Transparency in Defence Policy,
Military Budgeting and Procurement

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INTRODUCTION

Andrzej KARKOSZKA

The collection of materials, presented here, is an edited outcome of a workshop, organised by the Geneva Centre for the Democratic Control of Armed Forces (DCAF) and the Bulgarian Ministry of Defence on 17-20 May 2001 in Sofia. For DCAF the event was a part of its early involvement in the wide framework of the Stability Pact on South Eastern Europe (Working Table III, Security and Defence) and, simultaneously, a launching event for its Working Group on Transparency, one of the several areas of the Centre's activities. In the aftermath of the workshop DCAF organised several other meetings, conferences and studies, concentrated on the South Eastern European region, making it one the mainstream of activities within its outreach and multilateral programmes. The workshop in Sofia was intended and carried out as a "stock-taking" meeting of the representatives from all states, covered by the Stability Pact (with the sole exception of the delegation from the Republika Srpska of the Bosnia and Herzegovina), predominantly practitioners from the legislative and executive state institutions, both civilian and military. In sum, the event brought together about thirty high level and knowledgeable participants from the region and a small number of international experts.

The purpose was a free exchange of views and experiences on the issue of transparency and accountability in all aspects of the national decision making processes in defence policy, military budgeting and procurement of arms and other military equipment. The exchanges were to promote professionalism in national security debates by getting civil servants, experts, parliamentarians and military officers from countries of the region. Being a first regional meeting on this issue, it aimed also on elucidation of regional problems in, and needs for, establishing a wider transparency in defence planning, budgeting and procurement, seen against the background of general international practices in this area. As such, the workshop was intended to establish and promote mutual confidence among countries of the region, an idea enshrined in the Stability Pact. The main underlying assumption of the organizers of the workshop was that transparency and accountability in national defence planning, budgeting and procurement may serve in creation of

atmosphere of growing mutual confidence conducive to the rationalisation of the defence and security policies of states in the region and may facilitate regional security cooperation. In sum, it was assumed, such an exchange may help in overcoming recent contradictions and enhance national, as well as regional security and stability.

All states represented in the workshop have had experienced, some quite recently, a political system, which as a rule kept all matters of state security under a veil of secrecy and away from the public scrutiny. Only a narrow circle of military staffs, top party and government functionaries were permitted to possess relevant information and were deciding what and how much of this information was passed to the general public and to various state institutions, including parliaments. The situation in South Eastern Europe was even more troublesome in this respect due to the last decade of violence, fratricide conflicts, dissolution of old and appearance of new states. The whole region underwent painful transitions and developments, in which transparency was contrary to the prevailing political requirements and routines.

Each of the keynote speeches, presented by the invited experts, as well as by the individual national presentations was followed by several questions and a lively interaction. From the texts presented in this publication it is apparent how open and honest was the debate, despite of the obvious psychological and political difficulties in discussing issues of defence planning among the representatives of a region coming out from recent conflict and tension. The oral interventions, which gave basis for the written materials presented here, covered all stages of the defence planning, budgeting and military procurement decision-making, from the establishment of state's security policy, analysis of threat perceptions, national strategic doctrines, defence budgeting processes, up to the planning and implementation of defence procurement. The speakers assessed the situation in their countries from the point of view of the parliamentary and public oversight of the existing practices, taking into account the political, legal, institutional /bureaucratic/ and methodological aspects of the decision making processes within the respective executive branches of government. Strong and weak points of these national practices were readily apparent and the best practices, to be followed by others in their specific national contexts, were identified. One of the more pertinent problems raised was how to assure a necessary level of openness of the security and defence planning processes while preserving their adequate confidentiality in order to safeguard legitimate national security interests.

The materials presented here make it evident that the actual practices in security and defence planning, budgeting and procurement differ vastly from state to state. In some cases the processes are well structured, going from the basic strategic interests through a properly balanced decision-making, taking into consideration both the security interests of a country on the one hand and the actual financial capabilities on the other. This most positive case concerns in particular countries preparing for a membership in NATO. Transparent practices in defence planning are made mandatory in the NATO Membership Action Plan (MAP) and general Partnership for Peace programmes, in which both the executive and legislative institutions of states participate. Other countries are still in a period of transition from secretive and authoritative decision-making on security and defence matters towards the well-established democratic practices. Still other countries barely started thinking of some measures of transparency, still unconvinced about its benefits both internally and in relations with the neighbours. They often lack a vision of, and political will for, the required normative, legal, bureaucratic measures to be adopted to obtain an acceptable level of internal and external transparency of their security and defence planning. Some of their decision-making in this respect, as well as practices, i.e. for procurement of a military materiel, were adapted to function in the context of international sanctions and embargo on weapons' delivery, all far away from an open, easy to observe and supervise modes of operation. Changing these practices will take time and purposeful effort.

The meeting in Sofia created a positive impulse for the creation of an unofficial, multilateral network of experts and officials from the states of the region, who may understand the issues and the partners in the process of institutionalisation of best transparency practices in security and defence planning. It is a purposeful design of DCAF to help in a constant growth of this network of expertise and professionalism within the region to facilitate a return to a peaceful and beneficial cooperation of the states, located therein. This publication was decided by the participants of the workshop themselves as a means of dissemination of arguments for better transparency in defence planning, budgeting and military procurement in order to enhance the economic rationalisation of the national defence efforts and to improve the political atmosphere and overall stability in the region.

OVERVIEW OF DEFENCE TRANSPARENCY ISSUES IN SOUTH EAST EUROPE

Todor TAGAREV

The discourse on transparency building is a relatively new one in South East Europe (SEE). It calls for a holistic approach that takes into account three levels of analysis – national, regional and international. The first level concerns the complex relationship between citizens, their elected political representatives and the security sector agents. The second one is related to measures to build confidence among neighbours with troublesome relationships. Finally, the international dimension of transparency building illustrates the achievements on the countries' ways towards wider integration processes on the international arena.

This book adds to the discourse in several important ways. In the introduction Dr. Karkoszka from the Geneva Centre for the Democratic Control of Armed Forces (DCAF) touches on the challenges to transparency in defence during transition from totalitarianism to democracy. The remaining contributions fall into three parts.

Part One consists of the contributions of three eminent scholars, discussing three main aspects of transparency building, namely transparency of defence policy, transparency of defence resource management and transparency in defence procurement. Without underestimating the role of transparency in international relations, the authors convincingly show that in a democratic society transparency is practically synonymous to accountability of elected officials to the people.

The contributors to Part Two present SEE country studies on transparency of defence policy, military budgeting and procurement. Although several of the contributors have solid academic credentials, the focus is not on theoretical rigour; instead the bulk of the book consists of views of practitioners from the military, the executive branch of government, and from parliament. Discussing achievements, problems and future challenges, the people who make and implement policy in South East Europe provide a valuable snapshot of transparency in defence.

The concluding part presents a vision for the future development of defence transparency in South East Europe. Dr. Shalamanov emphasises focused education and implementation of advanced information technologies to facilitate transparency building. Further, Dr. Fluri and S. Stephanov present and analyse the efforts of the international community, particularly of the Stability Pact for South Eastern Europe in promoting transparency in defence and related initiatives such as parliamentarian oversight of the security sector, anti-corruption initiatives, etc.,[1] as well as the role of DCAF in promoting democratic civil-military relations and transparency of procurement in SEE.[2]

Comparing achievements

The country contributions reveal a number of common issues, but also allow to distinguish among SEE countries in their policy and, moreover, their practice of building transparency in defence. First and foremost, contributors from all SEE countries understand what transparency means both for the relations among them and the relations between governing/state organisations and those governed. Next, SEE countries may be rated according to current depth and sophistication of transparency in three areas: (1) defence policy; (2) defence resource management; and (3) defence procurement.

Transparency of Defence Policy

Political structures and legal systems of SEE countries are, more or less, well established. However, some countries still lack doctrinal defence documents that would provide a solid basis for defence policy and the process of defence planning. Therefore in many cases, the problem is not in non-accessibility but in non-existence of these strategic documents.[3] Especially difficult dilemmas in terms of defining modern defence policy arise in the countries that have faced or still face ethno-nationalism and conflict. Moreover, in the Bosnian case transparency itself gets a specific dimension of a relationship between the two entities (Federation and Republika Srpska).

Nevertheless, with the possible exception of countries just out of conflict, SEE states conduct transparent defence policy and already have, or plan to adopt in the near future, official published documents, accessible to the public and outside parties.

Transparency of Defence Resource Management

Following requirements of international agreements, all SEE countries provide information on military budgets. Furthermore, there is a growing understanding that transparency is and should be applicable to both defence budget figures and the budgeting process, i.e., how the budget figures are reached.

SEE countries participating in the MAP process [4] have made visible progress in that respect. Assisted by the US Government, all MAP countries introduced Planning, Programming and Budgeting Systems (PPBS [5]) to facilitate effective defence resource management, that is also transparent to decision makers. The introduction of the programming phase is seen as crucial to relate defence policy to money allocations, assuring 'value for money' budgeting and, potentially, effective democratic oversight of armed forces.[6] Furthermore, the introduction of PPBS makes the national defence resource management process compatible with the NATO defence planning, thus assisting preparation for NATO integration.

Although there are no magic success stories, and challenges of PPBS implementation abound,[7] other SEE countries seem eager to follow in the introduction of advanced defence resource management systems. It is safe to predict that, assisted by dissemination of local 'best practice,' in a few years the countries of South East Europe will have compatible defence resource management systems and, using common language, will understand each other fairly well.

Transparency of Defence Procurement

The third area under discussion is most problematic. Only few contributors discuss the issue in more than just wishful statements – a fact that reflects the status of transparency of defence procurement in South East Europe. Nevertheless, contributions delineate two main aspects of the issue: (1) how transparent are decisions to procure certain weapon system or equipment; and (2) how transparent is the procedure to realise a procurement decision.

There are only initial attempts in SEE to build transparency of acquisition decision making.[8] If there are examples of good practice, they fit into the second category. Examined in the dichotomy "transparent procurement – corruption," the practice in implementing procurement decisions is heavily influenced by both NATO and EU accession

requirements. Thus, SEE states that hold negotiations for EU membership [9] are most advanced in creating prerequisites for transparent defence procurement. At this stage, though, it is too early to be enthusiastic.

Main Challenges to Transparency Building

One recurring theme in this book is the differentiation between what some authors call 'external' (or 'international') transparency and 'internal' (or 'domestic') transparency.

The first refers to exchange of information among governments. It promotes confidence between states or, in the case of Bosnia and Herzegovina, between sub-state entities. This exchange is regulated by documents of the United Nations, the Organization for Security and Co-operation in Europe, the 1995 Dayton Peace Accord and other international treaties and agreements. Dr. Radičević provides an account of such agreements. In particular, the 1999 Vienna Document [10] calls for exchange of information on security policy and doctrinal documents, plans and programmes for force development, deployment of armed forces and their training programmes, detailed budget appropriations, account for budget execution, plans for procurement of major weapon systems, reports on actual procurements, etc.

The second refers to transparency of government's plans and actions to its own constituency and, as pointed out by Prof. Greenwood, is closely associated with the notion of governmental *accountability*. Expected to increase efficiency in spending public funds, it also serves to promote and sustain confidence between society and its elected representatives.

The first aspect is well understood and readily accepted by SEE governments. Answering requirements of international agreements, SEE states provide to counterparts information that very often is considered classified and, thus, not releasable to citizens of their own country. That makes governments open to other governments, but not really accountable.[11]

The second aspect—the 'domestic transparency'—is relatively new for the countries in South East Europe given their totalitarian heritage. SEE societies are aware that formulation and implementation of defence policy need to be transparent. The practical implementation of this understanding, however, meets multiple obstacles, i.e., the vague line of

differentiation between classified and unclassified information and documents, too often subject to interpretation by those in power.

Accordingly, a general pattern in the region is that 'external' transparency is on a much higher level than the internal one. It seems that it is less problematic for SEE governments to communicate openly with their foreign counterparts than with their own citizens.

At least partially, the explanation is rooted in the historical experience of people in the region. For extended periods in history, the people in SEE have had no real state sovereignty. Even their own representatives in power were responsible not so much to the people, as to some higher, and often faraway authority respectively in Istanbul, Vienna, Moscow or Belgrade. This experience is still reflected in the mentality of people in SEE. Today, however, the culturally based deficiency of accountability of governments comes into strains with the democratic endeavours of the people. As a result, governments too easily loose the confidence of the people, especially when their actions are not sufficiently transparent.

Another recurring theme is the ambition of the countries in South East Europe to establish rigorous security and defence planning systems comprising a hierarchy of interrelated and regularly updated documents. Since institutionalising such a system would require considerable time, Western observers often question the soundness of this approach. They recommend instead to apply common sense and sound reason.

The debate here highlights the issue of the primary normative element in achieving transparency in defence. In the first case, transparency building shall be guaranteed by meeting formal requirements of official written documents, while in the second, by requirements of societal culture or the ethos of given professional groups, i.e., politicians, civil servants, journalists.

There is hardly simple solution to this issue. Most probably, we shall witness continuous efforts to establish more or less efficient defence planning, budgeting and acquisition systems. While increasing to an extent defence transparency, these attempts and their critical evaluation will facilitate the development of 'transparency culture' in SEE countries. Then, provided further democratisation of SEE, a feedback effect will result in societal demands for higher transparency in defence and security matters.

Conclusion

Building their future, the countries of South East Europe strive to implement modern principles of democratic governance. In this endeavour they face considerable, yet not insurmountable challenges in building transparency in defence policy, military budgeting and procurement. The biggest challenge is to develop culture of transparency both in policy formulation and policy execution.

Contributors to this book agree that building transparency is an issue of a complex nature, very much depending on national specifics and progress in democratisation. Transparency suggests procedural visibility and clarity, both facilitated by media investigations, parliamentarian oversight and academic scrutiny. Non-political actors such as media and independent think tanks may have crucial role in transparency building. Yet the results so far are not satisfactory.[12]

Both NATO and EU accession preparation have a strong catalysing effect on building transparency. However, the SEE countries still need to develop capacity similar to that of the defence divisions in the US Congressional Budget Office, the US General Accounting Office or the UK National Audit Office, preferably not only within state institutions, but also in influential representatives of society such as non-governmental think thanks.

In the debate on transparency in South East Europe, this book may be the milestone marking the transition from transparency requirements of international agreements, aimed at preventing negative developments, towards transparency in terms of good practices in governmental accountability and good neighbourly relations. Moreover, when countries are open to each other, speak the same 'policy language' and use compatible procedures, they may place a stronger emphasis on the potential for positive developments in defence cooperation such as establishing more multinational military formations, launching joint procurement initiatives, role specialisation to increase effectiveness in providing necessary defence capabilities, etc.

Identifying and networking experts from the region facilitate such efforts. The activity of DCAF and the Stability Pact 'Budget Transparency Initiative' already contribute to that effect. This book sets a reference base for future activities and assessments. We further hope that the reader will find it thought-provoking and helpful in defining policy options, as well as areas for further effort in promoting transparency in defence.

Notes:

1. For updates refer to the official Website of the Stability Pact <www.stabilitypact.org>, in particular the activity within the Sub-Table on Defence and Security Issues of SP Working Table III.

2. Updates will be available at DCAF website <www.dcaf.ch>.

3. The contribution to this section by Dr. Ravi Singh, who prepared Workshop Summary in 2001, is gratefully acknowledged.

4. Preparation for NATO accession following the so called Membership Action Plan (MAP). Albania, Bulgaria, Macedonia, Romania and Slovenia participate in MAP.

5. There are slight variations in the name. Currently, Bulgaria plans to use "Integrated Defence Resource Management System" (IDRMS) instead of PPBS not to allude to the complexity of the US system.

6. Thus, transparency to the people through its elected representatives. Refer for details to Todor Tagarev, "Defence Programming – Crucial Link in Civilian Control," in *Defence Policy Modernisation and Security on the Balkans* (Sofia: Stopanstvo Publishing House, 2001), pp. 86-96.

7. Discussed in detail during the EAPC Workshop on *Applying NATO Compatible Defence Resource Management: Lessons Learned* (Sofia, 29-31 May 2002).

8. See for example Todor Tagarev, "Prerequisites and Approaches to Force Modernization in a Transition Period," *Information & Security: An International Journal* 6 (2001): 30-52. <http://www.isn.ethz.ch/onlinepubli/publihouse/infosecurity/volume_6/f4/f4_index.htm>

9. Currently these are Bulgaria, Romania and Slovenia.

10. *Vienna Document 1999: Negotiations on Confidence- and Security-Building Measures* (Vienna: Organization for Security and Co-operation in Europe, 16 November 1999) <http://www.osce.org/docs/english/1990-1999/csbms2/vienn99e.htm> (27 March 2002).

11. Barring extreme cases of treaty violations that would call for intervention by international organisations, i.e. sanctions.

12. A recent example from Bulgaria illuminates the potential role of think tanks. The Parliament turned to a number of NGOs to assess the readiness of Bulgaria to join NATO. Nine organisations, pooling their resources, very critically assessed readiness in terms of political, economic developments and ethnic issues, covering also issues such a military capabilities, implementation of defence reform plans, status of civil-military relations, efficiency in spending taxpayers' money, etc. Although substantially different from the official position, the first of the reports was presented to Lord Robertson and other senior NATO leaders in the spring of 2002. One of the calls in the report was for higher transparency in defence and security matters.

BEYOND DEFENSE PLANNING

Daniel NELSON

Defense planning evokes two misconceptions. The first of these conceptual problems lies in the notion of "planning," while the second concerns the idea of "defense." To begin with fallacies means ending unable to see alternative "defense planning" systems that could be public, transparent and plural.

To plan is to outline, conceive, prepare – all of which connote static assumptions about future scenarios. Therein lays one problem, since anticipating anything beyond the most proximate threat scenarios is fraught with uncertainty. Yet, at the core of early 21st century "defense planning" our real dilemma is whether or not "defense" is what it is all about.

Such a conceptual dilemma is discussed in the following pages, after which implications of this intellectual debate are considered. In brief, the argument is that NATO—and alliances, ministries or other large organizations generally—are preoccupied with, and compulsive regarding, the Maginot Line mentality of planning, and too little able to grasp "de-planning." Fixated on documentary products (often for external audiences or their own political constituencies), armed forces, defense ministries and other parts of national security structures grind out treatises that repeat the same messages that no one really reads.

And most importantly, are we now in need of "defense" planning? In the discussion below, I suggest that in Europe—and perhaps globally—we now require something quite different and substantially divorced from defense. Defense is primarily military in nature, with armed forces the means by which to defer "enemies" and defeat them in combat if conflict ensues. Where enemies are imprecise, or when "they" have become intertwined with "us," against whom is defense planning aimed? If a state, a government, or a citizenry perceives greatest threat from crime, corruption, drugs, infectious diseases or other amorphous perils, what are the weapons? [1] Where is the frontline? Who are the troops?

Planning for What?

Within Western paradigms, and certainly those of NATO and the United States, defense planning follows broader and far-reaching strategic assessments that define national interests and threats to those interests. Typically, these are labeled as the "security strategy of the...republic" and "defense doctrine of the....republic."[2] After such long-term and wide analyses, the nuts and bolts of defense planning follow, detailing the kinds of forces and equipment needed to ensure that threats are countered and interests protected. Such efforts can be, and often are, prepared within national security structures for internal use only, meant to inform legislators and executive authorities of MoD and General Staff assessments of needs.

In the milieu of transitional systems, where socioeconomic and political environments are being remade at the same time that a country's leaders must find new bases for security,[3] defense planning must be accompanied or preceded by reforms of the armed forces and defense ministry. Concepts for "the reform of the ... MoD" or "Development of the ... Army to the Year..." have been characteristic labels for such documents in post-communist Central and Southeastern Europe.[4]

Defense planning is thus the stage of national security thinking that adds means to ends, and that addresses effecting policy not the policy itself. Defense planners, presumably, think far less about strategic wisdom or reasoned policy, and far more about organizational and managerial deficiencies that might impede implementation. Ideally, they aim to "plan smart, manage smart and buy smart."[5] Defense planning is supposed to be, more than anything else, the organization and management of the military side of national security.[6]

But, insofar as defense planners plan, for what are they planning? Their vision is preordained by interests and threats defined and pronounced through higher levels. Told to plan for certain conflicts or dangers, they do so. In logical syllogisms 'if, then' defense planners consider how to ensure necessary capacities to balance threats, organizing and managing human and material resources given certain strategic aims and policy goals.

This logic, however, confines defense planning to 1) narrow assumptions about future scenarios, 2) limited resource parameters, 3) pre-prepared, static thinking. Charged with responsibility for readiness, defense planning takes on the character of preparing for the anticipated, likely, and expected. Inevitably, planning becomes managerial, with little

attention to the least expected or most unlikely. Policymakers typically do not ask for a blueprint for what they do not expect. One of the clearest statements of this desideratum (even demand) of top policymakers was once made to the author by a leading official of the Clinton Administration:

> ...don't waste my time or yours by giving me recommendations for what is a 10 percent probability. What is 50 percent or more probable—that's what interests me. Prepare me for what I'm most likely to see, or second-most likely to confront *tomorrow* based on what happened today or yesterday.[7]

Yet, events having the character of crises invariably are tense and dangerous because they embody the high potential of violence, severe time constraints, and substantial uncertainty. Further, confronting crises generated by least likely scenarios are those that are most costly to manage or resolve.

It is in the nature of planning, in other words, to pursue strategic interests or meet policy demands with top-down, off-the-shelf plugins—standardized but adapted capacities—rather than to seek deeply innovative answers based on entrepreneurial and de-centralized initiatives. Innovations and initiatives, which can be encouraged but not produced on demand, are not scripted by planners.

For long-established political systems with more or less democratic credentials and ample wealth, these traits of defense planning may be troublesome and wasteful, but not debilitating. Where a triangular transition has been undertaken at once—democracy, market and security—defense planning myopia can hurt badly. In smaller, poorer states new to democracy, one error in anticipating national security needs made in 2000 can, ten years later, leave a bankrupt treasury, a vulnerable country, and a civil-military chasm.

To make planning less rigid—to assume less, lock in fewer human or material resources over the long run, and to leave more alternative paths open—may be the nucleus of *defense de-planning*. To plan less not more, in other words, may be required of ministries and armed forces in order to avoid the "tyranny" of the plan.

Planning too much can be seen when decisions about force levels, procurement, or training (three principal arenas of traditional defense planning) are derived from over determined empirical models *or* from templates, software or lobbyists imported from elsewhere. Large, long-term resource commitments can become defense planning nightmares

that deter or supplant ideas; indeed, that constitute the antithesis of thinking.

Among the many examples one can cite of this long-term planning excess are Slovakia's decision during the Meciar government to purchase 72 L-159 subsonic jet attack aircraft – certainly twice Slovakia's reasonable requirement, and a purchase that locks Bratislava into egregious costs that will debilitate all other modernization and training goals.[8] Deferring decisions—understanding that premature "plans" have the consistency of quicksand—would have been wiser. Romania's aircraft decision, largely one of upgrading MIG-21s and a few MIG-29s until the country has a decade more perspective and perhaps more money, exhibits that kind of stepping back from planning when to do so might place into cement very costly errors.[9]

Accepting imprecision, expecting the unexpected, and demanding that solutions to tomorrow's crises be derived less from a script or blueprint than a sense of innovative capability and decentralized responsibility, are implicit to de-planning. To plan less does not mean to minimize preparation; propositioning equipment, simulation exercises, field training, and like-minded measures can continue. Rather than a rote if-then logic of defense planning, however, the tools of national security should be maintained with maximum decentralization and flexibility; resources need, first and foremost, to be assembled in light of a crisis and its character.

Such un-planning has implications for personnel, equipment, and training. Implicit trade-offs are immediately evident as leading security policy decision-makers grapple with choices among obtaining necessary numbers and qualities of people, buying hardware and sustaining operations. Usually, all cannot be done equally well. Particularly in smaller, poorer countries, none of these tasks may be done well.

Choices may be limited to creating national security policies that avoid the worst damage, or minimize harm. Still, if armed forces that eschew planning for conflict against specific opponents in rigid scenarios, they must broaden the training of personnel, and create units that are smaller (battalions, companies, or smaller detachments) to be assembled into larger organizations as needs require. Multi-purpose weapons and equipment, cross training, jointness, and other concepts are essential to such flexibility. These innovations have been discussed for years in many defense ministries (including the United States) and still require budgeting and procurement expertise. And, rather than being somehow more expensive, these concepts are likely to produce

economies of scale and long-term savings.[10] If applied by countries with limited resources, such principles will quickly highlight the dangers of hyper-planning by large, entrenched defense bureaucracies for which planning is another name for the sinecures many career officers and bureaucrats enjoy.

Defense against Whom?

Decoupling our thinking about defense planning from excessive planning is but half the battle. Defense carries with it the implication of threat from someone or something else. Even when the imminent threat seems remote, military force is explained and rationalized to democratic citizens as an act of defense – defending principles if not territory.[11] The *other* from whom we seek protection via our own capacities or those of allies is, however, less and less easily distinguished from us.

In the literature of critical security studies, vigorous discussion has been devoted to the discourse of security, and the incessant "securitization" of topics that might otherwise be seen from a different perspective.[12] Most discussions of defense planning begin with a survey of the "security environment," go on to talk about the recent transformation of multilateral organizations or bilateral relations, and then look at individual countries' capacities to find or obtain security via those organizations.[13] The broad strategic assessment flows, almost automatically, towards the assumption that we require "defense," and that certain institutions provide capacities for that defense. Defense equals security.

This equation, however, ignores at great peril an alternative—that security is not merely capacity-driven (by having better armies, bigger alliances, growth economies)—but rather and increasingly a function of *a dynamic balance between threats and capacities*.[14] Threat-abatement thus becomes a critical partner of enhancing capacities; both must be manipulated and utilized to ensure such a balance.

Defense planning may pre-ordain a capacity-driven understanding of security, denying to a country and its population many productive (and cheaper) paths to stability, peace, prosperity and other desiderata.

Security-planning, a wider concept, embodies fewer implications of "other"-directed defense derived from enhancing capacities. To plan for security is to consider, more broadly, how the dynamic balance between

threats and capacities can be maintained, to include a robust policy designed to abate threats.

Open, Limited or Closed? A Security Planning Continuum

Three characteristics or traits differentiate among security planning systems. First, the focus of decision-making regarding national security planning may vary from highly to decisively non-public. In the former, concerns for armed forces personnel, or their armaments and training are all posed in public forums, aired and debated. The degree of accountability or scrutiny is a second way in which security planning can vary. Third, and perhaps most deeply, lies the extent to which group or individual points of view have access and can heard by policymakers. Table 1 presents the three types.

Table 1. Types of security planning systems

Characteristics	Open Security Planning	Semi-Open Security Planning	Closed Security Planning
Decision-making focus	Public	State Institutions	Party or clique
Accountability/ Scrutiny	Transparent	Translucent	Opaque
Representation/ Inputs	Plural/ Heterogeneous	Selected/ Defined	Unitary/ Homogeneous

Transparency

Transparency is a "must have."[15] To see into and through deliberations that eventuate in resource allocation for armed forces and all security structures is essential both for nascent democracies and for long-in-the-tooth democracies. One does not need to see everything to be "transparent." Yet, to the degree that specific programs or activities on which human and financial resources are being spent are concealed, the normative bases of democracy are violated, and the pragmatic needs of security planners (to know and have their constituencies know what they are doing and why) are ignored.

Transparence does not imply simply announcing and broadcasting everything. Rather, to be transparent suggests procedural visibility and clarity, both facilitated by media investigations, parliamentary oversight, and academic scrutiny. Absent this public portrait of security planning, the process quickly reverts to Byzantine rites and holy writ. National secrets militate against transparency, and there is often thought that the de-planning emphasis noted above will endanger sources and processes essential to "national technical means."

Translucent systems offer glimpses and shadows, but never details. Opaque systems hide most of the national security planning process. There are many points in-between, and these three points only illustrate a much larger phenomenon whereby open, limited and closed security planning systems are differentiated from each other in part by their degree of accountability and "penetration." Every system that sought to conceal activities, maintain "black" programs, and hide true intentions winds up with its Iran-Contra scandal, ministerial resignations for shady transactions, or massive investigations.

To ensure transparency requires proactive measures to provide and reveal information to the press, to discover errors, mistakes and malfeasance first, and to maintain regular and cooperative liaison with the national legislative bodies. Transparency does not simply happen. It must be assiduously pursued.

Pluralism

It is not true that thinking about national security and the defense package within larger matters of security will always benefit from adding people or institutions to the process. Equally, it is untrue that denying access, minimizing input, and limiting debate will enhance the quality of national security products.

The notion of pluralism—which means not just abundant or many, but the contribution of ideas and opinions across a wide spectrum—is surely part of modern democratic thought. But it is also a concept implicit to effective leadership and decision-making. Without alternatives, leaders have no options; and, without hearing debate and criticism, they cannot rationally choose among alternatives even if presented to them.

Pluralism is the presence, in decision-making, of representative diversity. Pluralism ought not to be confused with cacophony.

Institutionally, democracies typically include parliamentary elites (defense committees, for example) in security planning. Academic and think-tank experts are called upon to provide data and opinion. Business, ethnic and other "interests" are solicited for their opinions concerning parts of the world or specific threats. Most vital, the General Staff, the Defense Ministry and the intelligence agencies do not exclusively contribute views, positions and assessments. Indeed, the writing and editing of national security documents requires, for true pluralism to be implemented and maintained, a much wider vetting among skilled, experienced and trusted individuals in business, academe, think tanks and other socioeconomic and political institutions. Critical views, "team B" alternative assessments, or sharply divergent interpretations of data on which the Ministry may have drafted original documents or budgets must be sought.

Yet, merely including multiple institutions would offer little "pluralism" if all, for example, were dominated by one party, one class, or one cultural identity. Hence, the breadth and scope of socioeconomic, cultural and political diversity, as these may affect security, deserve solicitation and careful listening. These inputs cannot be ad hoc and random, but rather must be seen as appropriate and necessary to the nation's effort to balance threats and capacities, and thereby to derive security.

Security as a Public Good

Via both transparency and pluralism, an open discussion of security planning is generated and maintained. These concepts *open* such an essential issue, removing it from the realm of party and clique or from within the bureaucratic corridors of presidencies, ministries and parliaments.

By doing so, "defense planning" has a chance to metamorphose into a less rigidly planned, less stasis -oriented process that considers a country's larger security environment. Relying less on planning and more on a better understanding of routes to security that do not depend on capacities alone, the grip of defense planning on security thinking might be broken.

At the core of such a conceptual shift is seeing security not as the product of capacities alone, but as a dynamic balance between threats and capacities. In this formula, threats abate as much as defense planning

is an essential component of security policy. From *planning a defense against others*—from within the confines of a comfortable clubhouse into which few others will be admitted—we need to move towards the notion of *security with others*. Not a clubhouse good but a public good, security for each member is at best partial unless it is holistic.[16]

Today's defense planners may not yet be ready for such transitions. But it is already clear that every state's security is no longer the domain of an intra-party elite or junta, who once could guard their control of the opaque resource allocation process for defense.

Notes

1. The European Commission's Eurobarometer has tracked such concerns during the last decade.

2. For the Slovak case as example see Ivo Samson, "Slovakia," in *Central/East European Security Yearbook*, ed. Daniel N. Nelson (Washington, D.C.: Brassey's, 2001).

3. Regarding the challenges and implicit conflicts of such a triple transition, see Daniel N. Nelson, "Democracy, Market, Security," *Survival* 35, no. 2 (Summer 1993): 156-171.

4. Again, drawn from the Slovak case. See Samson, "Slovakia."

5. These are the three key defense planning tasks as noted by Dr. Gordon Adams, George Washington University, in remarks delivered at the George C. Marshall Center (Garmisch, Germany, 30 April 2001).

6. An example of such organizational and managerial emphasis in defense planning is Ashton B. Carter and John P. White, *Keeping the Edge: Managing Defense for the Future* (Stanford, CA: The Preventive Defense Project, Stanford University, 2000).

7. Comment to author by senior Clinton Administration Department of Defense official (1999).

8. Author's discussions with Slovak Defense Ministry officials (Bratislava, March 2001).

9. Thomas Szayna comments favorably on this Romanian decision in his report, *NATO Enlargement 2000-2015* (Santa Monica, CA: RAND Corporation, 2001). Further, in conversations with the author, senior NATO officials engaged with MAP countries have noted that the Romanian action, made by the previous government (1996-2000), reflected financial realities and the need to defer decisions until all options are clear.

10. Comment to author by Dr. Gordon Adams, former deputy director (1993-1998), Office of Management and Budget. Adams is now director of the National Security Program in the Elliot School at George Washington University, Washington, D.C.

11. An analytical treatment of such themes within leaders' speeches (Bill Clinton and Tony Blair) as they sought to convince their citizens that military action against Serbia because of Kosovo was justified and warranted, is Paul Chilton, "Justifying the War," in *At War With Words*, ed. Mirjana Dedaic and Daniel N. Nelson (Berlin: Mouton de Gruyter, 2002).

12. There are countless volumes and articles in this literature. A flavor is suggested by Ronnie Lipshutz, ed., *Critical Security Studies* (Boulder: Roman & Littlefield, 1996).

13. Quite understandably, given RAND's US Air Force benefactors, Thomas Szayna follows this formula in his thorough report, *NATO Enlargement 2000-2015*. For developments and iterations of these ideas, consult Daniel N. Nelson, "Security in a Post-Hegemonic World," *Journal of Peace Research* 22, no. 3 (September 1991): 333-345. And, by the same author, see "Great Powers, Global Insecurity" in *Global Security: Challenges for the 21st Century*, ed. Michael Klare and Jogesh Chandrani (New York: Basic Books, 2000).

14. For developments and iterations of these ideas, consult Daniel N. Nelson, "Security in a Post-Hegemonic World" and, by the same author, "Great Powers, Global Insecurity."

15. Dr. Gordon Adams, Lecture presented to the George C. Marshall Center (30 April 2001).

16. For an expansion of this notion of security as a public good, see Daniel N. Nelson, "Post Communist Insecurity," *Problems of Post-Communism* (September, 2000). Earlier, by the same author, see "Civil Armies, Civil Society," *Armed Forces & Society* 25, no. 1 (September 1998): 137-159.

TRANSPARENCY IN DEFENCE BUDGETS AND BUDGETING

David GREENWOOD

The issue of transparency in defence decision-making, especially in relation to defence budgets and budgeting, has received considerable attention in South-Eastern Europe recently, and nowhere more than in Sofia. A big part of the explanation for this is that the question is one on which Bulgaria - in collaboration with the United Kingdom - has done some important path-breaking work.

