



AR/071

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SEESAC ACTIVITY REPORT – AR/071

COST BENEFIT ANALYSIS OF SALW STORAGE VERSUS DESTRUCTION

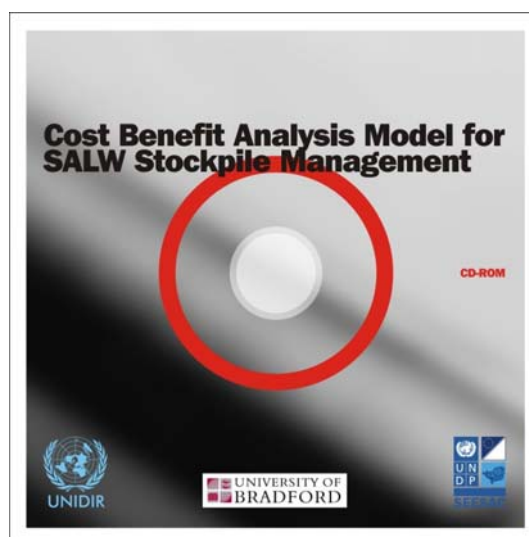
SEESAC FUNCTIONAL AREA	FA 3 - Management Information FA 7 - SALW Stockpile Management
SEESAC OPERATIONAL ACTIVITY	OA 1 - Capacity Building OA 6 - Technical Support and Assistance

The majority of states within South Eastern Europe (SEE) still consider that the sale of surplus stocks could generate income, which can then be used to support the restructuring of their armed forces. While this would initially appear to make good business sense, the reality is that the global market is now saturated with the weapon types found in SEE national inventories. There is a massive surplus of small arms and light weapons (SALW) and associated ammunition across the region. Given this level of market saturation and the law of supply and demand, it is likely that any potential income will be minimal in the short to medium terms.

It is also very likely that any potential customers would also wish to purchase ammunition to support the weapons. The lack of ammunition surveillance systems to assess the physical and chemical condition of many of the national ammunition stockpiles means that performance (and therefore safety) cannot be guaranteed for much of the old ammunition in those stockpiles. This makes it a very unattractive proposition to reputable and legitimate end users. If reputable and legitimate end users are scarce in the market, one frequently used option is to sell using questionable end user certificates on a 'few-questions-asked' basis. Virtually all illicit weapons are obtained through this 'ask-no-questions', 'get-told-no-lies' process. Hence any decision to sell to the grey market this way will stand a high probability of producing a source of supply for the illicit (black) market. The uncontrolled proliferation and illicit trafficking of SALW is a serious problem around the world – it has fuelled crime and insecurity, exacerbated conflict and is undermining post-conflict peace building. Problems related to SALW are also likely to continue to pose a serious constraint to economic and social development in regions, such as South Eastern Europe.

The destruction of surplus SALW and ammunition would, therefore, significantly reduce the likelihood of future illegal proliferation. In addition, it will demonstrate the political will of governments, supported by the international community, to address the problems of SALW control within their regions.

The real costs of security and storage of SALW and ammunition, whilst awaiting a potential sale, could eventually cost more than any possible income from sales. The Cost Benefit Analysis (CBA) Model was therefore developed (in partnership with UNIDIR and Bradford University) in order to allow SEE states to estimate the real costs involved in ammunition and weapon storage. It allows each storage depot to calculate its full running costs, and how much time it would take to break even in terms of the alternative costs of



destruction. It also allows a comparison of the potential benefits from sale versus the costs of storage. The financial accounting systems of the region are often not yet sophisticated enough to identify these true costs. This model can assist governments to identify the real costs of storage and security for weapons and ammunition. They would then be able to make informed decisions about whether the most cost effective option is storage (in the medium to long term) while trying to sell the stocks, or destruction (in the short term). It will thus help identify the real costs of storage and security to a national Ministry of Defence (or, indeed, a Ministry of the Interior). The CBA Model is in the form of an EXCEL spreadsheet, which comes on the accompanying CD-Rom.

For more information about the Cost Benefit Analysis CD-ROM, please contact Ana Martinovic, the SEESAC Communications Officer (ana.martinovic@undp.org).



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