

# MASTER'S THESIS

Course code: BE300E

Name, Candidate no.: Yuliia  
Dmitriieva, 346530

---

## Transparency and accountability of information of the defense budget

---

Date: 1 Sep 2022

Total number of pages: 105

## **Abstract**

Transparency of the budget process and key budget documents is a necessary condition for adaptive decision-making in the field of public finances, prevention of corruption, and ensuring public trust. More and more citizens, public organizations and other interested parties of the budget process seek to understand decisions in the sphere of formulation, enactment and execution of the state budget in Ukraine.

The implication of transparency of the defense budget and budgetary activities initiatives has become widespread, especially in Western and Northern Europe and North America, as it is an integral part of democratic governance and contributes to the elimination of barriers to citizen participation in the decision-making process and strengthening of civilian control. The transparency of the defense budget process contributes to building the country's military potential and increasing trust with other countries, as the management of the financial aspects of the defense sector should be based on accountability, participation, predictability, and transparency.

The peculiarity of the research in this thesis is that the specifics of the activity of the country's defense structures, which are the key subjects of the defense budget policy, provide for the provision of national security, which is directly related to the concept of information secrecy. One of the main problems with state secrecy is that it contains vague definitions of the country's national security and defense needs that are inaccurate (Cordona, 2016). Therefore, the research is not limited to the study of transparency initiatives, but also to the regulation of access to information, identifying the problem of dichotomy that arises, on the one hand, from the principles of openness, and on the other - from the right to state secrets, which is widely used in the defense sector.

The purpose of this thesis is to study the state of transparency of the defense budget in Ukraine by analyzing the main documents of the defense budget for their availability, completeness, reliability and completeness. The legislative regulation of the right to information and the procedure for classifying budget information in the defense complex was also studied, attention was paid to the issue of the distribution of roles of participants in the defense process and their areas of responsibility.

The perception of information transparency as a one-way process was expanded, which was reflected in the development of a new definition that emphasizes the bilateral nature of the concept of transparency and includes the understanding of interaction with many actors of the transparency process implementation. In this thesis, stakeholders of the defense budget process were identified and categorized to explore their demands, roles, and impact on defense budget transparency. The aspect of stakeholder participation in the defense budgeting process and the fact of the existence of a multi-stakeholder environment is important for the analysis in this work, as it allowed a deeper consideration of the issue of achieving a balance of secrecy and transparency of the defense budget.

The results of the study showed that the specifics of the defense sector have a significant impact on the formation of a culture of secrecy, in particular, the financial aspects of its activity. Although the legal framework governing the openness, transparency and availability of budget information is quite developed, the use of budget information classification procedures and non-competitive defense procurement procedures is very extensive.

The main findings indicate the importance of the stakeholders, engaged in the defense budget process, and the significance of their influence in the process of implementation of defense budget transparency in Ukraine. However initiatives for the development of public participation were not properly involved in the process of formation of the defense budget, and therefore the influence of citizens on the decision-making process regarding the defense budget is very limited. Achieving a balance of transparency and secrecy in interaction with other stakeholders of defense budget information is implemented through bilateral agreements and memoranda of cooperation.

**Keywords:** open government, defense budget transparency, accountability, defense budget process stakeholders.

## **Acknowledgment**

This master's thesis was made possible thanks to the unique double-degree program of Taras Shevchenko Kyiv National University and Nord University. Unique because of the experience of working with the best professors from Ukraine and Norway, participating in conferences and positive emotions from meeting new people along the way. I want to thank this program and the people who made it possible for this opportunity to have such a research and personal experience. Working on this thesis was difficult, because in my country there is an unjust full-scale war, accompanied by personal uncertainty and pain for my compatriots, for what we all have to go through. But at the same time, it was challenging and I am grateful for this opportunity for personal growth.

I would like to express my great gratitude to my supervisors from both universities, Toomas Haldma and Yulia Petlanko, for their constructive and valuable criticism, insightful advice and moral support, which provided me with motivation and inspiration throughout my work on the thesis.

I am also grateful to the respondents, Ukrainian military personnel, who took part in my research and helped to support the research with relevant and valuable data in this difficult time for Ukraine.

And of course, deep gratitude to my family for being by my side, for their love and for their support in overcoming all difficulties. It wouldn't be possible without you.

