70% of countries leave the door open to waste and security threats as they lack the tools to prevent corruption in the defence sector (TI).

The threat

We have a **common** and **serious threat**, not a problem only!

- Growing cases of corruption at **highest level** of power in defence
- Every case of corruption downgrades key **defence capabilities**
- The **morale of the armed forces** degraded more quickly than the older equipment
- Parliamentary control **does not improve** effective
- Corruption and poor management build new set of **serious civil-military problems**

**We are loosing national value!**

---

- **Public corruption** is the breach of public trust by elected or appointed Government officials who ask, demand, solicit, seek, accept, receive or agree to receive anything of value in return for preferred treatment.

- **From “the other side” point of view corruption** is the provocation to public servants’ moral and the rule of law by private subjects who propose anything of value in return for preferred treatment.
Sources of corruption in defence

- Lack of political will to recognise that the problem exist
- Irrelevant autonomy – no supervision and accountability
- Irrelevant secrecy
- Lack of systematic education and training on ethics and AC
- Poor management in:
  - Personnel policy
  - Budgeting and financial management
  - Procurement and offset arrangements
  - Outsourcing, privatisation
  - ”Urgent” needs and decisions
  - Military and security operations, incl. in prolonged conflicts
  - Surplus equipment and infrastructure utilisation
  - Military business

How does corruption corrupt?

<table>
<thead>
<tr>
<th>The environment</th>
<th>What corruption targets</th>
<th>Deadly signs of destroyed integrity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downgrade of defence importance; Budget cuts</td>
<td>Laws, norms, rules, procedures</td>
<td>Politics without principles</td>
</tr>
<tr>
<td>Long lasting reforms and permanent downsizing</td>
<td>Decision-makers – politicians, generals, administrators</td>
<td>Moral without realisation</td>
</tr>
<tr>
<td>Modernisation failed</td>
<td>MPs, Government, parties</td>
<td>Decisions without ethics</td>
</tr>
<tr>
<td>Compromised leadership</td>
<td>Networked key professionals</td>
<td>Wealth without achievements</td>
</tr>
<tr>
<td>Inadequate social status management</td>
<td>Experts that work plans and programmes</td>
<td>Career without achievements</td>
</tr>
<tr>
<td>Poor management of defence</td>
<td>Political-military process, &quot;perimeter&quot; (like aviation, ammunitions, uniforms…)</td>
<td>Underpaid personnel Unappreciated experts Under promoted officers</td>
</tr>
</tbody>
</table>
Deadly impact of corruption

Threats to national security

Corrosive effects on society

System impact on AF

Consequential losses

Direct losses

Impact

Time

Defence procurement is at “the top” in corruption

Effective and efficient defence procurement has a direct impact on the lives of soldiers and national security
Defence procurement

Process by which
MoD (defence agency, organisation)
buys
what is needed (materials, services, image)
effectively and/or cost-efficiently
in accordance with defence quality and schedule requirements

What defence procurement IS and is NOT

• It IS:
  - Vital for defence mission
  - A component of the strategic defence management
  - A defence policy issue
  - An element of PPBS
  - An element of the overall defence and AF logistic system
  - Acquisition of capabilities
  - A national economic issue
  - A national financial issue
  - A civil-military issue

• It is NOT:
  - Spending defence budget
  - Shopping
  - Making business
  - Returning money to society
  - Buying foreign political support
  - Providing military toys
Vulnerabilities of defence procurement process

Planning (Why?)
- Review
- Assessment
- Trends
- Scenarios
- Required capabilities
- Available capabilities
- Capability gaps

Organising (How?)
- Strategy to fill the gaps – priorities
- Technical/tactical requirements
- Project costing (life sickle!)
- Selection of tender method
- Formulation of tender
- Formulation of compensation mechanism (offset, etc.)

Contracting (How much?)
- Bid assessment
- Contract award
- Delivery
- Life cycle maintenance

Choices – the focal point of corruption

- What to be acquired?
- Who are the candidate-suppliers?
- What legal mechanisms to be used?
- What price is appropriate?
- What side-deals and offsets?
- What could be the wider economic and social effects that accompany the purchase, side-deals and offsets?
The crossroad

<table>
<thead>
<tr>
<th>Actors</th>
<th>Actors’ principle aims</th>
<th>Corruption risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Politicians</td>
<td>How procurement fits to the government’s defence, foreign, industrial, financial … policy?</td>
<td>Deformation of <strong>defence policy</strong></td>
</tr>
<tr>
<td>Generals</td>
<td>Effectiveness - how it serve to the capability package; is it timely?</td>
<td>Deformation of technical requirements and <strong>capabilities</strong></td>
</tr>
<tr>
<td>DP managers</td>
<td>How the process is organised internally, nationally and with the suppliers?</td>
<td><strong>Negotiations</strong> with preferences</td>
</tr>
<tr>
<td>Law practitioners</td>
<td>What are the contracting relations?</td>
<td>‘Killing’ procedures, <strong>enslaving contracts</strong></td>
</tr>
<tr>
<td>Economists</td>
<td>Is it cost-efficient?</td>
<td>Dishonest <strong>costing</strong>, favorite <strong>assessment</strong></td>
</tr>
</tbody>
</table>

The Parliament on procurement

- **Required capacity:**
  - To know the defence and armed forces vision
  - To have a good knowledge on what will be procured
  - To have opinion on national industry and the role of defence industry
  - To know the offset capacity and procedures
  - To understand financial situation and perspectives
  - To have a prescribed mechanism to influence the decision-making of the Government and MoD

- **A very few parliaments have such capacity!**
- **Opt. solution for a small country – the Parliament approves deals above €50 mln.**
Strategy for building integrity

Systematic building the national integrity is a FUNDAMENTAL ROLE of the Parliament.

Source: Transparency International

The institutional construct

Source: Transparency International
Our understanding

Integrity

Parliaments (finally) must go further!

Parliamentary focus on:
A) Legislation
1. Transparency, accountability, and responsibility by law and under permanent control and publicity
2. Strict legal regulations on public tenders
3. Incriminalisation of any form, kind, size, and source of corruption:
   – “Givers”; “Takers”, “Mediators” and those that do not take effective and timely anti-corruption measures
Parliaments must dive into the deep!

B) Defence management
1. **Bureaucracy** is the feeding medium of corruption; defence is **conservative**
2. A new defence management system based on individual and group **performance and results accountability** is a chance for better governance and effective prevention of corruption

Parliaments must go to the end!

C) Control of the **IMPLEMENTATION GAP** - the gap between the law and its implementation
1. **Sources:**
   1. Political: quality of laws, divert political agenda, corruption …
   2. Economic: lack of budget, lack prepared personnel, vested interests
   3. Social and cultural: opposition from local elites, social structures, cultural legacy
2. **Problems:** Government neglects, partially implements or delay implementation of laws
3. **(Some simple) Solutions:**
   1. Ask concrete information
   2. Direct contact with key civil and military servants, visits
   3. Use independent opinion; military ombudsman
   4. Enhance staff’s capacity to monitor and analyze
   5. Learn to say NO to the government
WE must go further!

- It is no a secret that **we face a crisis of trust**
- More laws and more institutions is not a solution – this is a rule-centric culture
- We need to build a **values centered culture** based on: integrity, trust, fairness, and respect.

Experts community is eager to help!

- Working together with international organisations
- Helping to design your own self-assessment system
- May select benchmarks and propose relevant standards
- Providing training for staffers and orientation for parliamentarians
- May help to establish national building integrity programmes
References

- Transparency International, Corruption Perception Index 2012

Bibliography on defence procurement