

COUNTERING CORRUPTION IN THE DEFENCE AND SECURITY SECTORS, Tirana, September 2011

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Dear participants in the conference "Countering Corruption in the Defence and Security Sectors", I would like to thank you for the opportunity to participate in the forum which has turned into a milestone for our common efforts in the region to build an effective system of struggle against corruption.

There can be no doubt that corruption in the sphere of national security constitutes direct encroachment on the integrity of the state, on the citizens' sense of security, on the authority of the institutions and the international image of the country. The occurrence of corruption in the defence sector compromises the reforms aimed at modernizing the armed forces. If the prerequisites that generate corruption are not abolished, the planned changes will only remain theories written on paper while their practical implementation is doomed to failure, and they turn into a screen behind which shady groupings seek influence and conceal unacceptable abuses of power and position-in-office.

Our experience in Bulgaria proves this in a period when in defence sector arbitrariness in resource management reigned, there was total non-transparency in the decision making process and reckless disregard for the internationally accepted standards of defence management. Therefore, the basic task that the leadership of the Ministry of Defence took upon itself was to build such a strategic environment for conducting the reforms, in which there are not only guarantees that corruption will be eliminated at the present moment, but also that the risk of subsequently generating corruption in the future will be reduced to a minimum.

We proceeded from the conviction that **three components guarantee the implementation of a successful anti-corruption reform**: political will, a clear strategy for its practical application, and objective external evaluation to act as a corrective when necessary, by comparing the chosen direction with good and tested practices of building integrity.

The first step we made was to institutionalize the fight against ineligible practices by setting up a Standing Council on Anti-corruption. The directors of all structures in the MoD are represented in the Council, as well as of the ones which are directly subordinated to the Minister of Defence. The basic tasks of the Council are: to develop a system of measures aimed at fighting corruption, to exercise control over the implementation of these measures, and to put forward solutions for the improvement of legislation.

In the first place, we introduced **transparency** into formulating decisions as well as into the decision making process as a basic weapon against the hidden practices related to abuse of position-in-office for personal gain.

All activities of the present leadership of the Ministry of Defence are conducted under complete publicity, and this practice considerably contributed to improving the relations of the political leadership of defence with the needs and expectations of the public. Thus we conveyed a message to society that we are firmly committed to protect the public interest in the defence sector. The basic means we used in this respect was the introduction of systematic accountancy and responsibility for the undertaken activities and achieved results. We bring to the knowledge of the Bulgarian public the Annual Report on the state of defence and the armed forces as well as the quarterly progress reports on the reforms in the Ministry of Defence, by means of which we provide the Members of Parliament and the public with the opportunity to observe the development of the processes in the sphere of defence.

We introduces the practice of openly discussing in public the development of the projects related to introducing amendments into the Law on defence and the armed forces, the Law on military police, the Law on the reserve of the Armed Forces of the Republic of Bulgaria and the Law on military intelligence.

Through his active presence in mass media's focus, the Minister of Defence regularly informs the public about the most significant events of internal, coalition and international nature which are related to the defence policy of our country.

Signals for irregularities and malpractices can be submitted to the website of the Ministry of Defence, and the Minister of Defence has provided direct access to his personal E-mail to citizens; every received message has been given a response and, if necessary, follow-up checks or other administrative activities have been conducted.

Parallel to the above, we initiated an active bilateral dialogue with representatives of the nongovernmental sector by distributing a regularly published bulletin, which provides detailed information on the anti-corruption measures and the achieved results in this sphere in the Ministry of Defence. Meanwhile, we look forward and we are open to suggestions, questions, and revisions on the part of these organizations, and we will discuss and apply them in the decision making processes.

We provided the public with full access to the announcements about public procurement and tenders through the website of the Ministry of Defence. The information on launching procedures and their implementation is updated on a daily basis at the website of the MoD.

We are firmly convinced that the reform in the armed forces has to be based on a solid vision which enables the public to examine closely the motivation that served as a base for conducting the reform, as well as all the necessary stages the reform has to pass through. As a result of this, during the mandate of the present

government, we developed **the strategic documents of the defence policy** and building of modern armed forces under the conditions of clear accountability to the citizens regarding the ways of spending the defence budget.

After a public debate with the participation of representatives of nongovernmental organizations, civil society and scientific-academic circles, a White Paper on Defence and Armed Forces of the Republic of Bulgaria was adopted by the National Assembly. Fighting corruption was incorporated as a fundamental principle in the White Paper, and transparency – as a key pillar of the new management philosophy of the integrated Ministry of Defence.