## Content

Abstract.....	2
Acknowledgment.....	4
Content.....	5
List of figures .....	7
List of tables.....	7
List of acronyms.....	8
1. Introduction.....	9
1.1. Relevance and Background of the research.....	9
1.2. Statement of the research problem.....	10
1.3. Objectives of the study .....	11
1.4. Structure of thesis.....	12
2. Literature review.....	13
2.1. The concept of transparency in the public sector.....	13
2.2. Transparency of the budget information .....	20
2.3. The transparency of the defense budget.....	21
2.4. International and national standards for defense transparency, classification system and disclosure procedure.....	25
2.5. The dilemma of defense secrecy.....	31
2.6. External and internal stakeholders of defense budget information transparency .....	35
3. Theoretical Framework.....	40
3.1. Stakeholder Identification and Salience .....	40
3.1.1. Power, Urgency and Legitimacy .....	41
3.1.2. Understanding of Stakeholder`s influence .....	43
3.1.3. Reference model of Transparency Actors Wheel.....	46
4. Methodology.....	49
4.1. Research philosophy .....	49
4.2. Research design.....	49
4.3. Reliability, validity and ethics of the research design.....	53
5. Empirical findings .....	54
5.1. The state of transparency of budgeting information in the defense sector in Ukraine .....	54
5.1.1. Legal regulations and initiatives on transparency of budgeting information in the defense sector in Ukraine.....	54
5.1.2. Structure of the defence budget and defense budget process in Ukraine.....	57
5.1.3. Transparency of the defense budget in Ukraine .....	58

5.2. Stakeholders' engagement into public budgeting process in the defense sector and their role in shaping military budget transparency. ....	74
5.2.1. Analysis of the accountability framework and information provision of the defense budget information stakeholders. ....	76
5.2.2. Defense budget information stakeholder classification .....	79
6. Balancing transparency and secrecy of budgetary information between various stakeholders .....	89
7. Conclusion .....	96
Bibliography.....	99
Appendixes .....	106

### **List of figures**

Figure 2.1. The complementary concepts to the transparency

Figure 2.2. The GIFT High-Level Principles

Figure 2.3. The Global Right to Information Scores on Exceptions and Refusals

Figure 2.4. The role of internal and external stakeholders throughout defense budgeting process stage in Ukraine

Figure 3.1. The types of stakeholders depending on their attributes

Figure 3.2. The stakeholders` typology based in their potential for cooperation or for threat

Figure 3.3. Advanced model of information exchange

Figure 3.4. Transparency Actors Wheel

Figure 3.5. The modified Transparency Actors Wheel model

Figure 5.1. Open Budget Survey (OBS) assessment in Ukraine over the 2015-2021 years.

Figure 5.2. The security and defense sector of Ukraine

Figure 6.1. The process of ensuring the transparency of financial aspects of defense sector

### **List of tables**

Table 2.1. What is transparency?

Table 2.2. The definition of the complementary concepts to the transparency

Table 3.1. Influence of factors on the stakeholder`s potential for threat and cooperation

Table 5.1. The main documents of the defense budget of Ukraine

Table 5.2. Roles and responsibilities of the participants of the defense budget process in Ukraine

Table 5.3. The basis for the provision of information by the Ministry of Defense to stakeholders and the type of their claims.

**List of acronyms**

GDI - Government Defence Integrity (Index)

GIFT - Global Initiative for Fiscal Transparency

IBP - International Budget Partnership

IMF - International Monetary Fund

MoD - the Ministry of Defense

NATO - North Atlantic Treaty Organization

NGO - Non-governmental organization

OBS - Open Budget Survey

OECD - Organization Economic Cooperation and Development

OSCE - Organization for Security and Co-operation in Europe

PEFA - Public Expenditure and Financial Accountability Assessment

RTI - Right to Information

SAI – Supreme Audit Institution

SDO – State Defense Order

UN – United Nation

VRU – Verkhovna Rada of Ukraine

WB – World Bank



*“Sunlight is said to be the best of disinfectants”*

*Justice Louis Brandeis (1913)*

## **1. Introduction**

### **1.1. Relevance and Background of the research**

The issues of democracy, human rights, freedom of speech, and transparency of government and administrative decisions have always been a matter of paramount importance and have been actively discussed in the international political community with the positioning this approach of public governance in many social scientific studies as ideal for solving social problems (see Christensen, 2015; Schnackenberg, 2016; Wehmeier, 2012). Recent global trends reflect the desire of governments and international organizations to support the initiative to build open and transparent government and governance in all sectors of governance. Concepts such as access to information, openness, clear accountability and transparency are key to a democracy, as they ensure the conscious participation of citizens in the political process and human rights in general. International institutions, including the UN Human Rights Committee, the Inter-American Court of Human Rights, the European Court of Human Rights (IACHR), the International Monetary Fund (IMF), the Organization Economic Cooperation and Development (OECD), International Organization of Supreme Audit Institutions (INTOSAI) etc. also express in their memoranda, public speeches of representatives and in the basis of their initiatives that are being implemented, that public access to information is a human right and emphasize the need for openness in public governance. In addition, the principles of good governance, has also been a decisive factor in reviving the discussion and development of principles of openness, accountability and transparency around the world. The government, which is committed to compliance with international requirements of transparency and accountability, is considered more legitimate (de Fine Licht, 2011). Principles of good governance involve the introduction of an effective mechanism for cost allocation, supervision of resources, which is a crucial part of the accountable entities (UN, 2015).

