

## **NATO CONFERENCE BACKGROUND DOCUMENT**

### **BUILDING INTEGRITY AND DEFENSE INSTITUTION BUILDING**

#### **60<sup>th</sup> Anniversary of the Alliance**

(Monterey Conference Center, Monterey, California, February 25-27, 2009)

*“If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary.”*

James Madison (1751-1836) 4<sup>th</sup> President of the United States

This exclusive event will bring together senior officials from government and industry, international organizations and NGOs to discuss the latest developments in NATO’s new “Building Integrity Initiative” in preparation for the NATO Summit.

Participants: Open to NATO members and Partnership for Peace (PfP) countries as well as Mediterranean Dialogue, Istanbul Cooperation Initiative, and Contact Countries, and International Organizations such as the World Bank and IMF, defense industry groups and companies, and NGOs such as Transparency International.

#### Goals:

- Show case contributions of NATO, Allies and partners in institution building and countering corruption to generate more efficient and effective defense forces;
- Discuss new tools to support nations (NATO training module, NATO self assessment questionnaire, and NATO handbook-compendium of best practices)
- Strengthen network of experts and identify opportunities for collaboration with other international organizations
- Build partnerships with governments and industry to promote best practices
- Conduct a flagship event that demonstrates the transformation of the Alliance on the occasion of the 60<sup>th</sup> Anniversary of NATO and the 100<sup>th</sup> Anniversary of the Naval Postgraduate School.

#### Location:

- The Defense Resources Management Institute (DRMI) at the Naval Postgraduate School (NPS) in Monterey, California is a recognized leader in defense management education, and a trusted advisor to US officials and international partners.
- NPS is an established PfP training Center and its School of International Graduate Studies includes the Department of National Security Affairs, DRMI and the Center for Civil-Military Relations (CCMR) with faculty fully engaged in PfP efforts and experienced in working with NATO and partners on core issues.
- Monterey, California is a central location that encourages participation beyond EAPC. It offers proximity to Silicon Valley and major defense industry partners.

## I. Background

NATO's Strategic Concept of 1999 recognizes partnerships as one of the fundamental security tasks of the Alliance. Since 1991 the NATO Alliance has established five different partnerships focused on dialogue, co-operation, reform and education. The broadest is the Partnership for Peace (PfP) program established in 1994 with an agenda of interoperability and defense reform, and its accompanying political framework the Euro-Atlantic Partnership Council (EAPC) which brings together 26 Allies and 23 Partner countries. EAPC offers a framework for the planning, execution and political oversight of NATO-led PfP activities.

PfP programs have the general goal of enhancing internal democratic reforms—including bringing security services and military establishments under democratic control. Ten former EAPC partner countries have become NATO allies since 1991. The process of NATO Enlargement has contributed to security and stability in Central and Eastern Europe: the incentive to join motivates candidate countries to co-operate with neighbors and to adopt key reforms in their military, political and economic spheres. The prospect of joining NATO has also facilitated the resolution of longstanding conflicts.

NATO Partnerships also include the NATO-Russia Council (NRC), the NATO-Ukraine Partnership, Mediterranean Dialogue (MD) countries, and the Istanbul Co-operation Initiative (ICI). These NATO Partnerships reflect NATO's adaptation to a new security environment that calls for a highly flexible security organization that builds partnerships to provide security and stability within and beyond its borders.

NATO's initial goals for its partnerships were to promote security dialogue and co-operation and to help build a democratic environment and modernize armed forces. NATO Partnerships have promoted and accelerated the transformation process in Central and Eastern Europe not only on the military front, but also in political and economic spheres. Co-operation with NATO combined with anti-corruption initiatives offer enhanced international legitimacy and credibility which can be very useful in attracting foreign direct investment to facilitate economic development. [Building Integrity Initiative]

The alliance also closely cooperates with a number of countries that are not part of established formal structures. These so-called "Contact Countries"—like Australia, New Zealand, Japan, and South Korea—share similar strategic concerns and key alliance values and provide significant contributions to NATO-led operations.

At the 2008 Bucharest Summit, NATO Heads of State decided to further develop existing Partnerships and recognized the need to strengthen co-ordination with other national and international players and build strategic relationships in

new and important regions. Moreover, they recognized that PfP remains a centerpiece of NATO Partnerships and the Alliance, and that EAPC remains the substantive forum for political discussions with partner countries. The guidance issued was for NATO to continue to develop this existing framework by devising new initiatives, including building integrity in defense institutions.

## II. NATO Direction and Mandate

The 2008 Declaration issued by Heads of State of the North Atlantic Council

- “Recognizes the enduring value of the transatlantic link and of NATO as the essential forum for security consultations between Europe and North America...
- Look[s] forward to the 60<sup>th</sup> Anniversary...in 2009, which will underscore the enduring importance of the transatlantic link...
- Aim[s] to...enhance practical cooperation at all levels with other [international] actors [including the EU and NGOs]...
- Include[es] provisions for support to stabilization and reconstruction...[that] relate to areas such as planning and conduct of operations; training and education; and enhancing cooperation...contributing to stability abroad...
- Reaffirm[s] that NATO’s policy of outreach through partnerships, dialogue and cooperation is an essential part of the Alliance’s purpose and tasks...contributing to stability and security in the Euro-Atlantic area and beyond...[and]
- Give[s] priority to...new practical initiatives, which include *building integrity in defence institutions*...”

Bucharest Summit Declaration Issued by Heads of State,  
North Atlantic Council, Bucharest, 3 April 2008.

## III. NATO Conference Guiding Principles

The Strength of NATO’s alliance depends on the Integrity, Transparency and Accountability of each member and partner country. Every country depends on the effectiveness of its partners’ investments and these can only be guaranteed through transparent and accountable governance mechanisms.

Making the best use of finite defense resources requires integrity, transparency and accountability. In guiding defense management and investment decisions, good governance and integrity encourages and rewards the most efficient allocation of defense budgets, generating the greatest possible collective security for members of the alliance.

A cornerstone of defense co-operation and collaboration has been the integrated defense planning system that ensures a high degree of transparency in national defense planning. Corruption undermines defense institutions and

jeopardizes collective security provided by the alliance. Investments to Build Integrity, Increase Transparency, and Improve Accountability can benefit partner countries by reducing corruption in the defense sector since they raise the expected costs of corrupt behavior.

#### IV. NATO Conference Guiding Framework

The objective is to find an optimal mix of investments in Building Integrity and Defense Institution Building initiatives to minimize corruption, while preserving or increasing the efficiency and effectiveness of collective security. The cost to an individual of engaging in corrupt behavior consists of two components.

$$\text{EXPECTED COSTS} = \text{MORAL BURDEN} + \text{EXPECTED COSEQUENCES}$$

$$\text{EXPECTED CONSEQUENCES} = \text{Probability of Detection} \times \text{Probability of Conviction if Detected} \times \text{PENALTY}$$

The challenge is to invest in an optimal mix of initiatives to:

1. Build INTEGRITY --increasing the *MORAL BURDEN* of bad behavior through ethics education and training and cultural change;
2. Increase TRANSPARENCY --raising the *Probability of Detection* through Defense Institution Building; and
3. Improving ACCOUNTABILITY --increasing the *Probability of Conviction if Detected* and the *PENALTY* through legislative and judicial reforms.