

A SOUTH-EAST EUROPEAN DEFENCE TRANSPARENCY AUDIT

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Under the terms of an agreement with the Geneva Centre for the Democratic Control of Armed Force (DCAF), the Centre for European Security Studies (CESS) – located at Groningen in The Netherlands – conducted in 2002 an investigation of transparency and accountability in the conduct of defence affairs in the eight South-East European countries that are designated ‘beneficiary’ states under the Stability Pact for the region. This essay draws on that work with the following objectives:

- to present *general observations* about policy and practice in these countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Romania and the former Federal Republic of Yugoslavia /FRY/, now Serbia and Montenegro);
- to look at the assembled evidence through the prisms of basic democratic theory and to assess how the states compare in terms of ‘*good practice*’;
- to offer a *categorisation* – or rough-and-ready ranking – of the countries on the basis of (subjective) measures of merit derived from that assessment; and
- to suggest an *explanation* of high (and low) standing in this respect.

It is obviously important to consider what distinguishes those states noteworthy for ‘good practice’ from the rest, not least because this should point to transparency *building* possibilities.

General Observations

Under the first heading, the states have one basic thing in common: a declared commitment to practising democratic accountability and promoting transparency in relation to defence affairs (and all other aspects of governance). Look beyond declaratory policy, though, and it is noteworthy that, while some states practise what

their constitutions and communiqués preach, others clearly do not (or did not until relatively recently). Why?

Rhetoric and reality

In several instances the answer would appear to be straightforward *cynicism*. Political leaders realise that it is important to say all the ‘right’ things in solemn statements of national values, but they see no reason to take these too seriously. The business of governments is to govern, and govern effectively. It is neither necessary nor desirable that deference to vaguely expressed obligations to ‘reveal, explain and justify’ what they do (policy) and what they spend (budgets) should get in the way of the efficient exercise of political power. That is undoubtedly how President Voronin and his Party view things in *Moldova*. It is the basis upon which Milosevic – and, for a long time, his successor – ran the ‘old’ FRY, now *Serbia and Montenegro*. It was the sentiment that prevailed in Tudjman’s *Croatia* and seems to have persisted among the contending factions there. It is evident in the day-to-day politics of present-day *Albania*.

Elsewhere it might be more appropriate to speak of *naïveté*, to capture those cases where even generally astute politicians seem to have supposed that getting the ‘right’ language into basic legislation is more than half the democratic battle and actual implementation can be left to take care of itself. A variation on this theme is the notion that there is value in a clear initial statement of aspirations even if ideas about how to realise them have yet to be developed. Thus in *Macedonia* national legislation embodies only vague declaratory norms. Neither the executive obligation to ‘reveal, explain and justify’ nor the legislative responsibility to enforce accountability is stated explicitly, with detailed provisions setting out who must do what, when and how. Similarly, in *Bulgaria* imprecision in the country’s statutes confers considerable executive discretion which, while exercised fairly generously of late, is none the less open to abuse.

Perhaps administrative *incompetence* is a factor too in places. Constitutional and statutory provisions are unexceptionable. There is a will to put sound procedures in place, but somehow they have not emerged. Until the Iliescu-Nastase-Pascu triumvirate got a grip on affairs, this was the situation in *Romania*. It may be part of the problem in *Bosnia and Herzegovina* (BiH) still, allied to the limitations associated with the Dayton-mandated political structure and the defensive mentalities of many political actors.

It has to be said, though, that inadequacies in attention to accountability and insufficiency in provision for transparency may not be the result of governments’ wilful disregard of their executive obligation. On the whole, advocates of

accountability and torchbearers for transparency take the line that ‘more is better’ (always) and that wherever policy and practice fall short of their (usually ill-defined) ideal, this warrants censure. That is not how top politicians see things, as a general rule. From their perspective the issue is one of striking a balance between their rightful exercise of legitimate authority on the one hand, the demands of democratic accountability on the other.

Authority and Accountability

In the CESS ‘transparency audit’ this dilemma revealed itself repeatedly. Put simply, the argument runs as follows. An administration that has been democratically elected has the population’s mandate to govern. It has been awarded the authority to rule. It is certainly subject to oversight by the elected representatives of the people. So it has a duty of accountability, and should therefore – to use an earlier formulation – reveal, explain and justify its decisions. This does not, however, imply an obligation to convey all the details of its day-to-day business to the legislature, still less to seek approval for each and every action it takes. Even in dealing with major matters of policy and large items of expenditure, ministers and their appointed officials (‘the authorities’) must have considerable freedom of manoeuvre: they cannot be immediately accountable for *everything* they do.

They must also have the right to withhold information about current business. In the policy area this might mean details of courses of action under consideration, of negotiations in train with other states, and so on. In the budgetary field it would definitely have to cover tax and other revenue-raising actions under consideration; and, on the spending side, imminent contract awards or decisive market interventions. In short, there are important *limits* to how much transparency there can be in the conduct of government affairs.

It is a real dilemma, and one that occurs – and recurs – in every political system. It is certainly not a problem that has been solved in mature democracies.

The significance of this observation for present purposes is obvious. We should not presume that in all circumstances ‘more is better’. Rather we should ask, about both accountability and transparency, the question: ‘how much is *enough*?’