However, the implication of the idea of transparency in the defense sector is quite new to society and most governments, and raises many questions, especially in the context of Ukraine. After all, the issue of developing the concept of a transparent Ukrainian defense sector and defense budget process in particular, touches not only the concept of free participation in discussion during budget formulation and openness of defense budget process, but it concerns the extremely important topic of ensuring the secrecy of important defense information containing in the defense budget in order to prevent its use by the enemy against the security of Ukraine. Ukraine is in a state of full-scale war with the Russian aggressor, and therefore the issue of maintaining confidentiality and preserving information related to military affairs is critical for Ukraine. On the other hand, to receive adequate financial support, to meet the legitimate requirements of internal and external stakeholders regarding the openness of state information, defense budget information must be transparent. However, to whom, to what extent, which information should be available to maintain balance

between preserving secrecy and demands for transparency – all of those question still require thorough analysis due to the complexity of the issue.

The issue of defense budget transparency in the defense sector in a broad sense, not focusing on some particular country, has attracted the attention of the international community and raised some doubts about the possibility of implementing transparency and accountability initiatives in a very specific sector because the goal of any national defense structures is preserve some level of secrecy that governance is used to protect democratic processes and implement security policy (Curtin, 2014). In case of defense sector, secrecy is mandatory, because in its absence, defense and security structures functions cannot be performed effectively or at all (Thompson, 1999). Approaches to the classification of documents, including the granting of special status, regulation of levels and methods of access for external and internal stakeholders, government and citizens, are commonly used to protect information covered by state secrets and provide secrecy in sector. However, when secrecy is used by the authorities in an illegitimate way it inevitably leads to gaining unlimited powers and create a fertile ground for the development of corruption and abuse of power.

Moreover, it is well-known that the defense sector is particularly vulnerable to the risk of corruption, and “allegations of corruption in this sector are neither rare nor unexpected” (d'Agostino, 2012, p. 591) and of the reason of the high level of corruption risk is the high value transaction (Campos, 2007). Indeed, defense sector is a place of concentration of significant funds, according to the Stockholm International Peace Research Institute, the total amount of military spending in the world reached \$ 1981 billion in 2020 (SIPRI, 2021). Also, it is generally accepted that the level of transparency of the state budget directly affects the reduction of corruption, as it allows to investigate not only how and what the money was spent on, but also how and in what circumstances, based on which conclusions, expenditure decisions were made. Therefore, implications of initiatives aimed at ensuring transparency and accountability in the budget process can mitigate risks connected to corruption.

In Ukraine, initiatives to expand government transparency as a new standard and digitize bureaucracy are widely supported and developed. Examples of such initiatives are the creation of the Integrated Information and Analytical System "Transparent Budget", the electronic public procurement system "ProZorro", the development and implementation of the module "E-Contract" and others. However, secrecy, even if generally accepted, to some extent upholds the standards of transparency and implementation of above mentioned initiatives, contributes to the loss of control over information, and, finally, has an adverse effect on secrecy on the administration itself (Heide, 2020).

## **1.2. Statement of the research problem**

In this thesis, the issues of transparency, accountability and openness of the defense sector will be considered through the prism of the defense budget. In the “ideal” budget process model for the military sector,

set out by (Ball, 2006), the budget process should be based on general principles of budget management and sector-specific characteristics. And transparency, which is the freedom to access reliable information, is a key and important factor at every budget process stage. Budgetary processes need to be conducted openly by governments so that the public and legislatures have enough information to make decisions about the country's security and the proper allocation and use of resources (Perlo-Freeman S. , 2011).

Additionally, according to the doctrine of the Open Government, all state information, in particular budget information, should be open to citizens, encouraging them to initiate discussions on budget and budget programs, volumes, and directions of expenditures, without any democratic restrictions. But in many countries, the existence of secrecy in the defense sector and legislation aimed to protect state secrets in a way contradicts the basics of transparency and accountability of governance and correlates with the level of risk of corruption (Linders & Wilson, 2011).

One of the main problems with state secrets is that they contain vague definitions of the country's national security and defense needs, which are inaccurate. States create a kind of dichotomy under which this vague concept, not explained by national law, opposes the desire of citizens to have access to information, not meeting the recognized norms of legal certainty (Cordona, 2016). The use of such inaccurate concepts poses a significant risk that the executive or intelligence services may, at their own discretion, decide whether to withhold information from the public (Jacobsen, 2003).

An additional topic that is an integral part of the problem under investigation is the existence of stakeholders, which to varying degrees influence the process of development of defense transparency arising from their claims. Therefore, this factor should also be considered when analysing the balance of defense budget transparency. Who are the users of the defence budget information? What criteria for transparency in their claims to budget information do they apply? How and by whom are they assured? The analysis of these issues will help to determine what forms the transparency of defense budget information from the point of view of those who are its direct and indirect recipients.