Another basic document that has been developed is the Plan for the Development of the Armed Forces, which marked the beginning of new defence management built on a modern base with clearly defined and attainable goals and priorities

A Long Term Investment Plan was adopted as well as a logical continuation of the Plan for the development of the armed forces. This plan established the prerequisites for principled, consistent and transparent investment policy. We generated organization and a mechanism for an independent preliminary complex assessment of important and expensive solutions in defence policy by appointing program teams, to which we attracted a broad circle of experts tasked to study and develop the investment projects.

The investment projects we plan to implement from now on will be submitted for approval, depending on their cost, either to the Council of Ministers, or to the National Assembly. This mechanism guarantees complete civilian control over defence budget spending, especially in its part related to the most significant investment expenditures.

These documents outline the conceptual framework of management and balancing of resources by focusing the attention on building capabilities, and limiting malpractices as well as reducing budget squandering to a minimum.

In order to lay the foundations of new moral in our relations with the public and the representatives of the business, we, in the Standing Council on Anti-corruption, developed an ethical code of conduct for the military and civilian personnel of the Ministry and the structures directly subordinated to the Minister of Defence and the Bulgarian army.

We developed an internal system of reporting and investigating both established and potential cases of conflict of interests in the Ministry of Defence, in the structures directly subordinated to the Minister of Defence, and in the Bulgarian army. We approved Rules for the application of the Law on preventing and determining conflict of interests.

Our goal was to build a lasting and effective system to counteract corruption, and we needed a **realistic and professional assessment of the present situation followed up by recommendations** to fill the gaps and correct deficiencies.

With this understanding, the MoD completed the Self-assessment Questionnaire of the NATO "Building Integrity Initiative" in September 2010 and in December that same year was subject to a Peer Review by a joint team of NATO representatives and experts of the nongovernmental organization Transparency International - UK. In the final report the team which has conducted the Review stated that only a year-and-a-half into the new government's mandate the results are impressive and that the message to address corruption practices is clearly understood at all levels across the MoD and in the structures and bodies subordinated to it.

The recommendations formulated in the report were included in the Action Plan, which outlined the specific future steps to prevent corrupt practices within the Ministry's defence system.

The general statement of the report, as is our inner conviction, is that public procurement and supplies are the most corruption-susceptible area in the defence sector. That was the reason why we incorporated in the Action Plan numerous suggestions on amendments to optimize this process and make it transparent both for the participants in the procedures and for society as a whole. In the first place, the members of the Standing Council on Anti-corruption made a decision and approved an Integrity Pact which is to be concluded by the Ministry of Defence and the participants in the public procurement, in the tenders for purchases and letting out property. Through the Integrity Pact, the Ministry of Defence makes the commitment not to admit any malpractice and abuse of position-in-office for personal gain in performing the procedures; the Pact is signed by the Ministers of Defence and becomes an integral part of the documentation on conducting public procurement and tenders. Respectively, the participants may choose if they agree to sign the Pact or not; the act of non-signing this document has no legal consequences and does not result in the elimination of the participants from the procedure. Documents of this nature which constitute a moral engagement and are a part of the trust building measures between the state administration and the representatives of business are concluded in a number of ministries of NATO member countries. Our experience in Bulgaria shows that after the Ministry of Defence announced it, the Integrity Pact became one of the initiatives of anti-corruption nature most broadly covered by the mass media although some of the media representatives shared the opinion it was strange the project was aimed at a moral and not legal effect. Society needs imposition of a new value system and notwithstanding the fact that a moral commitment of this type is established on a voluntary base this document is perceived as a positive fact and places the trust in the institution on a qualitatively new base.

With the goal to exercise **systematic and follow-up control** over the corruption environment, as a basic priority in the policy of the Government and in accordance with the Prime Minister's clearly detailed guidance, the Inspectorates at the Ministries developed Methods for evaluation of the corruption risk. In the

Ministry of Defence, the Inspectorate developed and the Standing Council on Anti-corruption approved the Methods. In the first place, the Methods comprise indicators of the corruption risk that can be divided into objective, subjective, internal and external conditions, and these may create prerequisites for malpractice and abuse of position-in-office for personal gain. The methods for assessment of the risk are described, and depending on the presence of certain indicators, risks can be defined as being high, average and low. The follow-up report on the application of the methods has to comprise suggestions on ways to eliminate the risk in the structures where its presence has been established. The methods are accompanied by three types of inquiry cards we have generated – for the employees working in the administration, in the structures directly subordinated to the Minister of defence and in the military formations. The inquiry cards comprise a series of questions on self- assessment of the corruption risk; the responses are assessed in compliance with a qualitative scale which at the end provides an objective idea of the actual state, and offers a good opportunity to make conclusions on the corruption environment.