Military Security and Commercial Confidentiality

Within the defence field, judicious balance-striking is particularly important in two specific areas: where ‘military security’ is involved and where considerations of ‘commercial confidentiality’ arise. In each area the potential for executive abuse is considerable. It is common knowledge that such abuse is widespread in South-Eastern Europe, because of official attitudes inherited from secretive *anciens regimes* and

because of the urge to conceal the consequences of *nomenklatura* privatisation and other forms of dubious dealing.

For the purpose of this analysis inadmissible secrecy on grounds of military security is practised whenever information is withheld other than to safeguard details of:

- the exact size of stocks of weapons and ammunition;
- the precise performance characteristics of weapon systems, from which technical strengths and weaknesses might be inferred;
- operational aspects of the employment and deployment of weapons;
- sensitive intelligence and sources thereof;
- secure communications, including frequencies, encryption techniques and so on.

So far as commercial confidentiality is concerned, enterprises have the right to data protection regarding:

- intellectual property (designs, patents etc.);
- exact contract terms and conditions (during bidding and negotiation);
- financial and other details of the business (where disclosure might harm its trading prospects generally).

But there should be no catch-all determination that no commercial information can be disclosed, because that would mean to put all public contracting beyond democratic oversight.

Active and Passive Legislatures

It is nevertheless the case that some elected chambers take their legislative responsibility to hold government to account more seriously than others. Likewise, some assert their ‘right to know’ about the administration’s business more forcefully than others.

Certainly South-Eastern Europe has its share of assemblies that are little more than ‘voting machines’ and of parliamentary commissions that are content to play a ‘rubber stamp’ role (usually because the party-in-office dominates). On the other hand, deliberately and determinedly independent legislatures are rare phenomena even in well-established democracies. ‘The tyranny of the majority’ is a problem that has perplexed generations of political scientists.

Still, normative democratic theory does not recognise the happy-to-be-passive parliamentarian, the individual who is content to see executive authority wielded too robustly (see above). Nor can it easily accommodate the related cult of the ‘expert’ that exists in some states, and explains the readiness to appoint an administration of

‘technocrats’ whenever there is either a serious political *impasse* or an acute economic crisis.

For this reason the CESS ‘audit’ did not appraise the South-East European countries’ policy and practice within the framework of the prevailing political culture and conventions where these are clearly not conducive to transparent and accountable governance. Hence it contains strictures about draconian party discipline (in *Moldova* most emphatically, but also in *Albania* and *Croatia*); and about ‘party list’ electoral arrangements under which a deputy’s seat is forfeit if his or her accreditation is withdrawn (as in *Serbia and Montenegro*, in FRY days, for example). It is critical too of lawmakers who, for whatever reason, are more comfortable not knowing very much about what the executive is doing or how it is spending their constituents’ money (in *Bosnia and Herzegovina* and in *Macedonia*, for instance).

Analysts and Auditors

Even if a country’s elected representatives themselves show no great enthusiasm for doing their oversight duty, the parliamentary body may play a role nevertheless if its commissions have able and diligent staff tasked to help it ‘shed light on power’ and ‘put to the question’ what the executive branch proposes. Further, the legislature can fulfil this function institutionally, at least in terms of holding government accountable *ex post* for its expenditures, if it is served by a competent, independent and respected audit bureau. Also, in principle anyway, analysts – academics, think tank personnel, journalists, interest groups, or even citizens acting in a private capacity – can observe and comment on an administration’s conduct of affairs, prompting others to press for change, if change appears called for, or maybe inducing some revision of policy or resource allocation directly. A participative democracy is one in which civil society has precisely such a voice in public affairs. (And that final sentence indicates, by the way, what we mean by ‘civil society’ and ‘voice’.)

The evidence indicates, however, that except in isolated instances none of the above applies in South-Eastern Europe, at least not as far as defence affairs are concerned. Few specialist defence committees have dedicated professional staff at their disposal. Those that do are often served by retired military people whose inside knowledge may be an advantage in certain circumstances (e.g. when it is necessary to know where, metaphorically speaking, dirty linen or buried skeletons are to be found) but a disadvantage in others (e.g. if out of loyalty or other motives the adviser thinks that the dirty linen should not be washed in public or the skeletons are best left undisturbed). Alternatively, staff may lack sufficient expertise and experience to perform, or brief others to undertake, effective scrutiny.

To remedy this deficiency, the OSCE¹ and other organisations offer ‘parliamentary support’ services in several countries – in some instances targeting defence committees – and that is obviously to be applauded. However, much of this activity appears ill-coordinated, and the quality of ‘support’ provided is not always very high.² Also, it is not clear what will happen when time-limited ‘support’ programmes terminate. References to ‘capacity-building’ are commonplace, but it is not at all certain that posts and practices will endure beyond the lifetime of externally-funded effort.

As for audit offices, each of the eight countries has one³ but none clearly passes the ‘competent, independent, and respected’ test. Practical steps to strengthen these bureaux are thus a most important transparency-building possibility. No single organisation makes as great a contribution to the cause of ‘honest government’ as a well-functioning audit office; and nobody disputes that the promotion of ‘honest government’ should be a policy priority throughout South-Eastern Europe. Developing competence is important everywhere, because the function is almost without exception in the hands of very young institutions. Independence is an issue, because the basic requirement that the professional watchdogs on the executive should serve the legislative branch is not observed everywhere. They do not even make pretence of this in *Moldova*. It is not the case in *Macedonia*, apparently. There are doubts about where the scrutineers’ loyalty lies in *Albania*. However, what is most unsatisfactory is the widespread lack of respect for audit agencies, manifest in the casual attitude that executive bodies demonstrate to investigations and the cavalier reaction to findings (to which there is frequently no disciplinary or judicial follow-up). The organisations are simply not taken seriously, it would appear, in *Albania* or *BiH* (not to mention *Macedonia* and *Moldova*). In *Croatia*, the elected chamber does note what the office has to say, but that is the end of the matter. This is what seems to happen in *Serbia and Montenegro* too. It may be what happens some of the time, perhaps a lot of the time, in *Romania* and *Bulgaria* also.

