

Research Paper

Denis James

International Security Department | August 2017

Strengthening the Private Sector's Role in UK Defence Engagement



**CHATHAM
HOUSE**
The Royal Institute of
International Affairs

Summary

- The UK government's National Security Strategy and Strategic Defence and Security Review 2015 gave additional prominence to the concept of 'defence engagement': the imperative that British military capabilities be used to build political relationships with other countries for security, diplomatic or economic reasons. Specifically, it called for the UK to 'work more closely with the private sector and allies to increase our innovation and strengthen its contribution to our national security', and promised to make defence engagement a funded, core MOD [Ministry of Defence] task for the first time.
- Until 2015, defence engagement had been somewhat neglected by the MOD. Although it had featured in the 2010 Strategic Defence and Security Review (SDSR) – the forerunner of the government's 2015 policy paper – and a 2013 strategy document, it was not at the time a mandated task for the British Army. With defence engagement only recently elevated to priority status, the MOD still lacks policy to address the latest guidance.
- Heightened commitment to defence engagement has resourcing implications. The numbers of military personnel and civilian support staff have been declining and seem unlikely to increase. There is thus a gap between the government's aspiration to implement its new priorities and its ability to do so quickly. The private sector stands ready to fill that gap: indeed private firms are arguably better placed in some cases than the military to perform defence engagement functions.
- Strategic thinking on defence engagement developed under the David Cameron-led Conservative/Liberal Democrat coalition government. Pressures on the MOD's budget seem likely to continue under the minority Conservative government elected in 2017. Certainly, another review of Britain's military and counterterrorism capability has started and the arguments presented in this paper are increasingly relevant.
- HM Treasury rules and the general effects of fiscal austerity have made it hard for policymakers to balance political and commercial interests. This paper argues that despite such challenges, defence engagement could contribute more towards prosperity than it does at present – and that the private sector is key to this. The UK could learn from the experiences of France and the US, whose approaches to collaboration between the military and industry have differed in notable respects from that of the UK, with mixed results.
- Increasing the private sector's role in defence engagement brings certain risks. Political, operational and reputational tolerances may be tested. A shift in approach will need to go hand in hand with ensuring contractors' probity and adherence to the ethical and reputational standards expected of those operating on the government's behalf. Nonetheless, private-sector UK firms definitively stand ready to assist the UK government and military in achieving goals that would otherwise require existing tasks to be reprioritized or personnel to be diverted from other duties.

Introduction

In 2015 the UK government published the National Security Strategy and Strategic Defence and Security Review (NSS),¹ outlining its latest thinking on defence planning and setting out guidance on policy priorities. While in some areas the NSS represented a continuation of previous strategies, it also broke new ground. Notably, it placed a stronger emphasis on the link between national security and prosperity,² suggesting that the UK's military effort should support the country's economic interests. It also demanded a focus on the use of military capabilities to build political relationships with other countries for security, diplomatic or economic reasons, an activity known as 'defence engagement'. Defence engagement featured in previous strategy thinking,³ but it has increased prominence in the 2015 NSS.

Achieving the commercial and political objectives outlined in the NSS is complicated by ongoing resourcing constraints. Although the NSS was accompanied by a small increase in defence and security budgets, little funding was allocated to the defence–prosperity agenda as a whole, or to the defence engagement component in particular. In addition, the operational focus of the Ministry of Defence (MOD) has been on other tasks, including the campaign against Islamic State of Iraq and Syria (ISIS). As a consequence, the necessary recruitment of experienced and skilled personnel for defence engagement is unlikely to be achievable through public-sector channels alone.

This paper argues that an opportunity therefore exists to connect the defence–prosperity agenda with another recommendation of the NSS: that there should be a greater role for the private sector in 'strengthen[ing] its contribution to our national security'.⁴ Increasing the use of contractors for defence engagement may allow the MOD to change its emphasis and focus on achieving the objectives set out in the NSS. Such a shift in approach would bring challenges, however, particularly in terms of compliance and discipline. Effective mechanisms would be needed to ensure contractors' probity and adherence to the ethical and reputational standards required of those operating on the government's behalf.

An opportunity exists to connect the defence–prosperity agenda with another recommendation of the NSS: that there should be a greater role for the private sector in 'strengthen[ing] its contribution to our national security'.

The UK is not alone in this change of emphasis linking security with prosperity. So the paper also draws on the experiences of the governments of France and the US to highlight where and how the UK may seek to change its approach to defence engagement. The aim is to evaluate the advantages and disadvantages of using the private sector to bridge the gap between defence engagement ambition and resources. It should be noted that the paper will not examine whether the use of contractors is more cost-effective *per se* – however, it will consider how such outsourcing may relieve some of the non-budgetary pressures that the MOD faces.

¹ HM Government (2015), *National Security Strategy and Strategic Defence and Security Review 2015*, Cm 9161, London: HM Government, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/478933/52309_Cm_9161_NSSNSS_SD_Review_web_only.pdf.

² *Ibid.*, p. 12.

³ HM Government (2013), *International Defence Engagement Strategy*, London: HM Government, p. 1, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/73171/defence_engagement_strategy.pdf (accessed 23 Apr. 2016); HM Government (2010), *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, Cm 7948, London: HM Government, October 2010, pp. 17, 66, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/62482/strategic-defence-security-review.pdf (accessed Apr. 2016).