Ladies and Gentlemen,

It is perfectly clear that dealing with corruption depends both on the specific anti-corruption measures and on **the overall reform** in the defence sector which has to formulate clear rules and priorities in conducting the defence policy.

The basic goal of the reform conducted in the Bulgarian Ministry of Defence was to build such an organizational and legislative environment which is to eliminate both corruption in defence policy and the prerequisites that engender corruption. The mechanisms which guarantee the execution of this task were the following: goal-oriented budgeting based on programs; maximal increase in the transparency of the process and admitting a maximal number of participants in procedures on assigning public procurement for defence; accelerated exemption of the Ministry of Defence from all types of uncharacteristic economic functions and from managing the excess real estate property; reducing to a minimum the necessity of “urgent deliveries” by sending organizational-staff units possessing preliminarily built capabilities to participate in operations.

Another very important basic prerequisite aimed at limiting the opportunities for malpractices was to regulate the exemption of the administration of the Ministry of Defence from commercial, brokerage, security guard, production and other types of uncharacteristic activities as well as from managing the trading companies. This made it necessary for us to broaden the public-private partnership in delivering articles and services for the needs of the armed forces.

Please allow me to introduce to your attention some of the more important **changes in the activities of some key structures** in the Ministry of Defence aimed at fulfilling the priorities outlined above.

The introduction of the budget planning based on capabilities which have to be built was of primary importance for applying the principle of transparent budget

management and goal-oriented fund spending. The situation, which our government found in the Ministry of Defence, was characterized by spending of considerable financial resources for defence which constituted an exceptionally serious burden on the national budget, especially under the conditions of financial and economic crises when the expenses for social assistance, health and education are given a high priority. Apart from the above, there was a paradox that the expenses with which our taxpayers were burdened, recalculated with a view to the purchasing capacity of the population, proved that the Bulgarian soldier was one of the most expensive ones among our Allies in NATO. Simultaneously, with regard to the absolute value, he was one of the most poorly provided with resources. All this was a proof of the totally nontransparent and ineffective spending of the defence budget where resources were literally wasted in totally unnecessary and artificially exaggerated segments while at the same time the level of building capabilities was deplorable.

With the goal to immediately change this situation, we conducted a Force Structure Review accompanied by fixing prices to the capabilities; they were prioritized and divided into the following types of capabilities: necessary, existing, unavailable capabilities and capabilities that are no longer necessary. On the basis of this analysis, we built a model which made it possible for us to achieve a balance between the planned capabilities and the available resources.

The basic goal was to improve the programmed defence planning and budgeting on the basis of the necessary defence capabilities as this process is conducted with maximal transparency by preparing periodically a progress report on the results of the implementation of the programs, and by providing this report to the National Assembly and to the Bulgarian public.

Legislatively, this process was regulated by means of amendments to the Rules of Organization and Structure of the Ministry of Defence with the goal to separate the process of planning from the process of spending budgetary means, and to provide goal-orienting budgeting. Thus we put an end to the practice of delegating rights to spend funds in a nontransparent way. We have also revised both the unnecessary expenditures and the planned activities, and where it was possible, they were restricted and redirected to spheres of higher priority.

The overall process of planning was laid on a clear legislative base and strict prioritization. We achieved complete coordination and transparency between the activities related to the preparation of six-year defence programs (medium term planning), the formation and execution of the budget of the Ministry of Defence for the specific budget year on the basis of the defence capabilities and the preparation of the Unified Financial Plan (UFP) for materiel and technical provision, which serves as a base for conducting the acquisition of defence capabilities. We introduced a balanced system of indexes showing the efficiency of the implementation of the defence programs, and we developed a Strategy for risk management in the defence programs of the Ministry of Defence, the structures directly subordinated to the

Minister of Defence and in the Bulgarian army. The Program Council which is a permanently functioning body assists the Minister of Defence in the activities related to formulating the policy in the sphere of defence resource management and the control over the development and implementation of the defence programs.

