



ASSISTANT SECRETARY GENERAL FOR POLITICAL AFFAIRS AND SECURITY POLICY  
LE SECRÉTAIRE GÉNÉRAL ADJOINT POUR LES AFFAIRES POLITIQUES ET LA POLITIQUE DE SÉCURITÉ

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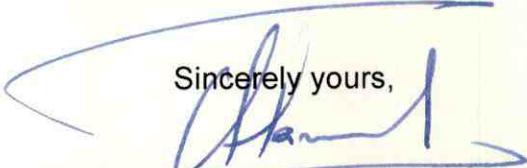
9 September 2014

Dear Ambassador,

Please find enclosed the Building Integrity (BI) Peer Review Report for Bosnia and Herzegovina. The report draws on the BI Self-Assessment Questionnaire completed by the Government of Bosnia and Herzegovina and the analysis undertaken by the Peer Review Team, during a series of interviews led by my staff and conducted in Sarajevo with key personnel on 25-27 March 2014. I would appreciate your assistance in forwarding the enclosed letter and report to the Minister of Defence of Bosnia and Herzegovina.

I trust that the report will be useful in supporting your ongoing efforts to further enhance transparency, accountability and integrity in the defence and security sector of Bosnia and Herzegovina. My Staff stand ready to help in taking forward the recommendations set out in the report.

Sincerely yours,

  
Thrasyvoulos Terry Stamatopoulos  
Ambassador

His Excellency  
Ambassador Branimir JUKIC  
Mission of Bosnia and Herzegovina to NATO



ASSISTANT SECRETARY GENERAL FOR POLITICAL AFFAIRS AND SECURITY POLICY  
LE SECRÉTAIRE GÉNÉRAL ADJOINT POUR LES AFFAIRES POLITIQUES ET LA POLITIQUE DE SÉCURITÉ

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9 September 2014

Dear Minister,

I have the pleasure to present the NATO Building Integrity (BI) Peer Review Report completed for the Ministry of Defense of Bosnia and Herzegovina. The report draws on the BI Self-Assessment Questionnaire completed by the Government of Bosnia and Herzegovina in 2013 and the analysis undertaken by the BI Peer Review Team, during a series of interviews led by my staff and conducted in Sarajevo from 25 to 27 March 2014. I would like to commend you and your team for the detailed information provided including your personal commitment in implementing the NATO Building Integrity Programme.

The report provides a snap shot of your ongoing efforts to further enhance transparency, accountability and integrity in the defence and security sector of Bosnia and Herzegovina. This process has also identified a number of good practices and proactive measures. Particularly, I draw attention to the steps taken to introduce an "ethics hotline" and establish a transparent recruitment selection process. I would also like to commend the excellent work of the Peace Support Operations Training Center. Education is key to making and sustaining change. It is also instrumental to produce long term benefits. Courses conducted by the PSOTC constitute an important contribution to the NATO BI Tailored Programme for South Eastern Europe and to the NATO BI Education and Training Plan. We are also grateful for the cooperation with PSOTC and work undertaken in Afghanistan thanks to the mobile teams. This highlights the experience of Bosnia and Herzegovina in NATO-led operations and missions.

I welcome very much the decision to publish the NATO BI Peer Review Report and make it available on the website of the Ministry of Defence. This will contribute to highlight efforts undertaken under your lead.

The BI Team at NATO Headquarters remains at your disposal and stands ready to assist you in taking forward work to promote good practice and strengthen good governance.

May I take the opportunity to extend my highest regards,

Thrasyvoulos Terry Stamatopoulos  
Ambassador

His Excellency Mr. Zekerijah OSMIC  
Minister of Defence  
Sarajevo, Bosnia and Herzegovina



# **BUILDING INTEGRITY**

## **SELF ASSESSMENT**

### **PEER REVIEW REPORT BOSNIA AND HERZEGOVINA**

August 2014

# BOSNIA AND HERZEGOVINA – BUILDING INTEGRITY SELF ASSESSMENT PEER REVIEW REPORT

## Overview

1. The Building Integrity Self-Assessment Process is a part of the practical tools developed in the framework of the Building Integrity (BI) Programme. The BI Self-Assessment Questionnaire (SAQ) is designed to provide nations with a snapshot of current structures and practices. The subsequent BI Peer Review helps nations to confirm areas of good practice and those that may require further effort. The BI programme is focused on providing practical assistance with defence reform and building capacity in the defence and security sector. This includes promoting good practice and helping nations to meet their commitments agreed within the UN and other frameworks.
2. The Peer Review noted that there is very strong support for taking forward NATO's integrity building and anti-corruption programme within Bosnia and Herzegovina's Ministry of Defence. Bosnia and Herzegovina has been a long standing contributor to the BI Programme. The Peace Support Operations Training Centre (PSOTC) is recognised as a BI Implementing Partner and has developed BI courses to support implementation of the NATO BI Education and Training Plan. These activities also contribute to the tailored BI programme developed in cooperation with the South-Eastern Europe Defence Ministerial (SEDM) process.
3. This report is focused on the Peer Review of the Self-Assessment Questionnaire completed by the MOD BiH to which all directorates and agencies, and the armed services, responded. Meetings and interviews were conducted between 25-27 March 2014, with key personnel of the MOD BiH (both civilian and military).
4. The reply provided to the Self-Assessment Questionnaire was relatively thorough and provided essential information in most areas. Input from the Joint Staff on military aspects of personnel management, salaries and procurement were not addressed fully, but clarified during the interview process. Senior leadership and MOD officials in the Peer Review meetings demonstrated a strong commitment to strengthen transparency, accountability and integrity. Understanding of corruption risks in the MOD and armed forces is beginning to become widespread, although a thorough risk assessment is highly recommended. The relationship between the MOD and media is good, with the recent Ethic Line initiative begun by the Defence Minister being warmly welcomed.
5. In 2009, the Parliamentary Assembly of Bosnia and Herzegovina established the Agency for the Prevention of Corruption and Coordination of the Fight against Corruption, a Strategy for the Fight against Corruption (2009 - 2014) and an Action Plan for the Fight against Corruption (2009 - 2014). This Agency was tasked to manage most activities dealing with an anti-corruption campaign. However, due to delays with the establishment of executive authorities in Bosnia and Herzegovina during 2009-2010, there was also a delay in the establishment of this Agency. Initially, the Agency **was** not staffed appropriately for most posts, with only managers filling some positions. This is one of the main reasons for