### **1.3. Objectives of the study**

In order to answer the main research questions, in the process of writing this master thesis, it is necessary to examine the current state of transparency of the information on the key defense budget documents in Ukraine, understand which criteria can be used to evaluate that, but firstly to define the meaning of these terms in the context of governance and defense area. The term transparency has different uses and meanings. For example, there is an important difference between transparency in the context of intergovernmental relations on voluntary disclosure (especially on defense and security), which can be part of confidence-building measures, and transparency as an aspect of internal governance and free access to relevant government information for citizens. Transparency can be also achieved through the accountable governance

of the defense sector. Therefore, accountability should be the inevitable part of our analysis. The accountability is used to promote transparency, while applying its mechanism in the budget decision-making process to parliament and citizens; in the implementation of expenditures, in the context of audit and parliamentary oversight of military spending with the investigation and prosecution of misconduct (Perlo-Freeman S. , 2016).

Speaking about the process of establishing the principles of transparency of state budgeting, we can not ignore the logical question, which is what are the reasons, factors or drivers of this process. Identification, classification of stakeholders of the budget process in the defense and security structures of Ukraine is also a point of scientific interest in the study of extremely interesting topics about the role of each stakeholder group in the implementation and institutionalization of defense budget transparency in Ukraine.

Additionally, it is necessary to analyse approaches to the disclosure of information related to budgeting in the defense sector in Ukraine and other countries, identify trends related to preserving national security and the right to information by surveying national laws and practices to understand what limitation it can cause to the availability of budget information in the defense sector for the public, investigate procedures and rules of classification of information, disclosure procedures, considering the topic of public interest in disclosure and briefly evaluating the role of autonomous oversight and audit bodies.

Although ensuring appropriate public access to government information, while establishing proper boundaries around the exercise of official secrecy has proved to be an elusive goal, according to the Aftergood (Aftergood S. , 2010) this work aims to try to find those markers of balance that are aimed at meeting these fundamental needs, identifying the suitable level of transparency, which do not affect state security, taking into account the transparency of budget information claims of various stakeholders.

Given all the above, this objective can be fulfilled through the study of the following research questions:

- 1) **What is the current state of the transparency of the defense budget in Ukraine?**
- 2) **Who are the main stakeholders and what are their requirements for defense budget transparency?**
- 3) **How well does the defense budget in Ukraine meet the requirements of the balance between secrecy and transparency?**

#### **1.4. Structure of thesis**

In order to analyze the topics of the work, conduct research and answer the main research questions of the work, the following research structure is used:

*Introduction.* The introduction presents the context of the study, background, motivation, objective and main research questions of the study. The importance of the topic is explained and substantiated. The

issues of transparency of the defense budget, as well as the dichotomy related to the right of access to information and restrictions related to the state secrets are also briefly covered. The role of the stakeholders of defense budget information is highlighted and the motivation of investigation this issue is explained.

*Literature review.* A review of previous research on this topic is presented in Chapter 2. This section describes the concept of transparency, open government principles and criteria of the budget process transparency. Also in particular the defense budget transparency topic is covered, including analysis of internal and external defense transparency and standards and approaches on the disclosure of budget information in the defense sector or its classification. Also the dilemma of defense secrecy is discussed in the light of existing contradictions to the transparency public demands. The role of stakeholders, the main consumers of the defense budget information and parties that can influence or can be influenced by the process of transparency institutionalisation is also covered by analysis of the existing literature in this topic.

*Theoretical framework.* Chapter 3 provide the theoretical framework used to understand and explain the research problem considered in this study, and this theory runs throughout the master's thesis. The Stakeholder Identification and Salience theory, proposed by the Mitchel, Aggle and Wood (1997) is used as the main theoretical framework for that study. The reference model of Transparency Actors is used to backup the framework of research analysis.

*Methodology.* Section 4 presents the methodological approaches, principles, philosophy, strategy and design of the study, and describes the data collection strategy and aspects of validity and ethics of the research.

*Empirical findings.* In this part of the master's work, the reader is provided with an empirical analysis of the research object, as well as its current state and current conditions.

*Discussion.* This section, using the theoretical basis and concepts described in previous sections, presents a discussion and analysis of the main findings of the work.

*Conclusion.* The final part is a summary of the study, which includes the main milestones and main results of the study. Limitation of the research, practical recommendations and suggestions for further research are also provided.

