TRANSPARENCY IN DEFENCE RESOURCE MANAGEMENT - PROBLEMS AND SOLUTIONS

Bisserka BOUDINOVA

Introduction

After the start of democratic reforms and with the transition to market economy, the understanding of transparency has changed in Bulgarian society. During the communist regime the defence budget was classified; access to this information was strongly restricted. Now the public is more mature and has acquired the capability to ask tough questions, to search for answers from the leadership and to discuss defence management problems openly. There is a demand for accurate and accessible information on crucial issues and for wide debate in society, and for more responsibility about resources to be taken by every interested organisation. For example, there is a simple question – how can we measure the cost of one battalion and compare it with the social cost of a health care or medical service.

Now it is clear that without a modern democratic decision making process, monitoring and control system and result-oriented resource allocation at the highest level, it is not possible to consider resource management transparent. These factors are preconditions for transparency and explain the necessity of creating well-conceived procedures and effective normative regulations. There are two directions for developing transparency: (1) resource allocation at the State level, outside the Ministry of Defence's controlling system – related to parliamentary oversight of the defence budget and independent audit; and (2) the internal resource allocation process within the Ministry of Defence.

1. State level defence resource allocation

In communist societies Finance Ministries allocated funds to defence but did not ask how and why they were spent. Defence spending was based on stated requirements of Defence Ministries and not on publicly stated missions and tasks of armed forces. That frustrated transparency and democratic control over defence spending. The

impression was that there were no limits to defence spending or in meeting the internal/external requirements of defence.

In the new [1] security environment there has been a general trend to decrease the absolute amount of money spent on defence and lower the burden of the defence budget as a percentage of the Gross Domestic Product (GDP), thus freeing funds for the social sphere – education, medical service, social insurance, etc. Transparency in the defence establishment and expenditures has been used to compare the function "defence and security" with social functions of government spending.

In South-Eastern Europe the trend of falling GDP proportions may now have run its course in several states, as the following table suggests.[2]

Year / Country	1999	2000	2001
Bulgaria	2,67	2,54	2,65
Croatia	3,60	3,40	2,00
FYR Macedonia	-	1,12	1,99
Romania	1,86	2,15	2,01
Slovenia	1,36	1,24	1,60
Turkey	5,30	4,70	4,90

This indicates that the question is still open of the balance between (a) provision for Armed Forces, modern and capable to defend the national interest and to meet the requirements of NATO standards and (b) available national resources. Accordingly, effective resource management is a key factor and the principle to be applied in defence budget execution instead of "cash-based" accounting.

Accordingly, in 2002 the Bulgarian government decided to implement modern resource management principles in allocating national funds. The essence of the new resource management system is to focus the state budget on major functions and policies, and address national priorities and requirements for joining the European community. This entails a new concept for the role of the Ministry of Finance in governance of resources: to ensure that money is being spent in the most effective way; that value for money is being obtained from all government spending.

A new budget procedure has been introduced to improve the planning process on the basis of a middle-term fiscal and macroeconomic framework (prognoses for a three-year period). Under this Ministry of Finance-led procedure every first-level budget

holder—ministries, state agencies and budget organisations—were expected to formulate their budgets based on functions. Those functions are *Defence and Security*, *Education*, *Medical Support*, *Social Care*, *Economics*, *Ecology and Environment*.

Furthermore, every function is broken down by policies/programmes, which is the way to prove the necessity of expenditures and to strike the balance between goals and resources, government policies and taxpayers' money. The leading principle is the "costs-results" correlation to maximise the efficiency and effectiveness of spending. The other principle is to set budget ceilings for every year of the planned period and to explain the reason or normative enactment for every deviation from the established level of expenditures. The ministries are supposed to play an active role in adopting the programming approach and defending their level of expenditures.

Every budget holder has to answer several common questions: who is the consumer of the service, what objectives are to be achieved, what results are expected, how to measure the final results, what cost is to be paid, is there any possibility that the function might be transferred to the private sector? The "service" given by defence to the society is measured by the real capabilities of the Armed Forces, which are set in *Military Doctrine* as follows: "to guarantee the independence, sovereignty and territorial integrity of the country, to guarantee national security and to join international security and collective defence organisations," to participate in crisis relief operations. [3] In this aspect the marketing strategies have to be applied so as to advertise and "sell" high-quality defence "service." To achieve this goal calls for transparent defence management and acceptable provision according to the world and regional political and economical environment.

