

12th IACC
WORKSHOP SHORT REPORT FORM
FOR RAPPORTEURS

Number and title of workshop 7.2 Defence Procurement Reform and Defence Integrity Pacts workshop

Date and time of workshop 11.30-14.00 Thursday 16 November 2006

Moderator (Name and Institution) Mark Pyman, TI UK

Rapporteur (Name and Institution) Dominic Scott, TI UK

Panellists (Name, institution, title)

Marcella Rozo, TPC
 Chris Yukins George Washington University
 Alan Waldron, TI UK, formerly UK Royal Air Force
 Inese Voika, founder TI Latvia

Main Issues Covered

Defence and security reform efforts in the Colombian defence sector. Outlined the main efforts to fight corruption (including the introduction of a civilian minister of Defence), enhance transparency in procurement, identification of persisting institutional limitations, the relationship between defence corruption and illegal actors and suggested measures for defence reform.

The Latvian experience in defence procurement reform. It was shown that problems still exist in spite of some reform, partners for reform were identified, and NGO involvement was shown to be of value as the Ministry learns how to deal with outsiders, NGOs are good partners as well as excellent value of money, the Government gains the trust of international companies if independent monitor is involved, and the Government gains the trust of the public.

Use of defence expertise in defence procurement reform, in particular in the implementation of Defence Integrity Pacts in Colombia and Poland. An overview of DIPs was given, as well as an overview of the technical contract evaluation for the Colombian DIP. Major observations were given, and explanations for the tender collapse and lessons learned outlined.

Lessons in defence procurement reform from the USA – even in sophisticated environments, defence procurement is riddled with corruption. many of the US corruption vulnerabilities are particular to the US. For instance, over the last few years, the US has moved toward frameworks contracting – large standing contracts – characterised by almost no transparency and a lack of competition. Other examples are the widespread use of earmarking in the USA, a significant decline in federal acquisition personnel, and the outsourcing of procurement positions.

Main Outcomes

Defence and security institutions need to be strengthened against corruption

Civilian control and oversight of the defence and security sector is essential, eg through civilian Minister of Defence, and Congress must monitor performance of the sector

Competition is essential. Single source contracts are commonplace. Earmarking must be tackled (a largely US phenomenon)

Civil society involvement in the sector is of great value: it helps a very closed and secretive ministry to learn how to deal with outsiders and gain the public's trust, and it helps governments to gain the trust of international companies who are concerned about corruption. The military needs to understand that there is a better way of doing defence procurement. NGOs are the best people to explain this to them

Defence integrity pacts can be effective at fighting corruption, and the associated defence expertise represents excellent value for money.

The US defence procurement environment is sophisticated but is riddled with corruption risk

Offsets represent a significant corruption risk, and this issue should be tackled, through enhanced transparency in offset delivery and design.

Reform can be limited by threats (eg external) and security issues with neighbours eg if threatened by Russian neighbours then this makes it harder to push for more transparency

Politics makes it harder to reform military purchases through off-budget procedures

It was noted that in practice having a civilian defence minister does not necessarily help the fight against corruption. For instance, Kenya has had a civilian defence minister since 1963. In theory, however, a civilian minister has better chance of ensuring transparency. Civilian ministers provide a counterpart to debate with military to help control corruption. In the case of Colombia, a civilian Minister was valuable to help develop trust between the public and the army.

It can be problematic that civilians often don't have the technical knowledge to debate with military.

Main Outputs

Specifically, the workshop produced the following outputs:

Greater awareness that defence procurement can be made more accountable and transparent through the use of Defence Integrity Pacts.

Greater awareness and understanding that even in sophisticated environments (such as the US), that defence procurement is still being "got wrong".

Recommendations, Follow-up Actions

The OECD would be a useful ally in the fight against offsets, a significant corruption risk

Off-budget expenditures need to be reduced, as a significant corruption risk. Building awareness of the problem might be a good first step

Earmarking is a US practice that represents a corruption risk. Building awareness of the problem might be a good first step. Specifically, Congress needs to pass a law to prohibit this. This will be very difficult to achieve. Most people in the US don't think of earmarking as a perversion of the procurement system. It is a great challenge - Congress does not want to lose this power. There needs to be more transparency on award of single source contracts, and widespread naming and shaming of Congressmen who use earmarking.

Civilian defence ministers help to bring the military to account

Independent reviews of the defence and security sector, eg by NGOs are most valuable

Sealed bids are very corruption prone. But frameworks contracting (large standing contracts) are characterized by almost no transparency and a lack of competition (Chris Yukins, referring to the US)

The implementation of a Defence Integrity Pact on the Colombian procurement of aircraft could have been even more effective if we had engaged earlier, to build relationship there, and to affect the initial requirements. Politics limits the process in many ways.

Workshop Highlights (including interesting quotes)

Offsets are one of the most dangerous elements of defence procurement. Offset delivery commitments can be traded between companies and can be easily hidden. They complicate deals and make them harder to assess (Steve Shaw, US Air Force, debarment and suspension official)

By far the biggest problem in the US is the practice of earmarking (Steve Shaw, with reference to Duke Cunningham scandal)

Civilians in the defence and security sector help to bring the military to account (Alan Waldron, Air Commodore UK Royal Air Force (retired))

A degree of transparency in defence procurement does not ensure that the tenders are free of corruption, as specifications can still be adjusted, purchase prices inflated and procurement forms can be designed to favour certain providers (Inese Voika)

Signed Dominic Scott