Balancing Military Professionalism with Military Commercial Interests: Confronting Conflict of Interest Risks to State Security

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“By engaging in business activities, the military inevitably introduces profit incentives into its daily operations. The danger of this is that it compromises the key ethos and non-profit element central to a professional military”¹.

Introduction

This policy brief examines the extent of the involvement of the military in commercial venture, with a specific focus on the implications. It also provides key recommendations on how best to manage the shortfalls arising from conflict between adherence to military professionalism and military commercial interests.

By design, the military’s primary duty, as an agent of the state, is that of defending a country from internal and external aggression. In a classical sense, personnel of the military are trained and organized to possess specialized skills that are meant for the protection of the state and its people².

The wide policy and academic interest regarding the involvement of the military in commercial ventures is linked to its impact on both the national economy and civil-military relations³. Military commercial ventures in Nigeria also witnessed a shift from the provision of services that meet the needs of their personnel such as hospitality and health, to more complex areas such as real estate and oil and gas.

The military commercial venture has become one of the pathways towards contributing to national economy through employment creation and wealth generation⁴. In this sense, the military has emerged as a major economic actor, with interests in key sectors of the economy such as oil and gas, aviation, transport, hospitality, construction, real estate, healthcare among others. To what extent is the place and role of the Nigerian military in commercial ventures understood?

One major transformation that has taken place in Nigeria has to do with its primary duty of protecting the country from internal and external aggression, as well as aid to civil power and authority, in line with the constitution of the country. There is a sense in which the changing nature of the military from a bureaucratic and defence institution to a stakeholder in the world of commerce, points to its linkage with large scale commercial interest, which drives the military towards the path of economic

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⁴ Despite evidence that the military commercial ventures are impacting on the Nigerian economy, there are no statistics regarding the number of employments generated by the military commercial venture, as well as its contribution to the national economy.
interest. Despite the inroad that the military is making in business, not much has been done in terms of understanding the extent of oversight on such business interests that are profit driven.

Table 1: Some Military Commercial Ventures in Nigeria\(^5\)

<table>
<thead>
<tr>
<th>Service Arm</th>
<th>Name of Business / Venture</th>
<th>Nature of Investment</th>
</tr>
</thead>
</table>
| Airforce    | Nigerian Airforce Investment Limited | • Logistics and Supplies  
              |                             | • Oil and Gas  
              |                             | • Aviation  
              |                             | • Printing  
              |                             | • Agriculture\(^6\)  
              |                             | • Real Estate |
|             | Nigerian Airforce Housing and Construction Limited | • Construction / building and sale of houses to personnel and public |
|             | Nigerian Airforce Holding Limited | • Aeronautic engineering and consultancy. |
| Navy        | Naval Dockyard Limited | • Oil and gas  
              |                             | • Shipping  
              |                             | • Offshore construction  
              |                             | • Steel fabrication  
              |                             | • Boat construction |
|             | Naval Building and Construction Limited | • Construction / building and sale of house to personnel and public |
| Army        | Nigerian Army Drugs Manufacturing Company Limited | • Production of drugs |
|             | Nigerian Army Properties Limited Group | • Oil and gas  
              |                             | • Travels and tours  
              |                             | • Hospitality  
              |                             | • Real Estate  
              |                             | • Courier Services |
| Defence     | Defence Industries Corporation of Nigeria (DICON) | • Production of arms and ammunitions  
              |                             | • Military hardware  
              |                             | • Industrial spare parts |

\(^5\) These data were generated from the respective websites of the three services of the Nigerian military, as well as the Ministry of Defence.

At first glance, attempts to understand why the military is involved in commercial ventures, presents it as a new phenomenon that is peculiar to Nigeria\textsuperscript{7}. However, research has provided concrete case studies across the world, showing the extent to which, the military is involved in commercial enterprises.