⁴ HM Government (2015), *National Security Strategy and Strategic Defence and Security Review 2015*, p. 12.

The security and prosperity nexus

The publication of the 2015 NSS emphasized a new approach to security by explicitly asserting that defensive capabilities should be used to boost prosperity as well as to protect the UK against security threats. The NSS insists that '[e]conomic security goes hand-in-hand with national security'⁵ and aspires 'to build wider security, stability and prosperity'.⁶ This is in contrast to the NSS's predecessor document, the 2010 Strategic Defence and Security Review (SDSR), which only connected security and prosperity in broad terms by positing that a healthy economy was needed to make strong defence financially affordable.⁷ Defence engagement is also detailed in the NSS as contributing to 'promot[ing] our prosperity through support to defence exports'.⁸

While funding is available for defence engagement, new personnel are not, as austerity and hard power are still the priority, even after the election of Theresa May's minority Conservative government in 2017. Indeed increasing costs of capital projects caused by a weakened sterling after the Brexit vote may make delivering the savings required in the 2015 review more difficult, and funding remains under constant scrutiny.⁹ As core MOD business, defence engagement funding should come from its core budget. However, other potential sources of funding do exist, and the UK government instigated a new funding model in 2015, ring-fencing money for activities including outreach and defence engagement.

The most prominent fund is the Conflict, Stability and Security Fund,¹⁰ which by 2019/20 will be worth £1.3 billion per annum.¹¹ Also available are the Prosperity Fund,¹² worth £250 million per year,¹³ and the Joint Security Fund,¹⁴ worth £1.5 billion per year by 2020. Use of each fund is subject to some discretionary criteria and is not exclusively meant for defence engagement. However, it is clear that the intent of the Treasury is to increase cooperation between the MOD, the Department for International Development (DFID) and the Foreign & Commonwealth Office (FCO), or indeed between the MOD and any department that wishes to draw on the funding. And while there has been an increase in outputs required from government departments, there has been a decrease in the numbers of personnel available. Between 2010 and 2015, many government departments had their headcount reduced. Over this five-year period, the number of civilian staff in the MOD fell from 85,850 to 58,160.¹⁵ In addition, the NSS¹⁶ announced that further cuts to numbers of civilian employees in the MOD would result in an overall reduction of over 52 per cent from 2010 staffing levels. Furthermore, military headcount was reduced from around 192,000 full-time equivalent

⁵ Ibid., p. 9.

⁶ Ibid., p. 13.

⁷ HM Government (2010), *Securing Britain in an Age of Uncertainty*, p. 9 (accessed Apr. 2016).

⁸ HM Government (2015), *National Security Strategy and Strategic Defence and Security Review 2015*, p. 49.

⁹ Haynes, D. (2017), 'Soldiers and spies face review amid fears for defence budget', *The Times*, 21 July 2017 (accessed 23 Jul. 2017) via Twitter @haynesdeborah posted 21/07/2017, 10:07.

¹⁰ HM Treasury (2013), *Spending Round 2013*, Cm 8639, London: HM Treasury, June 2013, p. 45, Box 2.C, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209036/spending-round-2013-complete.pdf (accessed 21 Jun. 2016).

¹¹ HM Government (2015), *National Security Strategy and Strategic Defence and Security Review 2015*, p. 64.

¹² Ibid., p. 70.

¹³ HM Government (2015), 'Cross Government Prosperity Fund: update', <https://www.gov.uk/government/publications/cross-government-prosperity-fund-programme/cross-government-prosperity-fund-update> (accessed 20 May 2016); and HM Government (2015), 'Spending review and autumn statement 2015', <https://www.gov.uk/government/publications/spending-review-and-autumn-statement-2015-documents/spending-review-and-autumn-statement-2015> (accessed 20 May 2016).

¹⁴ HM Government (2015), *National Security Strategy and Strategic Defence and Security Review 2015*, p. 27.

¹⁵ Ministry of Defence (2015), *Ministry of Defence Annual Report and Accounts 2014–2015*, London: Ministry of Defence, 16 July 2015, p. 45, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/482894/19_MOD_ARAc_combined_at_02_Dec_2015_for_web.pdf (accessed 15 May 2016).

¹⁶ HM Government (2015), *National Security Strategy and Strategic Defence and Security Review 2015*, p. 33.

regular troops to approximately 154,000 over the same period,¹⁷ while FCO staffing was reduced by 10 per cent from 4,990 UK-based employees¹⁸ to 4,469. These appear to be permanent changes, with little indication that the trend will be reversed.

As core MOD business, defence engagement funding should come from its core budget. However, other potential sources of funding do exist, and the UK government instigated a new funding model in 2015, ring-fencing money for activities including outreach and defence engagement.

This has resulted in pressures on military personnel. With a shortage of regular troops to carry out tasks, the MOD has had to demonstrate more flexible thinking in the employment of regular, reservist, civilian and contractor workforces. Its chosen policy, the Whole Force Approach (WFA), utilizes partnership with industry as a way to fill gaps where qualified people are needed. This has proved a useful strategy as contractors and the private sector have gradually become crucial to achieving defence objectives.