## **2. Literature review**

### **2.1. The concept of transparency in the public sector**

Ensuring the existence of an effective system of transparency and accountability, that create mechanism for monitoring of the implementing the transparency initiatives in the public sector, is an important issue not only for academics but also for governments. The need to establish transparent processes in government arises from the need to adhere to high ethical standards of governance in the public sector. After all, without these high standards of open governance there can be no confidence in the integrity of state

institutions or the ability of democratic processes to promote and protect the interests and welfare of citizens. Lack of high ethical standards leads to instability and unpredictability, corruption, which weakens the economy and scares away stakeholders (Ubaldi, 2013). The Council of Europe and the OECD have made a great contribution to the development of the theoretical basis of this problem and of recommendations for governments. Administrative transparency, as a concept, has been recognized by courts, constitutions, legal institutions, and treaties. It has also been proposed as one of the key instrumental freedoms needed for economic and social development and the promotion of international investment (OECD, 2010).

The concept of transparency is interdisciplinary in nature and has been applied in various fields of humanities - economics, finance, sociology, political science and has many dimensions and interpretations. Transparency in a broad definition is understood “as the degree to which information is available to outsiders that enables them to have informed voice in decisions and/or assess the decisions made by insiders.” (Florini, 2007). According to Weber (Weber R. H., 2007), sociologist, who used that concept to explain differences in social classes, transparency is the degree of willingness of a bureaucratic administration to share knowledge with the public.

In more narrow definition transparency is consisting of such elements as open government, responsive institutions, freedom of information, protection of public interest disclosure, free media and a lively civil society sector campaigning for openness of all these kinds (Sturges, 2004)

Transparency can also be perceived as a tool or norm. Transparency as a tool aimed at improving efficiency and effectiveness “by forcing government to be more careful so as to stand public scrutiny” (Kelly, 1999). As a norm, transparency and openness act as a set of rules, values and goals that are justified by the needs of democracy, which give citizens the right to access public information, and the government's obligation to be open and not hide information from the public.

More approaches to the definition of transparency are presented in Table 2.1.

Table 2.1  
What is transparency?

Source	Definition	Comments
Florini, A. (2007). <i>The Right to Know: Transparency for an Open World. Columbia University Press.</i>	“the degree to which information is available to outsiders that enables them to have informed voice in decisions and/or assess the decisions made by insiders.”	Emphasis is placed on the decision-making process, in which transparency is considered as a tool for providing an informational basis for these decisions.

Sturges, P. (2004). Corruption, Transparency, and ICT's. International Journal of Information Ethics. Vol. 2 Nov.	transparency is consisting of such elements as <b>open</b> government, <b>responsive</b> institutions, <b>freedom</b> of information, <b>protection</b> of public interest disclosure, <b>free</b> media and a lively civil society sector campaigning for openness of all these kinds	The main components of transparency are defined and the openness is an anchoring element of these components.
Kelly, M., Openness and Transparency in Governance: Challenges and Opportunities Network of Institutes and Schools of Public Administration in Central and Eastern Europe, 1999	Transparency as a <b>tool</b> that aimed at improving efficiency and effectiveness by forcing government to be more careful so as to stand public scrutiny. Transparency as a <b>norm</b> , act as a set of rules, values and goals that are justified by the needs of democracy, which give citizens the right to access public information, and the government's obligation to be open and not hide information from the public.	The transparency here perceived separately as a tool and as a norm and explanation is provided.
Wojciech M. & A. Niedzielski. Openness and Transparency of Public Finance in Poland in the Light of International Monetary Fund Standards. IBnGR, 2001, p.5	“a <b>situation</b> in which rules for managing public funds are clearly defined, and the system for collecting, processing and sharing data on the state of public finance allows for obtaining a full, reliable and understandable picture of the financial situation of the public finance sector as a whole and its individual subsectors, and the impact of their functioning on the national economy”	Attention is focused on the conditions that must be met to ensure the transparency of public financial management.
Van Greuning, Hennie & Koen, Marius (2004). International Financial Reporting Standards: A Practical Guide. P. 336	The concept of transparency involves the creation of an <b>environment</b> in which information about the existing conditions, decisions and actions of the enterprise becomes accessible, transparent and understandable to all market participants.	The role of transparency as an accelerator of creating conditions for effective informing is highlighted
Clark, David H., and William Reed. 2005. “The Strategic Sources of Foreign Policy Substitution.” American Journal of Political Science 49, no. 3:609–624.	Transparency, or the <b>degree of openness</b> in conveying information, is seen as a device signaling the trustworthiness of the actor in negotiations	Transparency is used here as an information tool, in this context - signaling reliability.