It is worth recalling the sequence of events since, at the beginning of 2000, ideas were first put forward for a Task Force on transparency in South-East European defence budgets (to function under the aegis of the Stability Pact).

- In June 2000 a seminar on the subject was convened in Sofia.[1] This confirmed the feasibility of - and widespread interest in - the 'task force' idea.
- In October 2000 the notion - now designated a *Budget Transparency Initiative* (BTI) - obtained the endorsement of the Stability Pact's Working Table III (meeting in Sofia).
- In March 2001, at a gathering in Vienna, a Multinational Steering Group (MSG) was constituted to manage the venture and an Academic Working Group (AWG) was set up to provide professional guidance. Most important, it was decided to accept Bulgaria's offer to host a cell where substantive work in the area of interest would be done (and which, in due course, might become a 'centre of excellence' in the field).
- The Vienna meeting also reached an *understanding* on the purpose of the exercise and agreed an initial *tasking* of the Sofia 'cell', viz. to produce - under the AWG's guidance - a prototype statistical compendium on South-East European defence spending and a descriptive survey of defence budgeting systems in the region.
- In May 2001, the AWG met to provide guidance for compilation of a pilot *Yearbook on South-East European Defence Spending,*

and a six-month effort yielded a draft text that the Group was able to review in November 2001.

To bring this story up to date (March 2002): the pioneering *Yearbook* now exists,[2] though its coverage is incomplete; and work is in hand on the procedural survey.

The progress here prompts two immediate observations. First, other organisations active in supporting states in transition also feature transparency promotion on their agendas. Care *must* now be taken to avoid needless duplication of effort, and turf wars are a type of conflict we can certainly do without. Secondly, the South-East European states themselves cannot be expected - and should not be expected - to service several parallel operations: in terms of providing representation, furnishing data, exchanging experiences or whatever. In particular, they *should not* be asked to travel again over ground covered in the BTI setting.

In the defence budgets and budgeting area, the *shared understanding* reached in Vienna - about why transparency matters and why attention to it is important - can, and should, be the basic point of departure for all future transparency promotion. Moreover, when the question for consideration is 'what should now be done?' account needs to be taken of the *agreed tasking* also settled there, and of the fact that material arising from that now exists and there is further work-in-progress. Thinking should be focused on *complementary effort*.

The Vienna understanding

At the formal launching of the BTI in the Austrian capital it was decided, first, that the purpose of the Initiative should be [3]:

> *to promote domestic and international transparency of defence budgets and the budgeting process, throughout South-Eastern Europe;*

and

> *to encourage good practice in defence decision-making (policy-making, planning, programming and budgeting), with particular reference to accountability.*

To complete the 'mission statement' delegates agreed that key objectives here were to increase the effectiveness of democratic control of armed forces (the domestic dimension) and to contribute to

confidence-building among South-East European states and the improvement of regional stability (the international dimension). Encouraging the efficient management of defence resources was a likely outcome too, they thought.

What is most important, though, is that this formulation was agreed upon following discussion of what it meant. Among other things, it was acknowledged that

- *transparency* is a complex concept, with both domestic and international aspects (as noted) and is applicable to both defence budgets (data on spending) and the budgeting process (how the figures are reached); and
- at the heart of democratic decision-making lies the notion of *accountability*: governments are accountable, through the legislature, to 'the people' - this is an executive obligation; and legislatures are expected to hold governments to account, for both their actions and their expenditures - this is the elected representatives' duty.

Moreover, in acknowledging this, the South-East European delegations endorsed a text elucidating the key concepts of *accountability* and *transparency* and the relationship between the two. This is the substance of 'the Vienna understanding'.

Accountability

An initial focus on accountability commended itself because certain fundamentals need to be established. It is the essence of democracy that the ultimate authority in matters of governance is 'the people' (in Greek, *demos*). In practice, power is exercised by a ministerial team, which may be chosen by a directly-elected leader or selected from the political party commanding a majority in the elected assembly. However, the executive branch - the ministers and their departments (sometimes called "the government" or "the administration") - is, or should be, obliged to account to society for what it does (policy accountability) and, in particular, for how it spends the taxpayers' money (financial accountability). Provision of information and explanation to - and openness to interrogation by - the people's elected representatives is normally regarded as sufficient fulfilment of this obligation. However, in well-run democracies attention is paid to public information and explanation as well.

The mirror image of this executive obligation is the legislature's duty to oversee what the government does, enforcing policy accountability;

and to oversee what the government spends, enforcing financial accountability (or exercising "the power of the purse" in a familiar expression). Effective legislative oversight is thus a *sine qua non* of sound democracy also.

Such oversight should, ideally, extend across the 'decision-making continuum.' Enforcing policy accountability should cover both policy-making and policy-execution. Enforcing financial accountability should cover not only budgeting or resource *allocation* but also budget *execution* (the traditional audit function) plus, nowadays, resources *management* issues (value-for-money auditing).

Transparency

In its domestic manifestation, transparency is the guarantor of accountability. In mature democracies it is accepted that there should be 'open government' in the national security area as in any other. Here as elsewhere the electorate, through their chosen representatives, have 'the right to know' about the executive's business - subject only to whatever constraints have to be imposed in sensitive areas where it is recognised that the authorities may have to invoke 'need to know' restrictions. The latter proviso does not detract from the status of domestic transparency - again about both what is done and what is spent - as a *democratic imperative.*

The international aspect of transparency is founded on the belief that openness in the security area vis-à-vis neighbouring states (and, indeed, the global community) is also desirable, because it is a confidence- and security-building practice. There is no 'right to know' here. Nor are governments formally accountable to other governments. However, reciprocal transparency between and among governments is in fact practised. In and around Europe the main medium is the information-exchange that the Organisation for Security and Co-operation in Europe (OSCE) orchestrates, based now on the Vienna Document 1999 (VD99).[4] This was begun as, and remains, a Confidence- and Security-Building Measure (CSBM), because international transparency is a *political desideratum*, essential to good-neighbourly relations.

Ironically, some states - including several in South-Eastern Europe - observe their international obligation(s) more conscientiously than they do their domestic duty. They are more comfortable sharing information with other governments, on a confidential basis through the VD99 procedure, than they are releasing information to their own legislatures. Certainly the 'standard reporting instrument' which is the basis for the

annual VD99-based exchanges - a matrix that requires showing what money is spent *on* (inputs) and what money is spent *for* (outputs) - is more illuminating about resource-use than many states' routine presentations to home audiences.

Rationale

It was an accomplishment to get the foregoing accepted in Vienna, as a shared understanding among defence budgeting professionals from BTI participant-states, since none of it is universally accepted, still less diligently applied, in the region. Effort is still required, as the BTI mission statement says, to promote (greater) budget transparency and encourage good practice (better practice) in budgeting with particular reference to accountability. Such effort is desirable on its own account, as an aspect of consolidating democracy in individual states and generating mutual trust within the region (security community-building). It is desirable also because progress here is necessary if the countries of South-Eastern Europe are to satisfy the eligibility criteria for NATO accession and for entry to the European Union (which most, if not all, clearly wish to do).

The Vienna tasking

The second major accomplishment of the March 2001 gathering in Vienna was to decide to do something. The Stability Pact acquired a reputation in its first 24-30 months existence for producing more words than action in many areas. With its Regional Table, Working Tables, and sub-tables - each with a Chair and Co-Chair - the Pact put plenty of 'talking shop' furniture on display. The trouble with such IKEA politics - my own term for it - is that sometimes that is virtually all you get, to the great disappointment of the putative beneficiaries. In the BTI an early decision was taken to embrace the philosophy that the new Stability Pact Special Co-ordinator, Erhard Busek, has adopted: 'fewer meetings, more action.'

Action in this field could not, however, be too ambitious. It would be wise, BTI participants thought, to begin work on the remit - promoting transparency and encouraging good practice - by doing an initial benchmarking exercise for which nations would not be required to do much more data collection and presentation than they were doing already.

What all were - and are - doing, of course, is following the VD99 procedure. In this context, like all other OSCE states, South-East European countries share budgetary information on the basis of a 'standard reporting instrument' (of UN provenance). To be exact, under the Chapter II *Defence Planning: Exchange of Information* provisions of the VD99, they report annually as follows:

- on *previous expenditures*: furnishing data on the previous year's spending in all categories of the reporting instrument; and
- on *budgets*: providing 'relevant and releasable figures and/or estimates under consideration in national procedures' for
  (a) the forthcoming fiscal year and the next two fiscal years (all categories again);
  and
  (b) the last two years of the forthcoming five-year period (main categories only).

Material is exchanged soon after the forthcoming fiscal year's figures have been agreed (see (a) above), typically in mid-December. As noted earlier, the exchange of information is *among governments*. Some countries are prepared to release their submissions to other parties (like the major international research institutes, some individual academic and policy researchers and so on); but the data are not in the public domain.

The Yearbook

Against this background, the first element in the March 2001 'Vienna tasking' of the BTI's working organ - the Sofia-based cell (operating under AWG guidance) - was to prepare a (pilot) *Yearbook on South-East European Countries' Defence Spending 2001*, incorporating material for 2000-2005, for which states' VD99 submissions for the year 2000 should be the starting-point. The compendium was ready in draft by November 2001 (albeit with some gaps in coverage and only the most basic commentary and analysis). The final version appeared early in 2002 (still, it has to be said, in a fairly rough-and-ready form).[5]

For all the shortcomings, though, just getting substantial amounts of VD99 material into the public domain in this manner represents a noteworthy achievement. Having said that, it would be good if the (pilot) *Yearbook* could be improved. The AWG will be pressing, first, for full disclosure by all South-East European states. A particular challenge is to persuade governments that the VD99 reference to 'relevant and releasable' figures should not be used as a pretext for withholding information: that word 'releasable' is the villain, of course. Secondly, it

would be good to see budgetary projections, according to all the reporting instrument's categories, right out to the 5-year-distant planning horizon, at least where states are able to provide these. Numbers for the 'main categories' only, as allowed by the VD99 for 'the last two years', are not particularly illuminating. Most important, with enhanced confidence- and security-building in South-East Europe in mind, future editions of the document should contain much more comparative material and fuller commentary prepared by the Sofia-based experts. There should be informed analysis of important trends and of any salient year-to-year changes in provision that the spending projections reveal.

Thought needs to be given also to life beyond the prototype. Can a *Yearbook 2003* be compiled and analysed in time for publication in (say) the first quarter of 2003? Can one contemplate coverage improvements, to the extent perhaps of generating material - relevant to the 'transparency in procurement' agenda - such as the Major Projects Statement which the United Kingdom publishes each year? Can one ensure that international assistance in military provision is properly accounted for, an area where there is a lot going on in the region that ought to be brought into the open. At a more technical level, can one move beyond crude common currency comparison(s) to cross-national comparison(s) based on purchasing-power parities? There are lots of possibilities, of which more later. (In time it might even be feasible to consider the *Yearbook* venture a 'regional measure' under Chapter X of the V.)

The Survey

Central to the BTI is the notion that transparency about *budgets* (what is spent) should be complemented by transparency about *budgeting* (how the figures are reached). For individual states there is an obvious domestic accountability angle here. There is also an international one: to give contiguous and near neighbours especially a window on one's security-sector decision-making. The latter accords with aspirations expressed in Stability Pact literature: to 'increase the *sense of security* and *trust*' among South-East European countries by enhancing 'transparency and *predictability* in the military field' and 'aiming at the creation of a new security *culture* in the region.'[6]

There is a specific regional, or sub-regional, consideration too. Sharing information about the planning, programming and budgeting process should facilitate the improvement of national procedures through awareness of 'best practice' (or, more realistically, good - or better - local practice). At the same time, pooling of knowledge may reveal

opportunities for sub-regional co-operation in particular fields. These might include approaches to resource allocation and resources management (where knowledge-and skills-transfer regarding technical matters - like cost estimation or the conduct of audits - might be feasible). They might also include ways of addressing force modernisation challenges, where awareness of common requirements might lead to a collaborative approach to specific procurement choices and even the identification of options for joint projects.

Against this background, the second element in the 'tasking' was a call on the cell in Sofia to produce a basic descriptive *Survey of South-East European Defence Budgeting Systems*, to be completed by early 2002 (or as soon as possible thereafter). As suggested earlier, besides offering each participating South-East European state a 'window' on all the other participants' resource allocation and resources management processes (including legislative oversight), the *Survey* should have value as a benchmarking exercise. By exposing *what is done* country-by-country, it should provide pointers to *what might be done differently*. Here again one would hope that the team in Sofia would be able to not only collate the country profiles but also offer some analysis and critical commentary.

An initial target might be the identification of good (local) practice, leading to guidance as to how all states party to the BTI might bring their arrangements up to this level. Getting practice throughout the nascent South-East European 'security community' up to the standard of the best in the neighbourhood is probably a practical short-term objective. It would pose fewer problems than (say) urging emulation of all-European - or global - 'best practice' (if one could, indeed, agree about that).

That said, raising the overall level of 'arrangements' everywhere is - or should be - the medium-term objective. Early emphasis on neighbourhood 'peer review' need not preclude such an aspiration. Indeed, reference to extra-regional 'best practice' ought to be made - sooner rather than later - wherever the general quality of local practice appears unsatisfactory. Thus, if *all* South-East European countries report difficulty with cost estimation (forecasting) - admitting that budgetary projections are 'fairyland' exercises more or less everywhere - then external benchmarks must be brought into play. Similarly, if all states confess that they have problems with budget execution - and, in particular, with ensuring that allotted funds actually reach their intended destination - then the local best is clearly not good enough. Reference to 'outside' experience should be obligatory in such circumstances.

All this is beyond the short term, however. The factual *Survey* is a necessary first step: the essential basis for diagnosis of shortcomings and/or problem areas, before proceeding to prognosis and prescription for change.

Complementary effort

Even summary speculation about what might lie beyond 'the Vienna tasking' of the Sofia-based expert group thus shows that there is scope for a lot of reporting and research effort on the transparency theme to complement, but not replicate, the BTI-sponsored work.

In the first place, to complement the *Survey*, it would be helpful to have, sooner rather than later, a series of critical examinations of national 'arrangements' written by independent analysts. Ideal candidate authors would be local scholars with a full appreciation of the local institutional framework and culture, not to mention local language competence.

More generally, it would be useful also to have work done on the criteria by which practice in resource allocation and resources management is best evaluated.

- What denotes 'good practice' in framing budgets? As a basis, is it really necessary to have the full hierarchy of formal policy documents - doctrine, security strategy, military strategy - to which all post-Communist states attach such (inordinate?) importance? Is it not more important to have a good long-term costing which, while necessarily based on estimates of the expense of resource *inputs*, is also capable of indicating the likely future cost of providing particular *outputs* (or capabilities)?
- What are the essential ingredients of 'good practice' in budget execution? What is the best way to ensure that 'allotted funds actually reach their intended destination'? How is the traditional audit function - focused on financial probity and propriety - best discharged?
- What counts as 'good practice' in value-for-money audits? Should all states have the wherewithal to examine spending from the standpoint of economy, efficiency and effectiveness? Put another way, how important is it to have machinery capable of exposing waste, fraud and mismanagement in defence resource-use?

The list of questions is almost, but not quite, endless; and that is without addressing issues specifically associated with transparency in arms procurement.[7]

In the second place, to complement the *Yearbook*, or statistical reporting on expenditure and budgets generally, it would be helpful to have studies done on several questions:

- How demanding is it now, for all South-East European states and the smaller ones particularly, to comply with the VD99 provisions as currently expressed?
- How difficult would it be, for all states and the smaller ones particularly, to accept more onerous obligations?
- Does the requirement to share 'relevant *and releasable* data' allow some states to hide spending on intelligence and security services that ought to be revealed if creation of 'a new security *culture* in the region' is a serious aspiration?
- Is military assistance, in all its guises, properly taken into account in states' VD99 submissions? Who are the main recipients of such help and how large does 'outside' support loom in their military provision?
- Upon what basis are cross-national comparisons of South-East European spending best conducted?
- How reliable are budgetary projections? Do they rest on sound cost estimating techniques? Are they produced on a base-year or out-year price basis? How then are (differential) rates of inflation to be taken into account in either trend analyses or cross-national comparisons?

Again, there is no shortage of matters that could usefully be elucidated. The need to prioritise wisely is as important in defence budget analysis as it is in budget construction itself.

Conclusion

Setting analytical priorities is one of the purposes of stocktaking exercises. In the defence 'budgets and budgeting' area - with increasing transparency as the prime objective - it has been argued here that work in and by South-East European countries should recognise the ground already covered in the BTI venture and there should emphatically not be needless replication. There is, however, plenty of scope for complementary effort.

By way of elaboration on that essential conclusion, it is my personal view that future transparency-building work should explicitly:

- endorse 'the Vienna understanding' of what transparency means, why it matters, and why it requires attention in this region (as summarised above);
- acknowledge 'the Vienna tasking' of the expert group in Sofia - which has yielded a benchmark (pilot) *Yearbook* and should soon deliver a benchmark (descriptive) *Survey* - as the point of departure for promoting transparency and encouraging good practice in defence decision-making, with particular reference to resource allocation and resources management (as has been argued here);
- focus on 'complementary effort,' picking-up on some of the main topics identified here as leading candidates for further work.

Among the latter, one is bound to have one's favourites. If there were a ballot among the 'candidates' - considered as a sort of 'party list' - my own votes would be for (1) independent critical examination(s) of South-East European budgeting systems to complement the BTI-sponsored *Survey*; (2) some theoretical work on the criteria by which good practice in the subject area should be evaluated (to include attention to 'how much transparency is enough?'); (3) some technical work on the perils and pitfalls of data comparison (and aggregation) in this region to complement the BTI-sponsored *Yearbook*; (4) research on aspects of accountability, the other key concept in our lexicon (to include attention to 'how much accountability is enough?'); and (5) independent critical examinations of the legislative oversight of security sectors in South-Eastern Europe, with particular reference to whether elected representatives practise *effective* oversight (as opposed to giving rubber-stamp approval to what governments propose).

It ought to be possible to do some, if not all, of this in the next few years. Much depends, of course, on the commitment of South-East European countries themselves. In this field, Bulgaria has demonstrated that very clearly: notably by driving the BTI agenda. However, there are limits to how far one torchbearer for transparency can take the region in the quest to 'increase the *sense of security* and *trust* and create 'a new security *culture*' here.

Notes:

1. *Promotion of Transparency and Democratic Decision Making in the Formation of SEE States Military Budgets*, Stability Pact for South Eastern Europe Seminar (Sofia, Bulgaria: 6-7 June 2000).

2. *Yearbook on South-East European Defence Spending*, Stability Pact for South Eastern Europe (Sofia, Bulgaria: Budget Transparency Initiative, 2002). < http://www.stabilitypact.org/yearbook/index.htm> (27 March 2002).

3. *Yearbook*, p. ix.

4. *Vienna Document 1999 of the Negotiations on Confidence- and Security-Building Measures*, FSC.JOUR/275 Istanbul, 16 November 1999. <http://www.osce.org/docs/english/1990-1999/csbms2/vienn99e.htm> (23 March 2002)

5. *Yearbook.*

6. Emphasis added. Description of Stability Pact initiatives and progress in *Military Planning and Budgeting Transparency* is available on-line <http://www.stabilitypact.org/stabilitypactcgi/catalog/cat_descr.cgi?subcat=1&prod_id=45> (17 April 2002). They are listed among SP priority initiatives, i.e. in the document *Report of the Special Coordinator on the Implementation of the Quick Start Package*, May 2001. <http://www.stabilitypact.org/qsp-report/05-wayahead.html> (22 April 2002).

7. Several issues suggest themselves in that context. Are requests for proposals well formulated and widely circulated? Is open, competitive tendering the norm? Are joint ventures evaluated fairly? If the authorities are prepared to pay a premium for safeguarding domestic businesses' competence and competitiveness, is the size of that premium explicitly declared?

TRANSPARENCY IN THE NATIONAL DECISION MAKING ON DEFENCE PROCUREMENT

Tilcho IVANOV

Introduction

Transparency is a main means for enforcing control and accountability in the public sector. Main responsibility of the government in the liberal democratic state is to protect the public interest; it must therefore be ready to inform the public about its decisions. Transparency means relevant openness, clarity, and credibility of defence policy. Thus, transparency in defence policy, budgeting or procurement means that all key documents and other information prepared or commissioned by the government, including Ministries of Defence and defence agencies should be made available to the public.[1]

Analysing transparency of defence policy, we distinguish two separate aspects – external and internal dimension of transparency. Further, we recognise that in a given country the sources of information about defence policy, military budgeting and procurement are under the strict control of the executive branch. Because of its relation to the national security, the external dimension of defence policy and related information sometimes is a subject of confidentiality; information dissemination is therefore restricted not only in regard to other countries, but also in regard to the country's citizens.

Procurement in the framework of traditional supply management is an ordinary function that includes requirements definition, inventory control, transportation, distribution, cataloguing, standardisation, financing, and disposal (transport & storage, dismantling, spares recovery, disposal receipts). In the framework of programme management as part of a planning, programming and budgeting system, procurement is an important element of the second stage of the "planning-programming-budgeting" process.

On its turn, programming is a cost-effective expression on defence plans, presenting the level of resources that the government is able to afford for defence. The programming is an annual process, because of

the financial constraints of the state budget. Main elements of that process are: costing and re-costing of the baseline programme; forecasting available funds; prioritisation of project options; building alternatives of the basic programme for equipment and operations; finalising and executing the procurement programme.

This paper is focused on transparency of defence procurement. It covers three main issues—principles of transparency in defence procurement; international practices in procurement decision making; and South East European practices in defence procurement—showing how important and complicated the techniques for transparency are and how closely they are related to the emerging concerns for standardisation of accountability in defence procurement. Comparing international practices with the practices in South East European countries, we identify potentially useful steps in developing the capacity for transparency and for acceptance of proper and internationally recognised practices for effective defence procurement.

Transparency in Defence Procurement

According to Todd Sandler and Keith Hartley, "the procurement of defence equipment is big business."[2] It can be added that procurement of defence equipment sometimes creates a lot of trouble for the authorised defence administrators.

There are additional issues related to the transparency of procurement policy besides the well-known critique on its economic dimension. Among the well known issues are: unpredictability of the changes in the make-up of the inventories or their cost escalation; delays and insecurity in delivery, arising from inventory size and the range of stocked items; cancellation of procurement projects and programs, and so on. From this, let's say "economic" point of view, the main criteria for assessing procurement policy is the *competitive procurement*, which can be realised trough various types of trade contracts.

Acting as a principal, MOD has an obligation to specify exactly its requirements to the contractor—buyer or seller—in order to avoid discrepancy in the contractor's behaviour. In practice, there are many examples of bad specification of purchases or sales and, as a consequence, deviations from the goals of the principal.

Additionally, inadequate civil monitoring, insufficient transparency or confidentiality in calling for bids, tendering, contracting and pricing

for contracts may lead to unexpected results. Purchases might become more costly and sales - cheaper.

No less dangerous is the undesired direct market role of the government and the MOD acting as its agency. Being owner of the companies or controlling military exports, government can determine the size, structure, technical progress, and competitiveness of its defence industry. Defence procurement policy can be used as instrument of national industrial policy. Direct involvement of the state in the economy is not acceptable from liberal economic point of view. Evaluating the procurement policy, we have to account for the monopolistic or oligopoly position of the government in the economy and to accept transparency as controlling instrument for that policy.

In the same time, from the "security" point of view, there are many cases in which the wide dissemination of confidential information, related to particular procurement programmes, could be judged as act against the national security interest. The national legislation on the confidentiality of procurement varies in accordance to the historical experience and the particular understanding of national interests.

Turning from the security point of view to the "administrative" point of view, the focus shifts to the notion of *accountability*. Among the major impacts of contemporary administrative reforms and initiatives is the raised attention to the accountability of public servants.[3] The concept of accountability has three important dimensions:

- Standards of accountability (accountability for what) and transparency;
- Agents of accountability (accountable to whom) and transparency;
- Means of accountability (how accountability is ensured) and transparency.

From this point of view, the main issue for accountability and transparency in defence procurement involves contents, standards, or criteria according to which defence officials are held accountable to citizens and have to offer information. These standards continuously change. Since the early 1980s, the active, direct, and leading role of the public sector and its administrators has increasingly been replaced with passive, indirect, and facilitating role. The contents, standards, and criteria can be devised as:

- UN resolutions and norms, including the Register of Conventional Arms (transparency in armaments);

- OSCE Vienna Document 1999 on the negotiations on confidence and security-building measures (transparency in a wide range of issues such as military forces, major weapon and equipment systems, defence planning, etc.);
- NATO standards;
- National laws, standards, and statistics [4];
- National defence criteria;
- NGOs, press, and media requirements.

Another important issue of accountability and, respectively, transparency is related to the list of agents or representatives to whom defence procurement administrators are accountable and are obliged to offer relevant information. Main among them are:

- All sections of the population representing various class and group interests, including clients;
- Press and media;
- Parliament;
- Parliamentary (National) Audit Office;
- State Financial Control Office;
- Defence Agencies;
- International Security Organisations and Agreements.

The acceptance of neo-liberal mode of governance by the former socialist countries is changing the composition of agents who hold defence procurement agencies accountable. From collective class, the citizens become customers or clients receiving public services for which they pay. This is new issue and big challenge for the countries' administrative capability to be accountable and transparent.

Another big challenge emerges from the modified means of accountability and transparency posed by recent changes in administration. The means that are traditionally practiced in western liberal democracies, include the following [5]:

- *External-formal mechanisms*, including legislative instruments (legislative committees and parliamentary hearings), executive means (controls exercised by the executives over public agencies), and judicial or quasi-judicial processes (administrative courts and ombudsmen);
- *External-informal means*, such as public hearings, interest groups, opinion polls, and media scrutiny;
- *Internal-formal mechanisms*, including officials rules, codes of conducts, official hierarchies, and performance reviews; and

- *Internal-informal means*, such as organisational culture, professional ethics, and peer pressure.

The neo-liberal changes of these classic means lead to:

- Expanded politicisation of administration;
- Growing managerial autonomy and transformation of ministries and departments into autonomous executive or operating agencies with considerable financial and personnel autonomy;
- Changes in the criteria to evaluate programme and performance (from process oriented to result-oriented) as a means to ensure accountability and transparency of administration.

The short review of the issues in defence procurement allows to underline the resent changes in objectives, standards, agents, and means, which have serious implication for accountability and transparency. The conclusion is that accountability and transparency of defence procurement is a complex issue and a big challenge for the national politics, legislation, executive and defence administration, and the justice. The lack of control on defence procurement leads to excessive political influence, growing corruption and negative citizens' reaction not only to the leading policy, but also to any reform in defence policy.

International Practices of Transparent Decision-Making on Defence Procurement

The democratic control and accountability of public administration is a major concern for liberal democratic societies. Approaches and practices may differ mainly due to the particular history, culture, and socio-economic development of a given country. The basic mechanisms for control and accountability in the liberal-democratic framework are through legislative committees, parliamentary debate, public hearings, ministerial control, ombudsman, and media scrutiny.

The enlargement of the framework of accountability and provision of information for transparency is a right of the legislative branch of national authority. In the post-communist countries, however, the *centralist legacy* of the Cold war era gives much more freedom to the Governments in the execution of the external policy, rather than for the internal policy.

So far as in the Atlantic community civil societies evolve at least since 1945, [6] nowadays the question for the internal transparency for those societies is not so essential. Thus, the issue for internal

transparency relates mostly to questions of *good practices* and *proper policy* in the public relations of the Governments. Despite various critiques of these civilian instruments, they have been useful in guaranteeing government's accountability.

In variety of cases, including the delivery of public goods and services, democratic countries developed a special instrument for strategic resource management. The so called "planning-programming-budgeting" system is an example for long-term management of public defence goods and services. Broadly, the system is intended to identify what forces and capabilities are needed (planning); to determine how and when they will be acquired, and what will be affordable cost (programming); and to allocate appropriate budget funds (budgeting). Simultaneously, the system should demonstrate to elected representatives and citizens that taxpayers' money devoted to defence are necessary and will be spent appropriately and wisely.[7]

Since the procurement is related to the sub-stage of programming, it should be noted that the main purpose of that stage is to develop a cost-effective and affordable programme for acquiring detailed components (equipment, manpower, infrastructure) of the capabilities. This is the most critical phase in defence resource management not only because it links planning and budgeting, but also because it represents a special techniques that needs to be transparent and accountable.

The focus of our examination is on the sub-stages, as well as the practices of programming, which are related to equipment acquisition – the very subject of procurement. The same sub-stages are valid, more and less, also for the logistics and infrastructure programmes, necessary to support old and newly acquired equipment. Those are:

- Clarifying, defining, and stating the operational requirement for equipment capability.
- Assessing the alternative options for acquiring individual capabilities, through combined operational effectiveness and investment appraisal. This sub-stage involves a search for maximum effectiveness for the limited resources (efficiency) or minimal cost at the given level of operational effectiveness (economy). This sub-stage further includes assessment of the cost of the life cycle (acquiring, supporting, deploying, and disposing) of the equipment.
- Assessing the affordability of an individual equipment acquisition option, and sub-optimisation of the procurement programme; or re-examining the overall balance of equipment.

- Comparing the overall cost of the program with the overall defence budget for the coming year and the following two to six years.

The relevant instruments for transparency of the results for the separate stages of this mid-range programming process are:

- Statement of requirements, presented in the Defence White Paper of a given country;
- Interaction with Parliament, submitting the Defence White Paper and receiving approval on the conditions for the major equipment acquisition programmes. Acceptance of the periodical submission of progress reports on MOD projects.
- Preliminary study, which offers decision-makers a choice among product alternatives.
- Interim interaction with Parliament for discussion of the critical aspects of the project, such as price indications, fulfilment of the requirements, counter-offers for the national industries, life-cycle cost of the project options, etc. Re-allocation of resources by the Parliament if necessary.
- Final study and preparation of a Procurement case, which elaborates the details of the project and covers all its contractual aspects, including operational, financial, international, industrial and employment aspects.
- Last interaction with Parliament for final approval of the purchase (direct resource delegation for the first year and, provisionally, for the next years).

Two main concerns are important for the transparency of this process:

- Availability of accepted *integrated and standardised cycle for acquisition management* of the projects that have to be implemented in the programme, serving the control and accountability;
- Large scale publications from the authorised institutions, which helps transparency.

The *integrated cycle for acquisition management* is an important element that connects a strategic programming with the operational procurement. Acquisition integrates research & development, production of equipment, and tendering & contracting in the cases when MOD cannot rely on off-the-shelf items. In such cases, MOD has to have long-term look, and to invest in Reliability & Maintainability (R&M) activities.

The defence administrators operate with more or less standardised cycle for R&M of off-the-shelf procurement. This results in advantages of low procurement costs and reduction of R&M risks.

NATO standardised R&M project phases include [8]:

- *Concept* – considering R&M objectives to meet worst-case operational need.
- *Feasibility* – examines feasibility of achieving R&M objectives and trade-off of R&M with performance, cost and time-scales.
- *Project Definition* – assessment of sub-systems to ensure that overall R&M requirements can be satisfied and to refine R&M requirements.
- *Full Development* – application of R&M design criteria, analysis, testing and demonstration.
- *Production* – ensuring that R&M potential is not compromised by production methods or modifications.
- *In-Service* – monitoring in-service R&M indicators, corrective actions, and modifications for improved performance.
- *Disposal* – considering safety of disposal techniques.

There are many arguments for confidentiality in this cycle, leading to market and combat advantages; but some transparency is needed also. Such transparency is expected to help in invitation to tender and the tender assessment process, reflecting the need to balance R&M requirements with performances, costs and time-scale. The principle which can help in such complicated situation is that the transparency required by competitive tendering should not refer to the interest of security.

Publications are the *most important element* for transparency. In his prominent book about the Western model of resource allocation and resources management in defence, David Greenwood gives many examples of publications in France, the United Kingdom, USA, and other western countries.[9] Key publications accompanying the planning and operational stages in procurement are:

- Yearly issue of the Annual Report of the Secretary (Minister) of Defence, and Posture Statement from Joint Chiefs of Staff plus several volumes of complementary information.
- Defence White Book or White Paper, providing an occasional statement of defence policy. Particularly France uses periodic publication of the results of strategic planning in a formal document—Loi de programme—with explanation of the rationality of the chosen options.

- Annual budget publications supporting the government's formal request for funds for all its spending departments (including defence) with essential information on resource allocation.
- Publication of the relevant parliamentary committee (or committees) overseeing the defence ministry and responsible for reporting on the economy, efficiency and effectiveness with which the ministry is charging its responsibilities.
- Publications of the National Audit Office, which produce regular critical commentary on the use of taxpayers' money by the executive branch (for all public administration and defence).
- Publications of the MOD or its procurement bodies containing information related to the procurement procedures and contracts.
- A major Projects Statement, which gives progresses report on all equipment acquisitions accompanied by important cost information.
- Defence Statistics, which is typically a complementary volume with information on expenditure and manpower (including data on the industrial and regional distribution of spending and on payments to major contractors).

The publication of such set of documents in the western liberal democratic states provides their citizens with the required information on main decisions, taken by the public and defence administrators. It makes procurement sufficiently transparent and accountable.

South East European Practices of Defence Procurement

For the Central and Eastern European countries the question of transparency is a political question, which is closely related to their changing *legacy*. After the Cold war most of the Central and Eastern European countries adopted ideas, principles, institutions, and standards of accountability, inherent to the liberal democratic mode of governance. Most of the basic mechanism and important instruments of control and accountability in liberal-democratic states were accepted by the transitional South East European countries, too. For example, Bulgaria already accepted everything with the exception of ombudsman.

In addition to these liberal democratic means of public accountability, in the recent years a number of reform initiatives were launched for restructuring the public sector and its administration. The market-led state is replacing the national state in South East Europe. For

example, among the major Bulgaria's initiatives within that process are the adoption of a new *Constitution* (1991), *Law for Audit Office* (1995), new *Law for State Financial Control* (1995), *Law for Administration* (1999), *Law for the Civil Servants* (1999), some amendments to the *Law on Defence and Armed Forces* (since 1995). Furthermore, in April 1997 the Bulgarian Parliament adopted a new *Law for Public Tenders*, which enforces accountability, transparency in the procedures and policies, and competition, thus limiting corruption and bureaucracy. In regard to defence, particularly important are the new Concept for National Security (1998), the Military Doctrine (1999), the Plan for Organisational Restructuring and Development of the MOD till 2004 (1999), the Membership Action Plan (1999), Yearly Report on the Status of the National Security (since 1999), and the Annual Report on the Status of Defence and Armed Forces (since 2000).