With a view to providing total transparency and permanent control over the procedures related to conducting public procurement, special measures were introduced into the Defence Investment Directorate i.e. the directorate whose basic responsibility is the implementation of these measures.

We developed a "Reference Book on risk management in conducting procedures aimed at assigning public procurement", and the above document is the basis on which we exercise control over drafts of the Decisions to launch procedures for public procurement and drafts of contracts.

We also carry out monitoring and periodical analysis on the fulfilment of the concluded contracts. Since our goal is to achieve complete accountability and transparency in conducting public procurement assignment, we developed in the directorate, and we update on a permanent basis a Register of the concluded contracts. Public procurement of the following type is forthcoming in the future: acquisition of software on managing and reporting the processes related to assigning public procurement, as well as checking the execution of the contracts.

Apart from the Register, the Defence Investment Directorate maintains an updated Matrix which stores information on the progress of the procedures and the remarks on their execution. On the basis of the developed Matrix and Register, the Defence Investment Directorate provides reports on a weekly basis by means of which it informs the leadership of the Ministry of Defence.

Heading into the direction related to decentralization and more effective spending of the budget, we took the step of granting legal and financial independence to the Joint Force Command and the Commands of the Services. Our goal was to exempt the central and operational bodies from responsibilities uncharacteristic of them, and to give the Commands the opportunity to solve the problems related to their day-to-day upkeep in a more operational manner in compliance with their real needs in real time.

Thus the four Commands have the opportunity to organize deliveries of articles and services, construction and repairs, and they can establish better conditions to provide for the everyday activities of the units of the Bulgarian army as well as to manage the real estate properties necessary for their activities by carrying out maintenance and urgent repairs.

This change, which in itself is categorically headed in the direction of optimization and greater transparency of spending budgetary funds, will inevitably lead to an increase in the corruption risk in certain structures, which will be already able to independently sign contracts and, from the beginning of 2012, to conduct public procurement. That was the reason why the Standing Council on Anti-

corruption made a decision to apply in these structures all anti-corruption measures which exist at the central level. Thus the Joint Force Command and the Headquarters of the Services will have their own ethical codes of conduct and will publish announcements about contracts, public procurement orders and reports on their execution on their websites.

The assessment team pointed out the procedure for the disposal of excess defence assets as another extremely sensitive area in the defence sector. In the Action Plan, we outlined special measures to prevent corruption in the process of utilization, including cooperation with NATO Maintenance and Supply Agency (NAMSA) aimed at analyzing and assisting the process-in-progress as well as intensifying the participation in the Regional Approach to Stockpile Reduction (RASR) Initiative where our goal is training and exchange of experience.

I would like to make a special note that apart from the principled measures to improve the process of utilization, the leadership of the Ministry of Defence decisively intervenes in every single specific case when doubts arise over dishonesty and conflict of interest. Thus, for example, the Minister of Defence stopped the utilization-of-surplus-ammo competition, after it emerged that only one company met the specified conditions and was practically competing but with itself. This gave a clear signal to the public, to businesses and MoD employees that the processes are closely controlled and if doubts of malpractices arise we will not allow the implementation of competition procedures.

Another sphere of potential corruption pressure in defence sector is that of human resources. We received valuable advice from the NATO joint assessment team on the selection of personnel holding key positions exposed to risk of malpractice where the very act of admitting conflict of interest shall discredit the processes.

The Standing Council on Anti-corruption made a decision, which was incorporated in the Action Plan, to introduce a system for identifying the sensitive positions in the MoD with a view to the corruption risk, and to form commissions on conducting public procurement after the deadline for submitting the bids. We have made an assessment that in this manner we will be able to reduce to a minimum the possibility for the participants to acquire internal information from the members of the commissions and to place their bids taking into accounts the bids of their competitors.

The personnel selection and the career development of the servicemen were established on clear and principled bases. The process of human resources development was linked to periodical and more frequent publication of the registers containing information on the vacancies for privates, non-commissioned officers and officers. We work towards reducing to a minimum the subjectivism in appointing personnel according to motivated suggestions made by the commanders for their subordinated servicemen to fill existing vacancies. At present, our goal is for the interested candidates to have maximal access to the register thus all

servicemen who want and meet the requirements for the respective position will be able to apply for it. We introduced a principle of rotation of senior officers according to which they cannot hold one and the same position for more than five years. These measures were aimed at introducing maximal transparency and fairness into the process of human resources development, which will ultimately lead to reducing the possibilities of malpractice and abuse of position-in-office, as well as to selection of candidates based solely on their professional and moral qualities.