delays in execution of the tasks defined in the Strategy and Action Plan for the Fight against Corruption. The MOD **now has its own approved action plan to counter corruption**. Sufficient legal and other policies are in place in Bosnia and Herzegovina related to anti-corruption and existing legal frameworks provide the appropriate basis for policy implementation. At the present time, anti-corruption measures are seen as inadequate by society, although the MOD is the most progressive government agency.

6. The complete support of the government leadership from the top down in its enforcement of anti-corruption measures is limited by the complex political situation. MOD programmes used to address corruption risks are not fully developed as yet and a concrete implementation plan for the anti-corruption action plan will be essential.

7. The Peer Review Team noted that there is no established building integrity education and training for civilian or military personnel and vetting of personnel assigned to sensitive positions does not take place.

8. The Peer Review Team noted the following examples of good practice:

a. Establishment of an “Ethics Hotline” for anonymous reporting of illegal activities and the public support of the Minister in its promotion and utilisation.

b. The use of special commissions and transparent procedures to select personnel for enlisted military service and officer candidates, to address requests for service extensions, education courses abroad that are longer than six months and other personnel management decisions which are a corruption risk.

c. The enactment of a law on whistleblowing and the full protection of such individuals under the BiH legal system.

9. The Peer Review Team offers the following general recommendations for Bosnia and Herzegovina’s consideration:

a. Initiate systematic and comprehensive building integrity education and training for all civilians and military personnel. Encourage senior leadership to continue to openly promote programmes to build integrity and increase transparency.

b. Consider implementing special unscheduled audits of random procurement contracts.

c. Review the full range of legislation, procedures and policies involved in the procurement process to determine if efficiencies can be made to the system.

d. Develop a standard pre-deployment training module for all deploying units or detachments addressing corruption risks and good practice in the framework of operations.

e. Conduct a complete and thorough risk assessment of all systems and processes, led by the Internal Audit Office.

f. Develop an MOD internal action plan to address the recommendations from this report and how best to take this advice forward. The NATO International Staff and subject matter experts are available to provide support in the development, implementation and review of the above recommendations. Priority should be given to building capacity through education and training, and in strengthening the Internal Control System, starting with the Control Environment, where the top management are keen to make everyone responsible for doing their job.

10. For ease of reference a list of recommendations is set out at Annex 2. This is presented as a starting point and should serve to guide follow on activities and development of a tailored BI programme of cooperation. In taking this work forward it is recommended that the MOD make full use of the NATO tools including staff support available from NATO International Staff as well as NATO HQ Sarajevo. The MOD should also make use of activities offered through the SEDM processes as well as bilateral cooperation aimed at strengthening good governance in the defence and security sector.

**BOSNIA AND HERZEGOVINA – BUILDING INTEGRITY SELF ASSESSMENT  
PEER REVIEW REPORT**

**I. DETAILED FINDINGS AND COMMENTS**

**Democratic Control and Engagement**

11. The Presidency of Bosnia and Herzegovina, acting by consensus, exercises supreme operational and administrative command and control of the Armed Forces in peace and in wartime. The BiH Parliamentary Assembly has democratic control over the AFBiH and the MOD is the administrative organisation in charge of overall defence strategy and policy. The BiH Parliamentary Assembly's Joint Committee on Defence and Security executes a wide range of responsibilities to include: oversight of the implementation of the security and defence policies of BiH, oversight of plans pertinent to the structure of the Armed Forces, personnel policy and recruiting, salaries and allowances, education and training, professional conduct and ethical standards of civilian and military staff, equipment, military industrial work, procurement and export, import of weapons and military equipment, material assistance and contracts, combat readiness, military exercises and operations; the defence budget and budget execution; reports on the auditing of institutions in the domain of defence and security policy; and other issues related to the security of the country. This Joint Committee also monitors the work of the Standing Committee on Military Matters, the Ministry of Defence of Bosnia and Herzegovina, the Ministry of Security of Bosnia and Herzegovina and other executive bodies dealing with defence and security issues.

12. In addition, there is a Parliamentary Military Commissioner who has the role of military ombudsman. The Parliamentary Military Commissioner is an independent Commissioner of the BiH Parliamentary Assembly whose objective is to strengthen the rule of law and protection of human rights and freedoms of military personnel and cadets in the AFBiH and MOD BiH, as stipulated in the Constitution and international treaties. The Military Commissioner is directed to work professionally and not to advocate, protect or undermine the interests of any political party, registered organisation or association, or any citizens in BiH. The Military Commissioner is very proactive in his engagement with all military personnel and units, and his activities greatly benefit the armed forces. In the past four years, his office has handled some 450 complaints which covered such topics as promotions, quality of food and poor protective equipment for demining specialists.

13. The Law on Defence of Bosnia and Herzegovina stipulates that the BiH Presidency adopts the Defence and Security Policies of Bosnia and Herzegovina with the aim of providing strategic guidance. These are the highest level documents guiding such issues in BiH. A draft Defence Review has been completed, although a number of politically sensitive issues have yet to be decided upon by the BiH Presidency. The recommendations in this review along with the AFBiH Development and Modernization Plan will be the cornerstones of future policy. The Law on Defence and Law on Service in the AFBiH (2006) guide the functioning of the MOD and the armed forces. The BiH Joint Staff is within the Defence Ministry and

performs its duties in accordance with the law and under the authority of the BiH Presidency and Defence Minister.