The new budget procedure allows for collecting information on structures from all first-level budget holders, reviewing and analysing that information. The decision to optimise resource allocation of funds is connected with optimisation of functional structures. As a result it is expected to reduce duplication in organisational structures, allowing human resources to be fully engaged and effectively allocated. One goal is to shrink organisations and reduce the personnel. In macroeconomic terms, the near-term goal of the Ministry of Finance is to ensure at least 7-8 per cent savings and to move to a balanced state budget.[4] The deficit level as a percentage of GDP shall be 0,5 percent for 2004, zero for 2005 and 2006. The burden of defence expenditures for 2004-2006 is determined at the level of 2,7 percent of GDP and capital investments will amount to 250 mln. BGN (0,6-0,7 percent of GDP). This level of spending reflects imminent NATO membership and a commitment to modernisation of the Bulgarian Armed Forces.

The Ministry of Defence was chosen to implement the new programming procedure in a pilot project. Starting in 2003, several others were involved: the Ministry of Ecology, Transport Ministry, Social Policy Ministry. They are supposed not only to formulate their budget on a functions and policies basis, but also to present it the respective form to Parliament. Furthermore, they should report the budget outturn at the end of the fiscal year by programmes. In March 2003 the three-year budget prognosis of the defence budget was submitted to the Ministry of Finance and it contained detailed information on the objectives and attributed resources, on budget holders at the second and third levels, and on personnel strength.

2.   Defence resource allocation within Ministry of Defence

The Ministry of Defence was the first ministry to develop its six-year plan on the programming principle, for reasonable and effective planning of scarce resources. Starting from the year 2000 it introduced an Integrated Defence Resource Management System (IDRMS). This was derived from the American planning, programming and budgeting system—embracing three interacting stages—but adapted to Bulgarian conditions and renamed IDRMS. Using the new established system, three planning cycles have been conducted to date – in 2000, 2001, and 2002.[5] The planned financial resources have been distributed among defence programmes according to priorities set in Ministerial Programming Guidance. Budgets for 2001, 2002 and 2003 were formulated on the basis of defence programmes approved in the final document of the system – a Programme Decision Memorandum. Reports on budget execution by programmes for 2001 and 2002 have been written to explore and assess the correspondence between programme implementation and funds spent.

At the time of writing, the fourth planning and programming cycle is in progress. The final document of the planning stage – *Programming Guidance 2004-2009* has been developed. It was submitted to and approved by the Programming Council. The final draft was issued in the end of March 2003 and sent to programme managers for programme development.

The key thing is that the system is *operating* now and suits the specific requirements of an economy in transition. As a result of using the IDRMS, transparency in defence resource allocation has been achieved and the decision-making process in Ministry of Defence has been enhanced and democratised. The annual programme review process ensures an open discussion and accountability among organisations interested in the distribution of materiel, human and financial resources by programmes. Defence programmes allow formulation of the defence budget by prioritised goals and appropriations and make visible the funds allocated for Armed Forces reforms, modernisation projects, and Partnership goals. Programmes are indicators for

achieving the goals in the Membership Action Plan and the national *Plan for structural and organisational development of Ministry of Defence until year 2004* (Plan 2004), which was published in 1999 and updated in 2001 to chart reforms and to create a modern interoperable armed forces.

3. Identified problems and possible solutions

Step by step and year after year different stages of IDRMS have been improved and coordination among them has been enhanced. The main documents of planning and programming have been developed and elaborated and progressively improved. At the same time, several problems remain unsolved and obstacles prevent the system functioning at full capacity and potential. Resolution of these issues appears to be indispensable for realisation of all benefits from the programming approach in defence resource management and for ensuring openness and transparency in defence spending.

The follow problem areas are to be addressed so as to ensure the effective functioning of IDRMS in the Ministry of Defence (MoD) and thus to promote transparency:

- Too ambitious programme goals set in *Programming Guidance*;
- Failure of many programme managers to develop financially-realistic programme proposals that account for overhead spending;
- Lack of effective participation by the General Staff in planning and programming of defence resources;
- Process of developing programmes;
- Properly documented procedures in the IDRMS;
- The ineffectiveness of the Programming Council, especially with regard to the programme review and participation in all decisions on resource issues;
- Shortfalls in programme and budget execution, some of which result from poor coordination between programme offices and budget offices, between programmes and budget holders;
- Lack of a system for gathering information and supporting programmes' database and Financial Management Information System for execution of the defence budget.

