
ARMED ROBBERY

How the poorly regulated arms trade is paralysing development

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Summary

- The poorly regulated global trade in arms and ammunition weakens the ability of governments to sustain progress in development, both by fuelling and exacerbating conflicts and armed violence, and by diverting resources away from poverty reduction activities.
- Military expenditure in fragile and conflict-affected countries grew by 15 per cent between 2009 and 2010, while Official Development Assistance (ODA) to these countries grew by only 9 per cent.
- Irresponsible arms transfers fuel corruption, with knock on effects on development and accountability. All low- and lower middle-income countries which allocated more than 10 per cent of their central government expenditure to the military in 2009 scored poorly in corruption indices.
- Through a strong focus on development, the Arms Trade Treaty (ATT) can help prevent serious impediments to development, consolidate regional initiatives to safeguard development, and strengthen national capacity to become 'treaty-compliant'.
- Existing funding mechanisms are already in place which could help countries become ATT-compliant. In 2010 alone, 101 countries received development assistance of direct relevance to national implementation of the ATT.

THE DEVELOPMENT COSTS OF UNCONTROLLED ARMS TRANSFERS

The irresponsible, excessive proliferation of arms and ammunition fuels and exacerbates conflict and armed violence. This is why arms control initiatives have major implications for the processes of socio-economic development. By implementing social and economic policies, as well as those relating to poverty reduction, development, security sector and arms control, governments can create the necessary environment to access essential services and enable people to make the choices and decisions that affect their daily lives.

The poorly regulated trade in arms and ammunition weakens the ability and willingness of governments to create these enabling environments. Development gains are reversed as communities are paralysed; closing schools, placing immense strain on health systems, discouraging investment, and undermining security.

The arms trade is big business – it is estimated that military spending around the world totalled \$1.6 trillion in 2010.¹ Sales to fragile and conflict-affected states² accounted for 7 per cent of all arms sales (around \$1.7bn) in 2010.³ In the same year, the global share of GDP for these countries amounted to just 0.7 per cent of the total, and ODA amounted to \$27bn.⁴ An additional \$4.8bn was provided in humanitarian aid that year to these countries.

According to the World Bank, 1.5 billion people live in areas affected by fragility, conflict, or large-scale organised criminal violence, and no low-income fragile or conflict-affected country has yet achieved a single UN Millennium Development Goal (MDG).⁵ On average, these states 'lag 40 to 60 per cent behind other low and middle-income countries in MDG achievement'.⁶ The UN estimates that, in addition to current levels of ODA, a further \$50–70bn is required to meet the MDGs by 2015.⁷

It is therefore particularly worrying that **military expenditure in fragile and conflict-affected countries grew by 15 per cent between 2009 and 2010**, while ODA to these countries grew by only 9 per cent.⁸ The increase in ODA was grossly uneven, with the largest increases

concentrated in four countries and 12 countries experiencing reductions in ODA. In some cases, military expenditure was nearly treble that of public expenditure on health or education. It is worth recognising that the growth in military expenditure in these countries has happened despite the global recession.

Between 1990 and 2006, Africa lost an estimated cumulative total of \$284bn as a result of armed conflict – on average \$18bn per year. This was nearly the same as the total amount of ODA that the continent received during this time.⁹ This has had dire impacts on socio-economic progress. The World Bank estimates that the economic cost of lost production due to conflict ranges from 2 per cent to 3 per cent of GDP. In addition, military spending increases typically by 2.2 per cent during civil wars,¹⁰ drastically reducing the resources available to tackle critical threats such as HIV/AIDS. To put this in context, in 2008 the MDG Africa Steering Group identified an annual requirement of \$14bn to scale up 'effective HIV prevention and universal access to AIDS treatment' across the continent.¹¹

Armed violence has shrunk national economies in Africa by a staggering 15 per cent.¹² Countries neighbouring those in conflict are also affected, losing up to 0.7 per cent of their annual GDP for each neighbour involved in civil war.¹³ Furthermore, armed violence and conflict place considerable strain on the delivery of public services, which means that governments and public officials are forced to make difficult decisions on spending. In Zambia it costs \$10–15 to treat a patient with malaria, or to provide antiretroviral therapy and a month's course of anti-tuberculosis medication in government health centres.¹⁴ At these rates, it would be possible to scale up service delivery to meet the MDG targets on major diseases, given that Zambia's annual per capita expenditure on health is \$48.¹⁵ This investment is comprehensively degraded when hospitals must instead treat patients injured by gunshot wounds or anti-personnel land mines, at a cost of between \$100 and \$3,000 each.