Similarly, many South East European countries started large-scale legislative and executive actions for democratisation of the state and enforcement of civilian control on defence. There are many examples of the progress made by these countries in establishing institutions and mechanisms for democratic control in the field of procurement. Nevertheless, there are also many examples of deviation from international agreements and UN resolutions for transparency in armament and confidence-building measures.

Of particular interest is the variation in the participation of South East European countries in the UN Register of Conventional Arms. This Register was originally established on the assumption that it would cover exports and imports of conventional weapons, and the "available background information" related to their military holdings and procurement from national production, as well as arms transfers.[10]

However, according to the Bradford Register Studies, in the peak of the Kosovo conflict (1999) Albania and Macedonia failed to submit data for Register. Yugoslavia, which was the subject of a UN embargo, also continuously declines to provide information. Countries, surrounding the conflict zone, have made significant progress. Croatia provided detailed information on its holdings and national procurement for the first time in 1999. Romania, Greece and Turkey are regular reporters. Bulgaria also regularly provides information, although it was criticised for its willingness to supply arms to countries, to which others refuse to sell.

Some of the South East European countries, i.e., Albania, Bulgaria, and Romania, take advantage for transparency from their participation in the Partnership for Peace Programme. A tailored Planning and Review

Process (PARP) was created in 1995 to promote transparency and interoperability in equipment, deployability, procedures and readiness. PARP assists the preparation of the aspirant countries participating in the Member Action Plan (MAP) to meet the obligations for possible future NATO membership. It provides an instrument to identify and evaluate forces and capabilities that countries make available for multinational operations in conjunction with NATO forces in peace support operations, search and rescue operations, and humanitarian aid.[11]

Main instruments for transparency through PARP are the Ministerial Guidance, the Partnership Goals, and the biennial PARP Survey. All those documents characterise PARP as dominantly politically driven activity. However, PARP plays an important role for gaining experience in exchange of information and coordination in force planning for multinational cooperative operations.

Most of the South East European countries accepted the principles and procedures, relevant to the democratic control of defence. But the development of transparent practices depends on the level of democratic transition of the countries. Perhaps the variations among countries and present lack of transparency are, at least partially, traced back to the Cold war legacy and traditions. The increase of transparency depends on the understanding and basic knowledge of politicians and civil administrators on defence policy issues. Every initiative to promote transparency helps the countries in South East Europe to understand the significance and the complexity of the notions of accountability and transparency and, more importantly, to devise and implement processes and instruments to provide democratic accountability.

Conclusion

There is no single rule or model for control, accountability and transparency of defence procurement. Every country develops a unique approach and manner to manage and control defence procurement. Practices depend on national democracies (parliamentary or presidential) and the executive arm of the government. The differences tend to be explained according to the way in which governmental power is shared between the legislative and executive branches. In the cases where the power and the roles are not well balanced, there is a tendency for limited democratic control, low-level accountability, and lack of transparency. In

these cases we witness considerable corruption and 'hard' bureaucracy. This is a sign of a limited and unstable democracy.

Consequently, transparency depends on the level of transition of the traditional national state into a civil society, or the level of transfer of power from the executives to the civil society. Transparency can help for the accountability and the democratisation of society.

If the defence resource management is the heart of the democratic control of defence, procurement is its pulse. The clear and unequivocal division of roles and responsibilities between parliament and government on the procurement projects, programme and budget is a condition for a healthy democratic life. Good symptom for health is the parliamentary approval and publication of "forward procurement programmes" with exact budgetary projections for the defence equipment. For a start, it is acceptable to publish "procurement programmes" only for the most expensive, complex, and long-term projects with high proportion of research and development, as well as projects involving international collaboration.

The participation in the PfP Programme also assists Partner Countries to accept procurement practices similar to those, implemented by NATO member countries. Thus, many countries have made important steps toward the promotion of transparency in defence matters.

Currently, the main challenge for the transitional South East European countries is to push back nationalist doctrines which fill in the Cold War's gap in the social consciousness and substitute the liberal democratic state with the conservative national state. The promising policy for success is to develop regional and international initiatives aimed to provide publicly available information for relevant practices, assisting legislature and citizens in their efforts to promote and develop transparency, accountability and democratic control on defence and security matters.

Notes:

1. Nils Bruzelius, Bent Flyvbjerg and Werner Rothengatter, "Big decisions, big risks: improving accountability in mega projects", *International Review of Administrative Sciences* 64, no. 3 (September 1998): 423-440.

2. Todd Sandler and Keith Hartley, *The Economics of Defense* (Cambridge: Cambridge University Press, 1995).

3. M. Shamsul Haque, "Significance of Accountability under the New Approach to Public Governance," *International Review of Administrative Sciences* 66, no. 4 (December 2000): 599-618.

4. See for example *World Military Expenditures and Arms Transfers 1993-1994* (U.S. Arms Control and Disarmament Agency, 1995).

5. M. Shamsul Haque, "Significance of accountability."

6. Ernest Gellner, *Conditions of Liberty: Civil Society and Its Rivals* (London: Hamish Hamilton, 1994),.18.

7. Neil V. Davies, "Planning, Programming and Budgeting – an Overview," *EAPS (ECONC) D (2001) 3*, no. 3 (December 2001).

8. The reader may refer to the publications of the **C**ommittee **O**n **D**efence **E**quipment **R**eliability & **M**aintainability (CODERM) and related publications, such as *Defence Standard 00-40, Reliability and Maintainability*, Issue 1 (U.K. Ministry of Defence, December 1988) <http://www.dstan.mod.uk/data/00/040/06000100.pdf> (5 April 2002); *Defence Standard 00-49, Reliability and Maintainability: MOD Guide to Terminology*, Issue 1 (U.K. Ministry of Defence, January 1996) <http://www.dstan.mod.uk/data/00/049/00000100.pdf> (6 April 2002).

9. David Greenwood, *Resource Allocation and Resources Management in Defence: Western Model* (Sofia: Stopanstvo Publishing House, 1997).

10. Malcolm Chalmers and Owen Greene, "In Need of Attention: The UN Register in its Seventh Year," *Bradford Arms Register Studies*, Working Paper 7 (February 2000) <http://www.brad.ac.uk/acad/peace/pubs/bars7.pdf> (5 April 2002).

11. Wolfgang Barenberg, "NATO's Defence Planning Process," *EAPS (ECONC) D (2001) 3*, no. 3 (December 2001).

PRACTICES OF TRANSPARENCY IN DEFENCE PLANNING, MILITARY BUDGETING AND PROCUREMENT IN THE ALBANIAN ARMED FORCES

Zija BAHJA

Since the collapse of the communist regime in the early 1990s, Albania applies the well-known principles of democratic control of its Armed Forces. Democratic control is achieved through freely elected public institutions, which exert the sovereignty and willingness of the Albanian people to live in peace with the neighbouring countries and to be integrated in a larger and united Europe.

In less than a decade Albania twice reviewed its cornerstone security policy documents, namely the *National Security Policy* document and the *Defence Policy* document. Both have been publicly discussed and approved by the Albanian Parliament. Although the last review took place as recently as January 2000, a new review of the Security Policy and the Defence Policy documents is under preparation. The review shall account for the changes in the security environment in South East Europe (SEE), where the Stability Pact for SEE is taking lead in the security issues and improves the ties among states in the region.

Defence Planning System

Steady progress has been made over the past decade in reforming the Albanian Armed Forces (AAF) and reorienting them toward NATO operational concepts. However, the most needed restructuring of AAF still lies ahead. Faced with no immediate military threat, over the next ten years the AAF can complete their transformation even within a constrained budget, still meeting the requirements of Albania's National Security Strategy (NSS). However, for this to succeed, it is essential that the AAF complete reforms before making any major acquisitions of new equipment.

Albania already published a sound National Security Strategy and a supporting Defence Policy. These documents, and the recently

established Inter-Ministerial Committee on European and Euro-Atlantic Integration that guides Albania toward its goal of integration within NATO and the European Union, put Albania's defence policy and planning on a solid foundation. At the policy level, a formal inter-agency review process for all national security matters would infuse valuable perspectives and help create broad—and crucial—support for Albania's national security strategy and its attendant investments.

However, Albania does not yet have in place the requisite *planning and programming system* to define precisely its minimum mission-essential force requirements and needed operational capabilities. The creation of such system is an imperative. Accurate decisions are required regarding the size and composition of the active force Albania needs in the near to mid term. The current objective force of 31,000 is not requirements-driven and is much larger than can be reasonably manned, equipped, trained and kept ready under expected defence budgets. This conclusion is based on mission analysis, the state of the AAF and fiscal realities.

Another void in the planning system is the lack of a *National Military Strategy* to define how Albania's military leaders will implement the MOD Defence Policy and fulfil its military missions. A military strategy is central in order to determine force requirements. Defence policy and planning remain incomplete without a national military strategy that maps out how the military implements national policy and provides guidance to subordinate commands within the AAF.

Also missing is a *multi-year planning, programming and budgeting process* to link defence priorities to resources over time. Without such a system, the MOD will be unable to allocate resources consistently to Albania's highest priorities. The MOD cannot track capabilities with investment and measure progress toward established objectives. The current annual planning and budgeting methods will not be successful in optimising the use of scarce resources against the myriad of requirements that span the proposed 10-year defence reform project. A more deliberate and analytical system—one based on a multi-year timeline—is essential to achieve genuine defence reform. All defence guidance and strategic planning documents Albania has published in recent years address multi-year planning on a broad, conceptual level. However, the actual planning and follow-on steps of programming and budgeting have yet to be put in place on a multi-year basis. Supporting plans will need to provide much more detail before defence reforms can be executed. Without an accepted well-understood multi-year planning process *at all levels*, reforms will be

ineffective. As long as the PPBS is not turned into an implementation tool in the hands of decision makers, the decision making process and the ends of Albanian military strategy remain in custody, while the scarce resources always will restrict us.

Finally, and no less crucial to reform and restructuring, is the development and employment of a comprehensive *personnel management system* to assess, train and retain a quality force, including timely retirement, for all grade levels. The AAF faces an immediate and multi-dimensional personnel crisis that is not addressed adequately in current reform plans.

Until these tools are in place and effective, reform will be stymied and the AAF will remain a force with only minimum capabilities to support Albania's NSS. Moreover, unless objectives are requirements-based and fiscally sound, it will be difficult to justify defence budgets necessary to meet reform targets and, later, to secure investment in modernisation of the force.

Defence Budgeting

The MOD staff has the responsibility of budgeting through its Finance Directorate, while planning and programming is the responsibility of Defence General Staff through its Planning Directorate. Furthermore, a Budget Management Office was established in the General Staff in October 2000; however it is not yet fully operational. The Defence Policy document, published since March 2000, presents defence budget needs till 2008 in order to achieve the objectives and implement the programmes set out in the document. However, the Albanian authorities recently contemplated a review of the basic planning documents to account for recent changes in regional security and more realistic budget expectations based on the health of Albanian economy.

The Ministry of Finance—responsible manager of Government funds—every fiscal year disburses funds to Albanian MOD. However, the Armed Forces regularly receive from 40 to 60 percent of the funds they have requested. This leads to reduction of many planned activities in all the services, mainly in the Air Force and the Land Forces. Additionally, the MOD tries to prioritise among various programmes and activities and to proceed with implementation very cautiously.

Generally, approximately 52 percent of the Albanian defence budget is spent on personnel, including their salary, social security, etc. The

operational and maintenance expenses constitute around 43,4 percent, and only 4,5 percent of the defence budget is spent on investment and acquisition.

This type of budget structure, repeated over many years, does not allow development of the Albanian Armed Forces according to the main policy documents. Albanian planners recognise the need to review the defence programmes and plans in order to reflect expected financial support that can be realistically provided by the Albanian economy.

Defence Procurement

Albania has not procured any major weapons systems since 1976 and does not have a systemic approach to the purchase of defence equipment. The Albanian military has postponed significant capital investment until 2005. It will, however, make minor equipment purchases and has plans to receive newer equipment in the interim as it becomes available through bilateral programmes and the NATO Clearinghouse.

Priorities for near term investment or donated equipment are intelligence, communications and information systems, mobility equipment, training centre modernisation, and command and control equipment. These procurement priorities are consistent with the need to acquire relatively inexpensive assets that are force multipliers and enhance operational capabilities. Moreover, these assets represent dual capability items that enable Albania to defend better its own territorial sovereignty, as well as to enhance its ability to operate in multilateral scenarios alongside the militaries of the West. Additionally, some more modern equipment has been donated by Western nations in recent years, including Navy patrol boats and communications equipment for command and control of the AAF.

The postponement of major procurements is considered both a wise and essential decision given resource limitations and higher defence reform priorities. When significant investment becomes possible after 2005, the military should already have its future requirements-based capabilities identified and its equipment re-capitalisation plan complete. By that time, much of the current inventory should have been divested as the force structure is reduced and as controlled equipment cannibalisation is employed to improve operational readiness.

Notwithstanding the hold on major procurement until 2005, Albania's Partnership Goals under its October 2000 NATO Membership

Action Plan identify a number of goals that will require significant procurement investment. Even though the items—communications, air surveillance and avionics equipment—appear minor, they no doubt represent costs that the AAF may not be able to afford in the time frames indicated in the plan. If funds are limited, the AAF will need to prioritise among its Partnership Goals and delay some Goals to subsequent years.

As a whole however, the present system for establishing either general procurement priorities or specific system acquisition strategies is not clear. No strategic planning document delineates MOD approved or government agreed procurement priorities, or how they fit into overall force planning over time. This is a critical issue given the projected limitations on funds available for procurement in the out-years. High cost procurement programmes are particularly vulnerable when they are not adequately planned and resourced over a multi-year period, including requisite spares, support equipment and training.

Currently, we cannot speak of a sound procurement and acquisition system in Albania due to the constrains caused by the collapse of the industrial and production base of the country a few years ago. The annual GDP after the 1997 uprising dropped down drastically with around 7 percent. 1998 was the year of stabilisation, when Albania reached back the GDP level of 1996. In the following two years an increase in annual production of 7,85 and 7,3 percent respectively was recorded. Similar is the forecast for the 2001-2003 time period.

However, the picture about the military budget does not fit in this increase of the national GDP. For example, in 1993 the military budget was 1,7 percent of the GDP. Till today the trend has been a gradual decrease in the military budget, falling down to 1,2 percent of GDP. The same figures are forecasted in the mid-term governmental plans for 2002-2003.

According to the priorities announced by the Albanian Government, the Albanian Armed Forces are not included among the governmental priority projects until after 2002. It has been publicly declared that Albanian Armed Forces may be included as priority objectives in the government mid-term plans for 2004-2005.

Long term planning, programming and budgeting has not been applied yet to the Albanian overall economy and governmental spending or, consequently, in its Armed Forces. The United States assists Albania in implementing such a long-term planning in the MOD and the AAF and constructing a solid planning system that may provide for more transparent decision making on defence procurement.

Towards Equipment Modernisation

In order to be prepared for eventual investments in modernisation, beyond 2005, and to integrate those future requirements successfully into resource allocation priorities across the AAF, it is important to underscore once more the need to implement a strategic multi-year planning, programming and budgeting system that prioritises needed acquisitions. If Albania is to have effective procurement oversight and to commence major buys in 2005, the MOD will have to incorporate procurement planning in its multi-year planning from the beginning, that is, it will need to include procurement as a facet of the *current* planning process.

As already mentioned, Albania has decided to postpone all major modernisation programmes until after 2004. This approach has no alternative. Nevertheless, current and projected budgets should be adequate to fund the few essential programmes, notably in communications, which will improve command and control between now and 2004. If funding levels are increased significantly, force modernisation could begin sooner. That, however, seems unlikely at the moment. But no matter when conditions allow for significant new investments, a force modernisation plan must be put together well beforehand.

Procurement planners must assess the resource impacts that acquisition will have throughout its life cycle, from identifying the initial need through eventual replacement and disposal. In addition to the initial costs associated with purchasing the equipment, in the planning and budgeting system planners must account for the following elements:

- Testing costs, e.g., developmental and operational tests, personnel and facilities to conduct tests, modelling and simulations, etc.;
- Transition costs, e.g., transportation, bringing new equipment in and taking old equipment out, reporting according to the requirements of the CFE and Vienna Documents, new equipment demonstration requirements, etc.;
- Personnel costs, e.g., operator and logistic support personnel training or retraining, recruiting specialists, etc.;
- Training costs, e.g., fuel, ammunition, training aids and devices, simulators, firing and manoeuvre range modifications, consumables, etc.;

- Operational costs, e.g., acquisition of new ammunitions, doctrine revision and publication, force structure modification, etc.;
- Logistics costs, e.g., repair parts, specialised tools and/or test equipment for maintaining the equipment, logistical support structure and doctrine revision and implementation, etc.;
- Documentation costs - training manuals, maintenance and repair manuals, doctrine revisions based on new or improved operational capability, etc.;
- Infrastructure costs, e.g., storage or maintenance facilities, road/ bridge/ runway upgrades, etc.

Thus, the AAF's integrated acquisition plan must include assessments for both its immediate and long-term impact on resources. Any major AAF acquisition must be carefully figured into budget forecasts for all future years and integrated into an overall plan for all acquisition and modernisation programmes to ensure that sufficient resources are available throughout the life cycle of all programmes. To accomplish this goal, the Albanian MOD will have to develop both a resource planning process and a procurement strategy within a single, integrated and prioritised procurement and modernisation plan.

Finally, the prioritisation of procurement and modernisation plans must be made within the context of a broader "ends-ways-means" analysis. Each potential procurement programme must be evaluated, comparing its cost and added value to the force. In assessing the requirement for a piece of equipment, Albanian force planners and resource managers must ask the following questions:

- Is there a capability-based requirement?
- What is the real value-added weight of that capability, i.e., Does the equipment address a capability requirement for immediate reaction, rapid reaction, or main defence force requirements? Does the equipment address *most likely* mission needs or *least likely* mission needs?
- Are there alternative means to address the capability requirement, either in the short term, i.e., until resources become available, or as a long-term solution, i.e., can this capability requirement be addressed by other solutions?
- What are the initial and year-to-year resource requirements for the equipment?

In sum, the MOD should be accountable for ensuring that defence procurements are conducted under the rule of law and in a transparent manner. The public and the Albanian National Assembly must judge that

funds invested in military equipment are justified by services' needs. Moreover, the Albanian MOD and General Staff must incorporate in their future modernisation plans the reality: there will never be enough resources to procure new equipment in the numbers desired by the services. Modernisation planning must incorporate prioritisation, interoperability with legacy systems, and block improvement programmes with available resources and shifting missions. Modernisation must also be accompanied by adaptation of doctrine and training to employ effectively both new and legacy equipment.

Main Conclusions

Albania should complete its national security planning system by developing a comprehensive National Military Strategy and a multi-year defence resource management system. These processes and the key strategic planning documents they produce should be followed closely and updated as necessary to remain authoritative. The MOD should institutionalise a formal strategic review process that includes a thorough assessment of Albania's economic situation – its fiscal health, key economic indicators, and progress toward economic stability. From these factors, the MOD can make accurate appraisals of the economy's impact on the defence budget.

Albania's defence policy and planning processes should be completed as soon as possible. The missing piece of an effective process is a National Military Strategy (NMS). An NMS will provide the underlying rationale for developing and sustaining Albania's armed forces - their operational concepts, force structure, disposition, equipment, and infrastructure. The development of a NMS is the essential requirement associated with identifying each Service's missions and desired capabilities. The strategy must be developed by the Albanian Chief of Defence and the General Staff, and submitted for approval through the MOD to the President. The NMS should receive input from across the interagency community for national security. When published, an NMS document will provide guidance essential to the development of further restructuring and modernisation plans, having some impact in transparency process and the PPBS itself.

The force structure recommendations focus on creating a smaller AAF with greatly enhanced operational capabilities. The future AAF will meet all Albania's mission requirements as well as participate in NATO

programmes, and will achieve these goals within an affordable defence budget over the near and mid-term. In the long-term, the recommended force provides a solid foundation from which Albania can expand and modernise its military.

The centrepiece of these recommendations is further reductions in the AAF's force structure for each of the Services, but for the Army Command in particular. Moreover, it will be essential that plans to restructure the force be completed before the MOD invests in any major re-capitalisation programmes. To do otherwise threatens the entire reform initiative. Other key recommendations are completion of the planning process outlined above, development of a comprehensive military and civilian personnel program, and creation of more advanced training and logistics systems. Implementation of these programmes will enable the MOD and General Staff to effectively manage the AAF, not only through the difficult reforms ahead, but also into the future. Adoption of these recommendations is the fastest means toward greater integration with NATO militaries.

Finally, following these recommendations, Albania will develop a sound system for integrated security and defence planning, resource management and acquisition that will serve as foundation for a transparent decision-making process supervised by the Albanian Parliament and accountable to the Albanian people.

DEFENCE PLANNING AND TRANSPARENCY IN THE CONTEXT OF STABILITY AND SECURITY BUILDING: THE CASE OF BOSNIA AND HERZEGOVINA (FEDERATION)

Muhamed SMAJIČ, Muhidin ZAMETICA
and Stjepan ŠIBER

> Progress of democracy requires elimination of the war danger ... Peace requires more intelligence, more imagination, better skills than a war and war preparations.
>
> Detail S. Berns, *The Political Ideals*

The Western Part of the Balkans has been subject of international community attention for quite long time. For almost a decade the international community has been involved, both politically and militarily, in settling disputes in Bosnia and Herzegovina and throughout former Yugoslavia. With the launch of the Stability Pact and the rising international economic involvement, the hopes for stable and democratic development of Bosnia and Herzegovina also rise.

This paper underlines the specificity of the overall security situation in Bosnia and Herzegovina. In comparison to other South East European countries, which all developed a nation-based state security doctrine, policy and organisation, Bosnia and Herzegovina differs radically from this dominant pattern, especially in the security and defence sector. Understandably, the major difference can be found in its state structure imposed by the provisions of the Dayton Peace Accord in 1995. The country consists of two multi-ethnic entities, and that entailed creation of two separated armies: the Federal Army and the Army of Republika Srpska. Without hardly any joint activities or command, the two Armies behave as if they were to guarantee the security of two independent states in spite of the fact that formally the two entities form one state, at least in the international community.

Specifics of the Military Establishment in Bosnia and Herzegovina

After the Dayton Peace Accord, Bosnia and Herzegovina was divided into two multi-ethnic entities. In addition, present are international institutions and NATO forces, mandated by the UN Security Council to implement the Peace Accord. The current situation is characterised by both formal and actual existence of two armies: FBiH Army (Composed of Bosniacs, Croats and others) and RS Army (Army of Republika Srpska, composed predominantly of Serbs). The Federal Army (FA) units are placed in the area of the Federation BiH, being one of the entities, and the RS Army units are placed in the other entity. These units are not mixing, except in case of some coordination activities, realised through the Standing Committee for Military Matters (SCMM).[1] There is no joint command, and separate provisions regulate limited procedures for possible crossing of the army of one entity through the territory of the other.[2]

Currently, there are no major problems in implementing measures for building trust, agreed weaponry reduction, proportions of equipment levels, joint inspections, reduction of manpower, and even work in joint activities organised under umbrella of the international community. In the process of implementation of the Agreement on confidence-building measures and the Agreement on arms control, consequence of the Annex 1B of Dayton Peace Accord, 6855 pieces of heavy arms were destroyed. Bosnia and Herzegovina destroyed 4588 heavy weapons; out of these the RS Army reductions amounted to 2154, and FBiH Army reduction – to 2404 heavy weapons. Considerable results were achieved through implementation of the aforementioned agreements, as well as other agreements with OSCE and other international organisations.

However, today the armies of the two entities have not only different uniforms, insignia, parade steps, anthem, and other symbols of identification, but also different doctrines and training. As if they were armies of two different states, and not of one single state.

Principles of defensive planning in the Federation of Bosnia and Herzegovina

The Federation of BiH (one of the two multi-ethnic entities) is in the process of implementation of a model of deliberate and crisis planning,

as well as modern principles and techniques of planning, programming, budgeting and execution of the budget.

The conceptualisation of national security in the Federation originates in values (survival, freedom and progress) and is directly influenced by the internal (political, economic) situation and international environment (alliances-coalitions, international organisations, international economy system, technology). Accounting for the interaction of these factors, the Federation is currently establishing a security system comprising legislation, institution building, leadership and, naturally, budget allocation.

This comprehensive approach to security accounts for economic policy elements (monetary and fiscal policy) and international assistance, e.g. for defensive purposes through the Military Stabilisation Programme and bilateral agreements. Additionally, the defensive strategy of FBiH defines the structure, means and doctrine of the military. Combined with the still necessary presence of the international community, this contributes to the creation of atmosphere and state of security in the Federation.

Interaction and distribution of responsibilities among civilians and military shape the process of defence planning in Federation BiH. Civilians are responsible to provide guidance to defensive planning, to develop and/or authorise security strategy, plans, programmes, budget guidance and budget decisions. The military have the responsibility to assess military needs, to estimate the budget, to assess deficiencies of directives and to implement decisions of the authorities.

This distribution of responsibilities is one element of the realisation of the principles of democratic control and civilian oversight of the military. Furthermore, in Federation of Bosnia and Herzegovina, the Parliamentary Committee on Defence and Security, through its plan of operation, regulates the civil-parliamentary control over the Ministry of Defence and the Army, as well as over the Ministry of Internal Affaires and Police. Unfortunately, there is no single permanent committee on the state level for the issues of defence and security that could be used as an effective instrument of control of armed forces in both entities.

Yet fortunately, the process of democratisation and growing civil society facilitate transparency in defence. Freedom of press, access to data and decision-makers (albeit maintaining necessary confidentiality), provision of public information and the creation of the communication strategies assist the development of culture of openness and accountability, leading ultimately to increase of security and stability.

Defence planning, programming, budgeting and budget execution

Within the Ministry of Defence, a factor that contributes to transparency is the implementation of the so-called *Policy and Procedures for planning, programming, budgeting system and systems for budget realisation* (PPPBR). Developed by MOD with the assistance of international experts, this is a standard unified operational process where the budget emerges from the programme; programmes are based on needs; and needs are deriving from missions defined in the Security Strategy of the Federation. This policy document is a basis of the transparency measures implemented in the Federation. It allows the Federation to annually exchange military information with other OSCE countries and thus ensure a high level of international transparency. On the other hand, a project of public accounting (internal aspect of transparency building) is being prepared in both entities.

The Federal Ministry of Defence and the FBiH Army officially apply the principles and mechanisms set in PPPPBR since the year 2000. For the previous three years, with considerable international assistance within the Military Stabilisation Programme (MSP), experts and services have been trained to implement PPPPBR within the Ministry of Defence and FBiH Army.

PPPPBR is based on centralised planning, programming and budgeting, whereas realisation is decentralised. The defence planning system provides coordinated defence planning, and includes four basic interactive sub-elements: deliberate planning, crisis planning, planning of mobilisation, and planning, programming, budgeting and budget realisation.

Planning provides general strategy and plans, sets long-term objectives up to ten years in the future, specifies mid-term plans up to 5 years, and identifies politically and strategically sound force levels. The following documents are developed during the planning phase: Guidelines for Defence Planning (GDP), Army Plan, and General Defence Plan for Crisis Situations (GDPCS).

The defence *programming* system transforms the planning documents into a comprehensive allocation of forces, manpower, and funds for a five-year period. Programming distributes available manpower, funds and materiel by programme elements; translates planed risk into financed actions, balances planning needs in a programme using

alternatives and compromises, determines size of financed forces and acquisition opportunities.

The *budgeting* phase translates programmes into requests for resources. The budgeting of FBiH Army and MOD translates the first two years of the *Military Programme* into budget; consolidates programme budgets into one budget; prepares budget submission for the two first years of the programme elements; consolidates budget submissions; presents and justifies the consolidated budget to Parliament. Finally, the military budget is prepared according to instructions agreed with the International Monetary Fund and the World Bank, taking in the consideration the economic capacity of the state.

The *budget execution* includes personal and resource management. Resources, approved by Parliament, are spent on execution of approved programmes. The procedures include apportioning, allocating, obligating and disbursing funds. During this phase, MOD manages and accounts for assets, funds and personnel necessary to achieve objectives set in the programmes approved by Parliament.

International aspects of defence transparency

As UN member country, Bosnia and Herzegovina has accepted responsibilities in regard to standardised international reporting on military expenses. Member countries are bound to exchange information on their military budgets for the following fiscal year. Furthermore, member states of OSCE, during the negotiations on the new package of inter-complementary measures for building up confidence and security, accepted that these measures have to be based on detailed exchange of information on military forces and capabilities.

Bosnia and Herzegovina, being an active member of OSCE, has been respecting this obligation and is committed to support the efforts of the community in enhancing the quality and upgrading the procedures for exchange of information on defence budgets, defence policy, defence strategy and doctrines. Besides achievements in the area of funding transparency, realised through the exchange of information on budgets for the previous and following year, and rough estimate of defence expenditures for the two following years, Federation BiH shall provide the following information:

- Detailed and accurate explanation in case of any discrepancies between real expenditures and previously reported defence budget,
- Military Programme for the next five fiscal years with a breakdown for the categories of operational costs, procurement, and research and development.

As additional measure, FBiH (and hopefully Republika Srpska) will provide the necessary preconditions for audit of defence budgets, initiated by the international community. It will ensure full transparency of financing the military, accounting for all available funding resources and, in particular, the foreign assistance.

All these steps will ensure increasing transparency of defence budgeting of the Federation BiH towards the international community. Further, they will lead to harmonisation of the expenditure structure in accordance to international standards.

Thus, after restructuring the armed forces into a joint army of BiH, reducing the defence expenditure to the level of democratic states standards and reducing the armed forces to approximately 0.5-1% of total population, the country will meet preconditions for integration into the "Partnership for Peace" programme and, consequently, into NATO. This is the first priority strategic objective of the BiH defence policy.

Conclusion

Provoked by the tragic events in the Western Balkans, Europe and the world learned that a comprehensive approach and additional investments are necessary to achieve peace and security. The integration process in Europe received additional impetus. Now, as the philosopher Hegel said:

> We are standing on a doorstep of a significant époque, times of turmoil in which the spirit is heading forward with giant steps, transcending its previous form and taking a new one. Numerous beliefs from the past, ideas and links that were connecting the world, at his point are dissolving and falling like a dream. The new époque of spirit is forthcoming. Philosophy has to greet its arrival and recognise it, whereas the place of others, who are hopelessly resisting it, is in the past.

European and Euro-Atlantic integration is the key characteristic and necessity of the modern reality of political relations of Bosnia and

Herzegovina and South East Europe. There are no alternatives, and the only solution for the region rests in the creation of long-lasting and stable peace, leading to well-being and prosperity for the citizens of all SEE states.

Notes:

1. According to the Constitution of BiH, Article V, para.5B "...Members of Presidency appoint the Standing Committee for Military Matters, which will coordinate activities of the BiH armed forces. Members of the Presidency are members of the SCMM." *Dayton Peace Accord* (Sarajevo, Press centre of RBiH Army, 1996), p.56.
2. "... No entity shall threat or use force against the other entity, and under no circumstances armed forces shall stay on the territory of the other entity without previously obtained consent of the entity government and the Presidency of Bosnia and Herzegovina." *Dayton Peace Accord* (Sarajevo, Press centre of RBiH Army, 1996), p.56.

BULGARIAN DEFENCE RESOURCE MANAGEMENT SYSTEM - VEHICLE FOR TRANSPARENCY IN DEFENCE PLANNING AND BUDGETING

Dobromir TOTEV

Introduction

Since the early 1990's, the national security system of Bulgaria has been functioning in conditions radically different from those in previous decades. Democratic changes in Bulgaria, and in Europe as a whole, led to disintegration of the Warsaw Pact and raised the need for a new security strategy for the country. Bulgaria's membership in NATO, along with the membership of other countries from the former Eastern Block, was defined as best option for a number of reasons, elaborated in the new Bulgarian National Security Concept [1] (1998) and Military Doctrine [2] (1999).

In 1999, Bulgaria started a radical defence reform aimed at adapting the role of the military factor in the national security system and developing modern armed forces.[3] The intention is to create much smaller but more capable armed forces which are interoperable with those of NATO countries, to reform personnel management and the military education system to improve professionalism, to introduce an effective defence planning system, and to improve democratic control and civil-military relationships. These reforms will radically change the whole system of national defence, including the role of armed forces, to reflect political priorities, strategic circumstances and available resources.

Foundation of the Bulgarian Defence Resource Management System

The Plan for the Organisational Structure and Development of the Ministry of Defence by the Year 2004 [4] obligated the Ministry of Defence (MOD) to introduce an *Integrated System for Planning,*

Programme development and *Budgeting* within the Ministry and the armed forces. The expectation was that such comprehensive approach would allow for objective, effective and transparent allocation of defence resources, subject to civilian control. The integrated system spans a 6-year planning period and balances long-term requirements with short-term priorities. The programming phase—the nucleus of the integrated planning system—relates available and forecasted resources to defence capabilities, as well as long-term plans to budget. Furthermore, it attributes decision-making authority to the responsible and accountable persons and permits higher transparency of the planning process, making it open to civilian control.[5]

In the beginning of 2000, a team of experts from MOD and the armed forces drafted a "Concept for a planning, programming, and budgeting system within the MOD and Armed Forces" and "Methodology for development of programmes within MOD and Armed Forces." The process of their development included several phases of meetings, consultations, and discussions for coordination of the positions of main organisations with vested interest. Both documents were authorised by the Minister of Defence.

In the spring of 2001, based on the experience acquired in implementation of the first PPBS cycle, a working group reviewed the system and proposed improvements. The Minister of Defence authorised the new versions of the documents in May 2001.

These two documents set a sound basis for implementation of the Planning, Programming and Budgeting System within the MOD. In particular, they regulate:

- Functions, organisation and time schedule of all major activities in the process of planning, programming and budgeting;
- Place and role in the PPBS process of the main officials from the MOD and a number of consultative bodies such as the Defence Council, the Program Council, the Integration Council, the Council of Chiefs of Staffs, the Military Councils of the Services, the expert technical-economic committees, etc.

Additionally, this recently created Planning, Programming and Budgeting System sought to ensure long-term binding of defence resources with defence/military capabilities within a six-year programming horizon. It is compatible with the systems for planning in NATO and its member countries.[6] Conditions for effective civilian control are improved through increased transparency in the formulation

of the defence budget in implementing the requirements of the Bulgarian Military Doctrine.

Figure 1 presents the whole PPBS cycle and the relations among major planning documents, while figure 2 presents the main activities in planning, programming and budgeting and the PPBS timeline. GS denotes "General Staff of the Bulgarian Armed Forces." Figure 2 reflects the changes made in the PPBS in the first revision in 2001.

