<i>Country</i>	<i>Location</i>	<i>Fatalities</i>	<i>Injured</i>	<i>Possible Cause</i>
March 97	Albania	15 locations	56	59	Human Error & Security
06 May 04	Ukraine	Novobogdanovka	5	10	Fire (Human Error - Smoking)
31 Mar 05	Cambodia	Andong Chen	6	20	High Temperature
08 Dec 05	Pakistan	Jhandola	12	50	Handling
08 Jul 06	Montenegro	Vir	0	32	Lightning
19 Oct 06	Serbia	Paracin	0	10	Not Known
02 Mar 07	Slovakia	Novaky	8	45	Not Known
26 Jul 07	Syria	Aleppo	15	50	Propellant Fire
09 Jul 08	Uzbekistan	Kagan	3	21	Fire
04 Dec 08	India	Gandhidamn	2	6	Fire
19 Mar 09	Kazakhstan	Darbaza (Arys)	4	16	Fire

Source: The Threat from Explosive Events in Ammunition Storage Areas (Kent, UK: ECAO-Explosive Capabilities Limited, 15 July 2009), www.iansa.org/un/documents/ExplosiveEvents1995-2009.pdf.

against corruption. The intensity of conflicts could be diminished significantly by interrupting the influx of ammunition and by drying up the stream of its illegal delivery. Surplus ammunition has been diverted from military stockpiles into zones of instability where it has fuelled conflicts. It is also getting into the hands of criminal gangs and terrorists.²

² *Debate Continues on Small Arms Conference Recommendations*, UN General Assembly DC/3008, Preparatory Committee for Review Conference on Illicit Small Arms Trade (16 January 2006), www.un.org/News/Press/docs/2006/dc3008.doc.htm.

Many international organisations recognise these risks and create conditions for assistance and cooperation in eliminating stocks of surplus weapons and ammunition. Box 10.3 describes briefly the arrangements for international assistance agreed in the framework of the Organization for Security and Co-operation in Europe (OSCE).

Since the beginning of the century, NATO undertook an important role in resolving the problems with large weapons and ammunition stocks. NATO serves as a clearing-house of donor assistance through the Partnership for Peace Trust Funds, while NAMSA, the NATO Maintenance and Supply Agency, is the first choice for an executive agent. Box 10.4 provides additional information for this role of NATO.

The achievements of the arms destruction trust fund are impressive. Just during its first five years, the fund has raised more than 16 million euros in voluntary contributions for a number of projects across the Euro-Atlantic area and provided for the destruction of approximately 2.5 million landmines, 325 high-altitude anti-aircraft missiles,

Box 10.3. International Assistance in Managing Stockpiles of Conventional Weapons

The participating states in the OSCE recognize that the risks posed by surplus stockpiles of conventional ammunitions, explosive material and detonating devices are often created by precarious and unsatisfactory conditions of storage. Therefore, they agree that stockpile security should be taken into account and that proper national security and safety control over stockpiles of conventional ammunition, explosive material and detonating devices is essential in order to prevent risks of explosion and pollution, as well as loss through theft, corruption and neglect.

Among the indicators in considering whether a surplus should be considered a risk, the OSCE includes:

- The procedures to maximize the security of conventional ammunition, explosive material and detonating devices in transport;
- The training of staff in effective stockpile management and security procedures; and
- The system for application of supervisory and auditing responsibilities.

The OSCE provides a framework for technical, financial, consultative and other assistance to nations facing high levels of risk in storing surplus ammunition and explosives. This assistance is provided on a voluntary basis, when the requesting nation acts in a fully transparent manner and accepts management of the assistance effort by a joint project team.

Source: OSCE, *OSCE Document on Stockpiles of Conventional Ammunition* (Vienna: Organization for Security and Co-operation in Europe, November 2003), www.osce.org/item/1538.html.