Finally, on ‘analysts’ – in non-governmental organisations (NGOs) and elsewhere – and the institutions of ‘civil society’ generally across South-Eastern Europe, the evidence is that they make a modest contribution to democratic accountability in certain countries, but that is all. There are reputable NGOs that pay *some* attention to defence affairs in each of the states examined. However, they struggle for quality staff and adequate funds everywhere, with the exception of one or two government-resourced ‘independent’ NGOs – GRINGOs, some call them – who may bark critically now and then but are careful not to bite the hand that feeds them. In some places, like *Chisinau*, the very existence of ‘advocates of accountability and torchbearers for transparency’ is probably perilous. In the region’s academic establishments, there are a handful of departments devoted to teaching and research

on national and regional security – notably the one that bears that title at one of Sofia’s universities – but they are few and far between and they do not, and realistically cannot, deliver enough well-informed and insightful material to sustain the kind of debate about security policy and provision that is taken for granted in the United States and occurs from time to time in Western Europe.⁴ The same goes for defence journalism: high-calibre correspondents are a rare breed; and, as a general rule, the media sit up and take notice when they scent a security crisis or a whiff of scandal but otherwise are content to let the military’s sleeping dogs lie.

‘Good Practice’

The foregoing ‘general observations’ stress shortcomings; but there is ‘good practice’ in South-East Europe as well. Indeed in some countries and in some respects provision for accountability and attention to transparency even compares favourably with arrangements in some mature democracies.

This is certainly the case so far as *international* transparency is concerned. With a few exceptions the Stability Pact (SP) ‘beneficiary’ states not only subscribe to the OSCE’s Confidence- and Security-Building Measures (CSBMs) regime but also honour their obligations under it. By and large, information is exchanged as required by the Vienna Document of 1999 (VD 99), and where it is not it is often because the reporting state does not have the facts and figures it is asked to share rather than because it is deliberately withholding information. This appears to be the case with the politically-binding obligation to share data on defence outlays, budgets and forward expenditure plans. A number of states were conscientious subscribers from the start of the process: of late, formerly ‘delinquent’ countries have come into line or have promised to do so as soon as they can.

The ‘politically-binding obligation’ is, of course, to share information *with other governments*. Encouragingly, the SP signatories have recently indicated a willingness to go further and place their financial information *in the public domain*. A handful did this by submitting their VD99 data for inclusion in the *Yearbook on South-East European Defence Spending*,⁵ published in 2002. More will be represented in the follow-on 2003 volume, perhaps all eight of the countries covered by the CESS inquiry.

This is a small triumph for the SP-supported *Budget Transparency Initiative* (BTI) under which the compilation and publication exercise has been conducted. Furthermore, before long we should see a companion volume to the annual compendium of data, namely a *Survey of South-East European Defence Budgeting Systems*.⁶ This will render another service to informational transparency, shedding

light on how national resource allocation *processes* work, to complement the material on budgetary *outcomes*.

Nor is this the only context in which South-East European States are laying their defence affairs open to international observation. Those taking part in NATO's Partnership for Peace (PfP) do so under the terms of that arrangement. The countries currently preparing for accession to NATO, following the Membership Action Plan (MAP) procedure, do so through the detailed Annual National Programmes (ANPs) that they present to the Brussels Headquarters as part of this discipline. This applies to *Bulgaria* and *Romania* who will join in 2004, and to *Albania*, *Croatia* and *Macedonia* who aspire to membership in a 'third wave' of post-Cold War enlargement.

The CESS 'audit' attaches importance to international transparency and recognises its value in helping build trust in South-Eastern Europe. It sets even greater store by *domestic* transparency, however, because this is the guarantor of accountability, and because accountability is central to good democratic governance. Of course the two should go together. Sometimes, though, they do not. Certain governments seem more relaxed about informing other governments (and international organisations) about their defence business than about informing their own legislatures, civil society institutions and the population-at-large. It should not be like that. There should be no accolades for states that reveal more to foreigners than they do to their own people.

Placing domestic transparency above international transparency carries through to thought about transparency *building*. The reason is simple. Take care of domestic transparency and international transparency will take care of itself (If it does not, embassies – and especially defence attachés – are not doing their job.) The reverse is not true: not all information communicated to external recipients finds its way readily to domestic audiences.

What, then, of domestic 'good practice'? Where among the SP 'beneficiary' states does the CESS survey find it, and where not? The headline conclusions of the research are summarised in the following pages.

Culture

Evidence of an emerging transparency culture in defence affairs can be found in two of the eight countries, namely the soon-to-be NATO members, *Bulgaria* and *Romania*. Hints that such a culture may be beginning to emerge can be found in the three would-be NATO members, viz. *Croatia*, *Macedonia*, and, if you look very carefully, *Albania*. They are discernible too in *Bosnia and Herzegovina*.