The use of private companies is well established both in the UK defence context and in other countries' militaries. For instance, in 2009 the US had approximately equal numbers of contractors and service personnel working in Iraq and Afghanistan; by 2011 the private-sector US presence had overtaken that of the public sector, with 155,000 contractors versus 145,000 service personnel.¹⁹ As a result, the US presence in a theatre of war was being supported, in effect, by a backbone of civilian companies.

The use of private companies appears to be enduring within the British military. For example, a high percentage of both maritime and air logistic functions are dependent upon contractor support. Land forces also require contractors; an example of this was the Joint Expeditionary Force (an Anglo-French venture), for which the private sector provided 25 per cent of support personnel. Unmanned aircraft in combat theatres are also controlled by civilians while on non-combat missions:²⁰ for example, some UK observation systems in Afghanistan have been manned by civilians. In addition, Babcock International, a private company, maintains fleets of Royal Air Force (RAF) aircraft and is contracted to provide armoured-vehicle training for the British Army. In the absence of policy alternatives or increases in directly employed personnel numbers (military or civilian), a further expansion of the private-sector role in defence engagement seems a logical move in light of the NSS's objectives.

As well as considering greater use of the private sector, the UK needs to examine the flaws within its current defence engagement work, which has limited resources, suffers from a demand-led approach, and lacks a headquarters to provide control and coordination (see further analysis below). Seeking coherence across the sometimes niche areas in which contractors are used, as well as expanding their roles, should become a focus for the MOD. Any increase in defence engagement

¹⁷ For 2010 data, see Ministry of Defence (2010), *United Kingdom Defence Statistics 2010*, London: Ministry of Defence, 29 September 2010, p. 60, Table 2.1, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/280568/2010.pdf (accessed 22 Jun. 2016). For 2015 data, see Ministry of Defence (2015), *UK Armed Forces Quarterly Personnel Report*, London: Ministry of Defence, 1 April 2015, p. 5, Table 1, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/426880/QPR_Apr2015.pdf (accessed 1 Jun. 2016).

¹⁸ Foreign & Commonwealth Office (FCO) (2015), *Annual Report and Accounts 2014–15 (For the year ended 31 March 2015)*, London: FCO, June 2015, p. 27, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/444067/Amended_FCO_Annual_Report_2015_web_1_.pdf. These figures exclude all staff working for UK Visas and Immigration (UKVI) and other Whitehall Partners on the FCO platform overseas, as well as all staff working for Wilton Park (79) and FCO Services. From 1 April 2015, UK Trade & Investment (UKTI) staff were excluded from the FCO figures as UKTI will be financially independent from the Department for Business, Innovation and Skills and the FCO.

¹⁹ Schwartz, M. and Swain, J. (2011), *Department of Defense Contractors in Afghanistan and Iraq: Background and Analysis*, Washington, DC: Congressional Research Service, 13 May 2011, p. 28, <https://www.fas.org/sgp/crs/natsec/R40764.pdf>. In Afghanistan the numbers were 90,339 civilian contractors compared to 99,800 military personnel, and in Iraq 64,253 contractors and 45,660 military personnel.

²⁰ Hennigan, W. J. (2015), 'Air Force hires civilian drone pilots for combat patrols; critics question legality', *Los Angeles Times*, 27 November 2015, <http://www.latimes.com/nation/la-fg-drone-contractor-20151127-story.html>.

work raises prioritization issues, as the MOD to date has focused on combating a resurgent state-on-state threat and resourcing counterterrorism efforts against Al-Qaeda and ISIS. To prepare for the direct threat to the UK from other states, the government is enhancing the traditional warfighting equipment and skill sets of the three armed services. Aircraft carriers, aircraft and armoured vehicles are all being purchased. This improvement in national defence resources has been allocated £178 billion in funding over the next decade.²¹

In response to the changing character of conflicts – such as those in Iraq and Afghanistan, where forces must conduct counter-insurgency operations against an adroit enemy while under intense and often immediate media scrutiny – the military has increased funding to special forces, has created the Joint Forces Command²² and has improved its ability to strike terrorist groups with precision (and remotely).

Renewed focus on defence engagement is now also required. Due to the nature of this work, most of the burden of defence engagement will fall to ground troops, traditionally provided by the Army, although both the Royal Navy and RAF contribute too. The Army's recent moves to establish specialized infantry battalions for defence engagement work, and to provide a separate career stream for defence engagement experts, are welcome changes, and may provide the high-quality and experienced personnel necessary to support this shift in policy priorities.

Yet the relatively low priority of defence engagement in UK defence policy to date means that the structures and processes needed to support such activity are underdeveloped. The demand-led approach of the FCO and MOD results in resources being allocated in a reactive fashion, in response to developments and events as they emerge. While policy and strategy are often agreed between the FCO and MOD (through the Defence Engagement Board, which is co-chaired), the job of translating high-level guidance into activity falls to the embassies in the countries requesting defence engagement. Once a defence engagement request is received from a defence section – normally led by a defence attaché (DA) within an embassy – the international policy and plans (IPP) team within the MOD decides whether or not to allocate funding to it.