Box 10.4. NATO and Demilitarization of Surplus Weapons and Ammunition

The NATO Partnership for Peace (PfP) Trust Funds originated in September 2000 and now covers destruction of all types of weapons and conventional ammunition. Trust fund projects originally were developed in countries of the Balkans and the Former Soviet Union, which possessed large surplus stocks of weapons and munitions that were difficult to maintain safely and securely. There are four fundamental elements of trust fund programmes: an appeal for assistance from the host country; fundraising by the lead nation; development and signing of legal and financial agreements; and the execution of the project. The last is normally entrusted to the NATO Maintenance and Supply Agency (NAMSA). Demilitarization of munitions is part of its core business and it has the necessary contracting, project management and financial management capabilities. There are now 34 eligible countries of the PfP, Mediterranean Dialogue and Istanbul Cooperation Initiatives. Projects have been completed or are planned in Afghanistan, Albania, Azerbaijan, Belarus, Bosnia-Herzegovina, Georgia, Jordan, Kazakhstan, Moldova, Montenegro, Tajikistan, Serbia and Ukraine. The NATO Trust Fund process has been a successful vehicle for international cooperation and is likely to continue for several years. There is scope for other international organizations to cooperate with NATO in developing and executing projects of this type.

Source: Peter Courtney-Green, "NATO and Demilitarization of Surplus Weapons and Ammunition," *Contemporary Security Policy* 29:1 (April 2008): 15–31.

320 tons of rocket fuel, 28,000 small arms and light weapons and 1,800 tons of ammunition.³

Through the trust funds, NATO not just resolves an existing problem but invests in the capability of the supported country to conduct future demilitarization activities on its own⁴ or to manage its munitions stockpiles in a safe, accountable and secure manner.⁵

As part of stockpile management, IANSA, the International Action Network on Small Arms, identifies some key recommendations in defining and disposing of surplus weapon systems and ammunition (presented in Box 10.5). Some of these recommendations directly address the risk of corruption related to surplus weapons and ammunition, examined in the next section.

³ "Fifth Anniversary of Arms Destruction Trust Fund," *NATO News* (16 November 2005), www.nato.int/cps/en/natolive/news_21574.htm?selectedLocale=en.

⁴ "NATO to Help Georgia Destroy More Missiles," *NATO News* (24 October 2007), www.nato.int/cps/en/natolive/news_7925.htm?selectedLocale=en.

⁵ "NATO Assists Afghanistan to Improve Munitions Stockpile Safety," *NATO News* (7 May 2008), www.nato.int/cps/en/natolive/news_7258.htm?selectedLocale=en.

Box 10.5. Excerpts from IANSA's Recommendations for Stockpile Management

Stockpile security:

- Maintaining stockpiles in appropriate structures, with security systems in suitable locations identified following a risk assessment for the local population;
- Storing arms and ammunition under the appropriate temperature and climate conditions;
- Only permitting access to the stockpile by authorised, properly trained and vetted personnel;
- Recording and reporting the humanitarian impact if misuse does occur, even inadvertently.

Surplus identification, based on the following variables:

- External and internal threat perception, as well as national security/defence strategy and doctrine;
- Relevant policy and legislation, as well as budget and expenditure priorities;
- Size of the official security forces to be armed;
- Accurate, planned and regularly updated size of military reserves;
- Availability of appropriate safe storage facilities and capacity to maintain and secure them.

Disposal and destruction:

- Ensuring stocks are appropriately maintained, secured and transported up to the point of destruction;
- Expediting the destruction of redundant, surplus and damaged explosives stocks without delay;
- Earmarking a proper destruction site and assembling the necessary destruction equipment or facilities;
- Adhering to the specific destruction measures outlined in the 2000 report of the UN Secretary General of 15 November 2000 (paragraph 19);
- Measures to mitigate harm to people, livestock, property and the environment from the destruction;
- Planning, design and implementation of destruction by appropriately trained destruction specialists.

Source: IANSA, *Stockpile management & surplus disposal* (2007), <http://www.iansa.org/un/documents/StockpileManagement.pdf>.

Corruption Potential of the Utilisation

The parliamentary and public attention related to defence is often focused on the procurement of new weapon systems or construction projects, in particular in cases of high-value contracts. Less flashy but rich with corruption potential are the cases when the Ministry of Defence sells redundant weapon systems, equipment or infrastructure.

Box 10.6 presents one case of corruption related to the sale of surplus tanks. Somewhat unexpectedly, the example comes from a nation that is consistently ranked by TI among the countries with lowest level of corruption – Finland.⁶ In this particular case, corruption was promptly revealed and the persons involved were released from their positions and charged by the state prosecution.