There is still a strong disposition to secrecy about defence in *Serbia and Montenegro*, even though signs that this might be receding were starting to appear in the last days of the old FRY. In *Moldova*, secrecy rules. In the early 2000s it may even have taken a stronger hold than before.

It is necessary, however, to look beyond these generalities if we wish to expose the presence or absence of ‘good practice’ (strictly defined). On that, the relevant evidence lies in procedural details.

Policy accountability

Under this heading there are some stark comparisons. First, how the President-Party-Parliament nexus operates in *Moldova* makes nonsense of normative democratic theory. There is nothing here resembling the customary two-way relationship, viz. an executive obligation to reveal, explain and justify policy and spending, and a legislative responsibility to require the powers-that-be to do that. Politics is one-way traffic, in military matters as elsewhere.

Not so, however, in neighbouring *Romania* where what has evolved of late epitomises ‘good practice.’ When the political leadership changes there must be new security and defence policy statements. In the refinement of policy – especially where legislation is involved – elected representatives are engaged, and there is a State Secretary at the Ministry of National Defence (MND) whose business it is to see that they are. Annual reports to the legislature elucidate policy implementation. There is, or has been lately, an active policy discourse in the country.

It is almost as good as this in *Bulgaria*. The statutes are less explicit about when the executive must ‘refresh’ policy, but recent administrations have done so conscientiously, and have consulted widely in the process of reshaping the national defences. There is routine annual reporting to the National Assembly as well. The day-to-day executive-legislature relationship is not so consciously managed as in Romania, and there have been occasional tussles on the ‘authority *versus* accountability’ issue, but there is no lack of two-way traffic in Sofia.

None of the other South-East European countries has security and defence policy accountability as well organised as these two. Executives interpret their democratic obligation narrowly, or acknowledge it formally and leave it at that. Elected deputies take a narrow view of what fulfilling their domestic responsibility requires or exercise legislative oversight in a *pro forma* fashion.

Financial Accountability

With money, it is different. In all political systems that claim to be democratic the people’s representatives wield ‘the power of the purse’ however nominally. The

executive must request the funds it needs to do the business of government; the legislature formally votes the money or makes the necessary appropriations. This happens before any cash is spent: there is *ex ante* accountability, on the basis of a *budget*. The executive must also report on how it has used voted funds or appropriations, to satisfy elected representatives that money has been used as intended. This happens after spending: there is *ex post* accountability, on the basis of audited *accounts*.

So much is universal; and it is what is done across South-Eastern Europe: from Croatia to Moldova, from Albania to Serbia and Montenegro. (Also, it is what is done with respect to all public spending, civil and military.)

The analyst's interest is in how it is done; and particularly in how well it is done. What constitutes 'good practice' in the defence field involves considering, among other things,

- whether the executive's request for funds arises from a systematic approach to planning, programming and budgeting for defence;
- how much information the budget contains, i.e. whether it is possible to see clearly what money is to be used for, and why;
- how long the legislature has to consider the budget request and hear explanations and justifications;
- whether eventual approval or endorsement by the elected chamber(s) is a considered act or a meaningless ritual.

These are the matters of interest *ex ante*, when the *budget* is the focus of attention. Others are of interest *ex post*, when final *accounts* are presented, viz.

- whether the official submission carries a certification that money has indeed been used as parliament intended;
- whether that certification is provided by a competent, independent and respected audit office (see previous section);
- whether evidence that there has been improper accounting and/or misappropriation of funds leads to disciplinary and/or legal action.

Nowadays 'good practice' also extends to cover not only the identification and correction of illegality (as revealed by 'traditional' audit inquiry) but also remedial action where there has been manifest inefficiency (as revealed by value-for-money audit work).

Applying these tests, the evidence assembled in the CESS 'audit' points to generally unambiguous, and unsurprising, conclusions. One of these can be disposed of quickly. *Moldova* goes through the motions of financial accountability. The

procedure is perfunctory *ex ante*, and perverted *ex post* (if the state audit bureau is indeed used as a tool of the authorities, as sources say it is).

The machinery is seriously flawed in *Serbia and Montenegro* (or at least the old FRY's was). That is also the case in *Albania* and in *Bosnia and Herzegovina (BiH)* in different ways and for different reasons. In these three countries the 'parliamentary support' programmes of the OSCE and others should, in the medium term, enable elected representatives to be more effective in holding governments to account, and the authorities will undoubtedly change their ways under this pressure. Progress would be quicker, though, if governments would embrace reform themselves. They might: in Serbia and Montenegro, as part of institution-building for the new state-union; in Albania, responding to MAP-feedback from NATO; in BiH, once the business of building forces for the country as a whole can begin. There are encouraging straws in the wind, but there are also sceptics around saying 'Don't hold your breath.'

Similarly, in *Croatia* and *Macedonia* there are currents running in the direction of *better* practice than that noted in the recent past, and there are some 'advocates of accountability and torchbearers for transparency' eager to go with this flow. Change may be imminent. The MAP-discipline will be one factor helping to bring it about, in both states. In Croatia, another may be the country's emergence from the shadow of the Tudjman years, resulting in less factional in-fighting among politicians, a less strident 'clash of institutions,' and less deference to the uniformed military as the deliverers of liberation. In Macedonia, the imperative of fashioning a new politics of inclusion should have its effect.