So, for example, when any British Army regiment visits a country and works alongside another nation's military, it may spot further opportunities for engagements. These may be potentially lucrative. When the Light Dragoons (a regiment in the British Army) visited Morocco in 2015 as part of a joint exercise with the Moroccan Army, the regiment's commanding officer identified opportunities to provide engineering assistance for construction projects (this support could have been resourced from either the military or the private sector). Once the IPP grants funding for a project, this authorizes the operations directorate within the MOD to task the relevant armed services with planning the activity. Troops do not need to be present in the country concerned for a defence section, or indeed an embassy, to make requests. In the present system, it is more by chance than by design that the personnel involved are motivated and experienced, understand strategic priorities and, if they are embassy staff, are able to capitalize on their in-country relationships. Increasing oversight and coherence in the implementation of strategy should create a better framework for tasks to be prioritized.

²¹ HM Government (2015), *National Security Strategy and Strategic Defence and Security Review 2015*, p. 27.

²² The Joint Forces Command pulls together those capabilities that are common to all three services, such as medical and cyber capabilities. It also provides the command and control for overseas operations.

It is easy to see how this situation of demand-led, front-line activity began. Until defence engagement became a funded core task in 2015, the MOD allocated few resources to activities related to it. In addition, reductions in back-office staff at the FCO and MOD may have increased the responsibilities of, and emphasis placed on, in-country staff. Also, defence engagement has developed without an operational headquarters to supervise activity. This is highly unusual for the military, though encouragingly 1st (UK) Division is now increasing its role as the sole operations command tasked with the delivery of defence engagement for the Army. Whereas for deployments into operational situations, the MOD's Permanent Joint Headquarters allocates responsibility for the command and coordination of deployed defence resources, there is no equivalent structure for defence engagement. All this makes the tasks articulated in the NSS more difficult to achieve.

Balancing commercial and political relationships during austerity

If managing the shift in strategy priorities were not hard enough, the way in which some HM Treasury rules have been implemented and the general effects of austerity have made balancing commercial and political interests extremely challenging. Many of the rules have sound provenance, but their effects sometimes make it harder for politicians, policymakers and military officials to portray the UK's defence engagement in a transformational rather than transactional light.

One example of such challenges is the case of Babcock International, currently participating in a joint venture with the Oman Drydock Company to build and run the Duqm Naval Dockyard in Oman. This facility would support the Royal Navy and create opportunities for business with other navies in the region. From a UK perspective, the dockyard offers a strategically important military logistics node – an airport is under construction, there is a deep-water port, and the terrain is suitable for storage and maintenance of vehicles – as well as opportunities for private-sector development of a range of activities around port security and operation. Babcock's past commercial projects²³ indicate that the firm tends to seek agreements with a turnover of at least £50–100 million, although the opportunity for the UK government is larger than this project alone and could also help maintain influence with a long-term ally. Babcock's bid for the Duqm project and ongoing provision of defence engagement services to the Royal Air Force of Oman have been encouraged by the UK government, with ministers making visits to Oman in support of the company's plans.²⁴ Oman is also seeking assistance in areas including explosive ordnance demolitions, something in which the UK has expertise.

Two particular issues complicated Babcock's efforts to expand the size of deal it struck with the Omanis. The first was that no reduction in charges was being offered for those attending training courses in the UK, regardless of the overall size of the deal. The second was an MOD policy requirement that UK military training courses should run with no spare capacity beyond what is deemed 'irreducible spare capacity'.²⁵ This meant that when training courses were run, they were not allowed to have any spare spaces available on them. One result of this approach is that availability of necessary infrastructure (accommodation, for example) has been pared to a point where there is little responsiveness to increased demand. In a welcome development, the 'irreducible spare capacity' restriction has been removed, although charges have not been reduced. This progressive thinking needs to run more

²³ Babcock International (2016), *Annual Report and Accounts 2016*, 16 June 2016, pp. 19–20, <https://www.babcockinternational.com/Investors/Annual-Reports> (accessed 1 Aug. 2016).

²⁴ British Embassy Muscat (2015), 'British Secretary of State for Defence visits Oman', news article, 1 October 2015, <https://www.gov.uk/government/world-location-news/british-secretary-of-state-for-defence-visits-oman>.

²⁵ Ministry of Defence (2015), *Joint Services Publication 510*, Part 1 (V6.0 Aug 15), p. 7, para 29.

profoundly through the MOD if Babcock or any other company or public organization in such a relationship is to secure the foreign contracts that it seeks, thus helping the British government to achieve its overall goals in terms of deepening political relationships and spreading prosperity and security. The understanding that political and military relationships can be intertwined and mutually beneficial is clear, but much relies upon the individual drive and initiative of the parties involved.

A further obstacle to increased private-sector defence engagement is that effective outsourcing still requires trained and experienced *public-sector* personnel to manage and oversee the process. Yet fiscal austerity has resulted in personnel reductions across the board, especially among civilian staff politically vulnerable to the sort of cuts frequent in UK institutions. The reductions have even affected the UK's critical relationship with NATO. Although the 2015 NSS mentions increasing investment in NATO,²⁶ since 2010 the UK's Joint Delegation to NATO has lost 20 per cent of its staff. Given the competing priorities of the UK delegation, 'industry engagement has had to be placed at the lower end of the list of priorities'.²⁷ And there are potentially telling effects. NATO provides a market for British industry, but one that relies in part on UK firms receiving early notice of forthcoming opportunities and on officials within NATO agencies providing advice and support. For example, the general manager of the NATO Communications and Information (NCI) Agency announced £3 billion worth of new business across all sectors of the defence industry at an annual industry conference in June 2016.²⁸ Leaders in the NATO Industrial Advisory Group indicate that such contracts are often the precursor to wider sales and business opportunities²⁹ funded by national budgets.