That is rarely the case in countries with less transparent and accountable management of defence, where corruption risks relate to four main types of utilisation acts.

First is the contracting for the destruction of surplus weapon systems, equipment and ammunition. Just like in other defence contracts, corruption risks decrease with the implementation of open tenders and transparent, competitive procedures with clearly formulated requirements, including requirements for environmental safety. On the contrary, corruption potential increases when competition is limited or tender requirements favour a particular company. At the extreme, the defence ministry might use a sole source procedure, e.g. leading to a contract with a company owned by the defence ministry. In one such case the executive director of a defence company was later arrested and charged for giving the work to a private subcontractor.⁷

Second is the outsourcing of specific services, e.g. the provision of security of weapons and ammunition storage areas. Again, transparency and open competition are the main remedies against corruption but too often defence officials are tempted to limit the competition or even to go to direct negotiations with a single company. The corruption in such cases feeds back to the safety and security problems described in the previous section – both sides have an interest to prolong the contract as much as possible, and the destruction of surpluses is delayed respectively.

The third type of act is the selling of surplus weapon systems, equipment and infrastructure. While the buyer-seller relationship here is reversed, the same anti-corruption requirements apply. The requirement for transparency applies to the procedure, pertinent regulations, items being sold and their condition. Fuzzy rules and procedures, combined with a lack of transparency, increase significantly the discretionary

⁶ In the 2008 Corruption Perception Index, Finland ranks 5th among the countries with least corruption.

⁷ "The Executive Director of the Defence Company Terem was Arrested," *DarikNews* (9 September 2009), http://dariknews.bg/view_article.php?article_id=397074.

Box 10.6. Corruption Charges Related to Utilisation of Surplus Weapon Systems

The Finnish State Prosecutor Jorma Äijälä is bringing criminal charges against five individuals. Two of the accused worked in directorial positions with the Defence Forces. The remaining three were employed by a recycling company. The case relates to a bidding contest in which the Defence Forces were seeking a buyer to scrap and recycle 360 obsolete armoured vehicles from 2007–2009. According to the prosecution, the winner triumphed in the bidding contest through illegitimate means and the opposing bidding contestant suffered EUR 350,000 in damages.

On the Defence Forces' side, the gravest criminal charges will be filed against a then sales manager, who is no longer employed by the military. According to the indictment, he received bribes from representatives of the winning company and subsequently misled those deciding on the bidding contest into thinking that its offer was superior to the one presented by the competition. The state prosecutor calls for the sales manager to be penalised for acceptance of bribery, aggravated fraud, aggravated misuse of his official position and infringement of official secrets. According to Äijälä, the bribery charge relates to having been entertained.

The police suspected that the manager in question would also have received EUR 6,000 in cash. A managerial level employee of the winning company admitted having handed this sum of money in a brown envelope to the sales manager at the request of one of the employee's superiors. The state prosecutor, however, considered the evidence insufficient with regard to the EUR 6,000 bribe.

Another Defence Forces director will be charged for negligence in duty, or, in practice, for being careless. The director trusted the false price comparison produced by the sales manager, based on which he then prepared a proposal briefing. The proposal briefing advanced in the Defence Forces hierarchy upwards without anyone reviewing the sales manager's figures. The final decision on the scrap deal was made in accordance with the proposal briefing by the then minister of defence.

Representatives of the contracted company will be charged for aggravated fraud, misuse of business secrets and giving a bribe. The police also suspected the firm's managing director and deputy managing director of wrongdoing but the prosecutor could not file any charges.

Source: "Deal to Scrap Army Tanks Leads to Bribery Trial," *Helsingin Sanomat, International Edition* (26 November 2009), <http://www.hs.fi/english/article/Deal+to+scrap+army+tanks+leads+to+bribery+trial/1135251039606>.

power of the official and, respectively, the corruption potential of utilisation. The requirement for competitiveness applies as in the previous two types of acts.