For the time being, though, only the two countries that have experienced years of MAP-discipline and embraced reform some time ago win plaudits for 'good practice' in the public finance of defence. In this respect, *Bulgaria* and *Romania* deserved the preference in Prague that brought them their invitations to join NATO.

Provision for financial accountability is not identical in the two states. However, the CESS investigation records the following.

- Each country has a coherent defence planning, programming and budgeting system up and running.
- In each country the executive produces and presents to its legislature an informative defence budget, within a clear programme structure and showing resource allocation to both inputs and outputs, and with explanatory material. Bulgaria decided to present, from 2002, a multi-year budget – the first covers 2003/5 – with a wealth of supporting information. This has set a standard for South-Eastern Europe.

- In each country elected representatives get as much time for budget consideration as the parliamentary calendar allows. The period is inadequate, but that is a complaint all legislatures make.
- In neither country is passing the budget the ‘rubber-stamping’ ritual that it is in some other states (though time constraints and some deputies’ limited knowledge preclude in-depth scrutiny).
- In each country an audit office certifies defence accounts and the elected chamber(s) take(s) note of its reservations. (Neither country, though, consistently punishes wrongdoing.)

This is as good as it gets among the SP ‘beneficiary’ states. At the same time, policy and practice *vis-à-vis* defence finance in Bulgaria and Romania are not flawless. There are reform possibilities here as elsewhere.

Transparency

There is more in the CESS ‘audit’ about accountability than about transparency *per se*. For good reason: in its domestic manifestation transparency is important because – and, really, only because – it underpins accountability. ‘Seeing’ how the business of government is conducted – in defence affairs and generally – is not a spectator sport but a necessary feature of democratic governance (in which accountability plays the pivotal role). It follows that we assess ‘good practice’ in relation to transparency in this spirit. Where, and to what extent, is the ‘right to know’ respected, and information made available, not to satisfy idle curiosity but to serve democracy?

‘To what extent’ poses a minor difficulty. How to differentiate among countries, and the same country at different times, acknowledging that there are degrees of transparency? Here the Groningen inquiry adapted the simple categorisation of ‘security planning systems’ that Daniel Nelson outlined to a DCAF-sponsored symposium held in 2001 in Sofia⁷ and later elaborated. Nelson suggested that such systems might be characterised as transparent, translucent or opaque.

Transparent systems are described and commended as follows (in Nelson’s post-Sofia text).

‘To see into and through deliberations that eventuate in resource allocation for armed forces and all security structures is essential, for nascent democracies and for long-in-the-tooth democracies alike. One does not need to see everything in order for transparency to exist. 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.’

‘Transparency does not imply,’ he goes on, ‘simply announcing and broadcasting everything.’ It does, though, entail ‘procedural visibility and clarity’ without which ‘the process quickly reverts to Byzantine rites and holy writ.’

‘*Translucent systems* offer ‘glimpses and outlines, never details,’ Nelson continues, while ‘*[o]paque systems* hide most of the national security planning process.’ He then adds, crucially, that ‘there are many points on this spectrum and these three points only illustrate a much larger phenomenon whereby open, limited and closed security-planning systems are differentiated ... in part by their degree of accountability.’

Ignoring the conflation of accountability and transparency here, this is our perspective exactly; and we can define, broadly, a round half-dozen ‘points on this spectrum’ for use in assessing South-Eastern European policy and practice. We can characterise states as: (1) wholly transparent, (2) fairly transparent, (3) partially transparent, (4) translucent, (5) partially translucent and (6) opaque (in their conduct of defence affairs).

Whether *Moldova*’s policy-making, planning, programming and budgeting for defence should be assessed as completely *opaque* or *partially translucent* is a matter that might be debated. Suffice it to say that in Voronin’s Chisinau (reportedly) decision-making is an activity that takes place mainly in closed rooms, and reversion to ‘Byzantine rites and holy writ’ is at least suspected.

Fairly transparent would be the right description for policy and practice in *Romania* and *Bulgaria*, on the evidence we have seen. Not ‘wholly transparent’ because neither in Bucharest nor Sofia are the authorities totally open about the conduct of defence affairs. This is the case in the equipment acquisition area: witness the helicopter-purchase affair that rocked the Romanian capital not so long ago, and Bulgaria’s 2002 MiG-29 refurbishment controversy. It is the case so far as other resource allocation issues are concerned: not all key facts and figures are made available. Even in recent defence restructuring, neither elected representatives, nor analysts, nor the media – and certainly not ordinary citizens – have been able to ‘see into and through deliberations’ completely and continuously.

Capturing the degree of transparency that characterises the conduct of business in *Bosnia and Herzegovina* is difficult. International presences and pressures ensure that information about defence dispositions is fairly plentiful. Decision-making processes in the entities, however, are only *partially transparent* at best, and often only *translucent* (yielding ‘glimpses and outlines’ in Daniel Nelson’s language). The same applies, for different reasons in *Macedonia*, though here the system is offering progressively more glimpses and more than outlines, becoming at least *partially transparent*.

The temptation to hedge is very strong also regarding the two large ex-Yugoslav states, *Croatia* and *Serbia and Montenegro*. *Translucent* is perhaps the most satisfactory compromise designation, in both cases, though it probably does less than justice to Zagreb and, arguably, flatters Belgrade (and Podgorica).