A question of vital importance now is to address these problems and then find the right way to deal with them. At the same time it is necessary to inform the leadership in the MoD and General Staff about the difficulties and to provide conditions for full implementation of IDRMS and use of its results.

3.1.   *Programming Guidance*

Problems

The MoD's *Programming Guidance 2003-2008* was an improvement on the previous year's: it defined clear sets of quantitative goals in terms of combat training of crews and organisational units of the Bulgarian Armed Forces and for accomplishing Partnership Goals. *Programming Guidance 2004-2009* is a further improvement. The most important data display is a linkage between missions and tasks and the units designated to fulfil them. The main problem related to the document is the fact that the cost of the totality of objectives still exceeds the forecast defence budget for the 6-year period. This is caused by the continued lack of a good cost estimation capability in the MoD and the General Staff (GS) and, to a lesser extent, among programme managers. *This is a critical shortcoming*. Another problem is the passive attitude of the programme managers: they do not proactively collaborate with MoD in nominating objectives and estimating costs. Instead, they wait for unaffordable Guidance to be handed to them, develop their programmes according to unrealistic goals and then request more money for modernisation projects and training. There is the old manner of thinking. In GS there is no process for developing required operational capabilities (ROCs), so the validity of many programme objectives is simply not analysed. After establishing a system for determining capability requirements, the developed ROCs would serve as input to the Programming Guidance. In relation to modernisation projects and procurement of new weapon systems, it is necessary to implement the following measures: the cost of every modernisation project should be estimated; the life cycle cost should be identified, the correspondence with existing equipment and programme objectives should be precise. These are main tasks of an envisaged Defence Acquisition System.

Solutions

In MoD a *Methodology for calculating standards and limits of defence expenditures* has been developed and sent for coordination to the Services and GS.[6] It summarises all expenditures calculation methodologies currently used. This is the tool for costing defence programmes and for having a common database of different expenditures. There is a connection between the appropriations and budget accounts within a common budget classification. On the basis of the *Methodology* there is forthcoming a *Cost Factor Manual* with real cost factors – standards and limits for personnel cost, combat training cost, equipment operation cost, and unit operating cost. Cost factors will be used in the Defence Resource Management Model (DRMM)[7] – a computer model for programme modelling and analysis, which reconciles programme goals with the financial, human and material resources necessary for their realisation.

A number of concrete steps need to be taken in order to achieve these solutions. A team of representatives from planning structures in MoD, GS, and programme offices in the Services has to be formed to create a database for DRMM. This team would ensure proper exploitation of DRMM.

Capital investments have to be prioritised – modernisation of equipment and military infrastructure, new building projects. The units in the Bulgarian armed forces have to be prioritised so that negotiated for collective defence units can be 100 percent manned, equipped and combat ready in accordance with Partnership Goals (in the near future – Force Goals). The Integrated Project Priority List (high priority investment projects by programmes) and Organisational Units Priority List have to be developed and submitted to the Defence Council.[8] If funds are short only projects and organisational units of high priority will be funded. Current high priority programmes are those which ensure interoperability of the Armed Forces with NATO; formations ready for participating in peacekeeping operations and collective defence; programme for developing communication, command, control, computer, intelligence, surveillance and reconnaissance (C4ISR) systems. The high priority defence budget appropriations are those for personnel cost and expenditures for improving the quality of life of military personnel, and those for combat training.

A process for defining ROCs has to be established and to begin functioning. It is expected to determine the requirements for capabilities *and* to set precise missions and tasks for the Bulgarian Armed Forces. The correspondent ROC Council has to be established.

The acquisition system has to be established and to begin functioning, to support procurement/ modernisation projects and estimation of life cycle cost of equipment. Hence that system will provide information on obligatory correspondence of planned investment projects to the approved priorities and operational capabilities. The correspondent Acquisition Council has to be established.

All existing plans—and those which are under regular development—have to be embraced in the *Programming Guidance*. In this way these plans will be linked to financial funds by programmes, set programme objectives and Partnership Goals (or Force Goals). All necessary planning directions, all functioning planning processes will be subordinated with IDRMS and will be in line with approved priorities in *Programming Guidance*. IDRMS is the focus and integrating function of defence management as a whole.