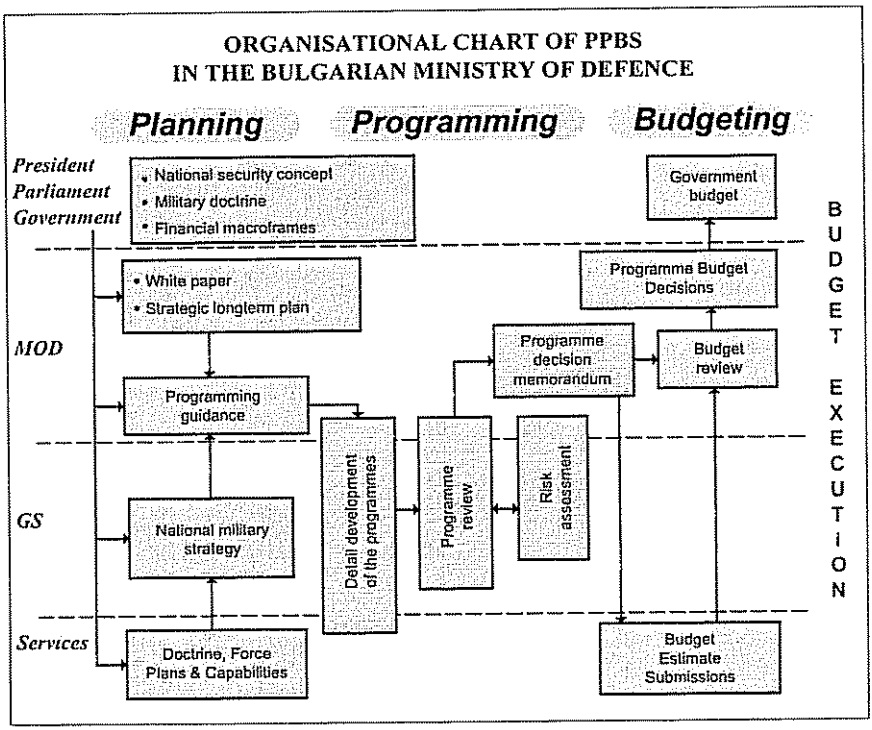


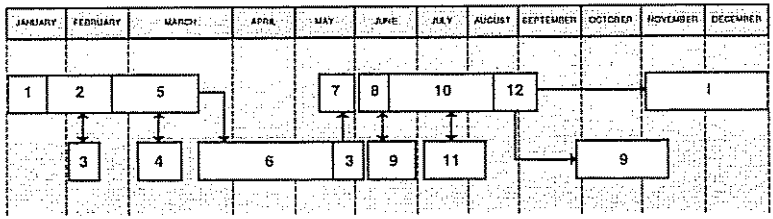
Figure 1: Major planning documents in the Bulgarian PPBS.

The accepted programme structure embraces the entire activity, resources, functions, and tasks of the MOD, the General Staff, services and units and allows to design the MOD budget on programme principles.

Each *main programme* is functionally divided in 'programmes.' Each programme consists of sub-programmes and, correspondingly, of

blocks of programme elements. Programmes may contain programme elements from different services.

PLANNING, PROGRAMMING AND BUDGETING CYCLE IN THE MINISTRY OF DEFENCE



1. Review of the budget implementation; Reports on the state of the services; Annual Report of the Ministry of Defence; Draft Annual Report on the status of defence and the armed forces
2. Preparation of Preliminary Programming Guidance on the basis of forecasted financial framework, changes in security environment, and tasks related to the implementation of long-term strategic plans
3. Modelling and System Analysis
4. Preliminary Programme Review cycle
5. Preparation of Programming Guidance, including objectives and goals to be achieved, i.e., the Partnership Goals, detailed programme structure, and financial guidance
6. Detailed programme design
7. Programme assessment and evaluation
8. Programme Decision Memorandum
9. Correction of the mid-term defence plan database
10. Design of the budget for next year according to the approved Programme Decision Memorandum
11. Budget assessment and evaluation
12. Approval of the draft budget proposal and its submission to the Ministry of Finance

Figure 2: Timeline of the major activities in planning, programming and budgeting.

The accomplishment of each of the negotiated NATO *Partnership Goals* is planned in a separate programme (programme element) in order to ensure that the agreed NATO Partnership Goals remain in line with *national defence* requirements, as well as within expected resource constraints.

After the end of the first PPBS cycle conducted in the year 2000, the Programming Council decided to reduce the number of main programmes from 21 to 13 in order to better focus the efforts. It is expected that this change will lead to a more efficient programming and, more importantly, will increase the accountability of the programme managers.

The main programmes of the Bulgarian Ministry of Defence are as follows:

1. Land Forces
2. Air Force
3. NAVY
4. Central C2 and Support of the Armed Forces
5. Bulgarian Participation in Multinational Formations
6. Education and Training
7. Security – Military Police and Counterintelligence
8. Security Through Co-operation and Integration
9. Quality of Life
10. Science, Research and Development
11. Administrative Management and Support
12. C4ISR Systems
13. Military Information

To facilitate the implementation of PPBS, the Ministry of Defence launched several parallel initiatives in order to:

- Develop all necessary regulations to fully embrace the process;
- Train the personnel involved in this activity, and particularly in the programming phase of PPBS;
- Motivate the personnel to implement the system;
- Develop an information system that fully covers the activities related to defence resource planning and management.

Additionally, new organisational structures were created to improve intra-ministerial coordination among the administration, the General Staff, services and other budget holders. For example, the creation of the J5 Directorate in the General Staff allowed to centralise responsibilities for programming within the armed forces. Likewise, the newly created directorates L5, A5 and N5 streamline the process within the services and enhance defence planning capacity throughout the defence establishment.

Lessons Learned in the Year 2000

Initial Implementation of PPBS

In the end of May 2000, the first "Ministerial Programming Guidance" was issued. The development of this first "Ministerial programming guidance" was hindered to an extent by the lack of

important long-term planning documents such as the "White Paper on Defence" and the "Military Strategy," that are currently under debate.[7]

For more precise resource allocation along programmes, a preliminary development of programme memoranda based on a financial framework along the budget holders was carried out. Initial re-allocation of financial quotas from budget holders to programmes was done after a *preliminary programme review*. This re-allocation became part of the programme guidance. In the future, with the improvement of the resource analysis system, introduction of methods for automated collection and renewal of the Defence Resource Management Model's database, and elaboration of reliable cost limits on infrastructure and equipment, it is expected to allocate programme quotas of financial and material resources primarily using system analysis and modelling.

During the year 2000, the programme review process was implemented at three levels: 1) service HQs and separate organisations within the MOD; 2) General Staff of the armed forces and MOD's central administration; 3) Program Council and Defence Council. The first "Programme Decision Memorandum" was approved in July 2000. The document served as a basis for preparation of the MOD budget for the year 2001.

After consideration in the Ministry of Finance, the Government changed some assumptions and budget parameters for the year 2001, in particular those related to the income policy for governmental employees. This change required respective adaptation of the defence programmes. Programmes were adapted during the so-called *reprogramming* phase. After deliberations at the Defence Council, the Minister issued "Guidance for updating the Programme Decision Memorandum 2001 – 2006" and requested preparation of Summarised Tables from the Programme Objective Memoranda. As a result of reprogramming, Bulgaria had the final version of the first ever Programme Decision Memorandum (PDM).

Problems and Flaws of Initial Development and Implementation of PPBS

The analysis of the first steps in implementing the new planning system allowed to identify drawbacks and opportunities for improvement of the Bulgarian defence resource management system:

- The Concept and the Methodology for Programming did not provide clear guidance on how to prioritise programmes and how to conduct the programme review;

- The development of alternative programmes did not bring sufficient value to the process. It did not provide opportunities to select an optimal alternative for the respective programme;
- The required tables describing the Programme Objective Memoranda did not present sufficiently accurate information for the resource needs. In order to prove the request for financial resources for a particular programme, a need for much more detailed explanation was identified;
- There was a lack of common cost factors and limits for personnel expenditures; maintenance of armament, equipment and infrastructure; operating costs for armaments and equipment. A necessity for a Manual of norms and limits for expenses of material and financial resources was clearly identified;
- The cooperation among programme managers at the corresponding levels was unsatisfactory;
- There was no information system to support the process of programming and the maintenance of the programmes' database.

Main Recommendations

After concluding the first cycle of PPBS, several main directions for its development were identified: Developing a package of documents and tables that facilitate the information processing and analysis; Developing of specialised software for the information system that supports the programmes' database [8]; Updating the database of the computer-based Defence Resource Management Model (DRMM); Training the personnel from the MOD and the armed forces, involved in the implementation of PPBS; Developing of Methodology for Budgeting; Developing of Cost Factors Manual; Consolidation of the organisational programming structures within the MOD, GS and Service HQs and formation of more or less stable programme teams; Developing of the System for Financial Management to allow accurate and timely account of financial resources spent on any programme; Using support from NATO member states for developing and improving of the defence resource management system.

The Procurement Plan of the Ministry of Defence will need to be integrated within the PPBS. On every level, procurement should be planned to implement programme objectives. Later, after approval of the Programme Decision Memorandum, programme managers shall clarify the detailed needs for materiel and develop plans for logistics support, construction, and construction services of the Ministry of Defence for the

corresponding programmes. After consolidation, these requirements will form the complete "Materiel Plan."[9]

The PPBS will be further improved. Priorities are: Programme Review; Budgeting; Risk Assessment. Those methodologies should cover each phase of the system's operation.

Second Cycle of Planning, Programming and Budgeting

During the first quarter of 2001 a new ministerial "Programming Guidance 2002-2007" was developed. The new programming guidance clearly defined the requirement to correlate tasks of the armed forces, force structure and resources. An approach with mission-oriented structure of tasks and capabilities was adopted.[10]

The Programming Guidance accounted for the much broader spectrum of missions of the Bulgarian armed forces in the 21st century. The armed forces are required to perform peacetime functions, non-military crisis management, to contribute to the internal security, to participate in multinational crisis response operations, in national and, in the future, allied collective defence.

Those missions are further split into 18 tasks. The armed forces are required to develop and maintain capabilities to solve this comprehensive set of tasks within forecasted resource constraints. This closes the cycle of objectives, strategies, missions, tasks, capabilities and resources. Thus, as an important element of the process of planning, implementation and assessment of defence and security related activities, the Programming Guidance made a considerable contribution to the transparency of defence resource management in Bulgaria.

Further, the Programming Guidance defined priorities as follows:

1. Restructuring of personnel;
2. Reduction of the quantity of armaments and equipment in parallel to the reduction of personnel;
3. Decreasing the number of positions at high command levels in accordance with the personnel strength and accounting for the status of the formations (active or reserve);
4. Improving the system for education and training in order to compensate for the reduction of the personnel strength through quality combat training. Special attention to be placed on language training;

5. Training according to the NATO standards for the units, designated for participation in peacekeeping operations [11];
6. Developing C4I systems (command, control, communication, computer and information systems);
7. Fulfilment of the set of Partnership Goals - DPG 2000.

The Ministry of Finance and the Ministry of Economics also provided input to the development of the financial section of the Programming Guidance. They developed a budget macro-frame forecast until the year 2010 with the basic indicators for this period – GDP growth rates, inflation, exchange rate, income policy, etc. Thus, the Programming Guidance took account of the national economic situation and prospects. There is no point in developing an ambitious security policy that the country cannot afford and then, much later, to have to reconcile a military "wish list" of required forces and capabilities with insufficient budget provision.

Following the provisions of this Guidance, programmes were drafted and costed. The draft programmes were reviewed in June. The final Programme Decision Memorandum was considered in drafting the budget for FY 2002. The programme memoranda also formed part of the final report of the Force Structure Review, conducted in implementation of PG 0028.

In the course of programming in 2001, the responsible organisations within the armed forces had to focus their efforts in order to:

- Clearly define the manning levels, quantities of armaments and equipment, level of combat training and resources necessary for implementation of missions and tasks defined in the "Programming guidance";
- Develop common cost factors for maintenance of armaments, equipment, and infrastructure. Use these cost factors in the programming process for consistent calculation of financial expenses for the respective units;
- Provide the necessary information to complete the database of the Defence Resource Management Model (DRMM) to allow modelling and resource analysis to increase efficiency of resource management and facilitate the achievement of the objectives set in the "Programming guidance";
- Accurately define the capabilities to perform missions and tasks and bind them in mid-term with the forecasted resource quotas;

- Further compile and maintain the databases of the DRMM and of the six-year programmes down to the level of programme elements.

From Programming to Budgeting

Based on the results from the programming phase, the budgeting process covers two related tasks. The first involves internal allocation of funds to individual sub-divisions of the MOD and the armed forces to be delivered in the first year of the programmes. The second involves externally reconciling the defence programmes with other Government spending priorities, usually in negotiation with the Ministry of Finance.

If the planning has been done methodically, involving all the necessary authorities, and if subsequently it has been possible to put together a sufficiently detailed and realistic programmes, then the work of preparing the budget should be very simple and, as a consequence, the budget officials' workload should be lighter.

The budget is the public statement of how the taxpayers' money devoted to defence will be spent. A key feature of democratic accountability of the Government is scrutiny and approval of the overall Government's spending plans as set out in its budget, and that includes the defence budget. The budget then becomes the key instrument for control, not only of external control of the MOD by Government and Parliament, but also of internal control by the Defence Minister and his/her senior officials.

The defence budget has been openly discussed and voted by the National Assembly (the Bulgarian Parliament) for the past ten years. Our vision is that some – hopefully not too distant – day Bulgarian parliamentarians will examine the defence budget proposal based on programmes rather than on allocations, thus having the opportunity to discuss and understand what it means in terms of defence capability to add to or subtract from the proposed budget. As a consequence, they will have the opportunity to exercise effectively their oversight function, supervising programme implementation and the achievement of the capabilities, for which through their vote they have provided the necessary resources.[12]

After the adoption of the Law on the State Budget by the Parliament, the process of practical distribution of the MOD's defence budget on programmes starts. It is crucial that one has an effective system for

monitoring individual elements of spending per year against budget plans to be able to take action against any under- or over-spending.

In practice, the whole procedure of developing the draft budget, its defence portion, distribution, making of spending, and their control is transparent and is in conformity with the democratic principles of management and control of the budget expenditures in Bulgaria.

Now the leadership of MOD undertakes decisive steps for introduction of a new system for management, spending of the financial resources, and defence expenditures' control. Introduction of rigorous monitoring of the financial resources is envisaged. In this way, the leadership of MOD will receive current operative information needed for preparing and making decisions.

Basic elements of the new approach toward managing financial resources in the MOD are:

- Implementation of a new financing approach: from January 1, 2000, the number of second level budget holders was decreased substantially (from 43 to 17);
- The process of gradual enlargement of the financial units that serve the structures of MOD was started;
- The existing five-level financing system was transformed to a three-level system;
- From January 1, 2000, preconditions were created for preparation and inclusion of the second level budget holders and the administrative structures in the system for payments through a common account of the Budget Planning and Management Directorate.
- Additionally, three basic ways to control of defence expenditures are implemented:
- Preliminary control by the "Budget Planning and Management" Directorate, commanders at all levels and financial structures;
- Current control by the "Budget Planning and Management Directorate," MOD's Inspectorate, commanders at all levels and financial structures. According to a separate plan, organisations outside MOD can conduct unexpected verifications;
- Follow-up control by the structures of the Audit Chamber and the "State Financial Control." The Audit Chamber of the Republic of Bulgaria performs independent control of the budget and other public means, thus guaranteeing public trust in the spending of funds and ensuring stable financial management in the country. The Audit Chamber continues the tradition of

budget control of the Supreme Chamber of Accounting, created by law in 1880 and functioning until 1947. The Audit Chamber reports for its activity to the National Assembly and informs the public of the results of conducted verifications.

International Co-operation in Promoting Defence Transparency

Working in the field of transparency and efficiency in formation of the defence budget, Bulgaria also promotes regional cooperation. At the session of the Working Table III (Security issues) of the Stability Pact held on 15-16 February 2000 in Saraevo, Bulgaria in close cooperation with the United Kingdom agreed to take the leadership of the Working Group (Task Force) on *Transparency of Defence Budgeting*.

The Bulgarian Ministry of Defence proposed its partnership to interested states and organisations. It announced its readiness to inform on and provide the already existing experience and expertise in defence resource management, to share resource management practices with all countries in South East Europe.

An initial seminar—"Promotion of Transparency and Democratic Decision Making in the Formation of SEE States Military Budgets"—was held in Sofia, 6-7 June 2000, in cooperation with the United Kingdom and a broad participation of the South East European states. This seminar sought to raise awareness among SEE countries of the need for and benefits from transparency of military budgets and to explore the scope of transparency.

On the base of a Non-paper adopted during the seminar, a new initiative was launched recently. The project "Transparency of Defence Budgeting" provides a means for the efficient management of the defence resources, increases the effectiveness of the civilian control over the armed forces, improves regional stability, and contributes to confidence building among the SEE states.

Under the auspices of Stability Pact Working Table III, the first joint meeting of the Multinational Steering Group (MSG) and the Academic Working Group (AWG) of the Initiative for Transparency of Defence Budgeting was held on 15-16 March 2001 in Vienna – Hofburg. The meeting was organised and hosted by the Permanent missions of UK and Bulgaria to the OSCE.

During the discussions a common understanding on the definition of transparency of military budgeting was agreed. The participants discussed and adopted the final text of a Project Paper, describing the aims of the Initiative. A Multinational Steering Group of the Initiative was constituted, including all countries and organisations represented at the meeting.

Conclusions

Using the experience of the USA, the United Kingdom, France, Germany, Canada and other NATO states, Bulgaria developed a system that implements modern principles of resource management. This system corresponds to the Bulgarian realities. It is obvious that we still have not reached the final, optimal solution. Our work on improving the system will continue simultaneously with the activities of its implementation.

The introduction of new mechanisms for resource management is driven by the implementation of Plan 2004 and the Membership Action Plan. This is achieved through focusing our efforts in priority areas and a clear understanding of the resource constraints.

Initially, the Bulgarian defence resource management system was designed to increase organisational efficiency and effectiveness in spending defence resources. It is largely an in-house tool that provides to decision makers a clear picture of the complex defence needs and resource constraints, thus allowing them to make faster and better decisions in a transparent manner.

The potential of the system, however, is much greater. That same picture may be used by the Council of Ministers, by the Audit Chamber, the Parliament and its Committees, by non-governmental organisation as representatives of the Bulgarian society. Thus the people, through their elected representatives in Parliament and other mechanisms of the civil society, may hold the executive branch accountable whether taxpayers' money is spent to the best interests of the nation.

Notes:

1. *Concept for National Security of the Republic of Bulgaria*, Adopted by the 38th National Assembly of the Republic of Bulgaria, *State Gazette*, no. 46, 22 April 1998 <http://www.md.government.bg/_en_/docs/ns.html> (25 March 2002).

2. *Military Doctrine of the Republic of Bulgaria*, Approved by the 38th National Assembly of the Republic of Bulgaria on April 8, 1999, *State Gazette*, no. 34, April 1999, amended by Decision of the 39th National Assembly, *State Gazette*, no. 20, 22 February 2002 <http://www.md.government.bg/_en_/docs/md.html> (25 March 2002).

3. Velizar Shalamanov, "Priorities of Defence Policy and Planning," *Security Policy*, no. 2 (1999): 3-21.

4. *Plan for the Organisational Structure and Development of the Ministry of Defence by the Year 2004*, Decree 199 (Sofia: Ministerial Council of the Republic of Bulgaria, October 1999).

5. Velizar Shalamanov and Todor Tagarev, *Reengineering the Defense Planning in Bulgaria*, Research Report 9 (Sofia: Institute for Security and International Studies, December 1998) <http://www.isn.ethz.ch/isis/> (27 May 2001).

6. The major difference is in the one-year planning cycle, while NATO uses two-year planning cycle. The reason to accept a shorter planning cycle is the higher level of uncertainty and insufficient experience. We expect that when the process mature, the transition to a two-year cycle will be very smooth.

7. The White Paper on Defence was approved by the Defence Council in early March 2002 and was sent to the Council of Ministers. A draft Military Strategy was approved by the Council of the Chiefs of Staffs in mid-2000. Its final elaboration will reflect the results of the "Review of Force Structures" conducted according to Partnership Goal G 0028.

8. For detailed discussion of the needed information support the reader may refer to Dobromir Totev and Bisserka Boudinova, "Information Support for Effective Resource Management," *Information & Security: An International Journal* 6 (2001): 138-150. <http://www.isn.ethz.ch/onlinepubli/publihouse/infosecurity/volume_6/b5/b5_index.htm> (12 February 2002).

9. It is important to point out, that procurement needs will be constrained already during the programming phase. The "Materiel Plan" is a short-term plan. It will present another "view" on the first future year of the PDM, where the precision is highest.

10. This approach and the set of missions and tasks are described in Todor Tagarev, "Prerequisites and Approaches to Force Modernization in a Transition Period," *Information & Security. An International Journal* 6 (2001): 30-52. <http://www.isn.ethz.ch/onlinepubli/publihouse/infosecurity/volume_6/f4/f4_index.htm> (2 March 2002).

11. That implies highest level of training. Under limited resources the rest of the units may train at lower levels.

12. Todor Tagarev, "Defence Programming – Crucial Link in Civilian Control," in *Defence Policy Modernisation and Security on the Balkans* (Sofia: University Publishing Stopanstvo, 2001), 86-96.

ELABORATING POLICY FOR TRANSPARENCY OF DEFENCE PROCUREMENT

Todor TAGAREV

Transparency is major tool of a democratic society to keep its elected representatives accountable for their policy and actions. Transparency is a challenging concept for post-communist societies with week, or even non-existent, traditions in holding governments to account. That is particularly true in sensitive areas such as defence, where myths and culture of secrecy prevail.

Nevertheless, we strongly believe that, even at moderate levels, transparency of defence activities, and in particular of defence planning, budgeting and procurement, facilitates the reform of the defence establishment in a post-communist society and has significant potential to increase confidence and trust among neighbouring countries.

Furthermore, transparency is indispensable both for the authorisation of comprehensive defence reform plans and for sustaining defence reform. In this process even rare examples of open informed debate on key defence policy issues have the potential to educate a post-communist society, to show what the stakes are, to raise societal awareness, thus leading gradually to a culture of transparency and increased public participation in the governance of the country.

This paper is focused on the elaboration of policy to assure transparent defence procurement in Bulgaria. Two main questions are addressed:

- What it means and what is required to provide transparency of acquisition decision-making?
- How to achieve transparency in the implementation of procurement decisions?

Defence procurement is examined in the framework of the overall Bulgarian defence policy. An accompanying article in this volume presents details on documents, roles and procedures, used in Bulgarian defence planning and budgeting.[1] Thus, the intention is to clarify how transparency of procurement may be assured in the framework of the processes of defence policy formulation and defence resource management.

Framework for Transparency of Bulgarian Defence Policy

The defence policy of a given country may be considered transparent if decision makers—the elected representatives of the people—are fully aware of and society is informed on the policy *goals*, existing and planned *means* to achieve the goals, and the *cost* of sustaining those means. A finer level of detail and, respectively, more transparent defence policy would provide an informed citizen with opportunities to assess various strategies to achieve the policy goals, alternative policy options, the cost and the risk associated with each option.

Bulgaria made a huge progress in that respect in the recent years. Under close public scrutiny and, sometimes heated, debate the People's Assembly (the Bulgarian Parliament) approved all major documents related to defence and security (Figure 1).

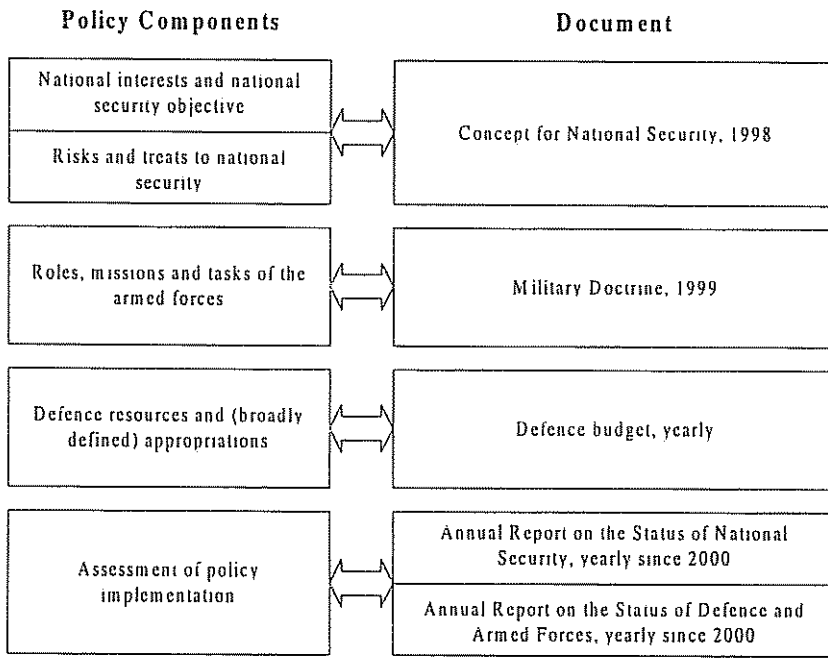


Figure 1: National security and defence policy documents requiring legislative approval

Table 1: Guiding and defence planning documents

Document	Status	
Constitution of the Republic of Bulgaria	1991	Approved by the Great People's Assembly
Concept for National Security	Apr 98	Approved by PA ♦
Military Doctrine	Apr 99	Approved by PA
Defence Reform Plan 2004	Oct 99	Approved by Government
Membership Action Plan	Oct 99	Approved by Government
First Annual Report on the Status of Defence and the Armed Forces [2]	Feb 00	Approved by MOD
Advanced defence resource management system (PPBS) and Programming introduced	May 00	MOD
First Annual Report on the Status of National Security	July 00	Approved by PA
National Military Strategy	Sep 00	Draft approved by the Senior Military Council
First "Programme Decision Memorandum 01-06"	Nov 00	Approved by MOD
Defence Budget Forecast till 2010	Dec 00	Approved by the Ministry of Finance
White Paper on Defence and Armed Forces[3]	Jan 01	Second draft was approved by MOD in March 02 and sent to the Council of Ministers
Forecast for the income policy till 2010; Forecast for major price indexes till 2010	Feb 01	Approved by the Ministry of Finance
Second Annual Report on the Status of National Security	Apr 01	Approved by PA
Second Annual Report on the Status of Defence and Armed Forces	Apr 01	Approved by the Government
Programme Decision Memorandum 2002-07	Jul 01	Approved by MOD
Updated Defence Reform Plan 2004	Dec 02	Approved by Government

♦ PA – People's Assembly (The Bulgarian one-chamber Parliament)

Furthermore, the introduction of *programming* at ministerial level gave a very essential boost to transparency of defence policy.[4] It allowed decision makers to relate national security goals to resources, as well as long-term plans to budget. More detailed chronological list of policy and planning documents is presented in table 1.

Programming allows to create a clear audit trail from national security objectives to taxpayers' money (see figure 2). Therefore, meticulous defence programming is crucial for making the process transparent to decision makers. The preparation of the budget[5] *as a result* of decisions made during programming would allow to translate the priorities of defence policy in practice.

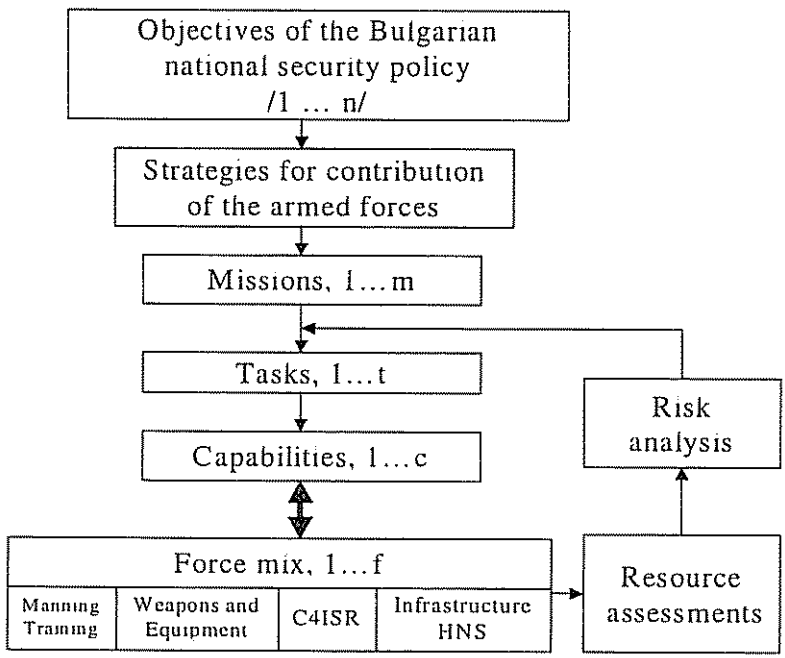


Figure 2: Defence and force planning framework.

Furthermore, the availability of formalised relations of the type "objectives-missions-tasks-capabilities (forces)-money-risk" provides a sound basis for informed debate on defence decisions both in Parliament and among societal representatives (NGOs, independent experts, media).

Finally, in the last three years we witnessed qualitative growth in the public discussion of defence policy issues. That was the case in relation to all major documents, presented on figure 1. Additionally, the preparation of the White Paper on Defence and Armed Forces was accompanied by previously unseen publicity. After initial top-expert level seminar, the Ministry of Defence published a volume with authored articles reflecting views from the whole political spectrum.[6] The draft version of the White paper was also published on the Web site of the Ministry of Defence prior to a series of six round table discussions – all of them open to the public and thoroughly covered by the media. The result is a much improved version of the White paper but more importantly, growing acceptance of the openness in discussing defence matters, increasing public participation, and finally, changing mentality and promotion of civil society.

Compared with the achieved level of transparency of the process of formulating defence policy *per se*, the transparency of defence procurement lags behind. Examining the elaboration of the policy for transparency of defence procurement in Bulgaria, we consider two main issues, respectively transparency of acquisition decision-making and transparency in the implementation of procurement decisions. Our analysis starts with the latter.

Transparency in Implementation of Procurement Decisions

The main regulative document in terms of implementing procurement decisions is the *Law on Public Tenders* (LPT), adopted by the Bulgarian parliament in 1999.[7] Subject to this law are procurement procedures of all state organisations, municipalities, universities and all other organisations using funds from the state budget.

The Law aims at increasing the efficiency in using taxpayers' money trough establishing transparency; implementing effective control of public spending; providing conditions for competition; and stimulating economic development.[8]

LPT applies to (1) construction, (2) procurement of items and (3) a very broad range of services, and is obligatory for cases costed above a

threshold value respectively 600 000, 50 000 and 30 000 levs (no VAT included).[9] Special provisions are made not to allow splitting one procurement case in several parts falling under the respective thresholds.

The LPT elaborates a procedure under the assumption that it will [10]:

- Guarantee publicity of the procedure and transparency;
- Provide free and fair competition;
- Provide equal opportunities for all candidates, including foreign companies or persons [11];
- Guarantee the preservation of market secrets.

Each procurement decision has to be publicly announced. It is included in a *Registry of Public Tenders* that is *public*.[12] It is published in the *State Gazette* and at least one additional newspaper. Although the Law does not require that, the information in the *Registry* is available on the Internet [13] and is updated regularly.[14]

Additionally, the LPT provides for sufficient time between the publication of the announcement and the tender itself. That time may be reduced if the tender has been included in the "List of upcoming tenders," published in the beginning of each year.

The Law sets minimum requirements towards the content of each announcement.[15] Furthermore, it requires that the criteria for assessing each bid are also announced.

Bids are examined if there are at least three competitive proposals. They are assessed by a commission. The commission is appointed after all bids are submitted. The members of the commission, as well as consultants, invited if necessary, are chosen so that there's no conflict of interest. Bidders may be present when bids are open.[16] All decisions of the commission are written down, and all bidders have access to the protocols.[17]

The whole documentation for the tender has to be preserved for a minimum of three years after the work according to the resulting contract has been completed.[18]

The Audit Chamber [19] and the state financial control organisations oversee the implementation of the LPT. Bidders are also allowed to file complaints [20] that are processed according to the *Law on Administrative Proceedings*.

The Law envisions three types of public tenders: "open," "limited" and "through direct negotiation" and defines strictly the conditions under which the latter two procedures may be applied.

The major exception from the implementation of the LPT, listed in its article 6, is for "procurements related to defence and national security

that are subject to state secret or its implementation require special security measures according to the current legislation in the country."

Initial organisation of the implementation of LPT in the Ministry of Defence was created with Ministerial Order from February 2000. Accounting for the one-year experience, that order was replaced by *Instruction # 1* from 7 February 2001.[21] The instruction assigns responsibilities to respective organisations in the Ministry of Defence and sets the rules under which article 6 of LPT may be used. In particular, it requires written statement from the authorised organisation in the MoD that the intended procurement "is a state secret according to the current legislation in the country."[22]

In addition to the law requirements, the MoD regularly publishes information on the upcoming tenders at http://www.md.government.bg/_bg_/ sales.html.

Meaningful is the fact that the development of the procurement related normative base is also transparent. A Draft Law on Amending the Law on Public Tenders was published on the Web site of the Bulgarian Government [23] and was subject of discussion among all interested parties.

This brief examination allows to conclude that the Law on Public Tenders provides a modern legislative foundation for transparency of procurement when public funds are used. However, broadly accounting for the potential sensitivity of certain procurement cases, that legislative foundation is not sufficient to provide for transparency of defence procurement. It gives the executive branch a degree of flexibility not only in using the "secrecy clause" (Article 6 of LPT), but also in elaborating rules and procedures for its implementation. Not surprisingly, instead as an exception, the Ministry of Defence applies article 6 in every major procurement, and non-transparent tender decisions are always distrusted.[24]

In the spring of 2002 the Bulgarian Government sent to Parliament amendments to the Law of Public Tenders. Although the proposal received considerable attention by the media and the business, the reference to secrecy was a relatively minor issue in the debate.[25] Major improvement is not expected at this stage.[26] Nevertheless, the available signs of understanding the relationship among secrecy, transparency, fraud and corruption, especially if paralleled by rising societal awareness, provide room for optimism.

Transparency of Acquisition Decision Making

In the last three years Bulgaria achieved noticeable progress in assuring transparency in the implementation of procurement decisions. This is a conscious, focused effort leading to increased accountability, competitiveness among suppliers and, thus, improvement of quality of service and the way taxpayers' money are spent.

To a certain extent, the potential of the new legislature has been used to increase transparency of defence procurement, in particular in procuring commercially available products and services. Due to reference to secrecy, though, transparency in implementing decisions to procure new or refurbish existing weapon systems and equipment is still very limited.