As for *Albania*, bearing in mind that it is not the face the country shows to international organisations that concerns us here, *partially translucent* is the point on the spectrum that perhaps fits best. Influencing this judgement are the phrases a knowledgeable correspondent uses: that the country is en route to ‘making transparency part of the culture and behaviour’ of the polity; that the executive ‘has not created yet [a pattern of] institutional behaviour concerning the engagement of parliamentarians’; and ‘there is still not an institutionalised and real consultation and involvement process.’ In sum, Nelson’s ‘procedural visibility and clarity’ are lacking. Also, governments are parsimonious with defence-related information. That said, Albania is not Moldova: the country is edging in the right direction and not stuck in a time warp as the former Soviet republic appears to be.

In fact, increasing transparency is evident throughout South-Eastern Europe, except in Moldova. That is because in seven of the eight Stability Pact ‘beneficiary’ states they are working on it. As they should. ‘Transparency does not simply happen,’ Dan Nelson says, ‘it must be assiduously pursued.’

Publications

One indicator of earnest pursuit is the authorities’ commitment to regular publications about what they are doing and what they are spending. On the face of it, appraisal here ought to be straight-forward. Actually it is not, mainly because the *quality* of official material varies greatly. Printed statements on policy and programmes may be genuinely informative or not much more than public relations exercises. Websites may offer access to facts, figures and important documents or they may contain little more than formal mission statements, staff directory material and the leadership’s latest speeches.

Still, we know ‘good practice’ when we see it, here as elsewhere. We see it in *Bulgaria*, where the bi-lingual Defence White Paper (plus CD-ROM) issued in 2002 is a model of its kind and some good popular pamphlets have appeared lately. We saw it in *Macedonia* in the late 1990s, in the form of a reader-friendly White Paper and user-friendly web pages that provided a striking demonstration of what even a small state can do when it puts its mind to it. We have seen it in *Romania* over the years, albeit more in documents aimed at outside audiences than in material for home consumption. We have seen it occasionally (but rarely) in *Croatia*, and more in one-

off publications from semi-official sources than in regular material from the government.

For the other countries – *Albania, Bosnia and Herzegovina, Moldova, Serbia and Montenegro* (ex-FRY) – the picture is bleaker. In these countries elected representatives, other civil society bodies and the public-at-large are poorly served.

Rank or categorise?

The third question on this essay's agenda is: on the basis of the preceding section's comparative assessments of 'good practice' can one *rank* the eight countries 'on merit' or at least *categorise* them in some way?

It is worth trying. The CESS investigation is a transparency audit of South-Eastern Europe (with respect to defence affairs), having value in its own right as a snapshot of policy and practice in 2002. It would be helpful if that could be encapsulated in a single measure of merit for each state.

However, the Groningen inquiry could – and, arguably, should – lead to a follow-on exercise in which progress towards greater transparency and accountability might be gauged. But how to measure change? We need that single measure of merit, a composite indicator of how good (or bad) things are now, as a point of reference for any future repeat calculation.⁸

The problem is that when dealing with 'transparency and accountability' we are not dealing with a simple attribute – like height or weight or wealth – which comes with its own conventional units of objective and cardinal measurement. Rather, we have a complex quality or property – like beauty or comfort or reliability – where assessment is inherently subjective ('in the eye of the beholder'), can only be ordinal (A more than B, X less than Y), and is necessarily synthetic (combining many attributes, and therefore not capable of expression in conventional units like metres/feet, kilograms/pounds or Euros/dollars).

Ranking

This kind of problem is not, however, totally intractable. Others have grappled with variants of it, and found solutions. These may evoke reservations, but they are not ridiculous. Two are worth comment. First, the organisation *Transparency International* – based in Germany, but with offices ('chapters') worldwide – has made it its business to assess *corruption* around the globe. Its ranking of states, based on many observers' evaluations of numerous variables, is widely respected even though sometimes disputed. Secondly, the World Bank Institute (WBI) has developed – under a 'Governance and Anti-Corruption' rubric – a family of what it calls governance indicators, also with global coverage. One of them is '*voice and*

accountability.' The WBI indicators constitute 'measures of merit' for more than 150 countries, expressed not in absolute terms but by reference to the country's standing in the world. They are 'a statistical compilation of *perceptions* of the quality of governance of a large number of country respondents ... as well as non-governmental organisations, commercial risk rating agencies and think-tanks.'⁹

The WBI work is of special interest because the general 'voice and accountability' indicator relates to aspects of good governance similar to those of interest here. Moreover, the WBI's 'Eastern Europe region' comprises seven of the eight states covered in this essay (following the CESS 'audit' exercise). The Institute's 2001 ranking¹⁰ of these seven is shown in the table below. Had Moldova been included it would have been bottom of the list.

Country	Percentile Ranking
Bulgaria	69.0
Romania	66.7
Croatia	66.1
Macedonia	55.2
Albania	54.0
FRY	48.9
BiH	42.0

The 'percentile rank' measure is easily explained. It indicates the percentage of countries worldwide that rate *below* the named country. Thus in the table here 'our' countries are listed from 'best' to 'worst'. The line item for Albania says that an estimated 54 per cent of the 150-plus countries covered by the statistical test rate worse than Albania, an estimated 46 per cent rate better, on the global 'voice and accountability' index.¹¹

Obviously, the effort involved in both Transparency International's undertaking and the World Bank's work far surpasses anything that could be done in a one-year investigation to yield similar numerical rankings specifically for transparency and accountability in the conduct of South-East European defence affairs. In any event, it is not at all certain that a 'statistical compilation of perceptions' is the kind of indicator that best suits the present analytical purpose.