Finel, Bernard I., and Kristin M. Lord. 1999. "The Surprising Logic of Transparency." <i>International Studies Quarterly</i> 43, no. 2:315–339.	Transparency comprises the legal, political, and institutional <b>structures</b> that make information about the internal characteristics of a government and society available to actors both inside and outside the domestic political system. Transparency is increased by any mechanism that leads to the public disclosure of information, whether a free press, open government, hearings, or the existence of nongovernmental organizations with an incentive to release objective information about the government.	Attention is focused on the role of state structures in ensuring transparency, as informing about the internal characteristics of the government.
Mitchell, R. B. (1998). <i>Sources of Transparency: Information Systems in International Regimes.</i> <i>International Studies Quarterly</i> , 42(1), 109–130	Transparency constitutes the <b>demand for information, the ability</b> of citizens <b>to obtain</b> information, and the supply and actual release of information by government and NGOs	The external manifestations of the transparency of public administration are highlighted.
Ferman, John H. 2007. "The Value of Transparency." <i>Healthcare Executive</i> 22, no. 5:49.	<b>a means</b> to create accountability and credibility, and as a defensive measure to maintain nonprofit tax status	It considers that transparency is a means of ensuring accountability and building trust.
Summers, Jim, and Michael Nowicki. 2006. "Pricing Transparency or Smoke Screen?" <i>Healthcare Financial Management</i> 60, no. 12:134–136.	<b>a series of actions</b> creating credible governance systems, visible performance measurement systems, and readily available decision-making information about pricing of services and the amount of charity care	It is justified that transparency is the result of a series of actions related to ensuring the needs of openness.

As we can see, the authors have different approaches to the interpretation of this construct, because as already mentioned, transparency is used in different areas, and therefore approaches to understanding it may differ depending on what this transparency applies to - NGOs, public sector, government, corporate culture, political environment, relationships with stakeholders. Also, there is no common approach of understanding what type of construct transparency is – is it a degree, a series of actions, tool or norm, a means, is it demand or call for action or some kind of “situation”.

However, a common feature of approaches to understanding the concept of transparency is perceiving it as a enabler for *providing* access to information and mechanism to monitor its realisation, which actually limits the understanding and development of the concept of transparency, because following this logic,



transparency can be assessed only by information, provided unilaterally, and by regulation of this one-side process.

As we can see from the analysis of the existing literature, the definitions of transparency are mostly sender-oriented, while the approaches considered by the recipient of information are relatively few (Wehmeier S, 2012). Indeed, this topic is rather unexplored on the part of the recipient - why do they need this information, under what conditions it is needed, how they can use it, what are the ways to obtain information for different types of stakeholders.

In general, the idea that the interests of stakeholders should be taken into account by the organization and enter into mutually beneficial relations with them, began to develop relatively recently - only in 1990s, the initiator of this discussion was Ferguson (Ferguson, 1984). However, the focus on the essence-oriented view has shifted somewhat to a wider focus on a wide range of environmental factors and their impact, as well as to an analysis of organizational impact from their perspectives. Applying this to our topic, the aspect of transparency should be extended from “beyond financial disclosure” to the “broader arena of stakeholder communication and interaction between corporate management and voters” (BANDSUCH, 2008, p. 114). A number of researchers have focused on the role of stakeholders in the perspective of transparency ( (Albu, 2014); (O'Neill, 2002)).

Therefore, in this thesis, for better disclosure, I consider it appropriate to produce the following definition, which in a way summarize the approaches existing in the literature:

*"Transparency is a bilateral process of public provision and receiving of reliable, relevant and timely information available to all stakeholders, both internal and external, which ensures the existence of a credible governance system, an effective decision-making process, the motives of which are clear to all participants, as well as constitutes the demand for information and the ability to obtain."*

The concept of transparency as a part of state governance is widely covered in the literature ( (Florini, 2007); (Fung, 2007)). Most studies are either of a normative or observational nature and indicate that transparency could alter attitudes such as trust in government (Grimmelikhuijsen, 2017). However, there are statements in the literature that somewhat criticize the tendency to constantly increase the transparency of government processes. Authors examining critical aspects emphasize that transparency cannot be fully implied due to the huge amount of money and time required to implement those initiatives. (Verschraegen, 2015). Indeed, transparency leads to a large amount of information available, but in a way can cause the losing trust to the authorities and increase dissatisfaction and blame of the government by citizens (Worthy, 2010). After all, even if the information is provided, it may still not reflect the real picture, and moreover, the government may cover the information in a way that is beneficial to it. In addition, citizens, even with access to budget

information, need to have sufficient knowledge to be able to analyze, process and determine an appropriate action plan in case of violations or erroneous decisions by the authorities and have motivation to participate in social activities (Kolstad, 2009). Not a lot of attention was paid to the fact that all citizens and groups of citizens would not have the same capacity to understand, filter and find well-grounded information, even full access to it provided (Blocher, 2008).

The transparency construct has the relation to a range of other interrelated and complementary concepts such as the right to information (right to know), publicity, openness and accountability (Figure 2.1)



Figure 2.1. The complementary concepts to the transparency

Source: author's own elaboration based on sources from Table 2.2

1. *Right to know or right to information.* Its one of the fundamental right of the citizen to obtain required state information, that is reliable comprehensive, and the right to access is granted in a timely manner. Generally speaking, “the people’s right to know is grounded in the people and directed toward the right of people to know about the actions of their own government.” (United States International Information Program).