In even relatively stable countries such as Zambia, evidence continues to suggest that paying for the effects of armed violence undermines service delivery. As a result, the benefits of stability and peace are slow to reach the most vulnerable members of society. This is more evident still in fragile or conflict-affected states and in countries that have recently emerged from conflict. This insecurity often creates conditions that drive demand for tools of violence, in turn undermining the rule of law, diminishing security, and deepening poverty and suffering in a vicious cycle.

The implications of military expenditure in Eritrea

Eritrea's military continues to be the largest recipient of central government resources. Estimates for 2006 suggest that military expenditure was equivalent to 6.3 per cent of GDP (\$163m in absolute figures) – the eighth highest share in the world that year. The armed forces accounted for 9.3 per cent of the country's total labour force, the highest ratio in Africa by far. Eritrea's arms imports were equivalent to nearly 35 per cent of total ODA received between 2000 and 2006. This is significant, because ODA to Eritrea accounted for an average of 36 per cent of the country's gross national income (GNI) in this period

The prioritisation of military expenditure has in many ways stifled socio-economic development. For example, expenditure on health in 2011 was a mere 1.5 per cent of GDP and education accounted for only 2 per cent, resulting in a literacy rate of just 58 per cent for those aged above 15. Eritrea remains well behind the rest of Africa in its human development scores and ranks globally at 177 out of 187 countries on the UNDP Human Development Index. It has also scored poorly on transparency and corruption indices like the Transparency International Corruption Perception Index.

Sources: CIA World Factbook 2011; OECD DAC (2008), p.41.; UNDP Human Development Index (2011)

THE IMPACT OF CORRUPTION AND LACK OF ACCOUNTABILITY

The notoriously secretive nature of the arms trade has allowed corruption to flourish. Many governments continue to be secretive about the details of their defence budgets, and in some cases military expenditure comes from off-budget sources, which have few or no public oversight mechanisms.¹⁶ The unregulated arms trade has also facilitated irresponsible procurement. **All low- and lower middle-income countries which allocated more than 10 per cent of central government expenditure to the military in 2009 scored poorly on corruption indices, such as Transparency International's Corruption Perception Index, that year.**¹⁷

This also held true when extended to include the data most recently available prior to 2009 for the rest of the countries in these two classifications.

Without strong, accountable, and transparent governance structures, development processes cannot take root and succeed in transforming lives.

In 2005, Transparency International estimated the global cost of corruption in the defence sector to be a minimum of \$20bn per year, based on data from the World Bank and SIPRI.¹⁸ This equates to the combined global ODA provided to Iraq, Afghanistan, the DRC, Congo, Pakistan, and Bangladesh in 2008, or the total sum pledged by the G8 in L'Aquila in 2009 to fight world hunger.¹⁹

Corrupt arms deals not only affect the security of the recipient country, but also pose a significant opportunity cost for countries to consider. In 1999, an arms deal between South Africa and a number of European defence companies triggered numerous allegations of corruption. The initial budget was estimated to be R9.2bn (\$1.2bn), but by 2005 this had increased to an estimated R66bn (\$9.1bn).²⁰ To put this into context, by 2008, for every R1 spent by the government of South Africa on providing assistance to South Africans living with AIDS, an equivalent R7.63 was being spent on financing the arms deal.²¹ In a country where the formal unemployment rate is around 30 per cent, the additional finances that were allocated for this deal could have been invested into significant productive and socially beneficial initiatives.²²

In summary, the irresponsible transfers of arms undermine development efforts when:

- The easy availability of and access to conventional arms and ammunition initiate, prolong, and aggravate armed violence and conflict;
- Arms transfers affect prospects for peace, and undermine the rule of law and reconciliation efforts in post-conflict environments;
- Expenditure on arms increases national debt and diverts vital and limited funds away from public services such as education and health care;
- Expenditure on arms involves or encourages systemic corruption.