Categorising

How else, though, to deal with a (composite) ‘complex quality or property,’ for which only subjective, ordinal and synthetic assessment is possible? The answer is: by opting not for numerical ranking but for qualitative categorisation. There are many areas in which this technique is used. It must suffice to comment on a couple: one familiar, one perhaps not so well known.

The familiar application is in evaluating – subjectively, and on the basis of many attributes – the standing of hotels and restaurants. Assessors (or inspectors) appraise establishments and award ‘star’ ratings (or some other symbolic measure). No matter how complex the appraisal they must perform is, they succeed in encapsulating it in a composite indicator of merit. To all who wish to know about the quality of food and drink, shelter and service (hospitality) that different establishments offer, this suffices to indicate what they can expect and, incidentally, what they should not expect. It is also an indicator that can alter or be altered, of course: hotels can be upgraded from, say, the three-star category to four-star (and *vice versa*, of course); restaurants may gain or lose ‘stars’ or knife and fork symbols or whatever.

We could categorise the states of South-Eastern Europe similarly, with respect to defence-sector transparency and accountability, using the assessments of ‘good practice’ summarised in the preceding section of this essay. Looked at another way, we can take the detailed country profiles of the CESS research and regard them as well-informed inspectors’ reports. Their translation into a differentiating categorisation is essentially the same as the procedure that the experts of Michelin or Gault-Millau practise, with consummate professionalism.

Neither the analogy nor the argument needs taking further. Clearly ‘the Michelin method’ is an option. However, it has a couple of drawbacks. The less important is that it might be perceived as frivolous – transparency and accountability ‘star’ ratings, indeed – even if appropriate symbols were chosen. The more important is that if, following practice in the hospitality sector, there were only six grade categories available (0-5), then it might be thought that insufficient differentiation were possible.

The maybe lesser-known application of a grading scheme is what we might term ‘the S&P method’: the convention in the financial sector of rating the debt instruments of country and corporate borrowers on the basis of credit risk (broadly assessed), a business in which one of the leading practitioners is the Standard & Poor’s agency (S&P).¹²

Taking many factors into account, the S&P appraisers place bonds and borrowers in one of four main categories (A-D), with all ‘global investment grade’ stock located in the A or B categories. However, within each level of this quality hierarchy securities

are designated A, AA, or AAA ('Triple A'), B, BB, BBB and so on, creating a nominal 10 ratings, since D is for 'default'. In fact there are more than this, because assessors have the option of annotating a designation (+) or (-), according to how stable they think the borrowers' position is, and this increases the number of possible non-default gradings threefold.

By way of illustration, an early-2003 listing of *governments'* bonds included the borrowings tabulated [below]:

Country	Redemption Date	Rating
Argentina	03/05	D
Bulgaria	07/11	BB
Canada	11/05	AAA
Italy	09/23	AA
Poland	02/11	BBB+
Turkey	06/10	B-
UK	01/03	AAA

These are complex, multi-dimensional indicators of 'merit,' as the sovereign debt specialists see it. Moreover, there is nothing frivolous about this business. Upgrading is celebrated, downgrading bemoaned.

Clearly, 'the S&P method' points to the sort of composite indicator – the single encapsulating 'measure of merit' – most suitable for recording the findings of a serious transparency audit. Taking all the factors reviewed in the CESS study into account, and the comparative assessments of 'good practice' (and not-so-good practice) made, the eight countries surveyed can be placed into one of four transparency and accountability categories (A-D), and where appropriate differentiated within these.

In practice, this means giving each of the several dimensions of transparency and accountability – policy accountability, financial accountability, publications and so on – what amounts to a 'component' rating, using the same categorisation technique. These elements can then be combined or aggregated to produce the 'overall' grading.¹³

It would be time- and space-consuming (and repetitive and tiresome) to go through rating derivations for each of the eight countries covered here. The technique should be demonstrated, however. So, two illustrative cases – one full, one abbreviated – are

shown in Annex A. In each example, the complete supporting argument is in the CESS research material, as summarised above. As illustrative cases, the summary remarks are obviously not meant to be more precise than the more detailed descriptions and evaluations in the parent study's national 'audits' of Croatia and Romania.

This is 'the S&P method' adapted for our purpose. Using it, we have arrived at the 2002 country categorisations set out in the one-page supplement to this piece (Annex B). That tabulation summarises the eight-country evaluation of policy and practice with respect to defence-sector transparency and accountability in South-Eastern Europe, the 'transparency audit' of the region. For reference the grades may be called 'Transparency (TRANS) and Accountability (ACCT) Ratings' – or TRANSACCT Ratings for short.

Towards transparency building

As stated earlier, there are no surprises in the CESS results, as shown in the tabulation of TRANSACCT ratings. It is none the less instructive to consider briefly the supplementary questions raised at the beginning of this essay. How to explain high (or low) standing? What distinguishes those states noteworthy for 'good practice' from the rest?

Here it is surely significant that it is the soon-to-be NATO members (and ahead-of-the others EU aspirants), Bulgaria and Romania, who came out of the audit best, in the A-grade. Furthermore, the countries that have been participating in monitored preparation for NATO accession – the Membership Action Plan (MAP) process – namely Albania and Macedonia (since 1999) and Croatia (since 2002), are among the best of the rest.