The way the Department of Defence of Australia deals with redundant properties may be considered best practice. The department examines the disposal of surplus defence property as a distinct phase, included in a streamlined process of infrastruc-

ture asset life-cycle management.⁸ The disposal procedure is simple, clear (see Figure 10.1) and available through the internet to all interested in the issue.⁹ Everyone interested can quickly figure out what are the main steps of the process, the considerations followed, the expected outcome of the particular activity, the applicable regulations and even to access the text of the regulations. Thus, the limited discretionary power of the public official, in combination with a competitive procedure, strongly reduces the corruption potential of the utilisation.

The fourth and final type of act examined here involves barter. This is possibly the type of utilisation involving the highest corruption risk. For example, in many countries the military is among the biggest “owners” of properties and some of these properties, already redundant, are at very attractive locations, e.g. in the centre of a city. There have been cases when, under the slogan of “concern for the soldiers,” defence officials exchange attractive properties for housing, handpicking the provider of the housing. Probably the only effective remedy against corruption here is to legally ban such exchanges.

Recommendations

The final section of this chapter summarises the recommendations to enhance the governance mechanisms and reduce the utilisation-related corruption, in addition to the contracting-related recommendations in the previous section.

Awareness

Defence ministries, parliaments and societal organisations should raise the awareness of the problem of surplus weapon systems, equipment, ammunition and infrastructure in all its dimensions, including the corruption potential of the utilisation.

Defence Planning and Plans

Sound defence planning is a prerequisite for the effective management of surpluses. It puts the problem in a longer-term perspective. First, sound defence planning eliminates the instances when the defence establishment invests in the development of weapon systems and/or infrastructure that, in a follow-up update of force development

⁸ Australian Government, Department of Defence, *Infrastructure Management*, www.defence.gov.au/IM.

⁹ Australian Government, Department of Defence, *Guidelines for the Disposal of Surplus Defence Property*, Version 4.9 (September 2009), <http://www.defence.gov.au/im/disposal/main.htm>.

plans, are declared redundant. Second, well thought-out defence plans provide reliable, advance information on the types and quantities of equipment and infrastructure