14. The Joint Committee for Oversight over the Security and Intelligence Agency of Bosnia and Herzegovina monitors the work of the Intelligence and Security Agency of Bosnia and Herzegovina (OSA) and has oversight regarding the appointment of the Director General and Deputy Director General of the Agency. The OSA is a civilian agency which has the status of an independent administrative institution of Bosnia and Herzegovina.

15. The MOD has issued a Policy on Public Relations which defines activities on providing factual, accurate, and timely information to the public for the purpose of transparency, affirmation, trust, and to gain public support for the defence system of Bosnia and Herzegovina. Activities of the defence sector are presented to the public through the official website of the MOD, media presentations, and through the activities of teams of the Ministry of Defence and the Armed Forces across the country. Also, the Law on Freedom of Access to Information in BiH defines the right of access to information. This helps ensure that the public and specific target groups have the ability to engage in active discussions in the area of defence. The Office for Public Relations of the MOD maintains routine contact with all elements of society and replies to queries. In 2013, some 214 media requests were received with replies being processed normally within 72 hours. The law on free access to information requires that a response must be made within 15 days. The MOD Office for Public Relations cooperates actively with several NGOs.

**Recommendation:**

Continue to actively involve the Office for Public Relations in the promotion of building integrity activities.

**National Anti-Corruption Laws and Policy**

16. Bosnia and Herzegovina has ratified the UN convention on anti-corruption and joined GRECO (Council of Europe Group of States against Corruption), and participates in the World Bank Control of Corruption Index and Transparency International Corruption Perceptions Index. Bosnia and Herzegovina has developed a list of internal obligations not only as regards the application of the Convention, but also to make any necessary changes in national legislation. The poor implementation of existing legislation and the ambiguous nature of some relevant laws require action. A new Law on Public Procurement was adopted on 29 April 2014.

17. In 2009, the Parliamentary Assembly of Bosnia and Herzegovina adopted the Law on the Agency for Prevention of Corruption and Coordination of the Fight against Corruption, a Strategy for the Fight against Corruption (2009 - 2014) and an Action Plan for the Fight against Corruption (2009 - 2014). The Agency for Prevention of Corruption that was to have been formed in accordance with above-mentioned law would manage most activities dealing with the anti-corruption campaign. However, due to delays with the establishment of executive authorities in Bosnia and Herzegovina during 2009-2010, there was also a delay with the

establishment of this Agency. While a number of managerial posts have been filled, staffing remains incomplete. This is one of the main reasons for delays in execution of the tasks defined in the Strategy and Action Plan for the Fight against Corruption. The Strategy and Action Plan issued by the Agency specifies tasks and responsibilities, including deadlines and other details. All institutions, including the Ministry of Defence, are required to create their own anti-corruption plans, including identification of jobs that are most prone to corruption. The **approved** MOD Action Plan **now** requires a detailed implementation plan.

18. At the state level, there is the Office for Audit of the Institutions of BiH, with equivalent offices at entity levels. The Audit Office is an external, independent auditor, reviewing financial practices of institutions of Bosnia and Herzegovina and therefore also the Ministry of Defence. It also conducts financial audits verifying financial reports and institutions' accounts, with the aim of assessing whether the financial statements are reliable and whether the balances of accounts reflect fully the results of budget execution. The Audit Office determines whether the leadership of the institution follows all applicable rules, whether the funds are used for intended purposes and evaluates financial management, internal audit functions and internal control systems. The Audit Office performs an audit and gives an opinion and a series of recommendations in its annual report on budget execution every year. This office gave a negative evaluation for the Ministry of Defence in 2011, but noted significant improvement in its 2012 report. The 2013 report should be completed by mid-year 2014.

19. Accurate data concerning any major government cases recently brought for prosecution of bribery or corruption is not available, but according to information from the media and NGOs, the fact that there are very few final verdicts in connection with crimes of this nature, including any "major" cases, raises the question of the efficiency of state institutions in the fight against corruption.

#### **Recommendations:**

- a. Contribute to development of a governmental plan to raise awareness and education of the general public aiming at public support for implementing the Anti-Corruption Strategy.
- b. Contribute to development/updating of a plan for integrity in state bodies.
- c. In addition to reliance on background checks, ensure financial disclosure reporting requirements are in place for persons in senior positions and those who work in sensitive positions and initiate efforts to develop respect for the rules on conflict of interest.
- d. Review policies regarding the obligation to report gifts received by officials and employees in state bodies during protocol activities, as well as other measures and activities to eliminate opportunities for corruption.
- e. Address the recommendations contained in the annual report of the Audit Office for the Institutions of Bosnia and Herzegovina.

## **Anti-Corruption Policy in Defence and Security**

20. No formal anti-corruption policy has been issued by the Minister of Defence, while the Law on Service in the AFBiH and the AFBiH Code of Ethics, the Law on Civil Service and associated regulations clearly prescribe obligations of civilian and military personnel in defence institutions. The Office of the Inspector General of the MOD has been designated as the coordinating office for addressing anti-corruption policy and integrity issues for the overall defence sector. Regarding corruption and unlawful activities, the Minister of Defence addressed the public in December 2013 with a new "Ethic Line" program and requested that if they have knowledge of any unlawful actions by the Ministry of Defence and the Armed Forces of Bosnia and Herzegovina, to report such illegal activities directly to him (e.g. bribes for admission of soldiers into professional military service, sale of munitions and weapons, etc.). In a media event on 24 March 2014, the Inspector General announced the results of the use of this line during the past 90 days in which some 28 incidents were reported and at present 19 have been resolved. The areas of greatest risk for bribery and corruption in the MOD and AFBiH have been determined to be in the process of public procurement of goods and services, disposal of excess ammunition and weapons, the recruiting process to fill vacancies for new soldiers, promotions and education.