The major challenge, however, is to provide transparency of the acquisition decision-making process. If acquisition decision-making is not transparent, one can *lawfully* buy junk or equipment that does not fit declared military doctrine and strategy. Unfortunately, there are many recent examples when taxpayers' money was spent to upgrade equipment that does not correspond to legislatively defined security strategies and priorities.

Therefore, it is important to guarantee that not only procurement decisions are implemented in a transparent manner, but that the very decisions are transparent to decision makers and society, i.e., that they reflect the objectives of the national security and defence policy and are realistic in terms of required resources.

Acquisition decision-making may be considered transparent only if decision makers are fully aware and society is informed to the maximum possible extent of the relation between national security objectives, missions and tasks of the armed forces, required defence capabilities, quantities and capabilities of major weapon systems, and the cost to acquire and sustain those weapon systems. On a finer level of analysis, there is a need to increase our knowledge and know-how in:

- Mission analysis/ definition of mission deficiencies;
- Capability-based definition of operational requirements;
- Life cycle costing;
- Acquisition programme management;
- Acquisition risk management.

The framework is presented on figure 2, where the definition of "defence capability" is expanded to account for:

- Force manning levels;

- Operational and technical characteristics of major weapon systems, including expected availability (MTBF,[27] maintenance schedules, etc.);
- Training levels (implying good understanding of the cost of training using a particular weapon system);
- Required levels, as well as and sustainment cost, of stocks of ammunitions, spare parts, POL, etc.

To make that process transparent, the Bulgarian Ministry of Defence envisions the development of respective methodology, acquisition system and organisation. That includes the creation of a Modernisation Council (equivalent to "Defence Acquisition Board") of the MoD to manage the acquisition process. This Council functions in close co-operation with the Programming Council of the Ministry of Defence to assure that acquisition decisions reflect priorities of the Bulgarian defence policy and fit within budget forecasts.[28]

Another very important mechanism to guarantee transparent acquisition decision-making is through development of a comprehensive Modernisation Plan, subject to expert and public debate.[29] The Bulgarian MOD currently develops such plan on the basis of a *Force Modernisation Study*. Representatives of the national defence industry participated in that study, thus acquisition decisions and changes in the acquisition system were transparent to the defence industry community and other major suppliers of defence items and services.[30]

Conclusion

Procurement efficiency may be increased through refining the procedures for implementation of procurement decisions and training the personnel involved. Control mechanisms and mass media, including electronic media, already have played a fair role to provide transparency of defence procurement. It can be reasoned that with continued publication of procurement decisions on the Internet and the access to Internet becoming the norm for all interested parties in a couple of years, Bulgaria has a solid foundation for transparency of defence procurement.

The main challenge in increasing transparency in defence procurement is to provide clear understanding of the connection between national security goals and acquisition decisions. Also of great importance is the strengthening of the coherent and all-encompassing

programme-based defence planning, thus eliminating parallel planning processes leading to non-coordinated procurement decisions.

Two immediate steps of the People's Assembly may contribute greatly to the increase of transparency of defence policy, budgeting and procurement: (1) open Parliamentarian debate and sanction of the *Annual Report on the Status of Defence and the Armed Forces*; and (2) Parliamentarian debate of the draft defence budget, presented in the form of multi-year programmes, including acquisition programmes and projects, clearly relating policy goals to resource requirements.

We believe that with determined political leadership and educated administration, including defence staff, acting under close public scrutiny, Bulgaria will conduct transparent security and defence policy leading to a stable and prosperous democracy, part of a free Europe.

Notes:

1. Dobromir Totev, "Bulgarian Defence Resource Management System - Vehicle for Transparency in Defence Planning and Budgeting," in the current volume. For further details the reader may refer to Dobromir Totev and Bisserka Boudinova, "Information Support for Effective Resource Management," *Information & Security: An International Journal* 6 (2001), 138-150. <www.isn.ethz.ch/onlinepubli/publihouse/infosecurity/volime_6/b5/b5_index.htm> (12 March 2002).

2. The *Law on Defence and Armed Forces* in its article 32a requires that this report is sent to Parliament by the Prime Minister (the Head of the Executive branch in Bulgaria).

3. This will be the first Bulgarian *White Paper on Defence*. The expectation is that it will be "discussed" in the Bulgarian Parliament and may serve to define legislatively the main parameters of the Bulgarian defence reform: Stanimir Ilchev, MP, Chairman of the Foreign Policy, Defence and Security Committee, presentation to the Parliamentary Workshop "Promoting Effective Legislative Oversight of the Security Sector" (Sofia: Centre for European Security Studies, Groningen, and Institute for International and Security Studies, Sofia, 3-4 May 2002).

4. Todor Tagarev, "Defence Programming – Crucial Link in Civilian Control," in *Defence Policy Modernisation and Security on the Balkans* (Sofia: Stopanstvo Publishing House, 2001), pp. 86-96.

5. In Bulgaria, the Parliament votes one-year budget. The Fiscal Year starts on January 1st.

6. *Defence and Armed Forces of the Republic of Bulgaria: Public Debate* (Sofia, Ministry of Defence, July 2000). <http://www.md.government.bg/white_book/wb.html> (25 May 2001).

7. Law on Public Tenders, *State Gazette* no. 56 (22 June 1999).

8. Law on Public Tenders, art. 2.

9. Under the "Currency Board" Policy, 1 Bulgarian Lev is equal to 1 Deutsche Mark (roughly 0.5 Euro).

10. Law on Public Tenders, art. 9.

11. Law on Public Tenders, art. 5.

12. Law on Public Tenders, art. 11(3).

13. http://www.government.bg/bg/index.html <Registry of Public Tenders> in Bulgarian (25 May 2001).

14. Furthermore, the Registry provides information not only on upcoming tenders, but also on closed tender procedures and contracts already signed.

15. Law on Public Tenders, art. 22.

16. Law on Public Tenders, art. 33.

17. Law on Public Tenders, art. 44.

18. Law on Public Tenders, art. 35(3).

19. An organisation working for the Bulgarian Parliament. It is analogous to the UK National Audit Office.

20. Law on Public Tenders, art. 56.

21. The instruction was published in the "Bylgarska Armia" newspaper and is available in Bulgarian on the Internet at http://www.md.government.bg/_bg_/docs/a_instr.html (25 May 2001).

22. Law on Public Tenders, art. 49(1).

23. http://www.government.bg/bg/index.html <Registries> <Draft Law...> in Bulgarian (25 May 2001).

24. See for example Paulina Mihailova, Ilin Stanev, "Three tenders – three scandals," *Capital*, no. 15 (April 2002). In Bulgarian.

25. Paulina Mihailova, "How the State Spends Our Money," *Capital*, no. 12 (March 2002). In Bulgarian.

26. In April 2002, the People's Assembly voted a new *Law on Protection of the Classified Information*. It includes general definitions of what information should be regarded as classified, thus providing significant opportunities for interpretation by the executive branch. While the impact of the new Law on defence transparency has not been assessed so far, we can hardly expect improvement.

27. MTBF – Meantime between failures.

28. Details are provided in Todor Tagarev, "Prerequisites and Approaches to Force Modernization in a Transition Period," *Information & Security: An International Journal* 6 (2001): 30-52. <http://www.isn.ethz.ch/onlinepubli/publihouse/infosecurity/volume_6/f4/f4_index.htm> (12 March 2002).

29. Currently, such Modernisation Plan is developed by the Bulgarian Ministry of Defence. Outside experts from the Bulgarian Academy of Sciences and universities were involved in the preparation of certain parts of the plan, but the expert debate was kept 'in house.' We would hope that the Modernisation Plan will be sent to Parliament for approval, where it will be subject to legislative and, eventually, public scrutiny.

30. Tagarev, "Prerequisites and Approaches to Force Modernization," provides details on the goals and tasks of the Force Modernisation Study.

DEVELOPING DEFENCE TRANSPARENCY IN CROATIA

Tomo RADIČEVIĆ

Defence transparency and openness have become integral principles of modern democratic political relations in democratic societies, as well as elements of their security strategies. As such, they prove daily to be important factors of peace, stability and security at national and international levels. Therefore, efforts invested in further developing transparency and openness in any aspect of interrelations in any part of the international community deserves respect and full support.

The Republic of Croatia is a very young country. It achieved formal independence in 1992, and gained full sovereignty over its whole territory only a few years ago. For this reason, a process of establishing basic relations, learning, acquiring first experience and improving its first achievements takes place in numerous aspects of social order in the Republic of Croatia. One of these areas is undoubtedly defence. Unfortunately, defence was excluded from national sovereignty through the centuries. Hence, the process of establishing new relations and learning in this area is most intensive.

In relation to defence transparency—the basic theme of this book—there is a sound theoretical foundation for the development of this important area of social and international efforts in the Republic of Croatia. Furthermore, the practice of fulfilling international commitments and developing internal transparency is firmly established. However, there are still many deficiencies in this respect, as well as room for further improvement, especially at the internal political level.

Considering the situation in one society in respect to a certain issue, in this case - the transparency of defence activities and resource management, it is necessary to account for existing knowledge and practice. Such broad approach encompasses not only existing achievements, but also possible perspectives for improvement. For this reason, the first step in this chapter is to assess achievements in theory with respect to defence transparency in Croatian circumstances, followed by presentation of achievements in the most important practical activities.

Theoretical Approach to Defence Transparency Issues

The Republic of Croatia has a sound tradition as well as the necessary preconditions for scientific research in the area of national security, and particularly in the area of defence. For more than 20 years, a special Faculty of National Defence existed within the Zagreb University, enabling hundreds of students to graduate and earn Master's or doctoral degree. In the framework of the international military co-operation in recent years, several hundred students attended various schools in different countries. On the basis of the acquired knowledge and insight into the experience of other countries, they provided significant contribution to the development of a sound and adequate national expertise in this area.

In the last ten years, in respect to the development of research in the area of national security, the authorities made many organisational mistakes, some leading to failures. Fortunately, non-governmental institutions made significant progress, especially in the field of theoretical development of the defence transparency concept.

Currently, there are three respectable professional non-governmental organisations in the Republic of Croatia dealing with issues of national security and defence, including defence transparency. These are:

- *STRATA Research* - a non-governmental research organisation composed of university professors and other experts with intellectual interest in defence, and the armed forces in particular. It publishes the magazine "Polemos";
- *Croatian Defendology Society* - a non-governmental organisation composed of former students of the Faculty of National Defence, as well as other interested members, professionally dealing with defence matters;
- *Centre for Defendology Research* - a non-governmental organisation composed of scientists working on projects in the area of national security and defence. It publishes the magazine "Studies on Defence."[1]

The following section presents some of the Croatian theoretical achievements in regard to defence transparency. It is based mostly on contributions of the author of this chapter.

Concept of "Defence Transparency" and Its Significance

Transparency (and openness) within defence, particularly within military affairs, has gained more attention in the framework of political efforts directed at achieving peace, security and stability in modern conditions. In developed democratic states throughout the world and in certain international security organisations, this topic turned into the strategic element in strengthening individual security and shaping stable and secure environment. It also presents the central principle in developing a new security order based on concepts of co-operative, holistic and indivisible security throughout the world.

The term "defence transparency" is often used together with the term "openness," denoting identical or similar concept. However, the difference between the two terms is noteworthy; differentiating between them enables deeper analytical insight. In this work *transparency* is understood as allowing the domestic and international public to view solutions, decisions and steps taken by national institutions of a certain country in the area of defence. On the other hand, *openness* is the ability of civilian institutions of the same country, including the widest public, to influence these solutions, decisions and steps taken. Accordingly, national defence transparency has international and internal political aspects, while national defence openness is still a predominantly internal political category. Also, it should be stressed that transparency and openness have similar aspects in the frame of international defence institutions.

In different ways, transparency and openness influence international peace, stability and security. But they also influence the quality of work in the defence area of a certain country and support democracy, internal political stability and security. These influences can be studied from different aspects and through various methods – as a game between individual dependent and independent variables, but also within their mutual interaction. All influences are more or less indirect: transparency and openness create or impact certain independent variables which, in turn, act as factors on dependent variables. The whole spectrum of influences can be divided into positive and negative,[2] as well as internal and external political influences.

Some of the obvious positive influences can be classified according to their external or internal political influence.

a) Positive exterior political influences:

- Transparency enables clear starting positions in creating and carrying out multilateral international and regional activities in the area of confidence and security building measures; limitation of military potentials; disarmament; control of production and proliferation of weapons of mass destruction; arms trade;
- Transparency facilitates strategic evaluations and assessments of defence capabilities of a certain country by other states (especially within a region). It allows proper development of own security and defence. Furthermore, transparency—within the framework of a rational approach—represents a factor which discredits aims and attempts of one-sided achievement of individual security interests and goals at the expense of others;
- Transparency facilitates understanding of the defence concerns and problems of a certain state by other states, contributes to the understanding of their solutions and promotes the development of mutual trust;
- Defence transparency allows predictability in the military aspect of security. Under transparency, the possibilities for emergence of instability factors and aggressive policies and acts towards other states are reduced. Based on information regarding the defence of a particular state, and using additional information, strategic planners in interested states can see "early warning signs." Thus, in a timely manner, they may initiate appropriate countermeasures and requests for specific explanations and corrective actions through international organisations;
- In conditions of national defence transparency, states may mutually influence the quality of concepts. Also, strategic planners may "learn" from each other in the spirit of "good will" support and expectations;
- In every state with an adequately arranged defence, transparency contributes to strengthening respect towards its defensive potential among possible opponents, but also among current and potential allies. In this way, it contributes to the realisation of deterrence functions and to strengthening assumptions for construction of partnerships, allied relations, etc.

b) Defence transparency and particularly defence openness have numerous positive implications at internal political level. They are in accordance with general political principles immanent to a modern democracy, such as responsibility, availability and control of government. Transparency enables political, analytical and scientific

elaboration and discussions on defence matters, while openness allows their implementation in democratic political processes. Among all these influences, most important is to enable the political factors to put national defence under the control of democratic institutions of civil society. This directly contributes to the quality of work in the area of defence and strengthens democracy, internal political stability and security. Through their contribution in creating solutions and sound recommendations on defence issues, scientists and the widest democratic public create conditions for arranging defence and armed forces that account for the broad societal interests. Thus, they become component of political awareness of the widest political factors, including those that will be decision-making positions in the future. Objectively, it can be assumed that the creation of such conditions contribute to rational decisions on defence, making it adequate to the needs and capabilities of a state, reflecting at the same time security concerns of other international factors.

Methods of Achieving Defence Transparency and Openness in Modern International Relations and Modern Democratic Society

Theoretically, at least six ways or approaches of achieving national defence transparency on an international scene can be identified:

1. Collective agreements between groups of states or decisions by authorised multinational bodies on accepting certain measures of defence transparency, including instruments of implementation and verification, i.e. the OSCE agreements.
2. Bilateral agreements or declarations by states on measures for enlargement of defence transparency.
3. Informal agreements by groups of states to start moving towards acceptance of policies of defence transparency and openness, i.e. American and South Asian states.
4. Unilateral determination of individual states to pursue policy of defence transparency.
5. A special aspect of national defence transparency is developed with respect to bilateral and multilateral allied relations.[3]
6. Also, beside these "political" ways toward defence transparency and openness, numerous scientific and analytical institutions, which contribute to this effort, have been established in the

modern world. Among the well known ones are the Stockholm International Peace Research Institute /SIPRI/ and the American Control and Disarmament Agency /ACDA/.

Accounting for the complexity of the subject, only certain ways are further elaborated here. The focus is on methods that are considered most important for the countries of South East Europe.

Efforts directed at developing defence transparency and openness can be divided on an international (global and regional) and national level.

In the framework of collective arrangements, the most significant achievements in defence transparency and openness on a global level are associated with the Organisation of the United Nations (UN),[4] and on regional level - with the Organisation for Security and Co-operation in Europe (OSCE).

In the UN framework significant results have been achieved in the following area:

- Import and export registration of conventional weapons;[5]
- Standardising systems of informing on defence (military) expenditures.[6]

In the framework of the OSCE, a whole spectrum of mutually supplementing instruments for achieving defence transparency was developed. Most of these are already implemented. The OSCE defence transparency instruments are [7]:

1. Global exchange of information on command structures, units, armed forces personnel, main types of weapons and equipment (including forces throughout the world – units, surface ships, submarines etc.) [8];
2. Annual exchange of information on military forces, military organisations and personnel (including increase during exercises), weapon systems and equipment (including main technical characteristics and plans for their dissemination to units) [9];
3. Annual exchange of information on defence planning, aimed at transparency of long range and mid-range intentions of member states in the area of their defence policies, military strategies/doctrines, defence planning procedures, planning of the size, organisation, education and equipping of their armed forces and their defence (military) budgets [10];
4. Annual exchange of information on the implementation of the Code of Conduct regarding the political-military aspects of

security, which leads to transparency in new areas and aspects of national defences [11];

5. A questionnaire with very detailed information regarding the transfer of conventional weaponry, as well as information for the UN register on the import and export of the seven most important categories of conventional weaponry [12];
6. Transparency that has been achieved by way of directly strengthening trust between member states [13];
7. Oversight of forces and resources covered by agreements on limiting conventional weaponry [14];
8. "Open Skies Treaty" which, on the basis of reciprocity and depending on the size of member states, will allow free overflights with unarmed aircraft in order to gather information on military and other activities of states.[15]

Special type of agreements, which increase defence transparency for certain Southeast European countries (Croatia, B&H, FRY) are the Sub-Regional Arms Control Agreement [16] and the agreement on regional arms control within the framework of Article V.[17]

More developed democratic states have *unilaterally developed a spectrum of methods and ways to achieve defence transparency and openness*. One of these is the system of defence policy and planning documents through which transparency and, depending on procedures of their development and implementation, defence openness is achieved. These can be, for example: conceptual and program documents on national security, military strategy and defence doctrine adopted in the parliament and officially published, brochures and pamphlets on armed forces, annual reports by ministers (secretaries) of defence to parliaments, strategic defence reviews, defence planning documents, defence white papers and others. A common and essential characteristic of all these documents is their authenticity. Among them, defence white papers most credibly symbolise the means of achieving defence transparency and openness.

The second group of ways for achieving transparency consists of clearly defined and implemented defence planning procedures and processes for development of policy solutions. In a democratic society, these processes should include all levels of institutions, democratic authorities, political factors, governmental and non-governmental expert institutions and independent experts. In that way preconditions are created for synergetic contribution of intellectual efforts of various players; it increases the chances for development of quality solutions and

best use of defence resources. These procedures also enable the achievement of national consensus on basic strategic solutions.

The internal transparency within the defence planning and management system represents an important component of defence transparency. It can be achieved through implementation of internal information dissemination and reporting system to spread good work practices and achievements among defence institutions.

The consistent implementation of accepted international obligations with respect to the development of international transparency can also contribute to transparency at the national level, especially if it is connected with rules and means to inform the domestic public.

Two Major Aspects and Criteria of Defence Transparency

Although defence transparency has a general significance and nature, its deeper nature is a dichotomous. Transparency of all defence themes, from the standpoint of national and international interests, is not equally important and has a different purpose.

International Aspects of Transparency

Even though an increase in the number of themes contributes to a fuller picture of the defence of a given country, information on all categories is not equally important to strategic planners in neighbouring countries and countries in the region. Therefore this aspect of transparency may be analysed in a wide or in a more narrow sense.

In wider sense, transparency is important in regard to:

- Defence concepts;
- Role of defence/armed forces;
- Existing level of military capabilities, force structure and size;
- Projected level of military capabilities, structure and size of the armed forces;
- Plans for developing defence;
- Development programmes;
- Defence financing;
- Civil-military relations, especially democratic control over the armed forces.

In the narrow sense, the international community, especially policy makers and military planners in neighbouring countries and countries in the region, are primarily interested in existing capabilities of the armed

forces of a certain state, as well as in plans and programmes for their future development. These are categories that may provide basis for evaluation of potentials and capabilities, as well as intentions and probable actions of a certain state. These are significant factors to strategic defence planning in states within its region.

As one of the factors of strategic planning,[18] "defence capability" is a relatively stable variable. Radical change of defence capability requires significant efforts and time up to a decade or even more. In the event of such changes, and provided that adequate information is available, makers of strategic decisions and planners in neighbouring countries and the wider region have sufficient "warning time" to adapt their own strategic and planning decisions. Therefore, transparency of this category contributes mostly to the development of trust between states. Consequently, from international point of view it can be concluded that the realistic presentation of existing levels and especially future military capabilities are the minimal criteria for transparency of defence.

Internal Political Aspects of Transparency

From a standpoint of democratic development and with respect to domestic public interests, transparency is important in a much wider (even widest) scale of defence themes. Much more than the international public, the domestic public—the taxpayers—is interested weather or not defence resources are spent rationally, weather money provides adequate level of protection and defence of national interests. In this sense, the legitimacy of setting 'minimum transparency criteria' may be questioned. The domestic public, especially the taxpayers, deserve information on the widest spectrum of defence matters up to a 'limit' where it clashes with national security interests. But where is the optimum? It is possible to successfully define the level of "optimal transparency" through content analysis of existing defence white papers.[19] But this is only one possible criterion.

To evaluate overall defence transparency of a certain country it would be necessary to analyse all public policy and conceptual documents, contents of military periodicals, public relations, "defence diplomacy" activities and a series of other factors.

It should also be stressed that there are some categories or themes that are important for the defence of a state, and have not been and may not necessarily be made transparent in public documents.[20]

Croatian Practical Achievements in Defence Transparency

The practical achievements of the Republic of Croatia in the area of defence transparency can be described in the framework of the elaborated theoretical approach and the represented theoretical achievements. To this purpose, they can be examined in the *international* and the *internal-political* aspect of transparency.

International Aspect of Defence Transparency – Binding to Agreed International Reporting Instruments

In the framework of multilateral agreements on defence transparency, the Republic of Croatia regularly fulfils the accepted obligations on three multinational levels – UN, OSCE, and on the sub-regional level.

Croatia annually delivers, through the Conflict Prevention Centre of the OSCE, information on import and export of the seven most important categories of conventional weaponry for the UN register of conventional weapons. Due to limited defence budgetary resources allocated for military acquisition, and in particular for armaments modernisation, and the poor situation of the domestic military industry, which is not capable to manufacture products that would be competitive on the international market, this kind of report has resulted, for several years now, in a "null report".

Croatia annually delivers to the UN data on defence (military) expenditures in accordance with the standardised system and methodology.

In 1999, Croatia delivered for the first time the Defence Planning Document to the OSCE FSC (in accordance with the Vienna Document 1994). Croatia submitted its Defence Planning Document in 2000 as well.

After the establishment of the Croatian Disarmament Control Office in 1996, Croatia participates, through the OSCE FSC, in a global exchange of information and in annual exchange of information with all OSCE countries. Through this Office, the Republic of Croatia also regularly exchanges information on armament with the FRY and Bosnia and Herzegovina.

In accordance with the Sub-Regional Arms Control Agreement (Dayton Agreement, Article IV), the Croatian Disarmament Control Office conducts inspections with respect to fulfilling obligations of the

Agreement regarding the process of armament and credibility of information provided by the FRY and Bosnia and Herzegovina, and accepts inspections on Croatian territory. In line with this, from 1996 till 2000 there were 43 inspections accepted on 46 locations in Croatia. All the information exchanged and inspections and visits conducted through this Office are oriented toward implementation of the confidence and security building measures with the OSCE countries in accordance with the Vienna Document 1999. In total, 19 activities of accepting inspections and visits on Croatian territory were realised in the period between 1997-2000 (evaluation visits, inspections of specific area, air-base visits, unit visits and military exercises).

Croatia regularly fulfils the obligations of the OSCE regarding the annual exchange of information on the implementation of the Code of Conduct and political-military aspects of security.

Croatia expects to sign the "Open Skies Treaty" in the near future, and has been already involved in the preparatory activities for its implementation when this Agreement comes into force. It also regularly participates in talks on the Agreement on Regional Arms Control within the framework of Article V, Annex 1-B of the Dayton Agreement.

Based on all these facts it can be concluded that the Republic of Croatia regularly fulfils its international obligations, important for achieving transparency of its defence. In that way, all interested international factors acquire the appropriate insight into its existing and future defence potentials, available defence resources, the most important conceptual solutions, as well as security estimates and concerns.

In addition to fulfilling the accepted obligations on a regular basis, in many different ways Croatia allows the international factors to get insight into the condition of Croatian defence potential. For example, through the activities of bilateral co-operation, friendly partner countries exchange detailed information on solutions, conditions and processes within the defence system. The Ministry of Defence (MoD) provides briefings for the defence attachés accredited to the Republic of Croatia every three months, acquainting them with all current events in the area of defence. Moreover, representatives of other countries are regularly invited to seminars and conferences in the framework of the Partnership for Peace (PfP) Programme, where they receive detailed presentations on conditions and efforts invested into the Croatian defence.

As recognition for regular and appropriate implementation of the accepted obligation with respect to the Sub-Regional Arms Control Agreement,[21] the Republic of Croatia was assigned, under the umbrella

of the Working Table III of the Stability Pact for South-East Europe, a role of co-organiser and host of the Regional Arms Control Verification and Implementation Assistance Centre (RACVIAC).

RACVIAC - Regional Arms Control Verification and Implementation Assistance Centre

Croatia and Germany, as main donor nations, decided to establish the RACVIAC under the umbrella of Working Table III of the Stability Pact for South-East Europe to facilitate the creation of a climate of confidence and security by enhancing transparency, openness and predictability in the field of military security. RACVIAC provides a forum for regular dialogue and co-operation among regional states. It facilitates full and accurate implementation of arms control agreements by participating states, allowing common standards to be identified and leading to improvements in implementation. In addition, it provides an international forum for training of verification personnel. RACVIAC also encourages co-operation among regional states in other matters related to security policy.[22] The existence of this dedicated forum is a CSBM in its own right – transparency and co-operation can be expected to increase. RACVIAC will not interfere with national rights or obligations under various arms control treaties and agreements.

Until now, the objectives of establishing, structuring, staffing and organising the work in Centre have been achieved. RACVIAC has a simple and natural structure. It consists of two main divisions—a Division for Training and Verification and a Dialogue and Co-operation Division—and of a few support components.

Internal Aspects of Croatian Defence Transparency and Openness

As opposed to the regular implementation of the accepted obligations and high level of transparency at the international level, the Republic of Croatia faces a series of deficiencies in the area of internal defence transparency. Transparency of the decision-making process, in defence planning, military budgeting and procurement is still significantly falling behind the practice of developed democratic countries and calls for major improvements.

Transparency in Defence Planning

A consistent system of defence policy and planning documents, as precondition for achieving transparency, has not been developed yet. The present approach to defence planning is short-term oriented and based on a "crisis management model." Too often it results in poor decisions and inefficient defence management. Although drafts of all major planning documents exist, and the procedures for their adoption are quite clear, the majority of documents has not passed the appropriate verification procedures and are not available to the public or to experts.

There is a special *Committee on Internal Policy and National Security* within the Croatian Parliament (consisting of two sub-committees: the Sub-committee on Defence and the Sub-committee on Internal Policy) with defined authority and responsibilities in the area of defence. However, this body has not firmly overtaken its authorities with respect to strong parliamentarian control of defence planning solutions and procedures. Senior MOD officials do not regularly report to the Committee. It does not issue policy directives and guidelines. There are no discussions on planning solutions, or parliamentary investigations of certain events in defence institutions. One of the reasons is the inherited practice from the past, when only the President discussed and decided on defence issues. Although the role of the President was reduced in the recent constitutional changes, due to a delay in passing of the new Law on Defence and other laws, there is still no clearly defined authority or responsibility of the Parliament regarding these issues. Therefore, the Committee for Internal Policy and National Security does not have precisely determined authority. Particularly important is that there are no procedures clearly defining how Committee's decisions and recommendations take effect. So, this body has yet to discuss conceptual or planning document regarding Croatian defence.

Since the Republic of Croatia is clearly oriented toward development a strong parliamentary democracy, these issues will be discussed in details very soon. Then, the Committee on Internal Policy and National Security will most certainly undertake a more important role in the area of defence planning.

There is one working body at the level of the Croatian Government—"Co-ordination for Internal and Foreign Policy"—that has among its responsibilities the authority of discussing defence issues. However, this body has very broadly defined responsibilities, as can be referred from its name. It rarely deals with defence issues, in particular with defence planning, since there are other priority issues that require its

more immediate attention. One of the reasons for this situation is also the previously mentioned inherited "vacuum" arising from a very broad spectrum of presidential authorities with respect to the defence in the past. Since the Croatian Government has no special bodies or the appropriate expert services, it plays a minor role in defence. Major changes in this respect can be expected only after the adoption of new legislation in this area.

Prior to the constitutional changes, the Croatian President had extensive authority in the defence area, including the authority in defence planning. However, these responsibilities did not have support of defence experts within the Office of the President. For this reason, a consistent practice with respect to the realisation of the President's role in the defence planning area was not developed. Namely, there are only two expert bodies connected with the institution of the President – the Advisor on Military Issues (only three persons), and the Military Cabinet (dealing more with operative issues).

Accordingly, we can conclude that there is no completely developed "political infrastructure" in the area of decision making with respect to defence planning which would provide adequate democratic control over the solutions, procedures and processes. For this reason, all important drafts of planning documents are still kept in the MOD and have not passed adequate democratic debate and verification. As such, they do not constitute an adequate foundation for decision-making on developmental programmes, distribution of the defence budget and military acquisition. Likewise, due to the lack of official and public planning documents and the underdeveloped procedures for their verification, the Republic of Croatia is still faced with the necessity to achieve national consensus on the most important long-term defence solutions.

The Republic of Croatia is developing a new, integrated defence planning system. In the broadest sense, it will encompass strategic, development and operational planning.

Strategic planning refers to the formulation of defence directives at the highest level of the national hierarchy. It will be of a long-term nature and will result in the development and adoption of strategic documents, i.e., National Security Strategy, Defence and Military Strategy and Development Plan of the Croatian Armed Forces (CAF).

Developmental planning refers to the creation of developmental changes in the Croatian defence system, which will provide the state with the capability and readiness needed to realise future roles and tasks outlined within the strategic defence planning framework. It is of a mid-

term nature and results in the following documents: Development Plan of the Croatian Defence System; Development Plan of the MOD and the CAF.

In both of these processes, the institutions of democratic governance, including the scientists and the civil community, will play a proper role. The expectation is that such broad participation will contribute to the quality of defence solutions and to the achievement of national consensus on strategic issues.

Operational planning refers to the ways and means of functioning of defence institutions during peacetime, in emergency situations and during wartime. It is illustrated by the variety of operational plans of all national defence-related organisations for emergency situations and war, and by the operational plans of other authorised institutions responsible for planning during wartime. It also encompasses the working plans of the national defence institutions.

A special aspect of the defence planning system is the so-called "*adaptation*" or "*adjustment*" planning. This planning defines pre-conditions and the framework for formulating and updating all defence plans. Two examples are the "*Annual Defence Planning Guidance*" and the "*Annual Defence Objectives.*"[23]

Along with the appropriate implementation of these solutions and realisation of the authority and responsibilities of civilian institutions, it is necessary to work systematically on the establishment of independent civilian institutions with competence in defence. The Defence Policy Department of the MOD advocates a spectrum of measures for co-operation and support, aimed at strengthening the expertise in this area with institutions and independent intellectuals. In the past, the Department organised a number of discussions on draft documents, developed in the Croatian MOD, i.e., on the MOD and CAF Development Plan, Law on Security Services, etc. Additionally, the Defence Policy Department organised three PfP seminars on democratic control of the armed forces and defence planning trying to gather all civilian experts, which deal directly or indirectly with defence issues. The Department invested significant effort in engaging approximately 20 PhDs, most of them university professors, as a permanent "national blue panel" to debate the most important defence topics. In 2001, the MOD, in co-operation with the non-governmental institution "DEFIMI" conducting research in national security issues, organised the international symposium "*Defense Transparency: White Paper on Defense.*" The reason for this type of co-operation are the outstanding

achievements of this NGO in the research of defence transparency, as well as the orientation of the Croatian Government—clearly defined in its Working Programme for the period between 2000-2004—toward publishing the first Croatian White Paper on Defence.

Transparency of Defence Budgeting

The development of the state and the defence budget is defined by existing legislative framework. The defence budget, proposed by the Government as a part of the overall state budget, must be approved by the Croatian Parliament, exercising its authority of control over all significant segments of the existing defence planning process. Accordingly, the state and the defence budgets are published in "*Official Bulletin*" of the Republic of Croatia, thus contributing to defence transparency.

The defence budget is presented in 30 lines, allowing in this way the broadest public to get insight into state spending. Although more of a formal nature, this requirement for transparency is satisfied. The process of drafting proposals and adopting the defence budget incorporates the following steps:

In July each year, the Ministry of Finance launches with a special act a process with all end-users of budget. The act comprises the basic elements of macroeconomic policy, the obligatory parameters for drafting the budget, the procedure and the timelines, and the general amount of funds for each budgetary user.

The Minister of Defence passes a decision, which regulates all technical instructions regarding the manner of drafting the defence budget proposal.

All organisational units compile a proposal (the list of needs) within their areas of responsibility.

The Sector for Finance and Budget of the MOD, in co-ordination with the Ministry of Finance, co-ordinates the amounts of budgetary lines between organisational elements, taking into consideration the overall limit for the defence budget.

The final proposal of the budget is integrated by the Ministry of Finance in the overall state budget. It is sent to the Croatian Government and Parliament, usually at the end of November.

The proposed MOD budget is drafted on the basis of the input (the requirements) of the General Staff of the CAF, analysis of the present situation, criteria of relevance and standards of spending, and goals determined for the next year. Since there are still no verified planning

documents, the arbitrary decisions of the Sector for Finance and Budget of the MOD play a major role in determining the internal structure of the budget play. In the most part, these are based on the "acquired positions" in the past years rather than on future goals and policy. The Croatian Government and the Parliament decide only on the total amount of the defence budget, but have no influence on its internal structure.

Decision making on defence budget is in fact given to the state administration and is not sufficiently transparent. Moreover, it is important to emphasise that with the current procedure, these decisions do not have a strategic foundation. They are not oriented toward the future, but rather toward the maintenance of present conditions. Obviously, this approach does not ensure quality management of limited defence resources and does not allow the realisation of "the best value for money" principle.

The MOD works intensively to improve the present situation and to develop Croatian version of the integrated PPBS system in order to harmonise security needs with strategic solutions and decisions on budget allocation. The work on the PPBS is finalised. The publication of precise methodological instructions (a manual) is pending. However, the PPBS implementation will call for a whole series of preconditions within and outside defence institutions.