A further obstacle to increased private-sector defence engagement is that effective outsourcing still requires trained and experienced public-sector personnel to manage and oversee the process. Yet fiscal austerity has resulted in personnel reductions across the board, especially among civilian staff politically vulnerable to the sort of cuts frequent in UK institutions.

To complicate matters, two roles that facilitate and support UK industry among NATO countries are currently missing from the UK set-up: those of industrial liaison officer and national technical expert (NATEX), both of which sit within the NCI Agency. Without experienced and skilled personnel in these roles, it is more difficult to enter into discussions and trade deals, as the communication link between UK industry and potential customers is slow and less reactive. Other countries – notably including France and Germany – allow industry to provide personnel to fill those roles, but the UK does not.

To support its goal of linking prosperity and defence engagement, the UK needs to agree priorities as part of a collaborative approach between commercial interests and government. There are simple and relatively inexpensive ways, such as offering training courses, to demonstrate commitment to other nations. Integration of the private sector into defence engagement is possible, and there are many exploitable opportunities for improving efficiency and cooperation.

As the following section explores, some of the UK's closest allies and partners are wrestling with similar issues, and are arguably managing the challenge better.

²⁶ HM Government (2015), *National Security Strategy and Strategic Defence and Security Review 2015*, p. 9.

²⁷ D'Angelo, D. (CGS Fellow at Chatham House) (2016), email to author, 13 July 2016.

²⁸ NITEC 16, held in Tallinn, Estonia on 7–9 June 2016.

²⁹ ADS meeting, 27 June 2016.

Examples from France and the US

France has historically regarded direct support for its defence industry as an integral part of defence engagement. Moreover, the state holds stakes in many defence industry companies. For example, as of March 2016 it owned 26 per cent of Thales and 16 per cent of Safran.³⁰ The French government is far more directive and prescriptive in seeking defence industry sales, and this top-down approach is in contrast to the British demand-led one. Correspondingly, the rules that govern interactions between French diplomatic officials and French business are different from those that govern the UK's equivalent relationships; the UK could learn from the freedoms this affords French officials.

The example of Sovereign Global is instructive. This Anglo-French programme management company provides training to prepare troop-contributing countries (TCCs) for UN missions. Its clients include the governments of Djibouti, Chad, Gabon and Mauritania, and its annual turnover is \$40 million. In December 2015, the French permanent representative to the UN organized invitations to a lunch hosted and funded by Sovereign Global (France) – SG(F) – at which there was a dialogue between SG(F), the UN and potential francophone TCCs. Hervé Ladsous, head of the Department of Peacekeeping Operations, attended and spoke. According to SG(F) the event was a success, deepening its links with TCCs.³¹

In contrast, the British Permanent Mission was approached by Sovereign Global (United Kingdom) – SG(UK) – to organize a similar event for anglophone countries in Africa, but was unable to support such a move. The military adviser to the UK mission to the UN³² confirmed that the UK approach is to 'create a level playing field', with no preference shown for any single supplier. In another case, Thales UK chose to use the French delegation to lobby for the contract to deploy unmanned aerial vehicles (UAVs) to Mali³³ because of the support its bid would receive via this route. As a result, Thales UK won the contract, beating two other UK competitors that adhered to the British approach. Some in the industry have described the experience of bidding for large contracts in the UK system as 'companies versus countries'.³⁴ In many respects the insertion of firewalls between governmental staff and business represents good governance, but it also limits the assistance that can be given.

The US experience also offers a contrast to the British model. Having learned from early mistakes, the US is developing a thorough and increasingly well-resourced contractual system that will develop a cadre of experienced and trained personnel to oversee and ensure legal compliance by private contractors.³⁵

US Africa Command (AFRICOM) is the US military's operational headquarters for Africa, and its use for operational-level command and control, governance and measurement of the effectiveness of contractors offers the UK a model to borrow from. US AFRICOM is one of seven designated Component Commands, which between them cover the globe, splitting the land masses into defined areas of operation. AFRICOM commands sea, land, air, marine and special operations within its area (Africa excluding Egypt).³⁶ In common with the UK, as a result of the relatively low priority of defence engagement, AFRICOM is not guaranteed troops for its work. It also has to deal with conflicts between differing Department of

³⁰ Fournier, N. (Col) (2016), interview with author, 22 April 2016.

³¹ Cherisey, E. (2016), 'French contractor helps prepare Côte d'Ivoire for UN peacekeeping', *Jane's 360*, 27 July 2016, <http://www.janes.com/article/62574/french-contractor-helps-prepare-cote-d-ivoire-for-un-peacekeeping>.

³² Maddick, M. (2016), interview with author, 6 July 2016.