The case studies in Table 2 below shows that the role and impact of the military in commercial ventures manifest in three keyways:

- The military as an institution enjoys some degree of privileges and preferential treatment such as exclusion from the payment of tax, which translates into access to more resources for its use.
- Due to access to resources that the military enjoys, coupled with the classified nature of its expenditures, it operates under a regime of independence that makes it less accountable to civilian institutions such as the Economic and Financial Crimes Commission (EFCC), Federal Inland Revenue Service (FIRS), and the Independent Corrupt Practices Commission (ICPC); and
- The professionalism of the military in terms of training and readiness for combat will be impacted by its involvement in commercial ventures\textsuperscript{8}.

<table>
<thead>
<tr>
<th>Country</th>
<th>Nature of Commercial Venture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>Mining and oil interests to manufacturing and “protection’’ for multinationals.</td>
</tr>
<tr>
<td>Thailand</td>
<td>National radio and television broadcast industries.</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Airlines and banking</td>
</tr>
<tr>
<td>Turkey</td>
<td>Construction, banking, and supermarkets, automobile joint venture and pensions fund.</td>
</tr>
<tr>
<td>El Salvador, Guatemala,</td>
<td>Pension funds and ownership of corporations including radio stations, resorts, banks, construction companies, and hospitals.</td>
</tr>
<tr>
<td>Honduras, and Nicaragua</td>
<td></td>
</tr>
<tr>
<td>Russia</td>
<td>Transportation, healthcare, sale of weapons, insurance, and marketing.</td>
</tr>
</tbody>
</table>


The constitution provides a wide range of oversight measures over the military by the legislature and other executive bodies, with specific focus on its operations and spendings. Other forms of oversight cover involve independent institutions such as the Economic Financial Crimes Commission (EFCC), Independent Corrupt Practices and Other Related Offences Commission (ICPC), National Human Rights Commission (NHRC), Public Com plains Commission (PCC) among others. Within the framework of democratic control of the armed forces, civil society and the media have emerged as critical agencies for oversight of the military. While the constitution is clear regarding oversight over public spendsings of the military, not much has been done by the legislature towards ensuring accountability in the context of commercial ventures operated by the military.

Though the Ministry of Defence provides executive oversight of the military, not much has been seen with respect to how it discharges this role in the context of the commercial interests of the military. This gap in internal mechanisms for both budgetary and professional oversight, constitutes a major problem regarding the role of the military which ought to be upheld and promoted in ways that do not conflict with other interests outside its constitutional functions of defending the territorial integrity of the country, as well as aid to civil power and authorities.

Challenges to Engaging Commercialised Military Entity
Under the guise of what is known in military parlance as “restricted” or “secret”, the everyday operations of the military (both financial and non-financial), are not conducted in a transparent manner, which makes it difficult for oversight institutions to track. The fear is to the effect that commercial ventures that are operated by the military under regimes of absence of oversight and accountability makes it difficult for the civilian authority to control.11

Non-Disclosure of Financial Dealings
Unlike other business entities that make yearly financial declarations in terms of income, expenditure, loss or profit, there has not been any form of public declaration of the financial dealings of the military. In this sense, the absence of an audit system that scrutinizes those financial books of the commercial ventures of the military casts a dark shadow of lack of transparency and accountability in the use of public funds by the military, in pursuit of profit.

Civil-Military Relations
There is more sense in which the involvement of the military in commercial ventures, is opened up to the civilian population, either in terms of clientele relationship, or that of oversight. Its identity as an economic actor introduces a motivation for profit and competition that challenges its professional integrity and institutional cohesion.

against the backdrop of financial obligations which it must adhere to, as provided for, by regulatory institutions such as Corporate Affairs Commission (CAC), Federal Internal Revenue Service (FIRS), State Revenue Agencies among others. As it was rightly observed: “Thus, where a legacy of military entrepreneurship exists, civilians seeking to establish responsible political control over the institution will face the daunting task of eroding a discreet, but nonetheless established, prerogative to economic power and autonomy”\(^{12}\).