21. The Ministry of Security of Bosnia and Herzegovina is the umbrella institution for other law enforcement agencies, including the Directorate for Coordination of Police Bodies of Bosnia and Herzegovina, Border Police of Bosnia and Herzegovina, State Investigation and Protection Agency, Agency for Forensic Examinations and Expertise, Agency for Education and Professional Training, Agency for Police Support, and the Service for Foreigners' Affairs. All of these agencies, including the Ministry of Security of Bosnia and Herzegovina are subject to parliamentary supervision by the Joint Committee on Defence and Security of Bosnia and Herzegovina. Also, the Minister of Security is a member of the Council of Ministers of Bosnia and Herzegovina. The Ministry of Security and its agencies cooperate with the Ministry of Defence within their jurisdictions. All of these organisations have a role in addressing corruption risks.

22. All members of the MOD and the Armed Forces of Bosnia and Herzegovina are legally obligated to report a crime. In addition, all personnel are encouraged through their training, to report any irregularities, either through the chain of command, the Inspector General, or the Parliamentary Military Commissioner. All personnel are reported to be familiar with the ways in which they can report corruption and other irregularities. Individuals who contact the Inspector General can do so anonymously or can request protection. Civil institutions are responsible for the prosecution of suspected crimes. In addition, on 1 January 2014 a whistleblower law went into effect and is viewed as a model for the wider region due to the legal protection of persons under the judicial system.

23. On 1 January 2006, the BiH Law on Defence and Law on Service in the AFBiH established the Office of the Inspector General as an autonomous department of the MOD BiH with the mission of ensuring that military personnel act in accordance with laws and regulations dealing with conflict of interest,

professionalism and ethical behaviour. This system is comprised of the Office of the Inspector General at the BiH MOD and inspectors serving in commands and lower level units. They fulfil their mission by conducting ethics and professionalism training, the provision of assistance, and conducting investigations and inquiries.

24. The Law on Internal Audit of Institutions of Bosnia and Herzegovina defines the authority of internal auditors to evaluate the usefulness and efficiency of the system for financial management in terms of risk identification, risk assessment and risk management set by the leadership of the organization. The Head of the Internal Audit Office reports to the Defence Minister. Consistency in compliance with the law and sub laws as well as compliance with internal rules established by MOD Sectors is intended to address identified risks and focus on prevention. However, a full and comprehensive risk assessment has never been conducted in the MOD despite recommendations from the Internal Audit Office to do so. Shortcomings in accountability and valuations of equipment holdings, improved skills for auditors and a thorough identification of all systems and processes within the MOD is urgently needed.

25. Concerning the application of sanctions against personnel in cases of bribery or corruption, the Head of Internal Audit is required to inform the head of the respective organization regarding allegations of misconduct. Sanctions cover a wide range from warnings and criminal charges to discharge from service. There are different regulations for military and civilian personnel. The timeline for initiating such procedures is relatively short and procedures unclear. In previous practice, the Ministry of Defence informed the Prosecutors Office if criminal acts were suspected and any further process was conducted under its jurisdiction. The Ministry of Defence recently filed criminal charges with the Prosecutor's Office against several persons from the Ministry of Defence and the Armed Forces of Bosnia and Herzegovina for potentially corrupt activities. All cases were declared as beyond the statute of limitations according to the law (6 months for civilian personnel) and internal disciplinary procedures were not conducted. However, a very recent instance of corruption within the officer corps as regards recruiting practices was resolved with a reduction in rank for one officer. There are no special military courts in Bosnia and Herzegovina and all cases are under the jurisdiction of the civil courts. Despite no formal cases coming to a conclusion, these recent events have resulted in members of the MOD and the Armed Forces being more aware of the risk of corruption and that irregularities can be reported and investigated.

### **Recommendations:**

- a. Urgently conduct a full risk assessment, develop and then implement a strategic action plan to address the high risk areas identified.
- b. Develop a plan to review all equipment holdings and determine appropriate valuations to improve accountability.
- c. Review responsibilities of both the Internal Audit Department and the Office of the Inspector General to ensure there is minimal overlap of their authority.

- d. The MOD should urgently adopt its own comprehensive anti-corruption strategy and plan.
- e. Initiate a proactive MOD media campaign focused upon both the general public (external audience) and the internal personnel of the MOD and AFBiH on its ethics and integrity programs.

## **Personnel, Education and Training**

26. Military personnel are subject to the provisions of the Law on Defence, the Law on Service in the Armed Forces of Bosnia and Herzegovina and the Code of Conduct for Members of the Armed Forces. The Code of Conduct was approved in 2006 and guides professional behaviour of all military personnel. A Code of Ethics, as an additional document, has recently been issued to units and covers the acceptance of gifts, gender equality and other values. Civilian employees and civil servants are subject to the provisions of the Labour Law of Bosnia and Herzegovina institutions, the Law on Civil Service in the Institutions of Bosnia and Herzegovina, the Code of Civil Servants in Institutions of Bosnia and Herzegovina and other associated regulations. Among others, these regulations define conflicts of interest and standards of behaviour for personnel, including special prohibitions and exceptions to the prohibition of receiving gifts and value of gifts that are acceptable in exceptional circumstances. The Law on Civil Service regulates what kinds of gifts are acceptable, and it is expected that these are reported to the individual's superior. Personnel are not required to report corporate hospitality such as travel, entertainment, or expenses. This is a high risk area and should be addressed.