³³ Nkala, O. (2014), 'UN to deploy unarmed surveillance drones in Mali', *Defence Web*, 24 June 2014, http://www.defenceweb.co.za/index.php?option=com_content&view=article&id=35164:un-to-deploy-unarmed-surveillance-drones-in-mali&catid=35:Aerospace&Itemid=107 (accessed 29 May 2016).

³⁴ Chan, L. (2016), interview with author, 20 July 2016.

³⁵ Phillips, M. (Lt Col) (2016), interview with author, 7 July 2016.

³⁶ United States Africa Command (undated), 'About the Command', <http://www.africom.mil/about-the-command> (accessed 18 May 2017).

State (DoS) and Department of Defense (DoD) priorities, as both departments have their own defence engagement responsibilities and funding streams for AFRICOM's area of operation. The outcome is that contractors rather than military personnel deliver many of AFRICOM's security assistance activities, peacekeeping programmes and security-sector reform (SSR) efforts on behalf of both the DoS and DoD. AFRICOM faces ongoing challenges in gaining sufficient oversight and supervision of these tasks. The system is still being refined to agree priorities between the two departments.³⁷

Nonetheless, some achievements can be highlighted. AFRICOM has developed operating procedures that involve contractors early, including in the decision-making process. While AFRICOM's main headquarters ensure all resources (including contractors) are marshalled effectively to meet demand, it also uses subordinate headquarters to provide a focal point for the delivery of regular military contributions from the US Army and US Marine Corps. AFRICOM also provides improved oversight and measurement of the effectiveness of programmes such as Africa Contingency Operations Training and Assistance (ACOTA).

Funded and managed by the DoS, ACOTA is a prime example of the US's willingness to delegate to contractors. The programme is an essential part of the broader US Global Peace Operations Initiative, designed to prepare African nations for UN and regional peacekeeping roles and build self-sufficiency in peacekeeping training. Since 2005 it has trained 369 contingents of peacekeepers.³⁸ The programme is active in 22 countries, and is heavily reliant³⁹ on contractor teams to execute training activities until forces are ready to train their own personnel. Interviews with members of the UK and US militaries, government personnel and contract employees within AFRICOM indicate that the contractors ensure a more reliable guarantee of a far higher number of subject matter experts in UN peacekeeping operations (where the military has scant experience), are easier to deploy rapidly, and are able to cope with changing requirements from the customer nation. They are also more likely to rotate personnel less frequently, and to have individuals proficient in the fields of expertise needed. Overall, the programme is seen as a success, although doubts linger that it is not in the interests of the contractors to, in effect, work themselves out of a job, and that this can limit efficiency and lead to wasted investment.

Recent examples of a hybrid approach, in which the DoS and DoD have increased their direct participation in the oversight of peacekeeping training, have resulted in drastically reduced programmes. Malawi received at least five annual iterations of training from ACOTA between 2005 and 2013. AFRICOM then assumed the lead for training in Malawi, and in conjunction with its increased programme of oversight has conducted an additional three rotations of pre-deployment training. This has led the Malawians to become largely self-sufficient in their own training, reducing the need for external private-sector support. The Zambian army is similarly progressive, and has also made rapid progress.

This is in contrast to contractor-only engagements with countries such as Senegal and Ghana, which have been ongoing for more than a decade and have had little impact.

Overall, a mix of government and private-sector delivery under 'engaged governmental supervision'⁴⁰ seems to be the most successful model of integration. The benefits of the operational level of command and the notion of engaged governmental supervision could be adopted by the UK as a way of increasing contractor activity.

³⁷ Ibid.

³⁸ ACOTA PowerPoint presentation, dated April 2016 – not publicly available.

³⁹ Ibid. Also see Laskaris, A. (Ambassador) (2016), interview with author, 7 July 2016.

⁴⁰ Pulliam, J. (2016), interview with author, 7 July 2016.

What opportunities can be exploited?

The UK commercial sector is well placed to work with the government on defence engagement, and many potential service providers are based in the UK. In a written submission to the House of Commons Committees on Arms Export Control, ADS Group (a leading trade association for the aerospace, defence, security and space sectors) stated that it had 900 member companies identified as small and medium-sized enterprises. ADS has reported that it represents over 2,600 companies across the UK supply chain, and estimates that the industry generates £65 billion a year for the UK economy. Between British Aerospace Systems, Babcock, Lockheed Martin and Serco (four of the larger companies), £6.21 billion of government contracts were awarded in 2014–15, out of £11.7 billion awarded to the defence industry as a whole. Official figures also put defence exports at £8.5 billion in 2014.⁴¹ Industry brings an efficiency and approach that the public sector, with differing and sometimes wider considerations, has difficulty replicating.

Industry brings an efficiency and approach that the public sector, with differing and sometimes wider considerations, has difficulty replicating.

Several factors make the use of private contractors potentially advantageous. Unlike traditional militaries, the private sector does not allow the pooling of people and equipment ready for deployment, as this would be prohibitively costly. Instead, it employs personnel on flexible contracts. Numbers of personnel can be increased or reduced quickly to match the nature and requirements of a task. This human resources model provides flexibility and agility, and has inherent advantages that the public sector cannot match.