Programme managers should be directed to take a collaborative, proactive approach in helping the Defence Policy and Planning Directorate (DPPD) in MoD to draft the Guidance. At the beginning of the 2004-2009 planning cycle programme managers sent their proposals, participated in meetings and discussions with DPPD experts, in

order to coordinate programme objectives with available financial funds for the period.

The mismatch between objectives and fiscal resources is not a defect of IDRMS. Rather, it indicates that the 45,000-man force, unit force structure, combat readiness and modernisation ambitions set in Plan 2004 are unaffordable within constrained resources. There are two ways to find a solution: to plan for reductions in goals and structures or to find additional funds.

3.2.   *Properly documented procedures in the IDRMS*

Problems
The practical implementation of IDRMS requires to create a normative foundation and to develop procedures for every stage of the planning and programming process. All documents for regulating planning and spending of resources have to be consistent and to cover the interaction between programming and programme performance.

Solutions
A first step in addressing this requirement will be the preparation of an Instruction of Integrated Defence Resource Management System developed on the basis of the 2001 Concept for Planning, Programming and Budgeting in MoD and GS and a Methodology for Programme Development. This will reflect all functional changes made in the system during recent years as a result of accumulated experience and lessons learned. It will regulate rights and responsibilities of all participants in planning, programming and budgeting processes at all organisational levels in MoD and GS, as well as roles of consultative bodies. The clear design of links between IDRMS and other planning systems and processes at every level of the organisational structure has to be presented. The IDRMS' main documents—and documents developed in ROC or Acquisition systems (needs, requirements, acquisition proposals, etc.)—should be harmonised. The ROC and Acquisition procedures shall complete a disciplined, analytical process and provide increased detail and accuracy to IDRMS planning and subsequent execution. The development of the Instruction is in progress and some chapters have been worked out and included in Programming Guidance 2004-2009.

Secondly, a *Guidance for Program Implementation* has been developed and is in the process of coordination with interested organisations. This document gives the rules how to conduct evaluation, monitoring, control and management of programme implementation. It defines the responsibilities of all parties in programme reporting and in providing the right information. It determines the detailed criteria for estimating the proportion between planned programme objective and achieved results

during programme realisation. The criteria or performance indicators are formulated on the basis of required quantitative programme objectives as set in the *Programming Guidance*. They include the following estimation factors: force structure, combat training, manning levels, procurement and modernisation projects, wartime stockpiles, and defence infrastructure. In addition, information is collected on financial resources spent, broken down by different sources (defence budget, special proposal funding, defence budget subsidy, international military financing programmes, etc.). This document regulates the final stage of IDRMS—performance management—and serves as basis for current and consequent control over programmes. The *Guidance* is the tool for transparency, accountability and for measuring effectiveness and efficiency in defence resource management.

3.3. *Programme development*

Problems
Many programme managers have yet to accept the role of developers of financially realistic multi-year programmes. There is still a "budgeting" attitude during programme development that tends to focus mostly on the upcoming year. The result is that many managers treat overhead spending as a "fixed cost" and leave programmes with little money for unit readiness, combat training or modernisation. Moreover most programme managers' offices are simply too small, meaning that they must delegate most of their role to lower levels (i.e. to offices in the sub-programmes). The problem is that just a few programmes have a rational sub-programme structure. Most sub-programmes relate to operating entities with little planning ability, especially for six years ahead.

Solutions
Programme managers have to develop financially realistic programmes. It might be helpful if *they* bore the responsibility of proposing cuts in objectives where this is necessary to stay within their fiscal quotas. When managers submit their programme proposals, they are offering a contract to the Minister of Defence, stating that they can accomplish their proposed programme with the funds provided them. If the cost of objectives in the Guidance exceeds the funding forecasts, the programme manager must propose reductions in objectives (forces, personnel, equipment) in accordance with the priorities set out in the Guidance. Programme managers have to focus on goals that they can accomplish not only in the immediately forthcoming fiscal year but during every year of the planning period. Observing available financial funds and resources as a whole, they have to maximise effects of resource spending.

The hope must be that over time there will be better use of the programme review procedure, better risk assessment (as well as better contingency planning, grater

awareness of how programmes interact and of how important it is to have staff with programme management expertise).

During the review process programme managers have to develop and submit alternatives for every major programme. Every alternative is created within the framework of preliminary given financial quotas and represents a variant for achieving objectives effectively. Programme review is to ensure options are developed in line with Programming Guidance, the Project Priority List and Unit Priority List. At the same time, the review supports the choice of the optimal alternative (the best solution) for every programme and the optimal time schedule for its implementation.