A MUTUALLY REINFORCING INITIATIVE: EMBEDDING DEVELOPMENT IN THE ATT

1. Preventing serious impediments to development

Although an ATT is not a panacea, it represents a key tool to impede irresponsible and destabilising arms purchases. Firmly embedding development criteria for arms transfers in the ATT would ensure that arms would not be transferred to places such as Myanmar, where in 2006 the value of arms imports was equivalent to a staggering 72 per cent of all ODA received by the country.²³ Other notable examples that year included Yemen (71 per cent) and Eritrea (34 per cent).²⁴

Another case in which an ATT could have prevented a transfer was the 2001 sale by a British company of a military air control system for civilian purposes to Tanzania for £28m. At the time, the UN International Civil Aviation Organisation reported that the system was 'not adequate and too expensive' for civil air control.²⁵ A former industry official reportedly received £8m in bribes, almost one-third the value of the entire deal.²⁶

2. Consolidating regional initiatives to safeguard development

A number of regional instruments, such as the ECOWAS Convention, the Best Practice Guidelines on the Implementation of the Nairobi Protocol, the EU Common Position, and the Wassenaar Arrangement, commit states to assess the developmental impact of arms transfers in recipient countries. The ATT must ensure that these regional thresholds on the implications for socio-economic development are not undermined, and must create an architecture that reinforces these minimum standards.

3. Strengthening national capacity to become 'treaty-compliant'

Many states have suggested that the ATT must put in place mechanisms to curtail the diversion of arms from the proper authorities and markets to illicit, terrorist, or clandestine groups. One way to do this is to ensure that security sector officials are appropriately trained and incentivised to do their jobs to the highest standards. Projects focusing on security sector reform aim to do just that, and three areas of this are directly relevant to the ATT. These are:

- Monitoring, training, or retraining civil administrators and police forces in routine policing functions;
- Training in customs and border control procedures;
- Civilian oversight and democratic control of security expenditure.

The international assistance and co-operation mechanisms for the ATT must link explicitly to these complementary initiatives. This is primarily because the areas relevant for the ATT are also eligible for existing funding mechanisms – through ODA budgets in particular. In fact, statistics show that states are prepared to financially support these priorities. Cumulative expenditure on ODA-eligible security sector activities by major donors in 2010 amounted to \$832.5m.²⁷ **Even after adjusting for Afghanistan (\$124.3m), global ODA-eligible security sector expenditure in 2010 amounted to over \$708m. Including Afghanistan, 101 countries received assistance in 2010, with Indonesia, Angola, Sudan, and Haiti each receiving in excess of \$20m in funds.**²⁸

CALL TO ACTION AND RECOMMENDATIONS FOR NEGOTIATORS

A specific criteria on development, alongside other criteria on human rights and international humanitarian law is the best way to ensure that arms sales do not have a negative impact on socio-economic development. This criteria will not stop legitimate arms transfers, which can help provide a secure space for development.²⁹

There are five ways in which specific language in the treaty can protect development.

The preamble of the treaty must make reference to all relevant development-focused legal obligations, as enshrined in the UN Charter, the Universal Declaration of Human Rights, relevant UN conventions and covenants, and other legally binding regional and sub-regional treaties, such as the Arab Charter on Human Rights and the African Charter on Human and Peoples' Rights. It must recognise the symbiotic relationship between arms control, peace and security, and socio-economic development. It must also recognise the implications of poor arms control on armed violence, gender-based violence, corruption, poverty, serious violations of human rights law and international humanitarian law, displacement of people, organised crime, and the illicit trade in arms and narcotics.

The criteria of the ATT must stipulate that the transfer of conventional arms must be prohibited if there is a substantial risk that those arms would seriously impair poverty reduction. Transfers that negatively impact on efforts to achieve higher standards of living and on conditions of economic and social progress and development, or which contravene the principle of least diversion to armaments of human and economic resources, must also be prevented by the ATT. The treaty must create a set of anti-corruption standards that states can use to assess specific transfers on a case-by-case basis. These standards should focus on the types of arms to be exported, the end-users, and the relevant controls already existing in the countries where the end-users are based. These standards should also focus on brokers/agents/intermediaries and the commissions they receive, as well as on the price/financial value of the deal in question.