27. There is some training in the area of ethics, professionalism, integrity building and anti-corruption at the level of the Ministry of Defence and the Armed Forces of Bosnia and Herzegovina. Code of conduct training is routinely conducted and the NCO course has a BI module. However, the overall training plan requires review to ensure appropriate modules on ethics and corruption risks are developed and then taught to all officers and NCOs.

28. Violations of the Code of Conduct by military personnel are handled by the chain of command. At the level of the Ministry of Defence, a special committee is responsible for disciplinary procedures for all civilian employees of the Ministry of Defence and the AFBiH. The Inspector General also has an important role in dealing with breaches of the Code of Conduct.

29. There is no rotation permitted for civilian positions in the MOD BiH and AFBiH (civil servants and employees), and no sensitive positions are defined in manning documents. The AFBiH also does not designate any particular posts which are sensitive nor have in place a formal rotation policy.

30. Professional development and career management policies provide guidelines to ensure that military personnel are assigned to appropriate positions in the MOD BiH and AFBiH on the basis of their abilities and performance. One of the key prerequisites for the advancement of military personnel is the annual performance evaluation. In practice, a very large percentage of military personnel

have excellent formal evaluations which results in an unreasonably large number of personnel meeting requirements for promotion. In addition, the procedures and criteria for appointment and promotion are constantly being updated or changed, which contributes to opportunities for favouritism. Performance evaluation criteria should be unique and understood by each supervisor – so that personnel are marked on their performance and not on subjective criteria. Fulfilling position vacancies for military personnel is designed to be a transparent process, whether it is for internal or public vacancies, but the turbulence in policy changes has affected the actual openness of the process. In addition, the Law on Service in the Armed Forces of Bosnia and Herzegovina restricts the assignment of personnel to command and control functions to four years. Recognising corruption risks in human resource management, the MOD and AFBiH are trying to improve the transparency of the promotion system, performance evaluations and all aspects of career management.

31. The payment of salaries is done on a monthly basis in accordance with existing legislation. Salary levels are defined by law, and all salary levels are publicly available. Financial disclosure forms are required and individuals can not earn income outside of their government service without MOD approval. Pension payments are the responsibility of the individual entity's funds and there are differences in the calculation of the pensions, as well as differences in pension rights. Chains of command are separate from chains of payment. The soldiers' chain of command has an obligation to ensure payments are correct at different levels of command, and the payment system is centralized and conducted through a single treasury account.

#### **Recommendations:**

- a. Consider an internal MOD public information campaign focused on importance of transparency, accountability and integrity to further reinforce on-going work.
- b. Identify high risk civil and military posts that require special vetting and review procedures.
- c. Develop and publicise a code of conduct addressing acceptance of hospitality such as travel and entertainment.
- d. Review BI education and training requirements for MOD military and civilian personnel. This should include development of an implementation plan to embed BI into existing curriculum as well as developing new activities. The plan should address the impact of corruption on security and good practice aimed at reducing the risk of corruption.
- e. Review personnel management policies to include performance evaluations, promotions, recruiting, rotation policies and the use of detailed background investigations within the MOD.

## Planning and Budget

32. The defence budget, within assigned limits, is agreed on the basis of prescribed internal procedures and provided to the relevant authorities in accordance with the Law on Financing of Institutions of Bosnia and Herzegovina and International Obligations, and according to the instructions of the Ministry of Finance and Treasury. Planning for the defence budget is conducted in a transparent manner and includes a detailed review of costs by four defined programs, functional segments and categories of costs with input elements from functional areas and with written explanations. The defence budget is adopted by BiH Parliamentary Assembly and published as the annual Law on the Budget, with a detailed breakdown of costs and numbers of personnel. This is made available to the public and the budget is adopted annually. Also, through Framework Budget Documents, information about projected medium-term (three years: one budget year and two program years) expenditure by budget item is also made publicly available. The Public Relations Office of the MOD BiH provides these documents and other financial information to the media at their request or in the form of press releases.

33. The Ministry of Finance and Treasury of Bosnia and Herzegovina establishes the broad framework for budgetary planning for each ministry in BiH. For the MOD, there is the Defence Resources Board (DRB) which is comprised of the General Secretary of the Ministry of Defence, the Assistant Ministers of Defence. For the armed forces, there is a budgetary advisory committee which includes the Deputy Chief of Joint Staff for Operations and for Resources, the Joint Staff Directors and major commanders. Procedures for budget planning are prescribed in a document called "The Concept and Procedures of PPBES", which is published on the MOD website. The Department of Finance and Budget coordinates all activities concerning planning and the realization of the budget. This department provides the necessary information about the status of the budget, any need for corrections and adjustments, and responds to requests from the DRB while keeping the DRB fully informed.

34. The defence budget is funded through a single treasury account in the Ministry of Finance and Treasury of Bosnia and Herzegovina which is allocated from the state budget. The single treasury account does not allocate funds to lower levels within the defence establishment; however, the MOD BiH can develop internally its own system for decentralised budget execution – but has not done so in a comprehensive manner. Certain units do receive a nominal amount of petty cash for minor needs. The MOD BiH has no significant additional sources of income, but do still receive donations from outside parties. There is a small amount of defence income whose origin is related to the sale of surplus ammunition and weapons; however, this income goes to the State of BiH and not to the MOD BiH. All movable and immovable military property owned or under control of the Ministry of Defence was acquired from the previous entity MODs and armies. The MOD BiH has implemented two contracts negotiated by the former entity ministries of defence for the sale of arms and military equipment. In any future contracts the State of BiH will be entitled to 20% of any proceeds while the remaining 80% of any such proceeds will be transferred to the two Entities of Bosnia and Herzegovina. The volatile and politically sensitive issue concerning all property has yet to be resolved and remains a significant roadblock to reforms in the MOD and armed forces.