Risk for every programme shall be assessed, including assessment of the political, economic and military risk of not meeting programme objectives and specification of the acceptable level of risk. A plan shall be prepared for necessary actions to mitigate risk and possible consequences deriving from non-fulfilment of the particular programme or delaying its implementation.

Defence programmes cover all activities in the MoD, GS and Services and often are interrelated. What happens in one programme may affect others or be a prerequisite for progress of other programmes. It is necessary to integrate programmes in terms of force structure, personnel strength, personnel and unit training, weapon systems and equipment, investments. All programmes should be integrated in a unified system of objectives and priorities, defined by declared defence policy.

Programme teams have to be created not only in every service, as the situation currently is, but also at the level of every main programme and sub-programme. This action is crucial where a programme comprises numerous different programmes, budget holders and agencies (for example the *Administrative management and support* programme).

In addition, the programming structure at the second level has to be improved. The purpose is to centralise planning and programming activities at programme level and not to develop programmes at a level lower than corps. If it is necessary to develop a sub-programme at corps or brigade/battalion level, programming departments should be established.

3.4.   *General Staff Contribution*

Problems
The GS does not participate effectively in the process of planning and programming because it lacks a cost estimation capability and because an intended Force Management System has not yet been established. As a result, there is no procedure

to formulate and analyse stated capability requirements. In addition to that, the GS office for resource management (now situated in J-5) is critically short of experienced staff. This is the single most important deficiency at present in the entire IDRMS. Consequently, guidance has not yet been developed to release wartime stockpiles, intended to supply 250 000 wartime force (while according to the *Military Doctrine* and updated *Plan 2004*[9] wartime force level is fixed at 100 000 personnel).

Solutions

For the most part, definition of the problems here points directly to necessary solutions. The programming staff of J-5 has to collaborate intensively with DPPD staff in implementing the cost modelling project, especially for Armed Forces' programmes. Cost estimation is going to be a permanent, full-time demand on DPPD and GS resources.

A procedure for releasing excess wartime stockpiles in accordance with the updated *Plan 2004* (and its eventual successor) is urgently needed. This will allow excess materiel to be used in combat training activities and release funds to meet other priorities. Information for released stockpiles has to be available as soon as possible to DPPD and programme managers, so that they can use it during programme development in 2003 and 2004.

In relation to Force Goals (currently under negotiation), there is need for thorough in-depth analysis of status and reasons for delaying planned goals in declared timelines. It is necessary to reconsider and review all promised goals in order to provide for accomplishment of high-priority ones according to the planned timeline and available resources. It is crucial to assess very carefully future Force Goals, to negotiate and accept realistic obligations.

The GS needs an internal staff instruction on how it will meet IDRMS deadlines. The existing practice of issuing additional Guidance on behalf of the Chief of the General Staff, which duplicates the *Programming Guidance* of the Minister of Defence, is unsatisfactory.

J-5 Directorate needs a resource office with a minimum of 12-15 professionals in programme development, plus appropriate support staff and management positions. This staff will gather, summarise and analyse information of programmes submitted by Services. Thus, GS will participate effectively and devote required efforts to the IDRMS.

3.5. *Programming Council*

This body has been created as a permanent consultative authority for the Ministry of Defence in terms of programme management. It debates the policy of defence resource allocation, coordination and control over achievement of defence

programme objectives within the MoD and Armed Forces. One of the main tasks of the Council is to review and approve all documents of the IDRMS and to harmonise all programmes. It prepares normative regulations in regard to programming, sets priorities and estimates programme alternatives. The Council conducts programme review at the highest—MoD—level and monitors materiel and financial support so as to ensure realisation of the programme objectives.

Problems

The problems connected with the Council are derived from the necessity to perform two roles at once, and it does neither well. It is trying to act both as a senior-level deliberative body and as a staff activity group in the planning and programming process. It has come to see its roles as partly decision-making in nature, even though the Minister (or if he delegates the authority, a Deputy Minister) is the resource decision-maker. Yet, usually all programme managers participate in meetings on defence resource allocation and because of this the body is too large to function effectively. In addition, many of its members are too junior and lack experience. The Minister does not attend, and loses the benefit of the debate on issues, unless these are repeated in the Defence Council. The Programming Council debates are long and often unproductive because they are not supported by proper staff work in advance and preliminary expert level discussions.