In addition, in contrast to the governmental and military requirement to develop personnel through the ranks to maintain force structure, private-sector country managers will often stay in the same role for years.⁴² Babcock's 50-year relationship with Oman is an example. During this period the firm's country managers have served on average for a decade, compared to typical military rotations of every two years.⁴³

A related benefit is that this gives greater scope to hire specialists rather than military generalists; such contractors can provide enhanced cultural awareness, preparedness and task focus. Indeed, the British Army's recent moves to establish specialized infantry battalions⁴⁴ and the US army's maintenance of the Green Berets – with a focus on understanding, training and enhancing indigenous forces – reflect official recognition that specialization is often preferable.

Moreover, the private sector offers almost all of the defence engagement functions that the military does. Many employees of commercial providers of relevant services have previously had careers in the military.⁴⁵ Private-sector expertise embraces areas normally associated with the successful delivery of a capability including training, equipment, supply and management of personnel, infrastructure, professional development, intelligence, information and logistics. Commercial providers can carry

⁴¹ UK Trade & Investment (2015), *UK Defence and Security Exports for 2014*, London: HM Government, p. 4, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/444359/20150710_-_Defence_and_Security_Export_Statistics_for_2014_-_Core_Slides.pdf (accessed 15 Jul. 2016).

⁴² For the US ACOTA programme, see US Department of State (2016), *Africa Contingency Operations Training & Assistance (ACOTA)*, Washington, DC: US Government, <http://www.state.gov/p/af/rt/acota/> (accessed Aug. 2016).

⁴³ Stangroom, A. (Director Maritime Development Middle East for Babcock International) (2016), interview with author, 10 July 2016.

⁴⁴ Walker, R. C. D. Maj Gen (2016), interview with author, 2 May 2016.

⁴⁵ This was a common theme raised in the author's interviews with representatives of commercial service providers.

out tasks or provide support to partner countries in capacity-building. Non-UK experience again provides an illustrative example: in autumn 2016 AFRICOM was using contractors in partner countries to provide logistics, communication, information and intelligence institution-building; to prepare forces for UN deployment; to provide advice on how to develop professional military education courses; and to teach low-level tactics. Other contractors were being used within the headquarters for planning purposes. US, UK and French defence firms also train personnel, on behalf of AFRICOM, to use and maintain all types of equipment from small arms through to jets.

The many similarities between governmental organizations and the private firms with which they work add to the feasibility of cooperation.

The many similarities between governmental organizations and the private firms with which they work add to the feasibility of cooperation. The operational methods of defence companies echo the characteristics that make military and governmental organizations successful in austere living conditions, particularly where security is a priority. The frequent transfer of personnel from the military into such businesses makes for an extraordinary familiarity with the tasks, hierarchies, planning systems, operating models and cultures associated with those governmental functions that private firms are contracted to replace or complement. Indeed the skill sets and organizational structures of private-sector contractors are arguably more suited to defence engagement tasks than are those of the infantry battalions assigned to such duties in the NSS, given the higher numbers of younger and less experienced individuals in military units.

Delegating to private contractors also allows the public sector, and especially the military, to focus on its core tasks. For example, contractors have been used by the US government to guard parts of the Green Zone in Baghdad and to protect embassies abroad, thus freeing security service and military personnel to focus on delivering their core outputs. The same is seen when private companies provide logistics and engineering support on operations, thereby allowing more military personnel to go to the front line; UK contractors do not fix vehicles under direct fire, but they do overhaul and repair vehicles on protected bases.

What are the risks with using the private sector, and can they be mitigated?

Just as there are opportunities in the employment of contractors, there are also risks that must be mitigated if governments are to make the most of outsourcing defence engagement. In one instance, a comprehensive review of ethical challenges highlighted concerns relating to the opportunities for corruption associated with private contractor activity; the loyalty of the individuals involved and their suitability for security tasks; and the difference in moral standards between the public and private sectors.⁴⁶ While it is beyond the scope of this paper to consider these ethical considerations in depth, it should be noted that appropriate safeguards and accountability mechanisms will need to be rigorously enforced if private-sector engagement is to be a credible and sustainable option for the UK government.

⁴⁶ Kinsey, C. and Patterson, M. H. (2012), *Contractors and War: The Transformation of US Expeditionary Operations*, California: Stanford Security Studies, starting p. 16.

The question of differences in cost between public and private solutions also needs to be addressed. However, no research is available in this area. An analysis could be done to determine what represents value for money for the government, and also to ensure the availability of appropriate policy options as alternatives to reliance on private contractors if the latter fail to prove cost-effective.

Operating risks

In addition to the ethical and financial risks, there are operating risks involved in the use of contractors. These risks concern the accountability of private firms, the extent to which delivery of contracted outputs can be guaranteed, and more broadly whether the use of contractors is potentially counterproductive in the long run if it weakens the public sector (see discussion below). However, where contractors are employed judiciously and are well supervised, these can be mitigated.

Ensuring accountability and managing contracts is a particular challenge. Certainly, in the US, oversight of private contractors by the DoD and DoS was incoherent until the 2008 National Defense Authorization Act came into effect.⁴⁷ Although financial penalties can in theory be written into contracts to ensure that service suppliers deliver to standard, the reality is that contracts are often poorly written and that the state ends up paying for sub-standard work anyway. As such, it is crucial that militaries seeking to employ private firms for defence engagement have sufficient expertise in drawing up contracts.

