

10 May 2005

**STABILITY PACT – WORKING TABLE III
NATO REPORT
DEFENCE CONVERSION
Sofia, 16-18 May 2005**

**Defence and Security Economics Directorate
Political Affairs and Security Policy Division**

BACKGROUND

1. Base closures and personnel cuts are complicated processes with a range of social, economic and political implications - and these in turn affect security, stability and economic well-being. Over little more than a decade, tens of thousands of military sites have been closed and hundreds of thousands of officers and soldiers have lost their employment.

2. There can be no doubt about the following. If the reduction of the armed forces is not accompanied by appropriate measures, the economic and social pressures in countries with fragile economies may be too difficult for their governments to handle. These problems can lead to strong resistance to change, impeding the necessary defence reforms. This is all the more true for countries in transition, which have been faced with unprecedented economic and political restructuring pressures. Such countries are often characterised by single-activity urban centres where economic development may depend upon the presence of a base or a particular type of industry. In those countries, functioning conversion can make a substantial contribution to both reducing insecurity and ensuring successful restructuring.

WHAT IS NATO'S ROLE?

3. NATO is strongly engaged in defence conversion and a firm relationship has been built up with the Stability Pact. Managing the socio-economic consequences of defence restructuring is one of the subjects within the Partnership Action Plan on Defence Institution Building which has been adopted during the NATO Istanbul Summit in June 2004. In the area of defence conversion, NATO Allies have the benefit of considerable expertise and know-how. Already in January 2000, NATO's Political Committee decided to entrust the Economic Committee to deal with retraining programmes for discharged military personnel. For this purpose, the Defence and Security Economics Directorate formed a NATO Expert Team that was tasked to provide national authorities in South-East European countries with advice, recommendations, analyses and guidelines on personnel retraining policies and programmes. Bulgaria, France, Germany, Norway, The United Kingdom, the United States have taken an active part in the development of these programmes by providing expertise and technical assistance. Another objective was to give visibility and credibility to these programmes in order to solicit concrete financial support. Romania and Bulgaria were the first countries to develop such programmes. Countries involved today are the former Yugoslav Republic of Macedonia, Albania, Serbia and Montenegro and soon Bosnia-Herzegovina.

4. As with retraining, a NATO "Base Conversion" Expert Team was set up in May 2001. Experts from experienced countries such as Canada, France, Germany, Poland, the United Kingdom, Sweden and the United States are participating in this work. Its concrete role is to provide advice and analysis on how to draw up/develop civilian reuse projects of a redundant military site or facility as well as on the main issues which need to

be addressed in this process. Military base conversion is a much more complicated issue than retraining since it necessitates a far longer term process involving many considerations related to ecological, legal, economic, financial, regional and local factors.

5. The process has started with Romania and Bulgaria. Now the countries involved are either part of the Membership Action Plan process (MAP) such as Albania, Croatia and the former Yugoslav Republic of Macedonia; or part of the Partnership for Peace process, such as Moldova; or members of the NATO Tailored Co-operation Programme, such as Serbia and Montenegro and Bosnia and Herzegovina.

CURRENT SITUATION AND PROSPECTS

6. Since the last meeting of the Working Table III in Skopje in November 2004, progress achieved and objectives from NATO's perspective in the framework of the Stability Pact are the following:

- a) Defence conversion is becoming a core activity of the Stability Pact. Defence Ministers of the South East European Co-operation Process (SEEC) adopted a Declaration on defence conversion in Bucharest on 31 March 2005. As far as future work is concerned, the Ministerial meeting agreed to build on and encourage RACVIAC to strengthen its role as a regional Centre for defence conversion, using the existing capacities.