Nor does the Programming Council participate significantly in the programme review process. One example to the contrary: in September 2002 an "extended" Programming Council conducted the redistribution of the restricted 2003 defence budget. The meeting was aimed at reviewing programmes and *Program Decision Memorandum 2003-2008*. It proved the benefits of open dialogue and transparency in financial allocation by programmes. Every programme manager submitted a detailed report and a programme objective memorandum, in order to show the specified appropriations of defence expenditures. As a result of the review, personnel strength, personnel cost and operation and maintenance cost of programmes were calculated precisely and combat training was discussed. Reserve funds within programmes have been identified and redistributed in high priority programmes and projects, listed in *Programming Guidance.*

The extended Programming Council proved that resource management based on the programming approach ensures visibility and democratic control in managing scarce resources. These results cannot be achieved by using old methods in resource planning (such as resource allocation by budget accounts from common budget classification). In the new programme-based budgeting the focus is on the results and planned goals instead of focusing just on spending money.

Solutions

Here, too, the definition of the problems indicates clearly what needs to be done. The Programming Council has to be transformed into a small, senior-level, principals-only advisory body to the Minister of Defence. In this case the Minister of Defence should chair it and its members should include the Deputy Ministers with resource portfolios, the Chief of the General Staff, the First Deputy Chief of the General Staff, and the managers of the four largest programmes plus the Service Chiefs and the General Secretary.[10] Other programme managers should not be automatically included; they may attend only as invited when their individual programmes are under discussion. The Director of DPPD, who is the Minister's agent for making the IDRMS work, should be the body's secretary.

It would make sense to divest the Defence Council of any responsibility for resource issues and defence budget discussions. The Programming Council has to deal with all defence resource management issues and might be re-named the Defence Resource Board. The defence budget, logistic plan and military construction services and infrastructure plan should be developed and submitted to this body for approval.

The transformed Programming Council should conduct a quarterly review of programmes and budget execution. The hope is to keep up pressure on programme managers to take IDRMS and their programme management responsibilities seriously. It will bring solvable problems to the Minister's attention while there is still time in the budget year to correct them. This will also help to keep the Minister informed on problems the Ministry of Finance might be creating by appropriating and withholding part of MoD's enacted budget.

There should be strong restriction on spending not programmed; and if there are urgent spending needs they must be considered by the Programming Council. If the approved budget has been substantially varied from the draft budget, there is need for programmatically significant adjustments. If that is the case in the future, then the senior-level group should vet the resultant proposals. In addition, all long-term contracts should be submitted to the Programming Council for approval.

The Programme Review Process must become a meaningful one in which the Council has time to consider analysed programme problems and Issue Papers fully. The Programming Council has to review programme alternatives and choose the optimal alternative aimed at accomplishing programme objectives effectively. All programme managers must be informed about all programmes to enhance transparency in programming and budgeting. These measures will not allow the IDRMS annual calendar to collapse, precluding a meaningful review.

Ideally, there should be formed a Programme Working Group (PWG) to support and coordinate the work of the Defence Resource Board, and to ensure that it receives

adequate staff products prior to meetings. The PWG should collect Issue Papers and conduct preliminary programme review at expert level. The DPPD should have sufficient staff to function more effectively as a secretariat and to be the nucleus of this staff-level group. The PWG should be chaired by the Director of DPPD, and members should include the principal GS resources' person (the chief of J-5), programme managers of all major programmes, plus the heads of the Armaments Policy Directorate, Budget Planning and Management Directorate, Procurement Directorate, Military Infrastructure, and the Chief of Foreign Military Funds Office.

3.6.   *Execution of the defence budget*

Multi-annual programmes are the tools for creating the possibility to estimate the mid-term consequences of decisions made during the current budget year on the basis of forecasted resources. The advantage of the IDRMS is to place strategic goals in a middle-term framework. This allows for the implementation of prioritised programme goals and modernisation projects requiring long-term financing. The planned objectives by programmes are the commitment of MoD and the armed forces to missions and tasks based on the usual hierarchy of policy documents.

Defence programmes and Programme Objective Memoranda (POM – "display of the programme") are developed for a 6-year period and financial resource allocation is given by appropriations and by programmes. Defence *budget* formulation is fulfilled for one fiscal year – the first year of the planning period. This means transformation of multi-annual programmes into a one-year programme budget.