35. The Office for Audit of the Institutions of Bosnia and Herzegovina performs an annual financial audit of the Ministry of Defence. The report for 2012 is published on the official website of that office and includes detailed expenses and special capital investments, as well as recommendations for better financial performance. Long-term capital investments have to be approved by the BiH Council of Ministers. Concerning the audit process, the management of the Ministry of Defence prepares a presentation of its financial reports according to financial reporting frameworks outlined in various regulations and policies. This includes the creation, application and maintenance of internal controls relevant to the preparation and presentation of financial reports. Auditors then are required to prepare their report carried out in accordance with the Law on Auditing the Institutions of Bosnia and Herzegovina and the International Standards of Supreme Audit Institutions (ISSAI). An audit also evaluates financial management, the functions of internal audits and the system of internal controls. A final audit for the execution of the 2013 budget ought to be completed by May 2014 – as of end-June this should be published soon.

36. It should be noted that in the approved budget for FY 2012, over 85% was spent on personnel costs (wages, salaries and staff) while in 2013 it was reduced down to about 78%. After taking into account fixed costs (utilities, electricity, telephone, fuel, transportation, ongoing maintenance), very few resources are left for discretionary spending on acquisition of equipment or improvements to infrastructure. MOD procurement planning is forced to prioritise any potential purchases to items that enable the fulfilment of obligations related to the support of civilian authorities and NATO peace support missions.

#### **Recommendations:**

- a. Develop a technical training program to promote good practice and strengthen skills of all personnel responsible for finance and budget tasks.
- b. Use the results from the analysis of positions conducted by the MOD BiH and Norwegian Agency for Public Administration to consider more efficient ways of conducting business.
- c. Develop a plan to work with the BiH Parliamentary Assembly and other responsible institutions in amending existing laws to allow for decentralized budget execution for logistics matters.
- d. Provide IT support for logistics budget execution, in order to track all key transactions in the budget execution in a timely manner. The temporary database that is currently in use needs to be expanded and used until the comprehensive IT logistic accounting system is in place and embedded within the overall accounting system.

#### **Operations**

37. Officers from the Armed Forces of Bosnia and Herzegovina are involved in operations abroad as part of multinational command staffs, while small military units

of BiH are integrated into larger national contingents of NATO members. Anti-corruption matters related to operations are routinely included in pre-deployment training for the AFBiH, however there are no dedicated training modules on the subject. There is no specific military doctrine on how to address corruption issues for peace and conflict. There are regular visits to deployed units by BiH leadership, including the Minister of Defence, members of the Joint Committee for Defence and Security of the Parliamentary Assembly of BiH, the Parliamentary Military Commissioner, the Inspector General and military commanders. Due to the routine assignment of small BiH contingents to larger formations who provide all necessary support, there are no legal arrangements in place for procurement in conflict environments when urgent operational requirements are encountered.

### **Recommendations:**

- a. Include a standard BI module addressing corruption risk in pre-deployment training, this should be considered as mandatory for all staff deployed.
- b. Develop a system to capture lessons learned and good practice from units and staff officers deployed aimed at reducing risks of corruption in framework of operations.
- c. Consider special training for contracting personnel who potentially could be deployed in support of a BiH contingent.

### **Procurement**

38. The Parliamentary Assembly adopted a new Law on Public Procurement of Bosnia and Herzegovina in April 2014, which will come into force at the end of November 2014. This Law regulates the public procurement system in BiH, the rights, duties and responsibilities of participants in the procurement process and the control of public procurement. It also includes regulations for the procurement system of the Ministry of Defence and the Armed Forces. There are several exceptions where contracts can be exempted from the provisions of this Law and essentially these cover contracts related to state secrets; contracts whose execution must be accompanied by special security measures; contracts under which a particular procedure is prescribed by an international lending or donor organization; contracts in the field of defence related to the production or trade with armament, military equipment, and military materials; and the acquisition or rental, by whatever financial means, of land, existing buildings or other immovable property. All tenders are listed on the MOD website and an electronic data system is in use.

39. The Sector for Logistics and Procurement of the Ministry of Defence is responsible for all procurement in the Ministry. There is a lengthy process from initial armed forces planning and requirements determination by the logistics sector through to the delivery of goods and services. This sector has too many personnel who lack the appropriate skills to perform their duties and some one third of staff positions remain unfilled. The AFBiH is responsible to plan and present their requirements to the MOD, after which the procurement office then evaluates, prepares required documentation and executes the purchase. Requests for tenders

are published in the Official Gazette of Bosnia and Herzegovina and final contract awards are also listed in this publication. All contract proposals with complete documentation are sent to the Public Attorney of Bosnia and Herzegovina for approval. It is felt that this system wastes much time in the preparation of unnecessary short, medium and long term plans when the approved budget dictates year-to-year funds available for procurement. There are also problems with insufficiently defined technical elements necessary for the purchase of certain items of equipment. This could be speeded up by the development of predefined technical specifications.

40. The Procurement Commission (Tender Board) consists of professionals in the field of the items to be procured and in the field of public procurement. When the contracting authority (Defence Minister) appoints members of the Commission, he must ensure that the selected members of the Commission have sufficient knowledge to apply the law and implement approved procedures and that at least one member of the Commission holds a special certificate of expertise in the subject of public procurement. After appointment to the Commission, each member is obliged in accordance with the Law to make a statement of impartiality and confidentiality which confirms that there is no bias in favour of any party, and that they will strictly abide by the confidentiality required by law for the complete tender process. Written records of each tender submission and of subsequent changes are kept (in paper or electronic form) by the MOD. There are no special procedures in place for selecting, vetting and training members of the tender boards/procurement commissions at present. However, a new concept is under development to select a pool of some 60 personnel to serve on tender boards with special vetting and conflict of interest training to be given to these personnel.

