



CENTRE FOR SECURITY COOPERATION

**NATO - RACVIAC Conference on
"Better Management of Defence Resources, Including Integrity Building in the Armed Forces"
14-16/17 September 2009
Rakitje, Croatia
C-06-W/2009**

- Co-organized with NATO Defence and Security Economics Directorate -
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Abstract *In the period of 14 to 16/17 September 2009, RACVIAC- Centre for Security Cooperation and NATO Defence and Security Economics Directorate co-organized the Conference on "Better Management of Defence Resources, Including Integrity Building in the Armed Forces" in town of Rakitje, Croatia. All of the Conference subjects were selected in the context of defence resources management systems facing significant limitations due to latest global financial crisis and continuation of transition processes. Thus, the Conference primarily discussed these extreme terms of operations, together with development of relevant mechanisms of budgeting, control of expenditures and procurement, requirements for continuous improvement and innovation in the field of management, including process of integrity building within the security systems. The emphasis was put on feasible solutions in the context of defence and security sector integration processes, which are marked as highly important for all the countries of the region involved in this event. The leading idea is that these security integration processes should not suffer from the financial contingencies.*

Activity Background

This Conference was a direct result of successful continuation of the partnership that was established between NATO Defence and Security Economics Directorate (hereafter NATO DSED) and RACVIAC - Centre for Security Cooperation (hereafter RACVIAC) a year ago. In October 2008 there was a similar event held that focused on a single and more specific defence resources management issue: the career transition process for separated military personnel. Both sides agreed to continue with what was evaluated as a highly successful cooperation and this year brought together the second NATO-RACVIAC Conference on somewhat broader but more essential subject, especially if we look at it in the light of latest global financial trends. All of the Conference subjects were selected in the context of defence resources management systems facing significant limitations due to latest global financial crisis and continuation of transition processes. Thus, the Conference primarily discussed these extreme conditions of operations; development of relevant mechanisms of budgeting, control of expenditures

and procurement; requirements of continuous improvement and innovation in the field of management, including process of integrity building within the security systems. The emphasis was put on the feasible solutions in the context of defence and security sector integration processes, which are marked as highly important for all the countries of the region involved in this event. The leading idea is that these security integration processes should not suffer from the financial contingencies.



Participants Group Photo - RACVIAC HQ, Rakitje, Croatia

Activity Facilitators

All academic and organizational elements were respectfully divided between RACVIAC and NATO DSED. Due to fact that RACVIAC was host organization, it was responsible for the organizational support, while development of agenda and invitations to speakers were equally shared.

Permanent and Fruitful Partnership

As stated, both partner organizations were engaged in the development of activity programme within the previously established main objectives. Thus, both NATO and RACVIAC provided the speakers. NATO covered Europe mainland and North America, while RACVIAC introduced speakers from the region. For the first time, Central Asia was represented by the Republic of Azerbaijan.

The Conference itself was designed around six panel sessions chaired in turns between two partner organizations.



Conference Opening

From left to right:

Mr. Emilio Gasparini, NATO DSED

Mr. Dragan Nikolić, MoD MK

Ambassador Nedžad Hadžimusić, Director of RACVIAC

Col Željko CEPANEĆ, Deputy Director of RACVIAC

Col Mihajlo Mladenović, RACVIAC Security Sector Reform Programme Manager

Activity Venue, Duration and Participation

NATO-RACVIAC Conference on "Better Resources Management, Including Integrity Building in the Armed Forces" was the fourth SSR activity in 2009. Its execution was originally planned to be in Mali Lošinj, Croatia. Due to some organizational contingencies that occurred in the meantime, it was relocated and successfully conducted at RACVIAC HQ in town of Rakitje.

Second NATO - RACVIAC Conference

There was total of 38 participants from Albania, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Canada, Croatia, the former Yugoslav Republic of Macedonia¹, Moldova, Montenegro, Russia, Serbia, United Kingdom, and United States, including members of RACVIAC staff, NATO and governmental and non-governmental organizations being in direct support to the subject matter field of interest in the participating countries. The event itself had a standard Conference structure and lasted for two working days, during the period from 14 to 16/17 September 2009. Due to late Conference closing time, 17 September was envisaged as the departure day.

Activity Description and Contents

Conference was designed with the goal to establish a common platform for mutual exchange of views and experiences on major aspects in the area of defence resources management within the context of building integrity in defence institutions, primarily from the perspective of several NATO member and partner countries in Europe and North America, including the SEE region. After traditional reception that was hosted by RACVIAC in the historic town of Samobor, joint work started with the Conference opening, welcome addresses by Ambassador Nedžad Hadžimusić, Director of RACVIAC and Mr. Michael Gaul, Head of NATO DSED and keynote presentation provided by Mr. Dragan Nikolić, MoD MK.