The **scope** of the ATT must ensure that it is all-encompassing. It must include the tools of violence that significantly undermine poverty reduction efforts – in particular small arms and light weapons, and the ammunition that make these weapons lethal.

The **co-operation and international assistance** mechanisms outlined by the ATT must ensure that states take proactive measures to realise the goals and objectives of the treaty. Practically, this should include promoting or strengthening development programmes and co-operation at the national, regional, and international levels. This means that assistance has to be about more than technology transfers or bureaucratic assistance – the projects and programmes must help to meet the development goals and priorities of partner countries.

Finally, to improve transparency and accountability, the **implementation** requirements of the treaty must oblige States Parties to publish accurate and comprehensive, annual national reports on international transfers of conventional arms.

NOTES

- ¹ Stockholm International Peace Research Institute (SIPRI) (2011) 'Background Paper on SIPRI Military Expenditure Data, 2010', Sweden. <http://www.sipri.org/research/armaments/milex/factsheet2010>
- ² The list of fragile and conflict-affected states is a composite of three indices on fragile states: the World Bank 'Low-Income Countries Under Stress', the Foreign Policy 'Fragile States Index', and the Carleton University 'Failed and Fragile States project'. The composite list includes 23 countries that are common across all three indices, and also includes Yemen (scoring high on the WB and FP indices, but not appearing on the Carleton index) and Syria (included due to the continued civil unrest that began in January 2010).
- ³ SIPRI Arms Transfers Database (2010), 'Trend Indicator Value table of Top 200 importers', <http://www.sipri.org/databases/armstransfers>
'Low-income' and 'lower middle-income' classifications are based on World Bank country classification systems. For more details, see: <http://data.worldbank.org/about/country-classifications>
- ⁴ The amount for ODA does not include Humanitarian Assistance, and is the value of Net ODA as indicated in the OECD DAC Statistics database.
World Bank (2012), World Development Indicators, <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD> ; OECD DAC 'Development Database on Aid from DAC Members', <http://stats.oecd.org/Index.aspx?DatasetCode=TABLE2A>
- ⁵ World Bank (2011) 'World Development Report 2011: Conflict, Security and Development', Washington, p.5.
- ⁶ *Ibid.*, p.62.
- ⁷ This estimate is based on 2006 projections of ODA increasing to \$152bn by 2010, and to \$195bn by 2015. The OECD DAC database shows that ODA rose to \$141bn in 2010, so these projections remain relevant. UN Millennium Campaign (2006) 'Expanding the Financial Envelope to Achieve the Goals'. http://www.unmillenniumproject.org/documents/table_8.gif
- ⁸ All available comparable data on military expenditure and ODA to the composite list of fragile and conflict affected states were tallied, and a percentage change was determined in both sets of data between 2009 and 2010 – the most recently available years for the datasets for both categories. World Bank and OECD-DAC data shows that of the list of 25 fragile and conflict affected countries, 12 experienced a reduction in ODA between 2009 and 2010, nine experienced a moderate increase of between \$3m-\$107m, and 4 countries experienced massive increases of at least \$900m or more. The ODA data does not include humanitarian assistance delivered in 2010 because humanitarian assistance figures were massively skewed by the Haiti earthquake in January 2010, which resulted in a huge increase to Haiti from 2009 (\$142m) to 2010 (\$1.56bn). In fact, if ODA and Humanitarian Assistance data were to be combined, and the effect for Haiti to be adjusted in the analysis, then total assistance to this list of fragile and conflict-affected states would have dropped between 2009 and 2010 by 3 per cent. The data for military expenditure is a conservative estimate because the analysis has excluded incomplete data series, where data for only one of the two years was available. This analysis has only used verified data from the SIPRI Military Expenditure database, and not the bracketed estimates provided for some countries and some years.
- ⁹ Oxfam, IANSA, and Saferworld (2007) 'Africa's Missing Billions', p.9. <http://policy-practice.oxfam.org.uk/publications/africas-missing-billions-international-arms-flows-and-the-cost-of-conflict-123908>; OECD DAC, Development Database on Aid from DAC Members, *op. cit.*
- ¹⁰ World Bank (2011) *op. cit.*, p.65.
- ¹¹ M. Lawson et al. (2007) 'The World is Still Waiting', Oxfam International, pp.27-28. <http://policy-practice.oxfam.org.uk/publications/the-world-is-still-waiting-broken-g8-promises-are-costing-millions-of-lives-115041>
- ¹² Oxfam, IANSA, and Saferworld (2007), *op. cit.*, p.9.
For a definition of 'armed violence', see: UN, A/64/228 (2009) 'Promoting Development through the Reduction and Prevention of Armed Violence'. <http://www.genevadeclaration.org/fileadmin/docs/UNSG-Report-Armed-Violence.pdf>
- ¹³ World Bank (2011) *op. cit.*, p.65.
- ¹⁴ M. Valenti, C.M. Ormhaug, R.E. Mtonga, and J. Loretz (2007) 'Armed Violence: A Health Problem, a Public Health Approach', Journal of Public Health Policy (2007) 28, 389–400, <http://www.ippnw.org/pdf/ValentiOrmhaugMtongaLoretz.pdf>
- ¹⁵ *Ibid.*
- ¹⁶ Unpublished research commissioned by Oxfam GB in 2010.
- ¹⁷ World Bank classifications were used to determine the list of low-income and lower middle-income countries. Of the 91 countries classified in these two categories, there was no data from the past ten