Ensuring robust contractual safeguards is all the more important in light of the many examples of contractors failing to deliver. In 2008, a US Government Accountability Office report reviewed the effectiveness of \$6.2 billion spent on police training and equipment for Afghan National Police (ANP) units. Of the 433 units evaluated, the report found that 'none were fully capable of conducting missions on their own'.⁴⁸ (That said, given the systemic problems with the ANP and the government of Afghanistan at that time, it is questionable whether anybody could have successfully trained these units.) Similarly, the difficulties encountered in the UK when elements of security for the 2012 London Olympics were outsourced to G4S, a private firm, meant that the British government had to provide cover from within the military and public services. While delivering Olympic security against ever-changing government security requirements was undoubtedly difficult, this was a situation that the contractor had accepted in advance.

These mixed results – from the above-mentioned failures to the qualified success of AFRICOM – show that an 'unrestrained reliance'⁴⁹ on contractors is unwise, but also that judicious and planned employment of them is essential for maintaining oversight and achieving objectives. The use of contractors should not be framed in terms of the tasks and roles to which they are suited, but rather in terms of the situations and countries in which they are likely to succeed. Governments should avoid placing private contractors in impossible circumstances in which failure is inevitable, and should ensure appropriate oversight is in place.

In employing private-sector contractors, the UK government thus needs to clarify which capabilities it would like to keep within its own remit. The ceding of jurisdiction⁵⁰ to private companies occurs when they regularly perform roles expected of the state. Outsourcing these tasks can weaken state

⁴⁷ Ibid., p. 61.

⁴⁸ Ibid., p. 67.

⁴⁹ Efflandt, S. L. (2014), 'Military Professionalism & Private Military Contractors', *Private Contractors & Military Professionals*, 8: pp. 49–60, http://strategicstudiesinstitute.army.mil/pubs/parameters/issues/summer_2014/8_efflandt_article.pdf (accessed 1 Apr. 2016).

⁵⁰ Ibid., p. 52.

institutions, however, which is why a balanced approach is needed to ensure that a policy intended to improve efficiency is not ultimately detrimental. Perhaps the most obvious manifestation of this dilemma is the fact that many military personnel move into the private sector. Over time, the resultant loss of skills will reduce the efficiency and effectiveness of the armed forces that once trained these individuals – in turn, meaning that fewer individuals will be trained to the same high standards in the future.

However, this flow of personnel and expertise need not remain unidirectional. The WFA demonstrates that the MOD now recognizes this. The government can protect its institutions by identifying the skills and competencies that it needs to retain, and by ensuring that these are not ceded to the private sector. It is beyond doubt that UK government departments engage in plenty of activity and achieve key goals through the use of contractors, but the overall approach could be enhanced with a coherent strategy.

Conclusion

The UK's objectives of linking national security and prosperity, and of strengthening defence engagement, as set out in the 2015 NSS, imply increased involvement of the private sector. As this paper has outlined, with the right oversight and a balanced approach, defence engagement can help to deliver prosperity and increase private-sector involvement in national security. Nothing has changed with the 2017 election; indeed any further reductions in budget or increase in costs due to the falling value of sterling decrease the likelihood of recruiting service personnel for defence engagement tasks, and increase the need for contractors.

Ensuring the successful delivery of defence engagement – whether by public or private actors – requires accommodating the sometimes competing imperatives of commercial profit and long-term national interest. It also depends on the presence of a cadre of public-sector personnel with the skills to hold contractors accountable, and on operational-level oversight of the defence engagement activity in question. To achieve all of this requires a more top-down approach than has been evident in the UK's approach to defence engagement to date. The operating risks involved, and the requirement that the treatment of partner countries matches the expectations of those countries, require a judicious mix of contractor and public servant employment. Nonetheless, there is much to be gained from engaging the private sector to deliver the 2015 NSS strategy.

About the author

Colonel Denis James is currently the Chief Of Staff of the US Special Operations Joint Task Force Division deployed on Operation Inherent Resolve, the coalition operation to defeat ISIS in Iraq and Syria. He believes that a more judicious employment of UK contractors in the theatre of operations would boost the UK's reputation and economy, and would contribute effectively to ISIS's defeat.

Acknowledgments

To the welcoming and wonderful members of the International Security Department at Chatham House, thank you.

Independent thinking since 1920

Chatham House, the Royal Institute of International Affairs, is an independent policy institute based in London. Our mission is to help build a sustainably secure, prosperous and just world.

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical including photocopying, recording or any information storage or retrieval system, without the prior written permission of the copyright holder. Please direct all enquiries to the publishers.

Chatham House does not express opinions of its own. The opinions expressed in this publication are the responsibility of the author(s).

Copyright © The Royal Institute of International Affairs, 2017

Cover image: A British soldier on patrol as the sun rises at Sennybridge Training Area, Wales, UK

Photo credit: Stocktrek Images/Getty

ISBN 978 1 78413 215 6

This publication is printed on recycled paper.

The Royal Institute of International Affairs
Chatham House
10 St James's Square, London SW1Y 4LE
T +44 (0)20 7957 5700 F +44 (0)20 7957 5710
contact@chathamhouse.org www.chathamhouse.org

Charity Registration Number: 208223