We significantly improved the corruption risk control system by introducing amendments to a series of legislative documents, and by establishing new and granting broader rights to the control bodies.

The Inspectorate of the MoD is a structure which plans and conducts checks on assessing the corruption risk in the organizational structures of the Ministry of Defence, the structures directly subordinated to the Minister of defence and in the Bulgarian army, and it makes suggestions to the Minister of Defence on eliminating or limiting the corruption risk.

At the suggestion on the part of the Inspectorate of the MoD, we developed Internal Rules on the order of planning and organization of assigning public procurement and control of the concluded contracts. We also developed Internal Rules of the Ministry of Defence and the Bulgarian army on control and prevention of money laundering.

The Inspectorate of the MoD conducts regular checks as well as checks initiated after signals have been received on the website of the Ministry of Defence, or on the website of the Commission on Prevention and Counteracting Corruption to the Council of Ministers.

The Internal Audit Directorate periodically prepares reports on facts and conditions that can lead to corruption, dereliction or bad management in the Ministry of Defence. These reports are included in the Statements on the execution of the plan-schedule for urgent measures and activities conducted by the Government and by the legal authority bodies aimed at fulfilling the progress indicators in the sphere of the legal reform, the struggle against corruption and the organized crime.

By adopting the law on Military Police, its rights with regard to preventing corruption activities were regulated and broadened by introducing mechanisms for rapid identification and putting an end to corrupt practices.

Creating environment in which corruption is an exception and not a rule demands building capabilities both in the civilian and military employees: they have to recognize corruption under all its forms and metamorphoses, and they have to be trained to prevent and effectively counteract corruption whenever they come upon cases of malpractice and abuse of position-in-office. In this respect, we paid special attention to explanatory processes as well as to specialized training in anti-corruption practices of civilian and military personnel in the Ministry of Defence, the structures subordinated to the Minister of Defence and in the combat formations. In

the Defence Staff College, we developed a project of a pilot training course in anti-corruption for representatives of the MoD and of the structures subordinated to the Minister of Defence. Lecturers from a series of institutions related to prevention, control and prosecution of corrupt practices, as well as lecturers from the UK branch of "*Transparency International*" were attracted to participate in the course. After a follow-up analysis of the course's content, it will be transformed into a permanent part of the syllabus of instruction at the Defence Staff College. We plan to conduct an analogous course of a more specialized nature with representatives of the contingents that depart for participation in missions and operations abroad. Parallel to this, we made a decision to incorporate the anti-corruption related issues as a basic topic in the overall strategy for internal information of the Ministry of Defence.

Last but not least, I would like to inform you that as a leading country in the region of Southeastern Europe with respect to counteracting corruption in the sphere of defence, Bulgaria introduced a project to put this topic as an item on the agenda of the countries participating in the SEDM (Southeastern Europe Defence Ministerial) process. In October this year, the project will be formally approved by the SEDM member countries at the meeting of the defence ministers, which will be held in Antalya, Turkey.

In spite of the efforts we make and the systematic approach we apply in the struggle against corruption, we still have to work persistently with the medium level of the administration in the Ministry. We also encounter difficulties in popularizing the measures we employ because years on end the Ministry of Defence was a standard of non-transparency and explicit corrupt practices. The changes are still accepted with distrust by the media and the nongovernmental sector, even by certain circles in the administration. We understand that they need time to come to know what lies at the core of the changes, and they have to become convinced that these are profound and irreversible processes achieved by real activities and not merely wishes expressed in beautiful phrases.

Dear Ladies and Gentlemen, I am deeply convinced that building a malpractice-free environment is the most important condition for the success of the reforms in the defence sector and that without firm and coherent anti-corruption policy they are doomed to failure. The most convincing proof of this is the fact that for the first time real reforms leading to evident results are implemented in the Ministry of Defence, and these are reforms which will transform the armed forces into a modern, efficient structure of high combat readiness, prepared to serve society in the best possible way.

I would like to assure you that our expertise is at all times and entirely at the disposal of our allies as a source of information, analysis and employment of specific practices.

I will conclude my statement with these words and it will be my pleasure to respond to commentaries and questions from the audience. Thank you for your attention.