41. Oversight of the procurement system in the MOD is the responsibility of the Internal Audit Office. Periodic external audits of the procurement system are conducted by the Office for Audit of the Institutions of Bosnia and Herzegovina. Professional military personnel and state officials are assigned to sensitive positions on the basis of their education and expertise. However, there are no rules for the rotation of personnel in sensitive posts. Disqualification on the basis of conflict of interest or potential corruption is defined by the laws of Bosnia and Herzegovina which regulate civil service and other relevant regulations. The contracting authority can reject the application for participation in any step of the procurement procedure or a tender, if the candidate or tendering company attempted to influence an action or decision in the course of the public procurement. The contracting authority must inform the company and the Director of the Public Procurement Agency when a request or tender is rejected and the reasons for the rejection, and make a note in the report on the procurement procedure. In the event that requests or offers that the contracting authority has received during the procurement cause or may cause any conflict of interest, the contracting authority is required to ensure the implementation of this law.

42. To ensure the completion of contracts, the amount of the required tender must be guaranteed at 1-2% of the offered price. This guarantee must be submitted prior to the deadline for the submission of bids. However, as regards quality control, a special unit exists under the assistant minister, but this is not fully staffed. It is responsible for determining the quality of procured goods or services.

43. The Law on Public Procurement defines procedures which describe "operationally necessary" and "single source" procurement exceptions. Some 90% of procurement is conducted under open procedures while there were no classified procurement tenders in 2013. The MOD does not now use agents or intermediaries for procurement and offsets are not used in BiH.

#### **Recommendations:**

- a. Review procurement and logistics systems in use to promote good practice and ensure that procedures and processes are as efficient and effective as possible.
- b. Review the staffing and skill requirements of key logistics positions and develop a training and personnel management plan to improve the capacities of these personnel.
- c. Establish special procedures for selecting, vetting and training members of the tender boards/procurement commissions in coordination with the development of the new pooling concept for tender boards.
- d. Establish internal control procedures within the area of logistics and procurement.

#### **Engagement with Defence Companies and Other Suppliers**

44. The Defence Ministry has not initiated any programmes to help companies raise the standards of integrity and anti-corruption across procurement. In addition, bidding companies are not required to have an ethics program in order to be able to bid for work. The Law on Public Procurement requires the Agency for Public Procurement of BiH to develop an electronic information system which would, in addition to listings in the "Official Gazette", publish tender documentation and also requires the agency to initiate and support the development of electronic public procurement.

45. Each bidder who has a valid interest in a public contract and believes that the contracting authority during the contract award procedure violated the law has the right to object to the proceedings. Objections can be submitted to the contracting authority in writing within five days from the date the provider knew or should have known there was a violation of the Law, and not later than one year from the date of the alleged violation. If the contracting authority does not consider the complaint within the time specified in Article 51 of the Law, or rejects the complaint, the complainant may appeal in writing to the Office for Complaints Consideration within five days from the first working day after the deadline or in case the contracting authority rejects the complaint, the date the complainant was notified by the contracting authority. The contracting authority must send a copy of the appeal simultaneously with its submission to the Office for Complaints Consideration. In 2013, of some 85 tenders, 16 were contested by bidders, and three were upheld as being unfairly or illegally conducted, leading to a new procedure.

## **Recommendations:**

- a. Review procurement procedures with a view to further simplify the process for lower value contracts.
- b. Determine if new legislation is necessary in order to require companies which do business with the MOD to have a written code of ethics.
- c. Consider initiating special programmes which would encourage defence companies to establish ethical codes for business practice.

## **II. CONCLUSIONS**

46. The MOD of Bosnia and Herzegovina is actively engaged promoting good practice aimed at strengthening transparency, accountability and integrity. This includes a wide range of activities to enhance business practices and develop capacity of civilian and military personnel. The importance of the support provided by the Minister and his senior staff was highlighted in the course of consultations in Sarajevo. The MOD is commended for its proactive approach such as the introduction of the “Ethics Hotline” and its contribution to government plans to counter corruption.

47. The unique political situation in Bosnia presents considerable challenges to the MOD reform plans; nonetheless some progress has been made. Where possible, review of systems and processes and overall personnel management improvements should be initiated without delay.

48. The PSOTC has been a BI Implementing Partner since the launch of the NATO BI programme. In addition to its role in developing national expertise, the Centre has made significant contributions to the NATO BI Programme as well as the enhancement of regional capabilities in the framework of SEDM. This expertise should be used to assess training requirements, develop specialised modules and new courses to build capacity of civilian and military personnel.

49. In follow on work, the authorities should make full use of existing NATO tools and resources including NATO IS, NATO HQ Sarajevo as well as BI Subject Matter Experts.

50. The interviews conducted by the BI NATO Team were open, frank and wide ranging, as the team had full access and availability to the most senior MOD leadership as well as key personnel in important management positions. Personnel were aware of the Building Integrity Programme and knew the importance of the mandate for this work. Once further reforms take place and new processes are installed, it will take a period of time to observe positive changes as regards reducing corruption risk in the most vulnerable areas.