Transparency in Military Procurement

Military procurement in the Republic of Croatia is regulated through a series of legal and sub-legal acts aimed at regulating procurement in accordance with national interests implementing "the best value for money" principle. The most important acts are:

- *Law on Procurement of Goods, Services and Contracting* - a general act which regulates the procedures for military procurement (that is not excluded by special decision of the Government);
- *Decision of the Croatian Government on exemption of the procurement of equipment for special purposes*, which gives the Defence Minister the authority to regulate the process the procurement of such equipment under special procedures;
- *Regulations on material equipping of the CAF*;
- *Conclusion of the Croatian Government on reports about the realised procurements* (which are subject to a Decision on exemption from the law).

In accordance with these acts, the process of military procurement is placed under MOD authority that in turn has to submit periodic reports to the Government.[24] In this respect, procurement is also subject to all kinds of controls and revisions by other bodies of the state administration. Sub-legal acts of the MOD regulate the process of military procurement, so it can be achieved through an "open bid" (the basic way), extension of a "previous bid," a "two-step bid" and a "bid by invitation, vetting and direct deal," which is co-ordinated with the types and values of goods, as well as with the market conditions. For all kinds of procurement procedures, in the framework of which the values of goods are higher than legislative limits, the Assistant Minister for Procurement has to establish a Special Commission composed of representatives of more MOD organisational units. The members of the Special Commission should ensure professional competence and legitimacy of actions. All parties that have offered goods and services have to be informed about the selection of the best offer.

Thus, it can be concluded that the MOD has complete authority of decision making on procurement. The Parliament and the Government have little or no authority or responsibilities with respect to regular military procurements, except for the above-mentioned quarterly reports submitted by the MOD and, of course, the possibility of control and revision. After the war, the Croatian Government abandoned the practices of emergency procurement from its "special resources." Therefore, main current problems of decision making on military procurement can be encountered in the planning phase, due to the lack of basic verified planning documents, which would assess the justifiability of the planned resources.

The described practice does not satisfy the demanding transparency criteria that should prevail in a society whose armed forces undergo intensive modernisation. Government and Parliament should play a much bigger role. Currently, less than 7 percent of the defence budget is spent to modernise the armed forces. But with the tendency to increase the amount of resources for modernisation, Croatia needs to increase transparency of defence procurement, correcting existing procedures and, eventually, introducing new procedures.

Conclusions

The Republic of Croatia has developed adequate practices in achieving transparency, in its international aspect, through consistent implementation of accepted international obligations. Thus, the international public—the strategic analysts in interested countries—acquire sufficient amount of relevant information on Croatian present and future defence capabilities, as well as on other important defence issues. Further progress can be made through improvement of the specific mechanisms of achieving international transparency through joint efforts of all countries that are signatories. Through development and publishing of its planning and policy documents, Croatia will in the future unilaterally increase the international aspect of defence transparency.

Internal defence transparency in the Republic of Croatia is not at the level of a modern and developed democratic society. Official public and policy documents available to representatives of democratic authorities, independent experts and the broadest public enable an insight into defence solutions. At the same time, mechanisms to evaluate practice and achievements of defence institutions have not been developed yet. The procedures of decision-making within the defence system are also insufficiently transparent, and the civilian institutions do not have appropriate influence on the most important decisions.

The Republic of Croatia has the basic preconditions to strengthen further defence transparency. There is also a sound foundation in theory, as well as expert understanding of the importance, ways and methods to achieve transparency. These views have been gradually encompassing the members of the defence establishment, politicians and media representatives, changing in this way their approach and resulting in pressure to increase openness on defence issues.

Notes:

1. In the framework of this Centre, a longitudinal project "Civil-Military Relations" was launched. It deals with research on the civil-military relations in a democracy, including the Croatian case. A number of doctoral and master's theses were developed in the framework of this project. A greater number of scientific works were published, including works on defence transparency, such as Tomo Radičević, "Defense Transparency and Openness as Factors of Peace,

Stability and Security," *Defendology* 1, no. 2-3 (September 1999): 6-14, and *Defense Transparency: Defense White Paper* (Rakitje, Croatia: DEFIMI, 2000).

2. Defence transparency and openness can have, conditionally called, "negative" implications on national defence. These relate to the disturbance of the integrity of its secrets and of the effectiveness. In the same way, they may discredit inferior, poorly organised and equipped defence, allowing exact comparison with sophisticated defence of developed states.

3. Since the security and defence of those states have been placed in relation to other entities, this case requires special analysis.

4. *Report of the Secretary-General on the Work of the Organisation – 1998* (United Nations, 1999). Resolutions of the General Assembly of the UN introduced the system for standardised reporting of military expenditures (A/RES/35/142B and A/RES/35/148); the UN register of the import and export of conventional arms (A/RES/46/36L); and endorsed the guidelines and recommendations for objective information on military matters (A/RES/47/54B). The Resolutions of the UN General Assembly are available on-line at http://www.un.org/documents/resga.htm.

5. UN member states are called annually to deliver to the Secretary General relevant facts on import and export of the seven most important categories of conventional weaponry. Additionally (non-obligatory) states are called upon to deliver information on their total military potential, acquisitions through national production and relevant policies.

6. The member states are called, annually by April 30, to deliver to the Secretary General an overview of their military expenditure for the last fiscal year for which there is available data. The overview is presented according to standardised instruments of international informing, thus enabling comparative analysis.

7. *Vienna Document 1999 of the Negotiations on Confidence- and Security-Building Measures*, FSC.JOUR/275 Istanbul, 16 November 1999. <http://www.osce.org/docs/english/1990-1999/csbms2/vienn99e.htm> (23 March 2002); *Global Exchange of Military Information*, F165EW17, Budapest, 28 November 1994 <http://www.fas.org/nuke/control/osce/text/GLOBALXE.htm> (11 March 2002); *Vienna Document 1994 of the Negotiations on Confidence- and Security-Building Measures*, FSC/2/95, Budapest, 28 November 28 1994, as supplemented by relevant decisions of the Forum for Security Co-operation, 17 February 1997. <http://www.osce.org/docs/english/1990-1999/csbms2/vienn94e.htm> (23 March 2002); *Code of Conduct on Politico-Military Aspects of Security*, FSC/1/95, Budapest, 1994 <http://www.osce.org/docs/english/1990-1999/summits/buda94e.htm> (24 March 2002); *A Framework for Arms Control*, FSC.DEC/8/96 <http://www.osce.org/docs/english/1990-1999/summits/lisbo96e.htm> (24 March 2002).

8. The member states are politically obliged to deliver information annually, by April 30, valid as of January 1 of that year. The submitted information is not subject to verification.

9. Member states are politically obliged to deliver information annually, by December 15, valid as of January 1 of the following year. They are subject to verification through evaluation visits and inspections by other member states.

10. Member states are politically obliged to deliver information annually (no later than 3 months after adopting their defence budget for the next fiscal year). Furthermore, they may voluntarily undertake a series of other measures for strengthening transparency in these matters, i.e., providing other defence and military documents.

11. Member states are politically obliged to deliver information annually on implementation of regulations of the Code of Conduct, beginning April 15, 1999. For now, there has been a coordinated exchange of information on 12 of 42 regulations.

12. Member states are politically obliged to deliver to the Conflict Prevention Centre (annually by June 30) a filled in questionnaire and information regarding the UN register.

13. These are: consultation and cooperation concerning unusual military activities and military accidents; voluntarily hosting visits from other states intended to explain military activities; visits to at least one air base in a five year period; a programme of wide spectrum of military contacts and cooperation; demonstrations of new types of main weapons systems and equipment (no later than one year after introduction); informing in advance of military activities which are on the level of engagement forces which undergo notification with an invitation for observing; annual calendar of military activities (by November 15, for the next year); limiting the number of military activities (exercises); and implementation of communications network among member states.

14. Treaty on the Conventional Forces in Europe - CFE and CFE –1A.

15. Although mediation on this agreement has not been formally carried out in the framework of the OSCE, it is closely linked with the organisation, through its philosophy of transparency and openness of military matters, and based on the Open Skies Treaty, which has been accepted by the ministers of CSCE states. For this agreement to take effect, a cumulative fulfilling of three prerequisites is necessary: ratification by at least 20 signatory states (27 states have already ratified the treaty), including Canada and Hungary which have been authorised to collect ratifications (fulfilled), and countries which are obliged to accept eight or more observation overflights (Russian Federation, Belarus and Ukraine have yet to ratify the treaty).

16. Dayton Agreement, Article IV.

17. Annex 1-B of the Dayton Agreement.

18. One of the basic variables taken into account in modern strategic planning is the status of existing, as well as the evaluation of future military

potentials in the narrower and wider region. However, the policy and strategy of every country, the status of international affairs and the security environment, may radically change (for better or for worse) in a relatively short period of time. Therefore, especially when taken individually, they are not reliable factors and criteria for strategic planning.

19. The analysis of existing defence white papers discovers the following 20 common topics: evaluation of international relations and security environment; concept of national securities/security policies; concept of defence policy; concept of defence (defence posture/defence strategy); roles of defence forces, required level of military capability; concepts of defence against armed aggression; elaboration and description of political activities on engagement in international defence cooperation; alliances and support for global security; existing military capability; defence planning; methodology of designing military capabilities and structures of armed forces; programmes for construction (modernisation) of defence; financing defence; personnel policies; education and training systems; military (defensive) infrastructure; defence industries; defence and science/technology; relations between armed forces and the community (civil-military relations, participation of the military in "untraditional tasks"). The analysis includes defence white papers of Australia (1994 and "Australian Strategic Policy" - 1997), Belgium (1994), Czech Republic (1995), France (1994), Finland (1997), Greece (1997), Japan (1996 and 1997), Republic of Korea (1994 and 1997), Republic of South Africa (1996), Canada (1994), People's Republic of China (1998), Republic of Macedonia (1998), Kingdom of the Netherlands (1991), The Kingdom of Norway (1998), New Zealand (1997), Federal Republic of Germany (1994), USA ("Report of the Quadrennial Defence Review" - 1997), Turkey (1998), United Kingdom (1994, 1996 and "Strategic Defence Review" - 1998).

20. Examples include: concrete evaluations of external threats to the state and evaluations of their internal security; evaluations and estimates of other countries (neighbouring countries, countries in the region, allied countries); data and evaluations on the status of combat readiness of armed forces; types and organisation of special military units; operational planning system; operational plans in possible situations (mobilisation system and plans, plans for operational use of the armed forces, action plans for emergency situations and others).

21. Dayton Agreement, Article IV.

22. Additional information is available at the official website of RACVIAC <www.racviac.org/en/index.asp> (17 March 2002).

23. The following institutions will be responsible and held accountable for the development and the authorisation of the respective defence planning documents:

- Government/Parliament – for the National Security Strategy;
- MoD/Government/Parliament – for the Defence Strategy;
- GSOS/Minister/President – for the National Military Strategy;

- GSOS/ Minister/President – for the CAF Plan;
- MOD/Government/ Parliament – for the *Mid-term Defence System* development plan;
- *GSOS/Minister/ Government/Parliament – for the* Mid-term CAF development plan;
- *GSOS/Minister/President – for* Operational plans;
- Defence Policy Department (Sector M1)/ Minister – for *the Annual Defence Objectives Guidance* and the *Annual Defence Planning Guidance.*

24. According to the *Conclusion of the Government*, the MOD has to submit reports to the Government on realised procurements that are subject of the *Decision on exemption from procurement*, and to give priority to procurement from domestic manufacturers on condition that they satisfy the requirements for quality, timelines and price.

DEFENCE TRANSPARENCY IN CROATIA – PROBLEMS AND PERSPECTIVES

Vlatko CVRTILA

In the last ten years, transparency has become one of the central values upon which the security system is built. All principal documents on security and stability in Europe, since the fall of the Berlin Wall up to these days, include transparency of the national security system as a value, an aim, a task, or in other words, a mechanism.

What is transparency? In positivist philosophy and classical liberalism, transparency is essential to the perfectibility of a subdued government and of public institutions. It helps to minimise the exercise of uncontrolled discretionary power through a system of appropriate rules. As a result, economic and public life is improved through the implementation of transparency, increased predictability, calculability, and participation. That makes transparency in public dealings progressive and desirable value and way of behaviour.

The "Code of Good Practices on Transparency in Monetary and Financial Policies" of the International Monetary and Financial Committee (part of IMF) provides a very useful definition of transparency. There transparency is defined as "an environment in which the objectives of policy, its legal, institutional, and economic framework, policy decisions and their rationale, data (related to the proper exercise of agencies' functions), and the terms of agencies' accountability, are provided to the public on an understandable, accessible and timely basis."

In 1998, in an article for the "Foreign Policy" journal, Ann Florini gave a very simple definition of transparency: "Transparency is an opposition to secrecy." Secrecy means hiding certain information and actions, while transparency means their public presentation. Furthermore, she claims that transparency is not an obligation, but a free choice of every government.

Stiglitz offered one useful and easily understandable definition. For him it is "another name for information." However, that approach opens numerous questions. For example: What kind of operational information? Information for whom?, etc. Clearly, there is no obvious

correspondence between information and transparency values. Secret information (privileged information) and insider information all may have high value but are not transparent to those who are denied access to these forms of information. Despite of the weaknesses of the definition proposed by Stiglitz, we can say that understanding of transparency in Croatia today is very close to his view.

Although transparency, as a mechanism, was developing during the Cold War in the western democratic countries in a reduced variant—mainly only through transparency of the military budgets—in recent years it has rapidly expanded to other components of the national security system. Transparency of the military budgets during the Cold War had a double function. First, internally, it presented to the public and the taxpayers the purposes for which considerable military budgets were to be spent, gaining in this way public support for the achievement of defence objectives. Secondly, on the international level, military budgets served for evaluation of military intentions of a certain state and so contributed to alleviation of security dilemmas.

Status of Transparency in Croatia

Having in mind both contents and function, transparency in Croatia may be observed on two levels: national and international.

On the national level, transparency is an expression of general principles upon which democracy is built: general public participation, responsibility, accessibility, supervision over authorities, etc. It should be stressed that on the national level it is hard to determine what can be and what cannot be transparent in Croatia. In this process, the Croatian authorities are always in a kind of straits between democratic necessity and tasks they should perform.

On the international level, transparency is connected with building confidence among states and partners. That is a very important element of the Croatian foreign policy. Liberal-democratic society tries to build conditions in which peace is predictable and the security dilemma disappears. Means to overcome security dilemmas are integration, community and confidence.

The problem of defence transparency in Croatia could be analysed also through two internal elements: existing documents ("vertical" transparency) and distribution of power ("horizontal" transparency).

The description of Croatian vertical transparency has to begin with the fact that till the spring of 2002—after almost ten years since the international recognition of the Republic of Croatia—there are no strategic documents like National Security Strategy, Defence Strategy, White Paper, etc. Calls and demands for transparency in Croatia today are primarily towards increased transparency of the state coercive instruments, that is army, police - the whole apparatus of the national security system, particularly on the inner level. The integration into the international community, particularly into Western democratic and cultural-civilisational sphere, implicates the transparency of modern national security systems as an essential mechanism in gaining the confidence of the international community. It also implicates the need for development and publication of principal national security documents in order to inform both the Croatian society and the international community on the goals and the intentions of the Croatian state.

What is the reason for the current situation? The events on Croatian internal political scene in the period from 1990 till 1999 had negative influence on the organisation of the Croatian armed forces, and the whole system for national defence. This process increased in intensity after the end of the Homeland War. The vast majority of a single political party (HDZ) in the structure of parliamentary decision, as well as the organisation of the semi-presidential system (which *de facto* functioned as some kind of super presidential system), allowed certain forms of politicisation in the armed forces and almost the whole security system. This was manifested in numerous dubious decisions, based on wrong perception and poor situation assessment.

The direct consequences of this situation were as follows:

- Unclear statement of national interests and goals, which made the formation and further development of security and defence system more difficult;
- Improvisations regarding defence policy; unclear areas of responsibility of certain elements of the security and defence system, which led to superficiality and dangerous improvisations;
- Promotion of inadequate or unrealistic decisions, e.g. wrong estimates of threats that could have led to inadequate defence preparations. Another example is the defence expenditure, which is inappropriate to the economic power of the country. It may also be seen as one of the possible consequences of wrong estimates;

- Inability to form a consistent defence policy; delayed and erroneous articulation of military strategy and doctrine.

The next significant problem that is influencing the defence planning and transparency is the insufficiently regulated relations among the main institutions in the national security system - President, Government, and Parliament. Not precisely defined authority in the area of national defence, along with problematic relations among the three institutions, created open political rift in regard to the proposals for new *Law on Defence* (expected to clarify the above mentioned issue), existing for almost a year. This problem was solved in March 2002 with the new *Defence Law*.

Perspectives for Transparency in Croatia

The calls for greater transparency in Croatia express and promote shifts in the balance of power, and it is not from rulers to the people or to their representatives. There are calls for greater transparency in the activity of certain governmental sectors, i.e. defence, internal affairs, which are coming from politicians, journalists, NGO's, etc. But those calls are mostly influenced by political interests to make some sectors more open than others because the head of that sector comes from another political party. For instance, there is political clash between the two biggest political parties inside the ruling coalition (SDP-Social Democratic Party and HSLS-Croatian Social Liberal Party), which is particularly visible through the competition between the Ministry of Defence and the Ministry of Interior. Calls for greater transparency are seen as way to show how one or another governmental organisation functions. What is the result? Newspapers are full of "bad news" from both sectors. Croatian people could find out all about new employees in administration who are friends of officials, ministerial travel costs, etc. In fact, however, there is no real openness and transparency of both sectors.

It is well known that calls for greater transparency could be motivated by necessity to change or modify behaviour and the functioning of institutions. But there is no guarantee that new behaviour of institutions will be good or better. And if so, for whom? Is some information coming from governmental institutions valuable for the public or not? Recently, Croatian governmental organisations provided plenty of information to the public which, however, produced a wrong picture of transparency. The key Croatian political players used to keep

secret the information that may have been valuable for their political opponents (or one governmental sector—especially secret and intelligence services—keeps information which belongs by subject to the other).

That kind of behaviour occurs in Croatia and there are calls for greater horizontal transparency. For instance, during last ten years it was not possible to get information from other sectors inside of Ministry of Defence. When people from one sector asked for information and data their colleagues from another sector, they usually did not receive an answer or, when they did, the information was wrong or outdated. Today, there is very similar situation between the MOD and the Croatian Army General Staff. There is very visible misunderstanding between those agencies; both are used to keep information secret from the other side. There is real distrust between them and relations are almost adversarial.

The described situation in Republic of Croatia inevitably poses demands for fundamental reorganisation of the Croatian national security and defence system not only to eliminate its currently known lacks and inadequate arrangements, but also because of the adaptation to the new Croatian position in the region of Southeast Europe. Without adequate changes, Croatia will not be capable to meet its stated goals.

What could be even worse, without necessary reforms, including in the area of defence planning, and without solving the outlined problems in the Croatian national security area, Croatian national security agencies (MOD, Armed forces, Intelligence community) could become a threat for the future political and economic development of the country.

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DEFENCE DECISION MAKING, PLANNING, BUDGETING, AND PROCUREMENT IN THE REPUBLIC OF MACEDONIA

Vladimir GJORESKI

Defence transparency in Macedonia is limited. The Republic of Macedonia is still far from having established democratic control of its armed forces. Although some progress has been achieved in recent years, Macedonia continue to face major problems in terms of underdeveloped national security decision-making process, as well as deficiencies of the process of defence planning, programming and budgeting.

Defence Planning and Budgeting

The Constitution of the Republic of Macedonia and the Law on Defence serve as legislative basis for national defence and define its primary goals – to deter aggression, to defend the country in case of aggression, to join and harmonise international defence co-operation.

The Ministry of Defence further develops a defence strategy. After its approval by the President, it serves as a basis for planning in the Ministry of Defence and the military.

Macedonian MOD applies a continuous process of planning to relate short- and mid-term requirements to anticipated state resources. Plans may have one year to several year horizon, and serve to define necessary financial resources. Then, following a ministerial guidance, they are formed into a draft defence budget, submitted to the Ministry of Finance. In the Ministry of Finance, budget proposals from MOD and other ministries and departments are matched to the forecasted financial capabilities of the country.

During examination in Government the Minister of Defence defends the respective part of the draft state budget. After governmental sanction the proposed budget is sent to Parliament. During deliberations in Parliament and its committees, the Minister of Defence plays again an active role. He (or she) defends the proposed defence budget at hearings

of the Committee for Internal Policy and Defence, as well as in plenary session.

The Parliament votes one-year budget. It is treated as a public document and is published in the Official Gazette of the Republic of Macedonia.

During the budget execution phase, MOD is forbidden by law to make reallocation of money from one part (appropriation) of the budget to another. Further, it has the obligation and the responsibility to maximise defence capabilities within the resource framework, as defined by Parliament. Finally, the MOD submits annual reports on budget execution to Parliament and the other participants in the budgeting procedure.

Analysis of Defence Decision Making in Macedonia

First, the Macedonian legal system is still inconsistent and fails to provide proper mechanisms for regulation and control of the defence sector's functioning. Macedonian defence policy is being shaped in a very individualistic and personal manner. In all governments so far, the defence minister has been the main decision-making authority acting without any political control (neither governmental nor parliamentarian). In addition to this anomaly, the Macedonian armed forces—very closely linked to the Presidency—sometimes are between the hammer and the anvil because of the competing ministerial and presidential authorities.

Although efforts have recently been made in order to enhance democratic control of the armed forces (1998 White Paper, Commitments to the "Partnership for Peace" programme, etc.) practices are still very far away from the expectations.

Reasons for the lack of efficient and practical achievements could be the very short period of time since Macedonia has opened new democratisation processes in the defence sphere. Obviously there is an urgent need for education and training in this field too.

Furthermore, there are weaknesses of the legal system on the highest (constitutional) level. The Constitution of the Republic of Macedonia needs to be amended. For instance, constitutional provisions should contain substantial rather than vague declarative norms concerning policy-making and decision-making in the sphere of national security. On the other hand, the draft Law on Defence have made a step forward containing some provisions which could be a solid basis for introduction

and implementation of a modern planning, programming and budgeting system in the country.

On the societal level, studies identify a lack of regular communication between those on power and the civil society. Transparency is of essential importance for overall democratisation process in the country. Various forms of improvement of the current situation are possible, i.e., increase of the cooperation of the electives with NGOs or media representatives, development of transparent ways of communication such as publications, web pages, etc. In opposite, paradoxically enough, it seems that Macedonian authorities are far more transparent and open in their international communication with Euro-Atlantic partners than with its own citizens. And yet, it seems that in Macedonia it is still unclear which information should be treated as confidential.

The process of defence budgeting and procurement in the country have been determined by several crucial factors, such as: economic underdevelopment of the country, complete demilitarisation as a consequence of Yugoslav Army's withdrawal of all major armaments from Macedonia, the UN embargo on import of arms imposed over all Yugoslav successor states for years, equipping of the young Macedonian army only by foreign donations, which turned the country in a depot of out-dated armaments, etc.

In conclusion, Macedonia is a transition country that would need at least two years in order to set up and to implement a modern planning, programming and budgeting system that could work efficiently. International co-operation and exchange of know-how in this respect may provide a valuable contribution to this purpose.

MAIN STATE BODIES PROVIDING TRANSPARENCY OF SECURITY AND DEFENCE PLANNING IN ROMANIA

Constantin SAVA

After 1989, Romania fundamentally shifted its defence policy to a western-like model to respond to democracy values and market economy as well as to its pro-NATO option.

In the early 1990s, after a realistic assessment of the new domestic and international situation, as well as global political and military trends, Romania reached a clear vision of what the national security and defence system should generally look like. Building it, however, proved to be not so easy due to both objective and subjective reasons.

Firstly, the basis of security and defence mechanism had to be modified "on the run," facing difficult social and economic transition at the same time. Secondly, people naturally had different points of view on the concrete ways and methods to reform the security system. Therefore, this phase of the debate took rather long. In the third place, passing certain documents on security and defence through Parliament was very difficult, because there were many other priorities such as introducing laws for the newly democratic society and market economy. Forth, some of the methods to reorganise the military system proved not to be the best. In other words, even if the targets were clearly designed, the way to reach them was not so clear anymore. We did not know too well how to plan efficiently our defence and security, and how to use our human resources, material assets and finances in order to reach our goals.

These are just a few reasons illuminating the difficulties we faced in designing a transparent Romanian system for planning, programming, budgeting and evaluating forces, activities and resources within the security and defence fields.

Providing transparency to this process is also our commitment to NATO. The framework document of the Partnership for Peace, signed by Romania on the 26th of January 1994, includes among its goals "facilitation of transparency in national defence planning and budgeting processes."

Despite all difficulties, during the years Romania laid pretty stable legislative basis, including a large number of laws and other regulations important for planning defence and security. Even if there were no sufficient information on defence planning systems used in NATO countries, new documents were designed and introduced. In September 1991, The National Defence Supreme Council adopted "The Military Doctrine of Romania." Later, in April 1994, the same body adopted "The Integrated Concept on Romania's Security" and a new "Military Doctrine of Romania." However, these documents were not approved by Parliament. This was the reason the two documents did not bring the desired coherent security and defence planning system.

The efforts to develop a sound security planning system continued and, in August 1998, the Romanian Government issued Ordinance No. 52 on the national defence planning, modified later by Law No. 63/2000. It can be considered as the basic document legally regulating national defence planning. This law on the national defence planning established the concrete tasks and terms for the main state-bodies in charge of national defence and security planning and the main documents, which have to be prepared to this purpose.

According to the law, the basic document to plan national security and defence is the *National Security Strategy*. It defines status of security, estimating international security environment, identifying domestic and foreign sources of insecurity, establishing guidance and resources to defend major national interests. The National Security Strategy determines developments in mid-term (four years) and long-term. The President of Romania presents it to the Parliament. As a result of clearly establishing the framework for defence planning, the President presented to Parliament the National Security Strategy of Romania in June 1999. The latest National Security Strategy was approved by the Parliament on December 18, 2001.

Law No. 63/2000 on National Defence Planning also stipulates that in order to implement the Strategy on National Security of Romania and the *Governing Programme*, the Government presents *National Security and Defence White Paper*. This Paper establishes main goals and tasks of the bodies responsible to guarantee national security and defence, as well as the necessary human resources, assets and finances. Every new Government of Romania, in no more than three months after it receives vote of confidence, has to present for Parliamentarian approval its own version of these documents. In November 1999, the Parliament approved

the White Paper of the Government. Another—improved—version of this document is currently under discussion.

On their turn, ministries and the other public institutions in charge of defence, public order and national security design their own departmental strategies, programmes and plans, in order to put into practice the tasks defined by the *National Security Strategy*, the *Governing Programme* and the *National Security and Defence White Paper* of the Government. Departmental strategies are submitted to Government for approval within at most 45 days since the Parliament approves the White Paper.

Planning, Programming, Budgeting and Evaluation System (PPBES)

Based on departmental strategies, approved by the Government, the Minister of National Defence, the Minister of Internal Affairs and the heads of other public bodies in charge with defence issue their own *strategic planning guidance* or order. These include the fundamental political and military goals, principles and options. On that basis, specialised structures in the ministries and the relevant bodies plan the structure and capacity of the component forces, distribute resources, devise *policies* and *sector-specific programmes*. Planning guidelines and orders cover the same terms as the department strategies.

Furthermore, according to the strategic planning guidelines and orders, ministers develop their own *strategic* and *operational implementation plans*, as well as programmes for modernising and training the constitutive forces. Strategic and operational plans are designed, upgraded and approved according to specific regulations of each ministry or other public body with responsibility in defence. The programmes are designed on a four-year term, covering also longer horizons. They are approved by the Parliament, completed and updated according to their evolvement stage.

On the basis of the programmes for modernising and training forces, and according to the funds allotted through the state budget, the Ministry of National Defence, the Ministry of Internal Affairs and other public bodies design *annual plans* on modernising and training constitutive forces and *reports* on the stage of achieving previously approved programmes on modernising and training forces. Annual plans are approved by the ministers and, respectively, by the heads of the public institutions in charge with defence. *Reports* on the stage of programme implementation on modernising and training forces are presented to the

Government. The executive branch bares responsibility to implement in practice mid- and long-term programmes and annual plans.

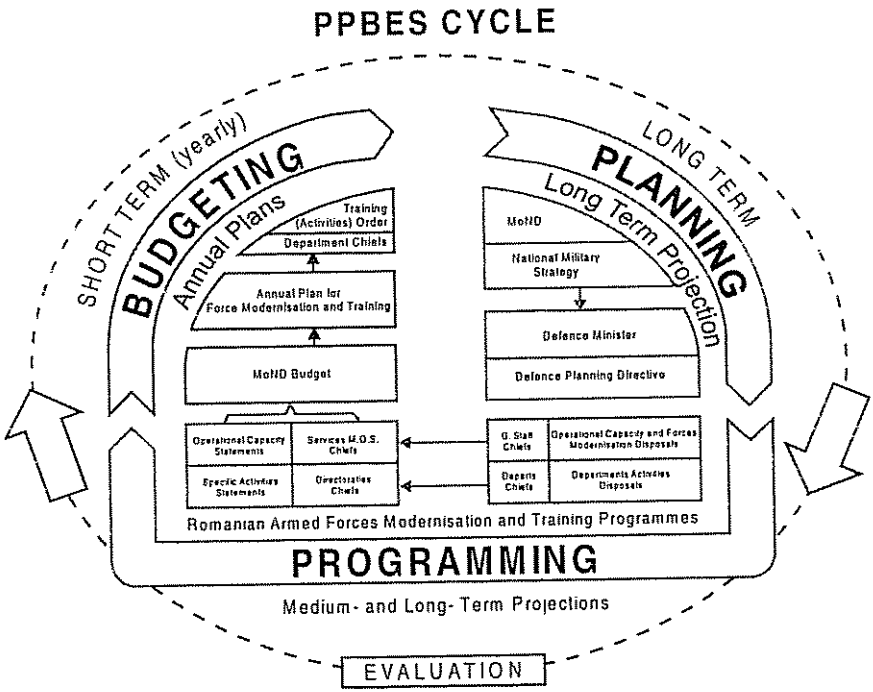

Figure 1: Cycle and major documents in the Romanian Planning, Programming, Budgeting and Evaluation System (PPBES).

The cycle of the Planning, Programming, Budgeting and Evaluation System (PPBES) is presented graphically on Figure 1. Its core functions are implemented within the Ministry of National Defence since 2000, administering the Armed Forces' human, material and financial resources. The implementation is based on the following principles:

- Any activity has to be included shall correspond to a mission;
- No activity is initiated unless the necessary funds are available (or expected);
- All activities displayed by the structures of the relevant ministry will be included in the *Programmes for modernising and training the Armed Forces of Romania*;
- Highest efficiency in using human, material and financial resources;
- Resources will be scheduled according to planned goals.

The new Romanian system of planning, programming and budgeting is compatible with similar systems of NATO member states. PPBES incorporates several important planning documents related to NATO accession preparation, i.e. the *Framework Action Plan for NATO Accession*, national *annual programmes* for implementation of MAP, etc. Further, it provides high degree of transparency of defence planning through presentation of goals, projected performance and efficiency figures, and allows to administer resources in an integrated manner. All this information is public.

The defence budget is the main tool to determine size, performance and efficiency of the Armed Forces. Its main parameters are public. The evolvement of the Defence Budget needs to account for how the Armed Forces restructuring goals—stipulated by the White Paper of the Government and the Military Strategy—will be reached. In this respect, the projected budget for 2007 is 1,190 million USD, compared to 710 million USD allotted for the year 2000. This is only one of a multitude of examples on the real transparency achieved through multi-annual budget projections.

The strategy of resource allocation aims simultaneously at two fundamental improvements. First, funds will be allotted to cost-effective programmes contributing to the achievement of *Project Force-2005*. Means and programmes, which are no longer necessary, will be rapidly eliminated. Secondly, priority will be given to balancing resource allocations in the budget.

Various defence expenditures are planned according to precise goals. For instance, expenditures for the personnel are planned according to several principles, which are public. The principles of human resources management are: achieving a balanced structure of positions and military ranks; higher education for the military officers; renovation of the NCO corps; recruiting and selecting the right persons with good potential for the military career, etc.

Expenditures for operation and maintenance are calculated according to criteria stipulated by the White Paper, such as: procuring at least 90 percent of the needed armament and military equipment and 80 percent of the necessary maintenance and repairs; 80 flight hours per year should be provided to each pilot and 240 navigation hours to each sea or river ship, etc.

Resource allocations will be closely related to the budget envisaged for the multi-annual planning process. This process includes two phases. The first phase (2000-2003) is focused on directing resources towards the

restructuring of operational forces at the minimum requirements for a credible and interoperable defense. The second phase (2004-2007) will focus on modernisation of combat equipment. The phases of this process are interrelated, and their deadlines may be changed if additional funds are allocated.

The 3rd Cycle of the National Annual Plan, dedicated to the preparation for joining NATO, benefits of the politically engaged financial support, so that the defence budget will be maintained at a level of at least 2 percent of the GDP. In a growing economy, in 2001 the defence budget was 2.56 percent, and 2.48 percent of GDP in 2002.

Integrated procurement management system

The integrated procurement management is also transparent. The system for managing procurement provides clear regulations and procedures to establish priorities on the need of resources and coordinates procurement. This system is operating on the principle of joint leadership, excluding the possibility for one single person to have complete control over the procurement process. Furthermore, the most important documents to regulate procurement management within the Ministry of National Defence—*Guidelines on Defence Procurement Management*—are non-classified.

In the field of procurement, the interaction between the two systems, precisely the requirements issuing and procurement management are granting a degree of transparency on "horizontal" level between various organisations. The General Staff of the Armed Forces and its subordinate organisations are in charge of issuing procurement requirements, while the Secretary of State and the Head of the Armaments Department are in charge of the procurement management system. Furthermore, a degree of transparency is achieved through cooperation between joint organisations, such as:

- Resource Planning Council, which establishes priorities in utilising procurement resources. It is headed by the Minister of National Defence;
- Requirements Surveillance Council, headed by the Chief of the General Staff, approves the documents on Mission Needs and documents on operational requirements.
- The Procurement Council, headed by the Secretary of State and Chief of the Department for Armament.

The integrated approach to resource management relates to the missions of the Armed Forces and takes into account the structural changes, as well as their influence on the military capabilities.

Oversight Mechanisms

The standing Parliamentarian Committees for Defence, Public Order and National Security, as well as the Committees for Budget, Finances and Banks will be more actively involved in the process of increasing the transparency of defence planning, procurement and budgeting. Since the MPs are engaged more deeply in debating important defence and security documents, the Legislative Forum provides more money to certain defence programmes.