Problems
One of most painful problems in the functioning of IDRMS is the lack of linkage between programmes and budget execution. No meaningful process currently exists to inform senior leaders on the status of the programmes during budget execution. The reason for the fact that many programmes are falling short of approved targets is low correspondence between approved goals and the allocated budget. Staffs are making financial allocations without regard to the goals and priorities approved in Programming Guidance or, often, without regard to approved Programme Decision Memoranda (PDM). At all levels in MoD, part of the problem is poor coordination between programme and budget offices, between programme managers and second-level budget holders. Programme managers are failing to control overhead spending, such as electricity, water and fuel supply costs.

Moreover, the Ministry of Finance apportionment makes management difficult, because according to the State Budget Law until the end of the third quarter the MoD receives only 88 per cent of its planned budget. Additional funds could be provided until the end of the fiscal year if there are enough revenues. That can cause some

funds to expire unspent at year's end as a result or to be spent inadequately. Clearly, if the defence budget is not fully funded there is a need for redistribution of funds and accomplishing planned goals is put at risk.

In the report-analysis of 2002 budget execution to the end of the third quarter there was no information about programme implementation or problems to achieve goals. A procedure has not yet been established for all participants in defence spending. (The annual reports for objective realisation in 2001 and 2002 will be published, in order to compare progress during the two years and show financial funds spent by programmes.)

The forces' Logistic plan [11] is developed independently of approved defence programmes and priorities. As a result of poor logistic planning Partnership Goals and high-priority projects (usually C4ISR projects) are not funded and finished on time. Using the programming approach in defence resource management is key to ending the recent practice – to spend the budget in the end of year regardless of declared goals and combat capabilities.

Solutions
There is a long list of necessary actions if the foregoing problems are to be tackled in earnest. It would make sense to change the State Budget Law, so as to fund the planned defence budget at 100 per cent and to have the possibility to transfer unabsorbed financial funds from one year to another. The defence budget as percentage from Gross Domestic Product has to be fixed in the State Budget Law and thus the government should declare its commitment to defence funding.

Defence budget should be formulated on the basis of programmes and resources approved by the Minister in Programme Decision Memoranda (PDM). In order to spend financial resources effectively it is necessary *not* to execute defence budget separately from programmes. In this respect, the Guidance for budget execution in fiscal year has to be in line with the directions and macroframe set in Programming Guidance and approved PDM.

Not only the budget but also the Logistic plan and the Military construction services and infrastructure plan have to be developed, executed and reported by major programmes as approved in Program Decision Memoranda. Other Directorates must provide information to the DPPD on execution of their programmes.

Machinery for coordination and collaboration between the Budget Planning and Management Directorate and DPPD must be established. One option would be to move the planning unit of the Budget Planning and Management Directorate to the DPPD. Then the link between programming and programme-based budgets would be real and consistent. Further, since budgeting is transformation of multi-annual

programmes into a one-year defence budget, clear determination of responsibilities and good cooperation between programme managers and budget holders should be established. In this aspect it is necessary to have both mentioned directorates subordinated to the same deputy minister of defence.

Programme managers have to receive the status, rights and obligations of second-level budget holders, so that they can carry out all-round current and consequent control and supervision of spending.

Programme reports should be prepared every three months. The Programming Council (Defence Resource Board) should carry out the process of reporting and reviewing of programme implementation and managers should be held responsible for non-achievement of objectives. Programme reports are a precondition for monitoring and control of progress and for conducting specific activities to correct problems.

The Budget Planning and Management Directorate and DPPD must exchange the necessary information on budget execution by major programmes and programmes. They are supposed to synchronise their efforts and activities in the area of common interest.

3.7.   *Information support of IDSMS*

Problems

A key factor for the proper functioning of IDRMS is the proper information support of the system and a global database covering defence resources by programmes. Development and update of the database would permit a wide spectrum of research studies in the defence resources sphere. The methodology for defence resource management could be elaborated, using specialised software for programme analysis and modelling. Unimpeded information flows of IDRMS are important for effective functioning of the system and, hence, for its successful operation. Procedures and software for automatic gathering and updating of information will facilitate the efforts of the planning community, increase authenticity and create basis for scientific analyses.

The enormous amount of work done during programme development and the review process is hindered by lack of information. It is very difficult and time-consuming to summarise information on programme reports regularly. In recent years reports have been prepared every six months instead of every three months.

Moreover, it is necessary to develop and implement adequate information support to Financial Management to track budget execution in real time during the fiscal year.