**BOSNIA AND HERZEGOVINA BUILDING INTEGRITY SELF-ASSESSMENT VISIT  
2014****NATO Team Composition:**

1. Ms. Susan Pond, Senior Officer, Building Integrity Programme, NATO International Staff
2. Mrs. Nadja Milanova, Bulgarian MOD
3. Mrs. Patricia Shearing, BI Subject Matter Expert (UK)
4. Mr. Bruce Bach, BI Subject Matter Expert (US)

**Personnel Interviewed:**

1. Mr. Ahmet H.Omerović, Assistant Minister for Policy and Plans and Head of Committee for Defence Resources, MOD BiH
2. Mr. Boško Šiljegović, BiH Parliamentary Military Commissioner
3. Mrs. Enisa Čausević, Head of Legal Section, MOD BiH
4. Mr. Mirko Gašević, Senior Officer, Public Affairs Office, MOD BiH
5. Mr. Suad Rogo, Senior Officer, Public Affairs Office, MOD BiH
6. Mr. Mile Balotić, Head of Internal Audit Directorate, MOD BiH
7. Mr. Sead Muratović, Assistant Minister for Personnel Management, MOD BiH
8. Ltc. Nedjeljko Kopuz, Commander, Personnel Management Command, AFBiH
9. Ltc. Dairo Pajić, Deputy Commander, Training and Doctrine Command and J3, AFBiH
10. Col. Enes Husejnović, The Inspector General, MOD BiH
11. Mr. Miro Cabo, Assistant Minister for Finance and Budget, MOD BiH
12. Mr. Borislav Jezeraškić, Assistant Minister for Logistics and Procurement, MOD BiH
13. Mrs. Admina Pandžić, Senior Adviser for NATO-PfP programs, MOD BiH
14. Ltc. Ahmed Zubača, Staff Officer, Personnel Dept. MOD BiH
15. Maj. Nedžad Ustić, Joint Staff AF BiH
16. Maj. Zoran Lovrić, Joint Staff OS BiH
17. Mr. Bojan Bajić, representative of NGOs (whistler blowers protection and anti-corruption campaign).

**BI and Anti-Corruption Seminar - Interviews by Ms. Susan Pond:**

1. Mr. Vladica Babić, Assistant Director, Agency for Prevention of Corruption and Coordination for the Fight against Corruption
2. Ms. Ivana Korajlić, TI BiH, Public Relations
3. Mr. Denis Hadžović, General Secretary, Centre for Security Studies BiH (NGO)
4. Mrs. Sanja Fitzgerald, OSCE, Project Officer
5. Col. Mersida Mešetović, MOD BiH, Seminar Coordinator.

**BOSNIA-HERZEGOVINA BUILDING INTEGRITY  
RECOMMENDATIONS AND GUIDANCE MATRIX**

<b>RECOMMENDATIONS</b>	<b>Next Steps To be completed based on consultations between MOD and NATO HQ, NATO HQ Sarajevo</b>
Continue to actively involve the Office for Public Relations in the promotion of building integrity activities.	
Contribute to a governmental plan to raise awareness and education of the general public aiming at public support for implementing the Anti-Corruption Strategy.	
Contribute to development/update a plan for integrity in state bodies.	
In addition to reliance on background checks, ensure financial disclosure reporting requirements are in place for persons in senior positions and those who work in sensitive positions and initiate efforts to develop respect for the rules on conflict of interest.	
Review policies regarding the obligation to report gifts received by officials and employees in state bodies during protocol activities, as well as other measures and activities to eliminate opportunities for corruption.	
Address the recommendations contained in the annual report of the Audit Office for the Institutions of Bosnia and Herzegovina.	
Urgently conduct a full risk assessment with a subsequent strategic action plan to address the high risk areas identified.	
Develop a plan to review all equipment holdings and determine appropriate valuations to improve accountability.	
Review responsibilities of both the Internal Audit Office and the Office of the Inspector General to ensure there is minimal overlap of their authority.	
The MOD should urgently adopt its own comprehensive anti-corruption strategy and plan.	

Initiate a proactive MOD media campaign focused upon both the general public (external audience) and the internal personnel of the MOD and AFBiH on its ethics and integrity programs.	
Consider an internal MOD public information campaign focused on importance of transparency, accountability and integrity to further reinforce on-going work.	
Identify high risk civil and military posts that require special vetting and review procedures.	
Develop and publicise a code of conduct addressing acceptance of hospitality such as travel, entertainment and gifts	
Review BI education and training requirements for MOD military and civilian personnel. This should include development of an implementation plan to embed BI into existing curriculum as well as developing new activities. The plan should address the impact of corruption on security and good practice aimed at reducing the risk of corruption.	
Review personnel management policies to include performance evaluations, promotions, recruiting, rotation policies and the use of detailed background investigations within the MOD.	
Develop a technical training program to promote good practice and strengthen skills of all personnel responsible for finance and budget tasks.	
Use the results from the analysis of positions conducted by the MOD BiH and Norwegian Agency for Public Administration to consider more efficient ways of conducting business.	
Develop a plan to work with BiH Parliamentary Assembly in amending existing laws to allow for decentralized budget execution for logistics matters.	
Provide IT support for logistics budget execution, in order to track all key transactions in the budget execution in a	

timely manner. The temporary database that is currently in use needs to be expanded and used until the comprehensive IT logistic accounting system is in place and embedded within the overall accounting system.	
Include a standard BI module addressing corruption risk in pre-deployment training, this should be considered as mandatory for all staff deployed.	
Develop a system to capture lessons learned and good practice from units and staff officers deployed aimed at reducing risks of corruption in framework of operations.	
Consider special training for contracting personnel who potentially could be deployed in support of a BiH contingent.	
Review procurement and logistics systems in use to promote good practice and ensure that procedures and processes are as efficient and effective as possible.	
Review the staffing and skill requirements of key logistics positions and develop a training and personnel management plan to improve the capacities of these personnel.	
Establish special procedures for selecting, vetting and training members of the tender boards/procurement commissions in coordination with the development of the new pooling concept for tender boards.	
Establish internal control procedures within the area of logistics and procurement.	
Review procurement procedures with a view to further simplify the process for lower value contracts.	
Determine if new legislation is necessary in order to require companies which do business with the MOD to have a written code of ethics.	
Consider initiating special programmes which would encourage defence companies to establish ethical codes for business practice.	