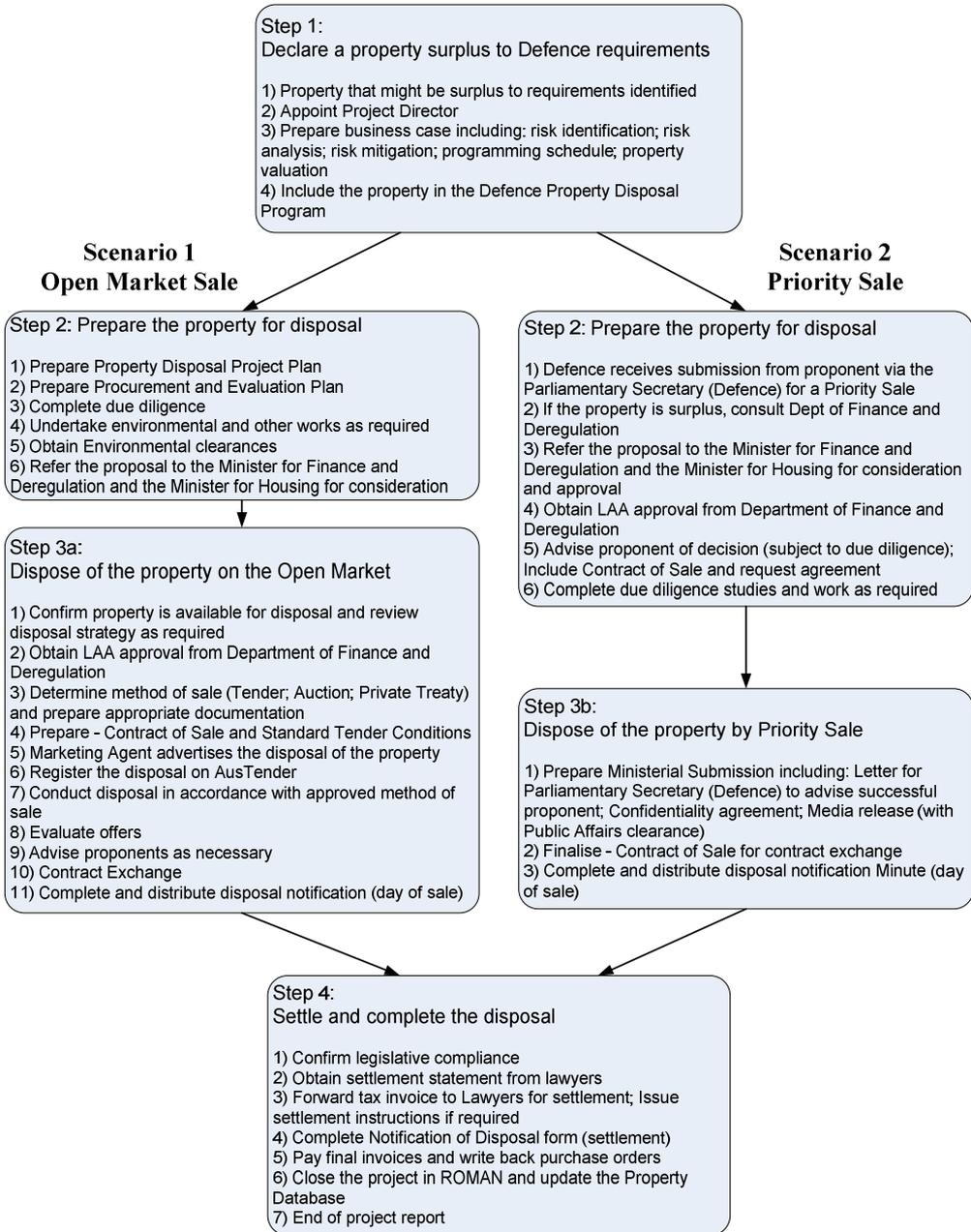


Figure 10.1. Managing the Disposal of Surplus Defence Property.

to be made redundant, as well as the stocks of ammunition to be destroyed. Third, business, and the defence industry in particular, may use that information to invest in the respective capacity and become competitive nationally and possibly internationally.

Local Ownership

The role of external actors in small arms disarmament and the destruction of surplus stocks is often key in starting the process. Very often countries want to destroy at least part of their surplus stocks but are unable—for financial or technological reasons—or unwilling to make significant investments of their own. Nevertheless, these countries will benefit from taking ownership of the problem and be proactive in the relationships with donors. Donor countries, on their side, should encourage local governments to take ownership,¹⁰ while at the same time seeking increased transparency and accountability in the process of utilisation.

Adopt a Programmatic Approach in Managing Surpluses

In a short-term outlook it is always cheaper to store and guard than to destroy surplus weapons and ammunition. But this short horizon is detrimental in the long run. Therefore, it is recommended to adopt a programmatic approach towards utilisation, just like in dealing with other legacy issues. That entails, *inter alia*:

- Setting clear objectives and performance measures;
- Estimating costs over the medium term;
- Designing and comparing alternatives;
- Making utilisation visible in the program structure of the defence institution;
- Centralising the management of the respective programme.

Seek International Assistance

International assistance is available when the problems are particularly acute. Large scale incidents in storage houses further attract the attention of the international community. It is preferable, however, that countries with large stocks of surplus weapon systems and ammunition and little money and/or know-how are proactive in seeking international assistance. Increased transparency and the application of the programmatic approach will entice donors who will see that their financial support will be effectively utilised and will contribute to the development of indigenous capacity.

¹⁰ Sami Faltas, "Bulgaria and Romania: Quick Start, Ambiguous Progress," *Contemporary Security Policy* 29:1 (April 2008): 78–102.

Public-Private Partnerships

Explore the power and vigour of public-private partnerships, for example in developing dual-use infrastructure. In doing so, guarantee a clear understanding of costs and benefits and transparent implementation of the negotiated arrangements.

Adopt Life Cycle Management of Defence Systems

To prevent the reoccurrence of similar problems in the future, take the life cycle approach in managing the acquisition of weapon systems and developing infrastructure.

In conclusion, the implementation of the principles of good governance is the foundation on which legacy problems may be resolved effectively and efficiently. The sensible management of weapons and ammunition stockpiles, the transparency and accountability in utilising surplus weapons and infrastructure are key enablers in resolving the overall problem of surpluses and sharply reduce the corruption risks associated with utilisation.