There should be a common accessible database by programmes and by budget accounts to be used by programme managers and budget experts.

Solutions

The Ministry of Defence shall procure and implement an information system to support planning and managing defence resources by programmes. There is a prototype of such system in operation in DPPD, developed by a team of researchers from the Bulgarian Academy of Sciences. Its database is created in Oracle 8i. The prototype has Web-based interface, providing for collaborative work of programme offices. It further provides search and read-only access to senior decision-makers. The prototype includes stand-alone application built in Microsoft Access intended mainly for off-line programme development and review. After approval of the prototype, it will be further developed in order to achieve all planned options of the intended software project. This system has to be interoperate smoothly with existing information systems in MoD: human resource management system, force structure information database, logistics information system and the Automation Information System of the MoD and the armed forces. The information system shall provide input to DRMM – the main decision support system in managing defence resources.[12]

Likewise, it is necessary to develop and implement a suitable Financial Management Information System, to give programme managers information on budget execution by programmes in real time.

Conclusion

The introduction of a new system for defence resource management—a major contribution to transparency-building—is a revolutionary act. The implementation is accompanied by numerous problems. Most of those problems derive from the necessity to change the manner of thinking of personnel and leadership, to change out-of-date traditions and stereotypes in planning.

Every change, especially strategic change, shall adhere to several basic principles: there should be a confident leader who can realise the intended change; availability of adequate resources; a proper team to accept and implement the idea. Last but not least, and sometimes the most important condition for having change implemented, is the "buy-in" strategy – a strategy for creating internal support and appropriate environment. To be persuaded in the necessity to change, people have to be involved and a wide lobby has to be formed in order to build good marketing strategies. If only one of the foregoing factors is absent the change cannot be carried through.

As an implication, human resources are going to be the key element of successful implementation and evolution of IDRMS. There should be a campaign against old

thinking and a strong commitment to focus not only on the budget year, but also on the forthcoming 6-year programme period. No less important in order to retain well-trained, educated and experienced personnel is the creation and implementation of a sound career development scheme as part of a reasonable, well-conceived personnel policy.

Notes:

[1]   Post-Cold war.

[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> (12 June 2002).

[3]   The primary goals of defence have been defined in the *Military Doctrine of the Republic of Bulgaria*, authorised by a decision of the National Assembly in April 1999, amended on 22 February 2002.

[4]   The document *Report on budget limitations and alternatives for middle term period 2004 –2006* (Sofia, Ministry of Finance, 2002) defines the objectives of new programming approach in budgeting and macroeconomic assumptions, income and expenditures policy.

[5]   For an earlier analysis the reader may refer to Dobromir Totev, "Bulgarian Defence Resource Management System – Vehicle for Transparency in Defence Planning and Budgeting," in Transparency in Defence Policy, Military Budgeting and Procurement, ed. Todor Tagarev (Sofia: Geneva Centre for the Democratic Control of Armed Forces and George C. Marshall - Bulgaria, 2002), pp. 71-84.

[6]   Todor Tagarev with Dobromir Totev and Tilcho Ivanov, "Managing Resources for Defence and Security," Chapter 5 in *Programme of Integration of the Republic of Bulgaria into NATO*, ed. Konstantin Dimitrov and Velizar Shalamanov (Sofia: Institute for Euroatlantic Security, March 2003), <http://www.ieas-bg.org/project_01/eng/egl5.html> (11 June 2003).

[7]   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>. This article presents information systems necessary to support programming. DRMM (Defence Resource Management Model) application and intended information system for planning resources along programmes are presented in detail.

8   According to the current Law on Defence and Armed Forces, the Defence Council is the senior advisory body in the Ministry f Defence, chaired by the Minister.
9   The Military Doctrine was amended by Parliament in February 2002.
10 The chief administrator in the MoD administration.
11 Known also as "Materiel Plan."
12 For details refer to Totev and Boudinova, "Information Support for Effective Resource Management."

BISSERKA BOUDINOVA (b. 1963) is Head of the "Programming and Defence Resource Analysis" Department in the Defence Policy and Planning Directorate, Bulgarian Ministry of Defence. She holds a M.Sc. in Mathematics (Sofia University, 1986) and currently takes post-graduate courses in Economics. She took the Defense Resource Management Course, DRMI, Monterey, California, in 2000 and the course on "Defence Management in Democratic Society" at the Royal Military College - Shrivenham, UK, in 2002.
E-mail: Biserkalb@yahoo.com.