Welcome Addresses

From left to right:

Mr. Michael GAUL, Head of NATO DSED

Ambassador Nedžad HADŽIMUSIĆ, Director of RACVIAC

The first Conference day included presentations by the most eminent experts in

¹ Turkey recognizes Republic of Macedonia with its constitutional name.

the field of defence resources management from North America, Europe and the region.



Conference First Session Presentation (Rakitje)
Mr. Neil DAVIES, Chief Economist, Director of DASA, MoD UK

Mr. Neil Davies, PhD, Chief Economist and Director of Defence Analytical Services and Advice (DASA) in the Ministry of Defence of the United Kingdom, gave presentation on the issue of managing defence resources in time of financial crisis and bearing down on cost growth. The main conclusions of this expose go for the improvement of the basics in defence resources management, alignment of needs with the available resources, and usage of already existing solutions to improve capabilities.

Increase Efficiency
and Transparency

Dr. Todor Tagarev, Director of Centre for Security and Defence Management in Sofia, Bulgaria, spoke about improving the governance in the management of security and defence resources through application of comprehensive approach and permanent exchange of latest experiences among countries with similar issues.

After the first session that was dedicated to improvements in the subject matter area, the second session brought interesting views on enhancement of accountability and transparency, and consequently the integrity building within the security and defence systems.

First to give his presentation on this topic was Mr. François Melese, PhD, eminent Professor of Economics from Defence Resources Management Institute, Monterey. Professor Melese presented some interesting ideas on how to improve instruments of measuring accountability, transparency and control of expenditures. The main idea of his presentation was that without transparency and accountability, there is no true efficiency and effectiveness in defence sector - "legal use of funds" and "best use of funds". He was followed by Rear Admiral (retired) Hugh Edleston, senior defence consultant in

Transparency International UK. Admiral Edleston talked about ways for strengthening transparency and reducing corruption risks.

The continuation of the Conference brought discussions on objective-based budgeting from the NATO SHAPE experience, which was presented by Mr. Attila Balla, while Mr. Paul Ballinger introduced an interesting case study on setting the clear rules and regulations for procurement from NATO's point of view.

Mr. Adrian Kendry and professor Melese, who gave his second expose, concluded the first working day. Mr.

"Legal Use of
Funds" and "Best
Use of Funds"

Kendry outlined the implications of the ongoing financial crisis, while Mr. François Melese presented his ideas on economic growth as basis for modern defence and security expenditures.



Conference in Session (Rakitje)
Dr. Todor TAGAREV, Head of Centre for Security and Defence Management

Each exposition was followed by intensive discussions, which presented the real value of this Conference.

After the first day that brought more academic level of discussions, second day addressed regional development issues in Defence Resources Management sector with the latest cross-section of the current challenges and possible solutions.



Conference in Session
Dr. François MELESE, Professor of Economics, DRMI, NPS Monterey (presenting)

This preview included majority of the RACVIAC's core member countries that were represented by the national subject matter experts. Speakers were as follows: Colonel Bardhyl Hoxha, Commander of the Support Command, Albanian MoD; Ms Alma Hadžić, Chief of Programme and Budget Department, MoD of Bosnia and Herzegovina; Mr. Ante Modrić, Director of Finance and Budget Directorate, Croatian MoD; Mr. Sarvan Sadiqov, Senior Advisor in National Assembly of the Republic of Azerbaijan; Ms Lidija Levkovska, DRM Advisor in Macedonian MoD; 1st Lieutenant Andrei Stegnaci, Moldovan MoD; Mr. Vladislav Karadžić, Senior Advisor in Budget Department of Montenegrin Ministry of Finance; and Major Igor Bojanić, Desk Officer in Logistics Department of Serbian MoD.

by their own proponents. One of the most indicative messages that were sent during the Conference included the idea of permanent and regular exchange of experience, including development of joint projects.



Conference in Session (Rakitje)



Conference in Session (Rakitje)
Mr. Paul BALLINGER, NATO C3 Agency (presenting)

This is one the indirect but very important Conference outputs that lays down a foundation for future cooperation efforts in the area of defence resources management, which is and will be one of the crucial security/defence systems in the years to come. The end of the Conference only confirmed this initiative and brought concrete suggestions regarding the future topics within the same field of interest. Here are some of them: forcing modernization and downsizing, offset programmes, joint procurements (in the context of regional cooperation), workforce development (human capital), etc.

RACVIAC together with NATO DSED should support these ideas with their best resources.

Conclusions and Recommendations

The participant marked the entire event as highly successful. It was actually evaluated as one of the most successful WG1 activities in 2009 - a flagship event.

The reason for this can be found in the fact that this Conference gathered for the first time an exceptional forum of

Multidimensional
and
Comprehensive
Approach

defence resources management experts, providing a unique opportunity for all of them to directly exchange latest experiences and questions in this significant field of interest. In this way RACVIAC truly mediated the creation of personal and professional connections, which should have positive long-term results. This was especially valuable for the regional subject matter experts. In addition, the Conference brought perfect benchmark for the instant evaluation of the regional defence resources management systems