The Romanian Government also takes concrete measures to involve Ministries more deeply in security and defence planning, especially through more active participation in drafting the White Paper. The government also examines draft decisions on military procurements. It further issued Ordinance No. 14/2001 in order to reorganise the Ministry of National Defence eliminating redundant functions and establishing clear division of responsibilities between MoND's main components. All planning activity, including planning in the General Staff, was concentrated within the *Division for Integrated Defence Planning*, subordinate to a Secretary of State, who also oversees the Department for Euro-Atlantic Integration and Defence Policy. At the same time, financial matters and human resources management for the whole Ministry were concentrated at the level of specialised Divisions. This Ordinance reorganised the Procurement Department of the Ministry of National Defence, which is now named, like in NATO countries, *Armaments Department*. It was further freed of certain responsibilities, which were not specific to it, i.e. managing medical support.

To promote transparency in defence planning, MoND intensified the relations with mass media, and set up a Defence Press Correspondents Body for journalists who will be intensively trained in this field and then authorised and accredited by the Ministry. Numerous civilian journalists are invited to participate in events organised by the armed forces, including some of the most important events in the area of planning, procurement and budgeting.

In summary, in order to enhance further efficiency and transparency of the defence planning system, MoND took the following measures:

- PPBES was perfected to allow the transition from the classical system of budget appropriations to *programme-base budgeting*;
- The General Staff developed and published a document entitled *Strategic Outlook on 2010* that develops the Military Strategy of Romania in mid- term, projecting the dominant elements and way of action of the armed forces up to the end of the first decade of the 21st Century.
- Defence Planning Council, Procurement Council and other relevant defence planning bodies were activated.
- A new general strategy on procurement was adopted. This was a joint decision together with other related ministries, so that the Armed Forces would work mainly with big companies.
- The manner in which procurement programmes in progress respond to the process of restructuring and modernisation of the Armed Forces is meticulously analysed.
- The "George C. Marshall" European Center for Security Studies, the US Institute for Defense Analysis (IDA) and other institutions organised several seminars on defence and security planning, attended by representatives of Parliament, Presidential Administration, Government, mass media, Ministry of National Defence, Ministry of Internal Affairs and other bodies with responsibilities in defence policy, planning, budgeting and procurement.

An outstanding expression of the transparency of defence planning is the publication of the main programmatic document through Internet, in several foreign languages. These documents on security and defence include the National Security Strategy, the White Paper of the Government, the Military Strategy of Romania, etc.[1]

Conclusions

As a result of the analysis of the actions of the main bodies, that are involved in Romanian defence system, we can draw the conclusion that in the twelve-year transition the political and military leadership of Romania reached a clear concept on how to go on developing our defence planning, procurement and budgeting. The most important thing of all is that we are in advanced progress of putting this programme into practice in an operational, institutional, coherent and *transparent* framework.

Notes:

1. The main documents related to security and defence planning and management are published also on the official sites of the Parliament of Romania <http://www.parlament.ro>, <http://www.senat.ro>, the Presidential Administration of Romania <http://www.presidency.ro>, Government <http://www.gov.ro>, the Ministry of National Defence <http://www.mapn.ro>, etc.

METHODOLOGY FOR TRANSPARENT DEFENCE PLANNING IN ROMANIA

Teodor REPCIUC and Raluca POPESCU

National defence planning is designed to establish the size, structure and manner of using natural, human, material and financial resources necessary to achieve the fundamental goals of national security and armed defence of the country. It includes programmes, actions and measures taken by Romania in the field of security and collective defence in the international cooperation framework and in the light of the commitment to the partner and allied states, as well as to the international organisations whose part it is.

The Ministry of National Defence (MoND) is planning defence on the basis of the stipulations of the Constitution and the laws of the country, of the *National Security Strategy of Romania* and the *White Paper of the Government*. There is a special law to regulate national defence planning, namely Law No. 63/2000, which modified the Governmental Ordinance No. 52/1998 on national defence planning.

Responsibilities in creating defence planning documents are established through the *Guidelines on planning, programming, budgeting and evaluating forces, activities and resources within the Ministry of National Defence*. All heads of the central organisations and other levels, down to the brigade level, have responsibilities in the implementation of the Guidelines. At ministerial level the Defence Planning Council, chaired by the Minister, establishes the general lines of defence planning and periodically estimates the status of implementation of main programmes and plans. The *Department for Euro-Atlantic Integration and Defence Policy* is in charge with the integrated defence planning. This Department includes a specialised body - the *Integrated Defence Planning Direction*.

The remaining part of this chapter presents main documents in planning, programming, budgeting forces, activities and resources prepared within the Ministry of National Defence. Interrelationships and the cyclic nature of their preparation are presented in the preceding chapter. Taken in combination, they present a sound methodology providing for transparent defence planning, budgeting and procurement.

The *Military Strategy of Romania* is a public document that estimates the status of defence, risks and threats to national security. It establishes the size, structure and manner of using the necessary resources for armed defence; establishes the structure of the forces, missions, and manner of organizing, training and effectiveness metrics, required logistic support and infrastructure in order to achieve the national security goals. It also establishes the concept of training and engaging Romanian Armed Forces in military action. Further, the Strategy stipulates the military measures necessary to respond to international cooperation, partnership and alliance commitments of Romania. It is signed by the Minister of National Defence and is submitted to the Government of Romania within 45 days after the Parliament approves the *White Paper*. The General Staff, in cooperation with the central administration of MoND, prepares the draft strategy. The document covers the same period of time as the *National Security Strategy* of Romania and the *White Paper on Security and National Defence*.[1]

The *Defence Planning Guidance* is the main document to plan forces, activities and resources within the MoND, authorised by the Minister of National Defence. According to the *Guidelines*, its draft is finalised by the Integrated Defence Planning Directorate and submitted through the Department for Euro-Atlantic Integration and Defence Policy to the Defence Planning Council, within 30 days after the Military Strategy of Romania was approved by the Government. The Guidance has the same period of validity as the Military Strategy of Romania. It covers fundamental political and military goals, guiding principles and options directing the specialised administration of MoND to plan the structure and capacity of the composing forces, to allot resources, and to prepare sector-specific policies and programs.

The *Planning Disposals* are issued on basis of the Defence Planning Order by the heads of the central structures of the Ministry of National Defence. They cover the validity period of the Defence Planning Order and are issued within 30 days after the Order was enforced. The Chief of the General Staff issues Planning Orders and Orders on the operational capability and force modernisation, while heads of other central organisations of MoND issue planning Orders to the structures subordinated to them.

The *Planning Specifications* are issued based on the planning disposals by the heads of other organisational levels, down to corps level. The deadline to prepare them is 10 days after the planning disposal is

enforced. Planning disposals and specifications are the basis on which the relevant structures prepare draft *programmes for modernisation and training the Armed Forces* and draft *strategic and operational plans to use forces*.

Strategic and operational plans to use the armed forces are prepared by the General Staff on basis of the *Defence Planning Guidance*. They include likely scenarios, missions to be performed in those scenarios, missions of armed forces categories for peace, crisis and war, ways for their practical implementation, distribution of forces and means to execute the missions.

The *programmes for modernisation and training of the Armed Forces* of Romania are based on the *Defence Planning Guidance*, the *Planning Disposals* and the *Specifications*. The Defence Planning Council prepares the list of programmes. Designed programmes are submitted to the Secretariat of the Defence Planning Council by the respective organisations within 45 days after the Defence Planning Guidance is approved. Starting from the brigade level, proposals covering a four-year time period are pushed from lower to upper organisational levels. Proposals are aggregated in sector-specific programmes training, infrastructure development, R&D, etc. Each programme has a Director appointed by the respective organisation. After authorisation by the Ministry of National Defence, Directors receive signed credentials.

The *Annual Plan for Modernisation* of the Romanian Armed Forces represents the section of the mid- and long-term programmes for modernisation and training, corresponding to the year for which the document is designed, and updated according to the evolution of the relevant programmes and the finances allotted to MoND. It is prepared concurrently with the draft MoND budget and includes activities to be executed in the next fiscal year. Proposals to the draft Annual Plan are pushed from lower to upper organisational levels, starting from the brigade level, reaching the Secretariat of the Defence Planning Council till 20 April of each year. The Defence Planning Council aggregates the draft plan at the same time with the draft budget. After the *Law on the State Budget* is approved, the Secretariat of the Defence Planning Council, in cooperation with the other relevant MoND organisations, finalises the Annual Plan, correlating activities to the funds allotted to the Ministry. Then, together with the distribution of budget credits to budget holders, the plan is presented to the Defence Planning Council. After Minister's authorisation, the Annual Plan is sent to all relevant MoND

organisations as an order. If the Law on the State Budget is not approved by the beginning of the planning year, the Department for Defence Policy and Euro-Atlantic Integration prepares, in coordination with responsible organisations, a 'minimal plan' for the activities in the first 15 days of the new year. This Plan is also supervised by the Defence Planning Council and approved by the Ministry of National Defence.

The *Draft Budget of the Ministry of National Defence* is prepared on basis of the costs stipulated by the Annual Plan for modernisation and training of the Romanian Armed Forces. Draft budgets are sent to the Defence Planning Council for oversight at the same time with the draft Annual Plan to train and modernise the forces, till 30 May of each year. The technical operations necessary to prepare draft budgets of MoND are regulated through Orders issued by the Minister of National Defence. These orders establish credit classifiers and their capacities in preparing, approving, executing and finalising the execution of the MoND budget. The MoND budgets are as follows: budget on the state financed expenditures; budget on extra-budgetary funds; budget on authorities subordinated to MoND; budget on the state social insurance; budget on special funds.

The organisation to enhance the degree of transparency in defence planning within the Ministry of National Defence is the *Department for Relations with the Parliament, Legislation Harmonisation and Public Relations*. It is tasked to harmonise defence regulations—including the planning regulations—to those of NATO and European Union member states. The public relations system is meant to inform the public on how the stipulations of the defence programmatic documents are carried out.

The methodology for national defence planning in the framework of the Ministry of National Defence of Romania is fully transparent and, hence, expected to enhance the efficiency in using human, material and financial resources devoted to defence. Transparency also facilitates Romanian efforts to fully harmonise the defence planning methodology with defence planning of NATO states.

Notes:

1. The elaboration of those documents is described in the preceding chapter.

FACTORS FOR TRANSPARENCY OF SLOVENIAN DEFENCE POLICY

Beno ARNEJČIČ

This paper presents the main factors for transparency of the Slovenian defence policy and highlights the interdependence with the concepts of civil-military relations and civil control. The main determinants of transparency of Slovenian defence policy model are the defence planning process; the democratic civilian control of the Slovenian Armed Forces (SAF); the legal and institutional factor; and the economic factor. The paper also suggests possible gaps for the transparency of the Slovenian defence policy in the future, based upon analysis of the current status quo of the main factors.

Defence policy and transparency

Defence policy in Slovenia is subject of both domestic and international effects. Domestic defence policy is influenced by the dynamics of international and political power. Defence policy is multidimensional category, connected to different activities of the security structure of the Slovenian State (economy, policy/diplomacy, ecology, defence etc).

Management science defines transparency in the following way:

> Transparency is the system capability characteristic to demonstrate by documentation all cause and effect relationships between system elements and its mission's results in meeting stakeholders (natural environment is included) needs, expectations, interests and applicable regulatory requirements.[1]

If we have transparent defence policy, then we are able to create confidence, credibility, and consensus among partners in domestic and international environment. Hence, the Johnson's statement that "Bad ideas spread more rapidly among ignorant then among the informed and good ideas spread more rapidly among informed then the ignorant." Therefore, transparency is a key ingredient to success in the implementation of the defence policy of the state.

The objective of defence policy of the Republic of Slovenia is to contribute to peace, stability and international security. It is important to achieve the necessary level of preparedness in order to participate in international peace and humanitarian operations and achieve interoperability between SAF and the armed forces of the NATO member-states. Intensive development through introduction of military standards and other requirements of connectivity with the Alliance military organisation proceeds following the *Work Guidelines* of the Ministry of Defence till 2004.

Defence policy provides co-ordination between civil defence and military defence and other parts of the national security system, especially economic and other areas. Slovenia will also ensure conditions for civil defence activities in international peace and humanitarian operations, including crisis prevention and crisis response operations.

Defence Policy and Civil-Military Relations

In "narrow sense," civil-military relations are the relations among Slovenian military and civil branches of the state authorities. In a more general sense, civil-military relations in Slovenia are also relations among civil society and state authorities and military in Slovenia. The practice of the civil military-relations shows that these relations have direct implication on Slovenian defence policy.

The civil-military relations reflect to a large extent the system of social and political order, specially in circumstances of the great social change as result of the transition of SEE countries from authoritarian to political systems of parliamentary democracy, lawful state, and market economy. The area of civil-military relations is particularly important to Slovenia because a state of war (a military conflict with the Yugoslav National Army in 1991) emerged in the country at the beginning of the transitional period. This happened in spite the fact that there was very strong movement for demilitarisation in Slovenia just before the war incident. Both civil-military relations and defence policy are linked with the concept of "defence policy community."[2] The national decision making and international relations are both filled with the noise of competing voices: individuals, groups, state organisations and global ideologies.

The Civil Control and the Defence Budget

"The economic security is more important then military security in this time."[3] Small sates have limited resources and need to be very careful how they spend public money. Defence money need to be under the control of the citizens' representatives, that means parliament. In the most general sense of the word, civilian control of SAF means control of the civil society over the activities and conduct of the military as one of the institutions of the state.

The defence policy community has to decide how much to spend on defence and how best to spend it. Different states produce different answers. The financial control, however, is part of the democratic control of the society over the defence expenditures. Defence budget is the vital element in each defence system. In the majority of the parliamentarian states, parliament allocates the finances for defence. Defence expenditure is one of the major governmental expenses in majority of states. Therefore, states create very precise instruments for control over the defence budget. A Ministry of Defence usually proposes the defence budget for the fiscal year and needs management system to facilitate the defence budget utilisation. This management "toolbox" has three parts, respectively planning, programming and budgeting.

Factors for Transparency of Defence Policy

Defence Planning Process

Defence and force planning are connected to the issue of civil military relations in the context of the following question: how to divide accountability between the administrative part of the Ministry of Defence and military authorities.

Defence planning process is the vital element inside the majority of MoD all over the world. The organisation of MoD of the Republic of Slovenia is subdivided into two main parts: civilian-administrative (bureaucratic) and military (hierarchical). Defence planning is one of the pre-conditions of the modern military professionalism and basis for the complex strategic decision making process. The Slovenian civilian defence minister is responsible to lead and to manage the defence planning process. The crucial condition to establish effective national security system and national defence system—as a part of national security system—is existence and harmonisation of basic documents in

the national security area. This is also an objective of the Membership Action Plan. Slovenian MoD started to create necessary national security documents. The Resolution on a National Security Strategy was adopted by the Slovenian government on April 19, 2000, and sent to approval by the Parliament. The Slovenian Government amends the Defence Strategy of the Republic of Slovenia. The recommended Draft of the National Programme for Protection against Natural and Other Disasters is under parliamentarian scrutiny. The Slovenian Government will sanction the draft of the Military Defence Doctrine, Civil Defence Doctrine and Protection and Rescue Doctrine. These are expected to determine all main points concerning communication process within the MoD.

Regarding defence and force planning in the future, the following starting points need to be addressed to provide effectiveness and achieve accountability between civilian and military part of the Slovenian MoD. The defence establishment in MoD should develop mechanisms to build consensus among all actors inside the defence system (professional solders, administration), as well as with outside partners (governmental officials, politicians, University experts, non-governmental organisations). Slovenian defence establishment should use cooperation as a "style" of leadership and management.

The defence establishment should execute defence policy of the state. Problems occur because the basic strategic documents concerning Slovenian National Security Strategy and Defence Policy are not yet tied with the process of the defence and force planning. According to the 1994 Defence Law, the Chief of the General Staff (CGS) is responsible for the readiness and all activities of the Slovenian Defence Forces, but there is no clear regulations concerning force planning accountability. The administrative part of MoD and the General Staff should develop common plan for the development of the Slovenian defence system. This plan should establish connection lines between defence sector and industry. Another common plan will take into account future education of the military professionals and defence experts.

Slovenian defence establishment already started to accept the theory, practise and methods of the collective management. One of the important principles of this theory considers responsibility (management, control) of the defence state secretaries over all administrative parts of MoD and the General Staff.

Democratic Civil Control of the Armed Forces - The Pragmatic Defence Policy Aspect

Democratic Control is one of the objectives in the PfP initiative that demands serious attention by defence policy-makers and scientists. In the Republic of Slovenia, civilian control over armed forces is exercised in the following areas: *legislative*, which is a foundation for the military's activity in society; *financial*, which is an instrument for the regulation of the military's activity; *personnel management*, which is essential for the development of the national security system.

Democratic control of the military has been laid down and executed as a fundamental political determinant in the organisation of the defence system and the national security system of the Republic of Slovenia. An important part of civilian control is the "civilianisation" of the defence sector, including in education and training of the officers. A significant number of Slovene officers have completed secondary school civilian education, which is specific to the transitional period in Slovenia.

Democratic civilian control over the Armed Forces in Slovenia is exercised through participation of the Parliament, the media, and the individual citizen as member of civil society. An important figure in exercising individual control is the *Ombudsman*, who is responsible for monitoring and human rights and their protection in the army and, broadly, in the defence sector.

The purpose of democratic civilian control over the institution of the military in the Republic of Slovenia is to establish balance between the civilian democratic institutions and the power of the military institution. The political-military aspect of control over SAF reflects the process of implementation of defence policy. It is necessary to ensure further co-operation between various Ministries and among the National Assembly, the Government, political parties and NGOs in the area of defence.

Extremely important factor in the Slovene defence policy will be the degree of fragmentation or concentration of political power in the area of defence. Several factors may hinder in the future implementation of the defence policy: economic and defence budget limitations, technological deficiency defence, lack of suitable model of military organisation, i.e., professional or conscription army, or a combination of both. Another a problem is the mobilisation capacity and efficiency of reserve forces. Further, Slovenia is dependent on the import of weapon systems and deficient in logistics capabilities. Particularly important will be the public opinion as an external factor influencing the defence system (interests of civilian groups, political parties, etc.).

Most countries in transition encounter the problem with the lack of expertise in the field of national security. Expert knowledge and science are those elements that can establish communication between individual institutions in the state: the National Assembly, the Committee for Defence, the President of the Republic, the Government, the Ministry of Defence. Defence establishment often approaches the tasks ad hoc, looking for quick solutions and often ignoring results of expert studies.

Independent expertise can play a special role in the defence sector. Channels of positive influence and trust should be built between the defence establishment and independent or dependent (on the state) scientific institutions, as well as between scientific institutions within and outside the defence system. This would provide a basis for fair expert co-operation, particularly important because military and defence sciences strive towards continuous study and presentation of innovation.

Institutional civil control of SAF is very strong and proceeds as an intertwining of the legislative authority, the executive authority, and the President of the Republic. The authority over the management and command in SAF is divided between democratic civilian institutions, thus providing conditions for the implementation of the democratic principle of balance of political power and control over the armed forces, which stipulates that the command of the armed forces in peace time does not lie exclusively within the authority of one individual. This means that neither the President, nor the Defence Minister, nor the National Assembly, nor any political party has the exclusive authority to command and manage SAF; rather, the authority is evenly divided between all of the listed entities.

The Legal and Institutional Factor

The Slovenian armed forces are a constituent part of the state's legal order, and are by no means a state within a state. SAF are a dynamic and equal partner in society, subordinated to democratic rules, thereby achieving legitimacy and legal status in the civil society. The government makes decisions about the Slovenian army's co-operation in performing duties assumed within international organisations. In addition to providing the forces for its own defence and for the future tasks arising from the country's full membership in the NATO, the Republic of Slovenia also provides forces and facilities for participation in international peace support and other crisis management operations.

Legislative and executive authorities and the President of the Republic jointly perform institutional civilian control over the military in

Slovenia. Political control proceeds through the legislative authority, i.e. through the National Assembly and its Committees. Main weakness of such control is in the insufficient training of those who implement it and in a functional deficiency of the legislation, which does not stipulate exact criteria and conditions of the control. The main question in Slovenia is how to regulate the relations between the General Staff and the Minister of Defence, the Chief of General Staff and the President of the Republic, and the Minister of Defence and the President of the Republic.

The Government performs another part of institutional control. It is legally bond to exercise control over defence in the areas of defence budget; personnel policy; management of service relations by means of rules and regulations; determination of rules to fulfil tasks for particular authorised personnel in SAF and in parts of the defence structures.

The government co-ordinates activities of the defence and finance ministries. Thus, it tries to balance between the powers in the adoption of the defence budget. A more visible role in this area in the future should be given to financial experts, specially trained in the field of defence (defence economists). Their task would be, through professional argumentation, to advise and persuade the legislative authority of the necessity for long-term planning (5-10 year horizon) and securing financial resources for defence.

In the future, the Slovene government should become more active in expert planning, control, and personnel management, including promotion policies. The Government appoints the Minister of Defence who is a member of the Government in charge of defence matters and accountable to the legislative authority - the National Assembly. The Slovenian Minister of Defence is civilian, which is one of the principles of democratic civil-military relations. He or she executes the state's defence policy. The main task of the Minister of Defence in any democratic government is to co-ordinate defence matters in co-operation with the Minister of Foreign Affairs and, if necessary, with other ministers. The Minister of Defence proposes nomination for Chief of the General Staff of SAF to the Government. The Chief of General Staff is responsible for combat readiness, operation and employment of all commands, units and technical agencies in SAF. He is accountable to the Minister of Defence.

Since the political changes in 1990, the civil control of the military has been secured through legislative acts, which have been very helpful in the development of Slovenian defence system forming the legal basis

for its functioning. On the level of legislative and executive control over the Armed Forces, an *Instruction on fulfilling the obligations towards the President of the Republic in the field of defence* was laid down.[4] The instruction specifies the obligations of the Ministry of Defence towards the President of the Republic as the supreme commander of SAF; conditions and procedures of informing the President; orientations for the (annual) plans of deployment of the Slovene Armed Forces; conditions and procedures of securing the appointment of the supreme commander of SAF. The instruction specifies also protection of the supreme commander, protocol matters between the President and the Ministry of Defence, and details regarding the appointment and functioning of the defence advisor to the President.

On the level of government, the *State Administration Law* regulates competence and responsibility. Article 140 in the *Rules of Procedure* of the National Assembly of the Republic of Slovenia regulates the competence of individual committees of the National Assembly authorised and responsible for the control over the SAF. The article does not mention individual committees, but refers to the working body. One of the functions of the working body is also to assess how appropriate is the legislation, particularly in comparison to other countries, and test the efficiency of the adopted regulations.

The Defence Economic Factor

The economic factor of the civil-military relations reflects defence related tasks of the state's economy. It is directed towards rational defence expenditure and distribution of financial means in accordance to governmental requirements. The military in the democratic system can spend only as much as it has been able to negotiate through its experts, and by means of argumentation supported by precisely developed financial plans. Defence expenditure in Slovenia represent considerable portion of the state budget and, thus, a very sensitive issue in public opinion.

The issue of expenditure will become more important when Slovenia joins NATO. Slovenia made a commitment to spend on defence percentage of the Slovene GDP equivalent to that of other members of the Alliance. Besides securing the appropriate defence budget, it is very important to ensure transparency, i.e. civil oversight the defence expenditure and the defence budget.

Conclusion

The purpose of this chapter was to highlight and analyse main transparency factors of the defence policy in Slovenia with the objective to identify possible gaps for transparency of the Slovenian defence policy in the future. Main transparency factors are the creation of rigorous defence planning process, the democratic civilian control of SAF, legal and institutional factor, and the economic factor.

These are some potential gaps for transparency of the future Slovenian defence policy:

- The degree of fragmentation or concentration of the political power in the area of defence.
- The future implementation of the defence policy will meet various obstacles: budget limitations, technological deficiency, and military organisation, mobilisation capacity and efficiency of reserve forces, procurement of military hardware. A particularly important element will be the public opinion influencing the defence system.
- The discord between the expertise in dealing with matters of national security and the institutions designing defence policy is too great. Defence institutions often approach the tasks ad hoc, looking for quick solutions and often ignoring results of expert studies.
- Insufficient training of parliamentarians exercising legislative control. Functional deficiency of the legislation, which does not stipulate the exact criteria and conditions of the control.

Furthermore, Slovenia needs to invest in the quality of the individual in defence, in particular in leadership and command personnel. And finally, defence and force planning issues should be among the main issues on the agenda of Stability Pact for South Eastern Europe, not theoretically but with strong practical orientation.

Notes:

1. In the definition provided by Stane Praprotnik, Counsellor to the Government of the Republic of Slovenia and expert on the defence planning and management systems in Slovenian MoD, *system elements* are leadership, strategy and plans, resources (human resources, organisational structures, money and other resources), processes and missions.

2. G.M. Dillon, ed., *Defence Policy Making, A Comparative Analysis* (Leicester, UK: Leicester University Press, 1988).

3. A. Smith, *Defense Economics: Reform, Restructuring, Realignment*, Conference Report (Garmish, Germany: G.C. Marshall European Center For Security Studies, 1999).

4. *Official Gazette of the Republic of Slovenia*, no. 64 (1995): 4974-76.

TRANSPARENCY NEEDS MORE IT AND NEW EDUCATION

Velizar SHALAMANOV

Transparency is key for democracy. It is practically the single most important factor for success in the security sector reform (SSR) in the former communist countries. In some countries military and special services, including intelligence and counterintelligence, were totally dominated by the communist party, controlled by Moscow. Some evolved into "state within the state," and in a number of cases – in "state over the state." Therefore, it is very difficult to change anything without opening the system, introducing new people and practices, increasing the interest of the society and making special effort to overcome prejudices and fears of the society in regard to the security sector.

The Herculean task of reforming security sector like that cannot be accomplished without transparency. Among the obstacles are:

- Legacy in legislation, administrative culture, social attitude;
- Considerable and well organised resistance of the security sector personnel;
- Lack of outside expertise;
- Sensitivity of the sector, resulting in prevention of deeper international cooperation;
- Lack of resource management tools, and resources, for newly elected governments, on one side, and significant "unregistered" resources available to security sector, on the other.

To achieve the desired level of transparency we need to understand its importance, to understand transparency itself, to find key instruments to achieve it while "balancing" between transparency and protection of classified information. Nevertheless, it is a national interest to develop strategy for transparency building in the security sector.

Why are transparency culture and practices so important?

Transparency is important as the only way to have informed public debate on security sector matters and to achieve, as a result, public

support. It is not a goal in itself, but a tool to achieve "security and stability" of the security sector and to prove to the citizens of a democratic country, also taxpayers, that it works in their interest and not for someone else. Transparency is the best tool against corruption and other law violations. It serves to protect the county and, very importantly, the citizens' interests. It provides sound base for effective civil-military relations and helps to meet key requirements for NATO and EU integration.

The promotion of transparency culture is inhibited because of the inherited high level of secrecy in former military and security systems, isolation of the security sector personnel from society up to forming a distinct "caste," limiting also the availability of outside expertise on security sector issues. Among further obstacles arising during transition are the following:

- Security services in the transition period use "their own" unregistered, thus unaccounted for, resources while legitimate management bodies tasked to oversee the security sector function under strict resource constraints;
- Traditionally very high dependence on former Soviet Union secret services and technology;
- Infiltration of security services' people in key political and economic positions;
- Too deep and rapid transformation in the security and defence environment while social problems detract societal attention away from the security sector;
- Extremely conservative educational system in the security sector area;
- Lack in implementation of advanced information technologies (IT).

What is transparency?

Transparency in defence and security is examined at least at three levels: availability of information on defence policy and its implementation; resources and personnel management, particularly budget management; acquisition and procurement processes, especially long-term procurement programmes.

Transparency on the policy level presumes availability of public documents such as concepts, doctrines, laws, plans and programmes,

white papers, annual reports, as well as mechanisms of societal participation in development and oversight of implementation of these documents. On the resource level it requires detailed information about resources and their link to the goals formulated in the policy documents, mechanisms for planning and programming, metrics to measure accomplishments and to compare with previous periods and other sectors. On procurement level, the main goal is to reach mature public-private partnership, to guarantee highest possible value for the public investments not only following internal priorities of the security sector, but in a broader sense.

It is not easy to measure transparency. There are two extreme points on the axis of transparency. On one side is *full transparency* – all is visible and there are no hidden decisions (which means no potential problems once decisions are made). But this is very expensive and slows down the process of decision-making. It may be vulnerable when it comes to certain national security issues. On the other side is the *full restriction to information*. It is not only difficult to achieve, but unacceptable for democratic rules of governance. Since only few 'dedicated' people will make decisions, competition will be eliminated. That will create internal tension resulting in great expenses, corruption and low effectiveness.

There is a need to identify *the right level of transparency* through legislation defining clear, publicly known rules; otherwise subjective interpretations will constantly create tension. An optimal level of transparency should be maintained objectively. It is not possible to write down every rule on access to information; the rules can be objectively implemented as result of balance between the interests of administration, society and business to ask for and to provide information effectively. That means that transparency can be measured as *level of effectiveness of administration* and the *level of satisfaction of civil society and business*. Transparency is 'right' when the administration is working effectively enough and, at the same time, civil society and businesses are satisfied with the performance of the administration. This can be measured only if the three 'players' are independent, i.e. that there is no element among administration, business and civil society that dominates the rest of the three.

Legislation alone and good wishes are not sufficient for transparency. Transparency is about relations among groups of people, about availability and communication of information. Therefore, transparency building needs adequate legislation, structures to implement

this legislation, especially civil control and parliamentarian oversight, but two additional factors are crucial to success in the current dynamic environment – well-educated people and modern information systems.

From what we have experienced, transparency building is very difficult if the bureaucracy is not mature enough; if there is no modern administration functioning according to clear rules, implemented by educated people, supported by IT applications and under political leadership and oversight. Transparency cannot be achieved in one step. Parallel efforts are needed in legislation, in education and selection of people and in introducing modern information systems.

Need for well educated people

Only people that can ask questions and people who can accept the legitimate right of society to know about security sector policy, its implementation, resources, effectiveness and efficiency, are prepared to provide transparency and to use the opportunities given by it. Unfortunately, people cannot be changed or re-educated in one day, and culture cannot be changed for ten years. Even if we have educated, or at least trained, people, if we do not use them effectively, transparency will not happen. Education includes at least three issues:

- Selection of the right people for education;
- Education itself;
- Assignment of the educated people in key positions to change the culture of the organisation of the security sector.

Education itself is very complex task and in transition it can be achieved by using parallel approaches:

- Send people to study abroad in prominent institutions. That started in 1992 with IMET.[1] Now Bulgaria benefits from large international education and training programmes with US, UK, France, Germany, Holland, Greece, Turkey, Spain, Italy, Portugal, Switzerland, Austria, NATO.
- Start deep reform in national security sector educational system, using tools of international cooperation, joint projects, using as teachers and to "train the trainers" significant number of people educated abroad. The National Security and Defence Faculty of the "Rakovski" Command and Staff College in Sofia is one god example.

- Arrange short training courses focused on new methodologies, new technologies and emphasis on lessons-learned to improve this training (language training is one of the most important issue in this respect). The Faculty of Interoperability of the same College is a right step in this direction.
- Establish a certification process that will guarantee high standard and measurement of the progress.

To be effective and efficient, selection and promotion systems need to be also transparent. That presumes effectiveness on the "second" level of transparency - resource management, in particular human resource management. Personnel policy that introduces objective assessment, connected with the implementation of legislation and other normative acts and the spirit of reform and transparency, will provide favourable environment to build transparency. Personnel policy based on "friendship," personal contacts, following "buddies" policy rather than institutional policy ruins the environment for transparency and morale in general.[2]

Need of modern information systems

Transparency is impossible without convenient access to reliable data. Nowadays, the two most important characteristics of the transition are speed and complexity. Without modern IT it is not possible to even track decisions made; even less so to analyse and synchronise them, to exercise oversight and control. Even well educated and motivated people cannot provide environment for transparency without effective system to publish data for public use in near-real time, following internal rules for protection of classified information. The introduction of modern IT is not a solution by itself, without reengineering of the processes and their optimisation accounting for the needs of transparency. Management of information resources itself is one of the most difficult processes to implement successfully.

From the point of view of transparency, one of the most important aspects of implementation of IT is to have integrated information, covering different aspects of the security sector at different levels. It is crucial to have opportunity to look at a whole picture, to use common operating environment. The best thing of IT implementation is that the opportunities for higher transparency (tracking what was, what is and forecasting what can be in future) come practically free of charge, as a

'side effect' of improving the overall management capacity of the institution through introduction of information systems.

At the same time the role of IT for transparency raises again the issue of educated people - only people with certain level of literacy in computers can work and use the opportunities provided by the new environment. So the third pillar of transparency after legislation and people is IT, but its implementation is dependent on legislation itself and educated people. Thus, a balance among the three new elements—legislation, people and IT systems—may give a chance for transparency.

The balance among administration, civil society and business in regard to information is regulated by three basic laws - for access to public information, for protection of personal data and for protection of classified information. We believe that in order to guarantee transparency and to materialise provisions of these three laws, there is a need for a *law for management of information resources.*

Dialectics "Transparency – Security"

Transparency is just to prove that security is needed for the security sector. The balance between "freedom of information" and "protection of information" is critical. Of course, different users have different access to information defined by levels of classification and the "need to know" criterion. It is up to IT specialist to find technical solution to protect sensitive information, to provide integrity of the information, convenient access for different categories of users and to assure this access.

Certainly, even after September 11, great amount of public information on security sector developments will be accessible through Internet, other news media, university courses, etc. This observation suggests that a system for extraction of public information from internal information systems of the security sector institutions needs to be very well developed and is, thus, crucial for transparency. There is another aspect of having "two pictures" – internal and public. Simply, the public picture can be less informative, aggregated, but not misleading, confusing, uncertain. And politicians are responsible to assure that the public picture is adequate to the internal picture of the security sector.

In the transition period, when the main problem is to overcome as soon as possible legacies from the past as inadequate and troublesome for the future, the level of transparency needs to be higher. This is a period, when areas outside security sector gain experience faster and

transparent partnerships with civil society and business are of vital importance for the security sector administration. This period needs radical changes in legislation, radical introduction of new educated people and intensive introduction IT as tools to increase transparency and to facilitate changes in the security sector. It is possible that when new concepts are implemented and the system enters a more stable period, the level of transparency may go down because of lower interest of society and business.

Strategy to provide transparency in the security sector

Special efforts are needed to overcome so many difficulties in building transparency. A strategy is needed to coordinate efforts and resources of administration, civil society and business. Transparency building is an iterative and continuous process. Comparative analysis of the experience of different institutions and countries is of great importance to improve the strategy.