In other words we find the greatest transparency and accountability in the conduct of defence affairs in those states that have been engaged in focused effort to meet NATO's expectations and requirements – concerning 'democratic-style civil-military relations' and good governance generally – and have been encouraged and helped in that by the Organisation itself and by individual member-states.

Perhaps this is a 'blinding glimpse of the obvious' or intuitively self-evident. It is nevertheless something that should clearly influence consideration of transparency-*building* possibilities. It is 'focused effort' and assisted effort that has brought South-Eastern Europe's best to where they are now; this is what is currently helping Albania, Croatia and Macedonia; and it is what is most likely to help the other countries – especially Bosnia and Herzegovina, Serbia and Montenegro and remote (in many senses) Moldova – to progress along 'the road to transparency,' and better policy and practice.

The ‘S&P Method’: Illustrative Cases

Case 1 Romania

Policy Accountability. Arrangements good. Executive obligation to ‘reveal, explain and justify’ acknowledged and fulfilled, likewise the counterpart legislative responsibility. Through recent policy evaluation and programme decisions, executive-legislature relations very good. Public information taken seriously. (Main question: now NATO accession secured, will it last?)

[‘Component’ Rating (CR): AA-]

Financial Accountability. Arrangements good. Executive obligation to ‘reveal, explain and justify’ acknowledged and fulfilled, likewise counterpart legislative responsibility. Through latest programming and budgeting, executive-legislature relations good. Active audit bureau. (Main questions: will it last? Audit follow-up?)

[CR: AA-]

Domestic Transparency. Effectively institutionalised in both policy and financial areas. Fairly high procedural visibility all round, except on equipment acquisition. Fairly good publications. (Main questions: better international than domestic? Opaque spots/corruption?)

[CR: AA-]

International Transparency. Very good. Politically-binding obligations honoured, supportive of regional initiatives. Good publications for ‘outside’ audiences.

[CR: AA]

Overall Rating: AA-

Meaning ‘firmly in the first grade (AA), but not yet securely so (-)’.

Case 2 Croatia

Policy Accountability. Arrangements fair. ‘Clash of institutions’ problem, and ‘improvisations’. Legislative oversight largely *pro forma*. Little public information effort.

[CR: BB]

Financial Accountability. Arrangements fair. ‘Clash of institutions’ problem and ‘improvisations’. Legislative oversight largely *pro forma*. Satisfactory audit work, but no follow-on.

[CR: BB]

Domestic Transparency. Fair, but not yet institutionalised. Not so good procedural visibility, especially regarding procurement. Poor publications.

[CR: CCC]

International Transparency. Fairly good in OSCE-CSBMs and BTI. Few publications for ‘outside’ audiences.

[CR: BBB]

Overall rating: BB

Meaning ‘firmly in the second grade (BB)’.

South-East European Transacct Ratings 2002

Country	Rating
Albania	CCC
Bosnia and Herzegovina	CC
Bulgaria	AA-
Croatia	BB
Macedonia	B
Moldova	D
Romania	AA-
Serbia and Montenegro	C

Note to table

In the S&P investment ratings ‘D’ denotes ‘default’ (meaning insolvency). By analogy, assigning a ‘D’ to Moldova in this categorisation signifies that this country is regarded as falling below a transparency and accountability threshold. There is an evident insufficiency in policy and practice. The country’s ‘democratic deficit’ – to use a well-understood expression – is so large as to amount to ‘insolvency’.

Notes:

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- ¹ OSCE - Organization for Security and Co-operation in Europe.
 - ² Where, for example, the help made available is that of temporary, part-time assistants or interns with limited military knowledge and limited or zero training in the arts of scrutiny.
 - ³ In *Bosnia and Herzegovina* there are actually three.
 - ⁴ In a recent attempt to trigger and sustain informed debate on defence and security, the George C. Marshall Association-Bulgaria launched the monthly publication, printed and on the Internet, both in Bulgarian and English of *Security Focus and Security Sector Watch*, <http://www.mediapool.bg/site/security/index_en.shtml> (23 June 2003).

- ⁵ *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>> (29 May 2003).
- ⁶ Possibly, implementing a methodology similar to the one described by Todor Tagarev in this volume.
- ⁷ Daniel Nelson, “Beyond Defense Planning,” 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. 17-26.
- ⁸ Moreover, if we can solve this ‘composite indicator’ problem for South-Eastern Europe, we may have not only a basis for cross-national and intertemporal comparison within this region but also a tool of wider applicability.
- ⁹ World Bank website, <http://www.worldbank.org/research/growth/corrupt_data.htm> (29 May 2003), emphasis added.
- ¹⁰ *Governance Indicators: 1996-2002*, World Bank Institute Themes <<http://www.worldbank.org/wbi/governance/govdata2002/>> (16 June 2003).
- ¹¹ For more on the WBI research method, see Daniel Kaufmann, Aart Kraay and Pablo Zoido-Lobaton, *Government Matters*, World Bank Working Paper 2196 (Washington, DC: The World Bank, October 1999) <http://www.worldbank.org/research/growth/pdffiles/gov_matters.pdf> (16 June 2003). The WTI website provides also access to updated datasets.
- ¹² The other is Moody’s: but the S&P investment categories are easier to understand. See ‘World Bond Prices’ in the *Financial Times*.
- ¹³ There is a ‘weighting’ problem here, of course. However, quality assessment is subjective anyhow, and this applies to gauging whether some elements therein are more important than others.

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