years for 41 countries. Of the 50 remaining countries, 2009 data was available for 29, and 2008 data for a further eight (with 2005 data for four countries and 2004 data for two countries, while 2003, 2002, 2001, and 2000 each provided data for one additional country). Eleven countries in 2009, an additional four in 2008, three more in 2005, two more in 2004, and one country in 2000 allocated over 10 per cent of central government expenditures to the military in these years, and on average scored 2.63 out of 10 in the Transparency International CPI rankings. Transparency International (2008) 'Corruption Perceptions Index'. <http://bit.ly/auu41z>

¹⁸ See, for example: 'UK Strategic Export Controls, Session 2010–11'. Evidence submitted by Transparency International'. <http://bit.ly/dXnkh4>

¹⁹ OECD DAC, 'Development Database on Aid from DAC Members', *op. cit.*

²⁰ Feinstein (2007) 'After the Party. A Personal and Political Journey inside the ANC', pp.208-36; J. Cilliers (1999) 'Defence Acquisitions – Unpacking the Package Deals', ISS. <http://bit.ly/h2NgSd>

²¹ Feinstein (2007) *op. cit.*

²² *Ibid.*

²³ K. Kotoglou, D. Basu Ray, and S. Jones (2008) 'Monitoring Resource Flows to Fragile States 2007', OECD/DAC Fragile States Group, p.40. <http://www.oecd.org/dataoecd/4/21/41680220.pdf>

²⁴ *Ibid.*

²⁵ A. Hosken (2009) 'BAE: The Tanzanian connection', BBC, <http://bbc.in/4DWSc0>

²⁶ R. Neate (2010) 'BAE radar verdict', *The Telegraph*, <http://bit.ly/ef6UqR>

²⁷ OECD Stats Extracts (2012)

²⁸ It should be noted that the figure of \$832.5m amounts to less than 1 per cent of overall ODA. While Oxfam believes that using limited ODA funds for security sector activities is acceptable and can have long-term benefits on socio-economic development, this expenditure must not become a priority over other critical sectors, such as health, education, or agriculture.

²⁹ 'Responsible, regulated transfers of military and security equipment can assist a state to fulfil its legitimate defence, military, and policing needs, which can help to provide the security and stability necessary for development.'

K. Nightingale, (2008) 'Shooting Down the MGDs', Oxfam International, p.4
http://www.oxfam.org/sites/www.oxfam.org/files/bp120%20Shooting%20down%20the%20MDGs_FINAL%201Oct08.pdf

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