2. *Publicity.* Publicity can be perceived as the general awareness of the public in public affairs. It is often used as a political term delineating the policy of maximum openness in the activities of state institutions and freedom of information.

3. *Openness.* Transparency and openness are related concepts, they are inseparable, and therefore are partially identified due to their main purpose (Garust., 2016). Open government is a somewhat broader concept that involves not only disclosure but the desire to do so voluntarily, not only by supporting but also by implementing initiatives that encourage citizens to participate in the political process. Openness of public authorities, government information and decisions, allows citizens to "get an adequate idea and form a critical judgment about the state of society and public authorities, strengthens the effectiveness and efficiency of public control over the activities of public authorities" (Hood C. , 2006).

4. *Accountability.* Transparency in the budget process is inextricably linked to the accountability of executive bodies and form general initiatives on transparency and accountability related to budgeting. Accountability provides access to information not only for the public, but also for monitoring and audit agencies, including international ones, various committees, and inspectors. Accountability also serves as a mechanism for imposing sanctions due to direct decisions or unacceptable consequences of certain actions (Bovens, 2010). The concept of accountability of the budget process involves a combination of oversight and control.

For the purposes of this work, I consider it necessary to use the defined concepts in the following interpretations (Table 2.2):

Table 2.2

The definition of the complementary concepts to the transparency

Source	Concept	Definition
(UNESCO, 2011, c. 16)	Right to know	The Right to Know ensures that citizens participate "in an informed way in decisions that affect them, while holding governments and others accountable."
(Pitseys, 2016, p. 109)	Publicity	"Publicity designates the procedures by which the elements of political decision are made visible to all ... publicity simultaneously describes and justifies the conditions for constructing the public debate."
(OECD, 2017)	Openness	"...a culture of governance that promotes the principles of transparency, integrity, accountability and stakeholders' participation in support of democracy and inclusive growth"
(Khotami, 2017, p. 30)	Accountability	"...is a form of liability that refers to who and for what and what is accountable, which is understood as the obligation of the holder of the trust to provide accountability, presenting and reporting all activities that are his responsibility to the party who provides the trust has the authority to hold such accountability."

Many works and researches have been aimed at determining what is the driving force behind the changes that establish the principles of transparency (Meijer, 2013). Transparency in public administration has developed over time due to two social factors: the development of digitalization in the public services that impacted on the increasing of public information availability to the public (Meijer, 2009) and the development of the New Public Management as a new way of organizing government. Reforms, inspired by the NPM, are aimed at increasing the level of transparency of public services. The leitmotifs of these reforms are that increasing the visibility of how the state and its subdivisions work improves their efficiency (Grimmelikhuijsen, 2017).

## 2.2. Transparency of the budget information

Among many areas of the public sector when the concept of transparency is applied, the one that we pay much attention to is budget transparency. The definition of budget transparency was not clearly defined until the end of the 21st century. The consequences of the Asian crisis and the quest to ensure economic stability and security by building an open, sustainable and legitimate government have been the impetus for drawing attention to this issue (OECD, 2017). The IMF published the Code of Good Practices on Fiscal Transparency in 1998, and in 2002 the OECD also contributed to the development of the topic by publishing Best Practices in Budget Transparency.

Budget transparency attributes is defined by the International Monetary Fund (IMF) as the clarity, reliability, frequency, timeliness, and relevance of public fiscal reporting and the openness to the public of the government's fiscal policy-making process (IMF, 2012). The following tools have been developed to analyse, assess and guide budget transparency: Fiscal Transparency Code released by the IMF, Public Expenditure and Financial Accountability Assessment (PEFA) indicator, the IPSAS standards, the International Budget Partnership (IBP) surveys, Open Budget Survey etc. However, all these tools are not primarily aimed at establishing and implementing a single unified set of practices and rules for each country, but at taking into account the specifics of the country's context. However, certain ideas are common to each country - to maximize transparency in areas where the risk of corruption is high.

The state budget is an important instrument of socio-economic development of the country and the subject of state budget policy, which is designed to ensure macroeconomic stability and economic growth and should be based on a sound concept of budgetary relations and compatible with the main priorities of socio-political transformation, including the openness of government and the promotion of dialogue with citizens (Kukharska, 2019). Public policy consists of several stages of formation and implementation, with a system of measures that combine signs of transparency and non-transparency. This include decision-making by the executive branch, recommendations on the policy of state committees, implementation of the legislative process by the legislature, which includes consideration of committees, discussions, and decision-making. At each of these events (or stages) there are elements of openness and secrecy: in the discussion of committees there are behind-the-scenes discussions, agreements, even outwardly demonstrating the openness of the process of consideration and decision-making of budget decisions.