Civilian Oversight and Accountability
Within the framework of civilian control of the armed forces under a democracy as practiced in Nigeria, the armed forces are supposed to subject itself to civilian control in its entirety. Unfortunately, while the military plays a prominent role as the managers of the instrument of forces on behalf of the state, not much has been done by the civil authority, with respect to the operational and financial control of the military, much less of oversight over the commercial ventures they own.

Military Capture by Commercial Interests
In both the medium and long term, one of the major threats to the professionalism and cohesion of the military will be its capture by the commercial interests of some of its officers who would benefit more due to the influence in both the military and the commercial interest.

Acts of Corruption
Just as the military commercial ventures in other countries, the Nigerian military is not immune to corrupt tendencies such as non-payment of tax, evasion of custom duties, as well as undeclared profits. This is an area that requires more attention, given the nature of the business, which is solely managed by members of the military hierarchy.

Shift from Defence and National Security to Business
The attention placed by the respective arms of the military towards their business interests is impacting severely on its human resource and combat readiness. While there has been concerns regarding limited human and financial resources available for the military to discharge its mandate of national defence and security, such resources have been diverted to meet their respective business objectives. For instance, all the businesses shown in Table 2, are led by two-star generals, with other persons of the officer cadre and lower echelon of the military deployed primarily to work in these business ventures. While they function to meet the business interests of the respective services of the armed forces, the nation groans over inadequate military personnel.

Policy Recommendations

**Strengthen Legislative, Executive and Civil Society Oversight(s) of the Commercial Ventures of the Military:**
Within the framework of oversight on the military, relevant institutions such as the National Assembly, the executive arm of government under the presidency, independent institutions, as well as civil society, should pay attention to the business interests of the military, with a view to tracking the inflow and outflow of funds for such businesses, and the profits accruing therein. Since the resources involved are public funds, they should be made public for scrutiny by the people.

**The Military Under Obligation to Submit Annual Accounts:**
Since military commercial ventures are operated using public funds that are appropriated by the National Assembly, the military is under obligation to submit annual accounts to the National Assembly for scrutiny, as is the practice with other revenue generating institutions of government.

**Balance the Professional Duty of the Military with its Commercial Interests:**
By design, the military’s primary duty is the defence of the country and its people. In the light of that, the military should ensure priority is not given to the pursuit of commercial interests at the expense of national defence and security. In this light, the military should ensure that its professional responsibility takes precedence over the pursuit of commercial interests.

**Undertake an Audit of Personnel and Resources Deployed for Commercial Ventures:**
Despite the significant need for personnel involved in defence and security related tasks, a considerable number of personnel have been assigned to some of the commercial ventures, which contributes to the shortfall in personnel for operational purposes. The leadership of the military, particularly the Chief of Defence Staff and the Ministry of Defence, should undertake an audit with a view to ensuring core military tasks do not suffer, while military businesses thrive.

**Declassify Military-related Commercial Spendings:**
The relevant institutions of the Nigerian state such as the EFCC and ICPC should be empowered to monitor the financial dealings of the military as they relate to their commercial interests, to ensure transparency and accountability in the use of public funds.
Auditor General of the Federation should Audit all Military Commercial Ventures:
In the light of the fact that the commercial ventures of the military are managed using public funds, the National Assembly should mandate the auditor general of the federation to undertake a yearly audit of all the commercial ventures of the military. In the interest of transparency and accountability, the findings of the auditor general should as part of the yearly report, be produced and presented to the National Assembly by the office of the auditor general of the federation.

Conclusion
Beyond its primary duty of defence and national security, today, the Nigerian military is driven by a commercial interest that is rooted on the logic of profit. The lack of transparency and accountability that characterizes the involvement of the military in the pursuit of its commercial ventures constitute a major source of concern, as regards the use of public funds for commercial interests that are not subjected to public scrutiny. While such interest is not an aberration, it should remain focused on its core mandate of protecting the territorial integrity of the country, as enshrined in the constitution. As it stands, the Nigerian military faces a major distraction and obstacle to its professionalism, which has to do with its involvement in commercial ventures. The pursuit of profit and the risks of corruption by military personnel are key threats to military professionalism that needs to be checkmated urgently.