For example, steps taken in PfP and especially in PARP and MAP [3] process to exchange documents are very positive. Initiative under Stability Pact Working Table III for transparency in defence budgeting with the centre operational in the Bulgarian Defence and Staff College is another positive example.

The role of NGOs cannot be overestimated. Establishing a practice of annual review and assessments of level of transparency in the security sector by evaluating specific cases—defence and security policy definition and implementation, resource management and budget, and especially in the area of procurement—will greatly support the development of transparency culture, assuring Parliamentarian support and, hopefully, the support of business and international organisations.

International projects for analysis of transparency practices can also be used as powerful tool to build such a culture. Internationalisation is important because secrecy is defended mostly by people, referring to secrecy in neighbouring countries.

Especially in a transition period, the business too needs transparency to exploit opportunities of transformation, but also to support the change. Business associations may have an important role in promoting culture of transparency.

Transparency building requires a number of steps, some of them concurrent:

- Clear definition of the security sector: missions, responsibilities, resources, management;
- Building community of professionals, both civilian and military;
- Raising public awareness about the security sector – what it produces and how resources are used to achieve results;
- Providing adequate education, nationwide, on security sector issues;
- Providing modern information systems for security sector management;
- Institutionalising societal participation, including NGOs and business organisations, in the security sector debate;
- Promoting transparency practices regionally and internationally.

Conclusion

This book presents experience and vision on transparency from different countries of SEE at different level of their transition to democracy and respective reforms in the security sector, proving how important transparency is for the reforms and how difficult is to achieve the necessary level.

There are no universal solutions, but certainly two groups of factors balance to provide adequate level of transparency. The first group—*administration - civil society - business*—is key for many other aspects of democracy. The second—*legislation - educated people - information technologies*—is more specific. Transparency does not only balance between freedom of access and protection of information. Rather, it depends on and reflect the culture of decision making and responsibility and may serve as complex measure of the health of the society, the level of administrative effectiveness and the satisfaction of civil society and business.

Being in the early phases of comprehensive reforms, the issue of transparency will be in our agenda for long. It is an issue not only for the security sector; it rather concerns all aspects of activity of public authorities and, at certain level, it is an issue for the activity of business and non-governmental sector.

Transparency can be measured by comparing practices and achieved results in different countries. This book, the activity of the Stability Pact and DCAF contribute to the better understanding of transparency, thus supporting democratic reforms not only of the security sector, but also in societies in general.

Notes:

1. The US International Military Education and Training Program.
2. The most serious reason against transparency relates to the lack of professional expertise and willingness to use public resources for personal profit.
3. PfP - Partnership for Peace; PARP – Planning and Review Process; MAP – Membership Action Plan.

GENEVA CENTRE FOR THE DEMOCRATIC CONTROL OF ARMED FORCES (DCAF)

WORKING PAPER SERIES – NO. 21

THE SWISS COMMITMENT TO TRANSPARENCY-BUILDING IN SOUTHEAST EUROPE

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THE SWISS COMMITMENT TO TRANSPARENCY- BUILDING IN SOUTHEAST EUROPE

Philipp H. Fluri

As early as in 1996, Southeast European intellectuals like Professor Tilcho Ivanov underscored the importance of defence budget transparency and prudent management for regional confidence-building in the Balkans (*see* ISIS Research Report No. 6/1996 “Confidence and Security in the Balkans: The Role of Transparency in Defence Budgeting”) and warned simultaneously of the adverse effects of unrealistically limited defence budgets:

Defence resources that are excessive and incompatible with reality not only set limits to welfare, but they also raise fears in the neighbour states. On the other hand underrated resources for defence may assist for the improving of welfare, but if they are under a given limit, it is possible that they could create an illusion that the country is of little importance and that its opponents could act with impunity. Thus the incompetent and inept management of defence resources turns into a major mechanism not only for internal welfare but also for external security. The management of defence resources gets more important in the conditions of economies' reformation and of changing the models for guaranteeing security. In that case, the expected effects from the changes might be compromised by the bad management of social resources. The example of our country brings more disappointments than hopes. The cutting of defence expenditures did not lead to reducing of the tax burden and to the desired effects in the private sector. The deep economic depression eats away the expected positive results. On the other hand the rather low level of defence expenditures delays the reform of the armed forces and their putting in accordance with the security conditions. It also holds back the Bulgarian integration in the forming European defence system (op.cit.).

The Stability Pact for Southeast Europe, adopted on 10 June 1999 - at the EU's initiative - in Cologne and inaugurated at a summit meeting in Sarajevo on 30 July

1999 has from the beginning stressed the crucial importance of defence budget transparency as a tool for regional confidence-building[1].

Regional cooperation has improved considerably since the Pact was launched. In many sectors Quick Start Package (QSP) projects have brought about the beginning of a genuine political regional dialogue. Through the QSP, the Stability Pact Partners enabled the principles of the Pact to take root. This has contributed to the *promotion of peace and democracy* across the region as a whole.

Stepping Stones to Regional Transparency- and Confidence-Building

Transparency and efficiency of defence budgeting is a fundamental part of the systems of democratic control over the Armed Forces, established in most of the countries in Central and Eastern Europe over the last decade. As an effort to promote regional cooperation in this area, at the meeting of the Stability Pact Working Table III (Security Issues), held on 15-16 February 2000, Bulgaria, in close cooperation with the United Kingdom, agreed to take on the leadership of a Task Force to initiate a comparative study of military budgeting in SEE. The Bulgarian Ministry of Defence has proposed its partnership to the states and organizations interested in this area to use the already existing experience and expertise in existing defence systems and to spread knowledge of those practices within Southeast Europe.

A first seminar on the "Promotion of Transparency and Democratic Decision Making in the Formation of SEE States Military Budgets" was held in Sofia on 6-7 June 2000, in cooperation with the United Kingdom and involved broad participation of the South-East European states. This seminar sought to raise awareness among SEE countries of the need for and benefits from transparency of military budgets and to explore the scope of transparency.

On the basis of a “non-paper” adopted during the seminar this initiative was further developed into a project on "Transparency of Defence Budgeting", aimed at providing

[1] In the founding document, more than 40 partner countries and organisations undertook to strengthen the countries of South Eastern Europe "in their efforts to foster peace, democracy, respect for human rights and economic prosperity in order to achieve stability in the whole region”.

means for the efficient management of the defence resources, increasing the effectiveness of the civilian control over the armed forces, improving regional stability and contributing to confidence building among the SEE states.

Under the aegis of Stability Pact Working Table III, the first joint meeting of the Multinational Steering Group (MSG) and the Academic Working Group (AWG) of the project for Transparency of Defence Budgeting was held on 15-16 March 2001 in Vienna. The meeting was organized and hosted by the Permanent Missions of the UK and Bulgaria to the OSCE. Delegations participated from Albania, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Greece, Romania, Turkey, the Federal Republic of Yugoslavia as well as Canada, Denmark, Germany, Hungary, France, Italy, Sweden/EU Presidency, United Kingdom, Switzerland, and the USA. The Multinational Steering Group (MSG) of the Initiative encompasses all countries and organizations represented at the meeting. Terms of Reference of the so-called Academic Working Group were discussed and adopted by the participants. An appeal was made to participating countries to nominate their representatives to the Academic Working Group.

As agreed at the meeting in Vienna, on 21-22 May 2001 the centre was officially opened by then Bulgarian Deputy Minister of Defence V. Shalamanov. Military attachés in Sofia, foreign consultants, representatives of the media and other guests attended the opening ceremony. After the opening, a first meeting of the Academic Working Group was held. By decision of the Academic Working Group, the Group of Experts, in cooperation with the AWG, will provide two papers by spring of 2002:

- A Compendium of South East European Defence Expenditures for the Years 1999 and 2000 and Budgets for the Years 2001-2005;
- A Comparative Study of National Practices in Southeast Europe in Programming, Budgeting, and Budget Execution in the context of defence planning, including parliamentary control, legislative processes and administrative processes.

DCAF's Role in Regional Transparency-Building

The "Foundation of the Geneva Centre for the Democratic Control of Armed Forces" was established on 27 October 2000, at the initiative of the Swiss government. Twenty-three governments became founding members. The Foundation operates the "Geneva Centre for the Democratic Control of Armed Forces" (DCAF), which is run by an international staff.

The creation of DCAF resulted from almost two years of preparatory work carried out by the Swiss Federal Department of Defence, Civil Protection and Sports and the Swiss Federal Department of Foreign Affairs. When joining the Partnership for Peace in 1996, Switzerland declared the democratic control of armed forces to be a priority area within its Partnership for Peace programme. The creation of the new Geneva Centre represented a visible expression of this policy.

The democratic, civilian and parliamentary control of the security sector (armed forces, paramilitary forces, police and other internal security structures, border guards and the intelligence community) constitutes a key challenge for many countries in transition towards democracy. As a dangerous legacy of totalitarianism, dictatorship and – all too often – conflict and civil strife, such security structures risk remaining a "state within the state". They may form a major impediment on the road towards democracy and the rule of law, consume a disproportionate amount of scarce resources, foster corruption, and thus become an obstacle to development. Last but not least, the lack of democratic oversight over the security structures risks paving the way towards internal upheaval and war.

The reform of the security sector according to the principles of democratic and civilian control has, therefore, been recognised by the international community as a precondition for peace and stability. It is a crucial step towards the fundamental objectives of, if not a precondition for, membership in Europe's integrative structures (OSCE, Council of Europe, European Union, Partnership for Peace, Euro-Atlantic Partnership Council and NATO). Finally, it is widely understood to be a crucial aspect of sustainable development.

Against this background, the “Strategy Paper for the Years 2001-2004”, which was adopted by the Foundation Council on 4 December 2001, defines the mission of the “Geneva Centre for the Democratic Control of Armed Forces” (DCAF) as being to support the efforts of transition countries and of the international community towards security sector reform on the basis of the principles of democratic, civilian and parliamentary control by:

- systematically collecting, analysing, debating, documenting, networking and publishing the existing knowledge and international experience in this area;
- compiling the “lessons learned” and the insights thus gained in a tailor-made form and through appropriate projects and programmes and making these available to all those who need this expertise. The beneficiaries include governments, parliaments, non-governmental organisations as well as international organisations and other relevant actors.

In this context, a particular emphasis is to be given to the principle of “helping people to help themselves” and to render the lessons learned by countries that have already embarked some years ago on a transition towards democracy and security sector reform, at the disposal of those which have only more recently chosen this road.

DCAF’s in-house “Think Tank” Division is both a core element of the Centre and the tool to implement one of DCAF’s primary functions: the systematic gathering, analysing, evaluating, debating, documenting and publishing of the international experience, as well as political realities and academic literature in the democratic oversight, management and reform of the security sector in countries in transition towards democracy. In pursuing this mandate, the Think Tank carries out in-house research and analysis, commissions research, engages in joint projects with partners, and networks existing knowledge, notably through the activities of its Working Groups (WG). Each of these WGs is composed of some 15 to 50 international experts, representing both a great wealth of personal expertise and the benefit of close, regular working links with all major institutions working within the Euro-Atlantic region on the Centre’s areas of interest.

- Security sector reform;
- transparency in defence planning, budgeting and procurement;
- parliamentary control of armed forces and the security sector;
- democratic control of police and other internal security forces (including border guards);
- the role of civilian experts in the shaping and the conduct of national security policy;
- the legal dimension of security sector reform;
- civil-military relations and defence conversion;
- military and society.
- criteria for success and failure of security sector reforms;
- civil-military relations in post-conflict situations;
- civil society building and empowerment;
- civil-military relations outside the Euro-Atlantic region, notably in Africa.

The Centre currently considers the following areas as being of core interest:

The DCAF's commitment to transparency-building has found its expression in a series of programmes offered to and endorsed by the Stability Pact on mandates from the Swiss Ministry of Foreign Affairs:

DCAF is represented in the *Academic Working Group* of the Sofia Centre for Transparency.

The Southeast Europe Documentation Network (http://www.seedon.org) aims at creating on the internet a comprehensive virtual library of crucial information for

decision-makers from the field of civil-military relations and democratic oversight of the security sector in Southeast Europe.

The Working Group on CMR Expert Formation in Southeast Europe within the Partnership for Peace Consortium of Defence Academies initiated by DCAF seeks to identify and document expert formation programs offered by SEE governments or third parties on behalf of participants from SEE, to identify and document needs and demands in this area and to work out curricula recommendations on behalf of the concerned governments and the international donor community.

The Transparency in Defence Procurements Programme seeks to establish data on existing and planned practices in SEE and to make them available in the SEEDON framework on the internet[2].

The Stock-Taking Programme on needs and demands for technical assistance in civil-military relations in SEE countries starts with a detailed self-assessment of a country's process toward fully democratically functioning civil-military relations. It seeks to identify (on behalf of the Stability Pact) - in cooperation with governmental and nongovernmental actors - demands for technical assistance facilitating the implementation of this process[3].

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[2] This DCAF project is run by distinguished Professor David Greenwood from CESS/Groningen. The purpose of the investigation – the *Transparency-Building Project-South East Europe* – is to gauge how open (or transparent) is the conduct of military affairs in eight countries: Albania, Bosnia-Herzegovina, Bulgaria, Croatia, the Federal Republic of Yugoslavia (FRY)- now Serbia&Montenegro, (the Former Yugoslav Republic of) Macedonia, Moldova and Romania.

The initial aim of the research is to produce a portfolio of Country Transparency Profiles (CTPs). After review, these will be brought together and presented – with some comparative analysis – as a regional Transparency Audit Paper (TAP), incorporating a provisional 'ranking' of the eight states from this standpoint. That in turn will be the basis for prescriptions about transparency-*building*: what needs to be done to improve matters, and how it might be done.

For each of the eight countries it is appropriate, first, to investigate how policy accountability and financial accountability are provided for, in theory and in practice. Transparency can then be examined directly, looking at arrangements for the visibility of policy-making and planning; of defence programming, budgeting and budget execution; and of military procurement (the weapons acquisition process). We intend also to inquire specifically about what regular government publications underpin domestic transparency (if any).

Regarding the international dimension, information will be sought particularly on arrangements for data-exchange on military outlays, budgets and spending intentions (including compliance with the OSCE's reporting requirements).

[3] On a mandate from the Stability Pact Table III on Security and the Swiss Ministry of Foreign Affairs, the Geneva Centre for the Democratic Control of Armed Forces invites the governments of Southeast Europe to participate in a Stock-Taking Programme on Civil-Military Relations in 2002, leading to the

DCAF has further decided to join a project initiated by London-based *International Alert* on the Privatisation of Security. The main goal of the project is to evaluate the effect of private firms providing military expertise in conflict zones and their impact on the security sector reform in affected countries. The project is focused on three case studies (Guatemala, Uganda and Croatia), and DCAF takes part in one of them

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publication of an extended report and a list of recommendations on behalf of the Stability Pact. All SEE governments have made considerable efforts over the last ten years to democratically re-shape civil-military relations and to create mechanisms for democratic and civilian control of the security sector. In these tasks they have been assisted by their own and international nongovernmental institutions, and even more so by international organisations and other governments. To assess the demands for further (and possibly more focussed) cooperation in the realms of Security Sector Reform, Democratic Control of Armed Forces and Civil-Military Relations, the Geneva Centre for the Democratic Control of Armed Forces (DCAF), an international foundation founded on an initiative of the Swiss government and counting 34 states as its founding members (among them all SEE governments), invites all SEE governments to participate in a structured research programme. This programme will be executed on a mandate of the Swiss Ministry of Foreign Affairs as a contribution to the Stability Pact Table III Quick Start Package. It entails the following parts:

(1) Stock-Taking 1. Expert Self-Assessment

Participating governments will be invited to provide a list of experts (governmental and nongovernmental) in said fields who are willing and able to contribute articles on a list of select research questions in ideally either English or the national language(s). Such articles are intended to give qualified information on the history and actual status of a research question:

- National security policy and civil-military relations;
- Legal and procedural aspects of civil-military relations;
- The role of the parliament and its legal, institutional and procedural aspects;
- The role of the executive and the General Staff;
- The role of civil society;
- Civil-military relations in crises and conflicts;
- Civil-military relations in peace-support operations;
- Civilian and democratic oversight of the police, security services, intelligence, and border guard services;
- Transparency-building (the interplay of the executive and the legislative and civil society);
- Security Sector Reform: a descriptive of actors and legal backgrounds;
- Military Jurisdiction and Soldier's Rights;
- Capacity-Building – how was it handled in the past and what are actual needs?
- *A comprehensive list of laws and procedural rules on civil-military relations;*
- *A comprehensive list of individuals and institutions dealing with the problem.*

(2) Stock-Taking II. Expert Workshop

All participants in the Self-Assessment Programme will be invited by the programme leader to a one-day workshop which will have as its purpose to

- discuss the findings
- draft a list of objectives to be reached by 2005
- draft a list of needs and demands to reach said objectives by 2005.

(3) Consolidation

The programme leader will produce the draft of a publication on Civil-Military Relations in the host country. Said draft will then be developed into a consolidated version through a series of interviews with exponents of the relevant ministries and presented to the Stability Pact and the international community in the form of a series of publications.

(Croatia) through its in-house expert (DCAF Senior Fellow Professor Biljana Vankovska from Skopje University).

Established in 2000 on the initiative of the Swiss government, the Geneva Centre for the Democratic Control of Armed Forces (DCAF), encourages and supports States and non-State governed institutions in their efforts to strengthen democratic and civilian control of armed and security forces, and promotes international cooperation within this field, initially targeting the Euro-Atlantic regions.

The Centre collects information, undertakes research and engages in networking activities in order to identify problems, to establish lessons learned and to propose the best practices in the field of democratic control of armed forces and civil-military relations. The Centre provides its expertise and support to all interested parties, in particular governments, parliaments, military authorities, international organisations, non-governmental organisations, academic circles.

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STABILITY PACT ACTIVITY ON TRANSPARENCY OF MILITARY BUDGETING

Stephan STEPHANOV

On 10 June 1999, at the European Union's initiative, the Stability Pact for South Eastern Europe was adopted in Cologne. At the Summit meeting in Sarajevo on 30 July 1999, the Pact was inaugurated.

The Pact is a political initiative to encourage and strengthen co-operation among the countries of South Eastern Europe, as well as to streamline existing efforts to assist South Eastern Europe's political, economic and security integration in Europe. The Pact does not implement the projects that were placed under its auspices during the First Regional Funding Conference of March 2000 but is an instrument to co-ordinate and facilitate the implementation of the projects of all its partners. These include the countries of Southeast Europe and neighbouring countries, the European Commission, NATO and OSCE, international financial institutions, the member states of the European Union, the United States, Russia, Japan, Hungary, Canada, Norway and Switzerland.

The Stability Pact's three Working Tables—for Democracy and Human Rights, Economic Development, and Security—have helped to develop projects worth EURO 5.4 bn, approved at two Regional Conferences in 2000 and 2001.

Within the activities of Table III on Security, Transparency-Building plays a special role.

Bulgaria and most other countries and international organisations see transparency of military budgets as a way of reducing concern and tension among the South Eastern European Region, and thus directly promoting stability.

An initial seminar in Sofia in June 2000 raised awareness of the need for and the benefits from transparency of military budgets and to explore the scope of transparency.[1] The OSCE in Vienna provided a venue in March 2001 to commission the planned initiative.

The Vienna meeting agreed the aims of the *Budget Transparency Initiative* as:

- To promote domestic and international transparency of defence budgets, and also the budgeting process, throughout South Eastern Europe;
- To encourage good practice in decision-making (policy-making, planning, programming, and budgeting) with particular reference to accountability.

Represented at the Vienna meeting were Albania, Bulgaria, Croatia, FYROM, Romania, Turkey, Germany, France, Italy, United Kingdom, Hungary, Canada, EU Presidency, Yugoslavia, OSCE, Stability Pact, Switzerland, USA, and the Netherlands. Denmark and NATO were represented as observers.

At that time a *Multinational Steering Group* was established to direct and manage the Initiative and to report the results to Working Table III. Reporting to the Steering Group is an *Academic Working Group*. This Group promotes methodologies for the exchange of budget information and identifies best practices and arrangements for sharing this information.

The Bulgarian contribution to the projects provided the venue for the establishment of a *Centre of Excellence*, located at the Rakovski Defence and Staff College in Sofia, and a three-man section – *Group of Experts* for analysis of the defence resources, which assists the Centre of Excellence.

The Centre of Excellence is a permanent practical facility to which all participating countries can contribute and from which all countries may draw. The Centre will prepare and present studies, reports and information packages under the supervision of the Academic Working Group, undertake specialist work, co-ordinate with other national projects of other countries to avoid duplication, disseminate and promote best practice throughout the region.

The Vienna meeting in March 2001 endorsed two initial products:

- Yearbook on South-East European Defence Spending (looking at the Years 2000 to 2005) [2];
- Survey of South East European Defence Budgeting Systems, including programming, budgeting and budget execution in the context of defence planning. It shall cover also issues of parliamentary control, legislative and administrative processes.

The Yearbook on Defence Spending in SEE 2001 is a pilot volume, which was elaborated at the beginning of the Year 2002.[3] The document comprises introductory material, a series of country profiles containing summary expenditure data on outlays and budgets, some analyses of

these data and a brief conclusion. In addition, a sequence of appendices presents the original data as submitted to the writing team by participating states. Not all the countries subscribing to the *Initiative* provided figures for inclusion in this initial compilation. The appended material is therefore incomplete and some country sections are token entries. The intention is to overcome these deficiencies in a subsequent volume.

The statistics and commentary are offered as *a contribution to* defence transparency and transparency-building in South East Europe. As such they are intended to serve two purposes. The first is *international* transparency: making this material readily available to a readership in all the participating states themselves (and elsewhere) is seen as a potential confidence- and security-building exercise in a region where there is a history of mutual suspicion, even antagonism. The second is *domestic* transparency: information is provided here for which there may not be sources in individual participating states that are easily accessible to persons and groups—elected representatives and legislatures, scholars and academic institutions, journalists and the print and broadcast media—who have responsibilities (formal or informal, direct or indirect) for holding their governments accountable for what is spent on defence and security.

There is more to transparency and transparency-building than furnishing figures, however. The user needs to know what they mean, and what can and cannot be inferred from them. It is also important to understand how the numbers were reached, the mechanics of resource allocation—programming and budgeting (and budget execution)—in any country or countries under scrutiny. The first of these supplementary requirements is met by the commentary in this *Yearbook*, and there will be more explanatory notes and analytical work in later editions. A companion volume now in preparation—a *Survey of Defence Budgeting Processes in South-Eastern Europe*—will meet the second requirement. This other text is designed to complement the present statistical compilation precisely by showing 'how the numbers were reached' in the countries covered. It should also reveal where 'good practice' is to be found in the region, helping to identify where and how 'better practice' might be encouraged, with the eventual goal of promoting 'best practice' throughout the neighbourhood.

The coverage and content of these two complementary texts derive directly from the objectives of the *Initiative*, as agreed in the inaugural BTI meeting in March 2001.

Arrangements are being made to ensure that these and subsequent publications and information are widely available. This Initiative will have its own Internet site. E-mail dialogue and interrogation of publications will be encouraged.

Notes:

1. Stability Pact Seminar on *Promotion of Transparency and Democratic Decision Making in the Formation of SEE States Military Budgets* (Sofia, Bulgaria, 6-7 June 2000).
2. The first issue is already published: *Yearbook on South-East European Defence Spending*, Stability Pact for South Eastern Europe (Sofia: Budget Transparency Initiative, 2002).
3. The Yearbook is available on-line at http://www.stabilitypact.org/yearbook/index.htm (27 April 2002).

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TRANSPARENCY IN DEFENCE POLICY, MILITARY BUDGETING AND PROCUREMENT

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GENEVA CENTRE FOR THE DEMOCRATIC CONTROL OF ARMED FORCES (DCAF)

In spite of the progress made in the past decade, the transformation and management of democratic civil-military relations remain a major challenge to many States. This is particularly true for the countries in transition towards democracy, war-torn and post-conflict societies. Armed and paramilitary forces as well as police, border guards and other security-related structures remain important players in many countries.

More often than not, they act like "a State within the State," putting heavy strains on scarce resources, impeding democratisation processes and increasing the likelihood of internal or international conflicts. It is therefore widely accepted that the democratic and civilian control of such force structures is a crucial instrument of preventing conflicts, promoting peace and democracy as well as ensuring sustainable socio-economic development.

The strengthening of democratic and civilian control of force structures has become an important policy issue on the agenda of the international community. In October 2000, as a practical contribution to this general and positive trend, the Swiss government established the Geneva Centre for the Democratic Control of Armed Forces (DCAF), on the joint initiative of the Federal Department of Defence, Civil Protection, and Sports, and the Federal Department of Foreign Affairs.

Mission

The Centre encourages and supports States and non-State governed institutions in their efforts to strengthen democratic and civilian control of armed and security forces, and promotes international cooperation in this field, initially targeting the Euro-Atlantic regions.

To implement these objectives, the Centre:

- collects information, undertakes research and engages in networking activities in order to identify problems, to establish lessons learned and to propose the best practices in the field of democratic control of armed forces and civil-military relations;
- provides its expertise and support to all interested parties, in particular governments, parliaments, military authorities, interna-

tional organizations, non-governmental organisations, academic circles.

DCAF works in close cooperation with national authorities, international and non-governmental organisations, academic institutions and individual experts. In its operational and analytical work, DCAF relies on the support of 34 governments represented in its Foundation Council, on its International Advisory Board comprising some 50 renowned experts, on its Think Tank and working groups. The Centre has established partnerships or concluded cooperative agreements with a number of research institutes and with several international organisations and inter-parliamentary assemblies.

Work Programme

In order to be able to thoroughly address specific topics of democratic control of armed forces, DCAF has established or is in the process of establishing twelve dedicated working groups covering the following issues: security sector reform; parliamentary oversight of armed forces; legal dimension of the democratic control of armed forces; transparency-building in defence budgeting and procurement; civilian experts in national security policy; democratic control of police and other non-military security forces; civil-military relations in conversion and force reductions; military and society; civil society building; civil-military relations in post-conflict situations; criteria for success or failure in the democratic control of armed forces; civil-military relations in the African context. Planning, management, and coordination of the working groups is centralized in the Centre's Think Tank.

DCAF provides its expertise on bilateral and multilateral levels, and also addresses interests of the general public. A number of bilateral projects in the areas of security sector reform and parliamentary control of armed forces are underway within the states of South Eastern and Eastern Europe.

At the multilateral level, DCAF implements several projects in the framework of the Stability Pact for South Eastern Europe and the Organization for Security and Cooperation in Europe. The Centre regularly produces publications, organizes conferences, workshops and other events. It uses means of information technology, including its own website (http://www.dcaf.ch), to reach both target audiences and the general public.

Organization and Budget

DCAF is an international foundation under Swiss law. Thirty-four governments are represented in the Centre's Foundation Council. The International Advisory Board is composed of the world's leading experts on the subject matters of defence and security, who advise the Director on the Centre's overall strategy. DCAF staff is comprised of some 40 specialists coming from 18 different nationalities, who make up four departments: Think Tank, Outreach Programmes, Information Resources, And Administration.

The Swiss Federal Department of Defence, Civil Protection and Sports finances most of the DCAF budget, amounting to 8 million Swiss Francs in 2002. Another important contributor is the Swiss Federal Department of Foreign Affairs. Certain member states of DCAF Foundation support DCAF by seconding staff members or contributing to the Centre's specific activities.

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ASSOCIATION "GEORGE C. MARSHALL" - BULGARIA

Association "George C. Marshall" - Bulgaria is a non-governmental, non-for-profit organization founded in Sofia in July 2001. In contributes to the development of civil society in Bulgaria and to security and stability in South East Europe (SEE) through coordinated work in three main areas:

- National security and defence policy;
- Enhancing regional cooperation in South East Europe;
- Implementation of Advanced Communications and Information Technologies in the areas of security and defence.

The *mission* of "George C. Marshall" – Bulgaria is:

- To develop assessments and strategies to ensure security and stability in SEE using the successful example of the Marshall Plan for Europe.
- To achieve deeper understanding on reform policies in the area of security and defence, foreign policy, security and stability in SEE.
- To contribute to the creation of environment for democratic security decision making process.
- To develop assessments and strategies for NATO enlargement in SEE and to support the future accession of Bulgaria in NATO.
- To implement advanced technologies in the area of security and defence and to support most favourable transition of the Bulgarian defence industry in the process of integration in NATO and the European Union.

The efforts of "George C. Marshall"-Bulgaria are focused on the creation of environment for effective decision-making in the field of foreign policy, security and defence through education, training and research with implementation of new technologies.

The Association envisions establishment of strategic partnerships with leading institutes and research centres in the area of foreign policy, security and defence. It provides a bridge to other regions and will participates in the Consortium of Defence Academies and Security Study Institutes in the framework of the Partnership for Peace Programme.

The Association supports the establishment of Virtual College on security and defence in SEE on the basis of networked Centres of excellence and institutes that operate in SEE.

The activities of "George C. Marshall"-Bulgaria are organized in the following *main programmes*:

- Assessments and development of strategies;
- Research programmes leading primarily to preparations of draft laws, organizational designs, reengineering, comparative analyses and assessments;
- Educational and training programmes, seminars and conferences—both national and international—with the participation of members of Parliament, state administration, business, academic community and civil society (The scope of these programmes is not limited to SEE);
- Consultation projects for governmental, business and international organizations;
- Management, information projects and development of partnership networks in the relevant fields of interest.

The *strategy* of the Association is to focus its efforts to support decision making in the area of foreign and security policy, defence policy and home affairs in order to facilitate democratic processes and NATO and EU integration using the positive example of the Marshall Plan for Europe.

The strategy will be implemented through actions in the following areas:

- Familiarization of parliamentarians with latest research results, policies and practices in the field of national, regional and international security affairs; security policy and defence reform; NATO and EU membership and democratic control of the security and defence sector;
- Consulting projects with Parliament and Government on preparation for NATO membership, national and international security issues. Comparative analysis on the development of the national security systems of NATO member states and SEE states;
- Development of strategic community in the field of foreign policy, security and defence in Bulgaria. Utilization of advanced technologies;
- Comparative analyses of the security policy objectives of the countries in SEE and recommendations for the synchronization of efforts to further integrate the region in the EU zone;

- Development and execution of National Strategy and Action Plan to achieve invitation to join NATO in 2002 involving both the state administration and the NGO sector;

- Support for the preparation of basic laws (amendments) in Bulgaria regarding:

- Protection of the classified information;
- Crisis prevention and crisis management;
- Intelligence community;
- Defence and armed forces; defence planning and programming; armaments modernization;
- Public (defence) procurement and acquisition;
- Defence industry;
- IT management;
- Diplomatic service; etc.

- Active involvement in the familiarization of local authorities and communities with the basic trends of defence reform, NATO enlargement implications for the region and the importance of civil society in determination of national strategic objectives;

- Active participation in policy transfer into social awareness of the basic developments in security sector reforms and foreign policy objectives (participation in round tables, local conferences, joint projects with regional NGOs);

- Support to the implementation of the communication strategy of Bulgarian Embassies through familiarization with the latest developments in security sector and defence reform to achieve better understanding and sustain interest.

For the short period of its existence, "George C. Marshall" – Bulgaria successfully accomplished a number of projects. Jointly with other NGOs, the Association prepared a methodology to assess readiness for NATO membership and, meeting the request of the Bulgarian Parliament, applied that methodology to assess Bulgaria's readiness to join NATO. The Association published the results of its own study on the economic benefits from Bulgarian membership in NATO. It provided consultations and expert support for the development of the first Bulgarian White Paper on Defence and Armed Forces, as well as for the elaboration of the Crisis Management Concept and the draft Law on Crisis Management.

Jointly with the Atlantic Club in Bulgaria, the Association organised a number of round table discussion with participation form Parliament,

Government, the administration of the President, NGOs, academia and media on the following issues:

- Global terrorism and NATO's new security agenda;
- Foreign policy priorities of Bulgaria – best practices for interaction between executive power, Parliament, President, NGO sector and media;
- Defence industry and academic sector in modernising the national security system;
- C4ISR systems in Bulgaria - key trends and key projects in the context of invitation to NATO.

As one of the results of the last debate, the Association organised a study to prepare "Bulgarian Action Plan to Advanced C4ISR Infrastructure."

"George C. Marshall" – Bulgaria is actively involved in clarifying and promoting the role of Bulgarian business leaders for national security and the respective organisational arrangements. Jointly with other Bulgarian NGOs it prepared "Charter on Cooperation between Public Power and NGOs."

Information on ongoing and forthcoming projects, conferences and seminars, organisation, staff and partners is available at the web site of "George C. Marshall" – Bulgaria <www.GCMarshall.bg>.

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Information & Security: An International Journal
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Special issue on

TRANSPARENCY OF DEFENCE MANAGEMENT

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The degree of transparency of governmental policy indicates the level of maturity of democratic institutions in a single country. In the relations among states, transparency of defence policy is an important venue for building confidence. In the relations among governments and those governed, the transparent management of defence and security contributes to efficiency of democratic processes and governmental accountability for a major portion of public spending.

Two developments in the last decade make the issue of transparency of defence management of particular interest to this journal. The first one is the changing pattern of security challenges after the end of the Cold War and, respectively, the trends towards increased co-operation among governments and the growing importance of various international organisations. The second one is the accelerated development and the increased accessibility of information technologies. To reflect the impact of these developments, *Information & Security* (ISSN 1311-1493; Electronic publication at http://www.isn.ethz.ch/publihouse/InfoSecurity) will publish a special issue covering the following topics:

- Transparency of national security decision making
- Transparency of defence and force planning
- Transparency of defence budgeting
- Transparency of defence acquisition and procurement

Of particular interest is the implementation of advanced IT to increase transparency of defence management. Potential contributions of technology include, but are not limited to:

- Information support for national and cooperative security policy planning
- Information support for defence resource management, acquisition and procurement
- Internet and other networks for transparency
- Decision support tools in managing defence

Among related issues are democratic control, transparency and accountability in reforming defence and security sectors, as well as aspects of security policies such as security co-operation and membership in political-military alliances. For example, contributions may reflect:

- Role of transparency in regional defence and security cooperation
- Transparency as criterion in NATO enlargement decision making

All contributed manuscripts will be evaluated according to their originality, technical quality and clarity of presentation by at least two independent referees. Manuscripts should be prepared in accordance with the journal submission guidelines.

For instructions, submissions and additional information refer to <http://infosec.hit.bg> or <www.isn.ethz.ch/publihouse/InfoSecurity>

Important dates:

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