- b) In order to increase regional ownership, to enhance co-operation and dialogue and to make the process more visible towards International Organisations, Ministers of Defence have requested the establishment of three Working Groups. NATO will be particularly involved with the two Working Groups on retraining and on the conversion of former military bases and facilities. NATO will continue to provide ongoing political backing to the defence conversion process in South Eastern Europe as well as practical assistance through the two existing NATO Expert Teams on retraining and base conversion.
- c) The questionnaire on the defence conversion progress and needs prepared by the Stability Pact with the strong support of DCAF, BICC and NATO will be sent to the competent authorities of the region.
- d) Still, as last year, financial support to implement defence conversion projects is one of the key issues. Most of NATO Allies' experiences show that adjustment and conversion are not an overnight process and problems can persist in areas for a fairly long time (unfavourable and unstable economic conditions; fragile and weak institutional framework; greater degree of environmental contamination; lack of industrial diversification in local areas and high economic dependency on military sites and bases; lack of formation and expertise, e.g. project appraisal; poor infrastructure; budget constraints). Financial instruments exist but are not yet used in an adequate way for such activities. Expertise from WTII and from Financial Institutions need to be shared in a more proactive way with WTIII's defence conversion projects in areas

such as: affordability and sustainability of the projects; medium and long term management; regional development; integration in the labour market, local partnerships, etc.

e) As far as NATO programmes with individual countries are concerned, the situation is the following:

- **Croatia:** The NATO Expert Team on base conversion has made a first fact finding mission in March 2005. The Stability Pact also participated. The visit was informative and productive. The Team was positively impressed by how far the process has advanced in a relatively short period of time. The commitment and dedication of Croatian MOD to making base conversion a success was plain to see. The attendance at the meetings of a variety of interested parties, in particular the Ministry of Defence, the Ministry of Finance as well as local authorities, was especially encouraging. Meetings with local authorities of Krizevci and the visit of its military site were very useful. The other concrete example of Precko in Zagreb constituted a further interesting opportunity. A detailed report from the NATO Expert Team will be available within soon.

- **Albania:** In the context of the Membership Action Plan process and the PfP Planning and Review Process (PARP), Albania has taken into account preliminary assessments and suggestions on the retraining draft programme. 2005 is a crucial year for the Albanian Ministry of Defence and the army. The ongoing downsizing process will have serious effect on military personnel. The draft programme will be presented and analysed by the NATO Expert Team on retraining in the coming weeks. Political and financial support from

the international community to effectively implement the programme will be crucial.

- **The former Yugoslav Republic of Macedonia:** a programme related to the reduction of military and civilian personnel in MOD and Armed Forces has been presented to NATO. As far as conversion of military properties and privatisation of certain functions are concerned, a dialogue with the MOD has been launched as well. Concerning the last issue, the involvement of the private sector will be essential. The Social Cohesion Initiative could be a tool to be explored in this area. The MOD has been tasked to closely co-operate with both NATO Expert Teams on development and implementation of the projects.

- **Moldova:** this country is one of the most polluted countries in Europe with no resources and not enough expertise to support it. The project concerns the destruction of more than 2000 tonnes of pesticides and toxic chemicals located mainly on military sites. Two NATO Lead Nations, Belgium and Romania, have been identified to implement Phase I which deals with the centralisation and repackaging of all these dispersed products of which the estimated cost is € 1 million. Many NATO Allies and Partners have announced their interest and potential financial support but more funds are needed as well as a stronger political support from the international community.

- **Serbia and Montenegro:** the PRISMA retraining programme is very well on track. A visit of the NATO expert team to Belgrade took place in February 2004 and assessments and comments have been

provided on PRISMA. Additionally, NATO has worked closely with the Council of Europe Development Bank (CEB) to identify funds for IT equipments of the Resettlement Centres (a CEB grant of € 100,000 has been awarded).

- **Bosnia and Herzegovina:** a process of identification of needs and requirements in the field of defence conversion has started between NATO and Bosnia and Herzegovina authorities. The NATO Tailored Co-operation Programme has been adopted. Some meetings with IOM and OSCE amongst other will be organised to define together a strategic plan in the field of retraining of military personnel.

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