To summarize, the main motivation for implementing transparency budget initiatives, according to the literature, is the following:

- increasing transparency and accountability will inevitably lead to better governance, democratic values and economic and social development;
- promoting civilian oversight and monitoring of government;

- providing more justification for better decisions;
- increasing the efficiency of public funds;
- increasing transparency of budget documentation and accountability process;
- gaining trust if government and make them more legitable.

But it is important to note here that the influence of citizens and their initiatives is limited by the existing procedural and structural constraints that exist in the budget process (Robinson, 2006). Haymans (Hayman, 2002) also examines the limiting institutional impact on controlling initiatives that affect government, the legislature, and the executive bodies.

### **2.3. The transparency of the defense budget**

The issues of transparency of the defense sector, transparency, openness and accountability of information produced in the key defense budget documents have become widespread, especially in western and northern Europe and North America, as it is an integral part of democratic governance providing information to citizens with their subsequent opportunity to participate in government decisions because the successful management of military capacity building should be based on four pillars: accountability, participation, predictability and transparency. These principles are interrelated and transparency is a prerequisite for them.

Thus, the defense structures of the countries are key actors and areas of defense budget policy, and therefore secrecy, which is usually a concept that goes hand in hand with the concept of national security, permeates all procedures and processes within the defense sector. However, transparency in the defense sector is an extremely important initiative, if only because the transparency of defense budget policy, including planning and implementing military spending, procurement, is a guarantee of trust between states and creates a positive climate for interregional military cooperation. In addition, transparency has the effect of improving the allocation of financial and material resources.

It should not be misguided that the concepts of transparency in the public sector and public administration in general and transparency in the defense sector governance are equivalent. Even a country with a significant legal framework governing the transparency and openness of state information can have a developed system of state secrets. That is why the transparency itself and the defense transparency are not the same constructs. Before we begin to consider the specifics of the implementation of the principle of transparency of the country's defense budget, I propose to define what is meant by the concept of transparency in terms of the defense budget process.

Transparency in defense planning and budgeting as a part of defense policy means that important key documents and other information prepared or commissioned by the government - including defense ministry

and defense agencies - should be available to the public (Bruzelius, 1998). From this point of view, accountability plays an integral part in building administrative reforms that aims to provide higher standards of transparency of defense budget but also clarify what information must be available to whom i.e. prepared regarding different standards and forms depending on which type of stakeholder is receiving that information.

In the study of the transparency of defense information, the concept of "information" is variable. In order to somewhat narrow the very broad concept of information and limit it to the concept of defense budget information, given its specificity, interpretatory and regulatory aspects, it is appropriate to use the definition of defense transparency proposed at Global Conflict and Cooperation conference (University of California Institute, 2011):

“Defense transparency is an ongoing process through which a state credibly transmits timely, relevant, and sufficient information about its military power, activities, and intentions to enable other states to assess the consistency of this information with declared strategic interests and institutional obligations, to thereby reduce the risks of misperception and miscalculation, and through this process to build mutual trust.”

It is important to emphasize that defense transparency is a *process*, as it states, that manifests itself in the interaction of different actors (or stakeholders), aimed at coordinating the claims of each party to ensure mutual agreement and trust. Referring to the produced definition of transparency on the p.20, the concept should be considered not only by the information provider but also by processors, recipients, utilizers and beneficiaries of information. Guided by the above definition, we can try to identify some components of the determinants of transparency of defense information: credibility, timeliness, relevance, sufficiency, informativeness, assessability, trust-enhancing, consistency with strategic state interests, compliance with obligation and institutional requirements. Having analyzed the level of applicability of these letter-terminants in relation not only to all information of the defense sector, but also to budgetary information in particular, we can conclude that these requirements are fully consistent with the requirements for budgetary information provided by defense structures and bodies.

The idea of transparency of defense is characterized by a number of difficulties. Defense Minister Theo Chi Hin, in his speech, quite accurately distinguished three types of defense information:

1. true information about military potential;
2. reliable information about the plans and intentions of the state to use these opportunities for defense or revision purposes;
3. the ongoing interaction process and confidence-building measures to increase confidence in the information provided about opportunities and intentions and to improve mutual understanding to reduce the likelihood of misperceptions (Singapore Government Agency, 2009).

Lindsay (Lindsay, 2011, p. 3) emphasizes that the concept of defense transparency differs from a simple interpretation of transparency as unproblematic information, that it "includes the study of military power and equipment, software for its use in time and the current process of interpreting both in an attempt to promote peaceful coexistence". The author proposes to build the concept of defense transparency on the pragmatic concept of information (Austin 1962, Searle 1969), explaining that the information itself always has a context under which it is processed, interpreted and provided, drawing an analogy with the transparency of defense information as "a constant link between individual sources of information, messages and recipients, the normative purpose of which is to strengthen collective security" (Lindsay, 2011, p. 3).

Defense budgeting is an important part of this information flow and includes information on the allocation of financial resources, future plans and operations. The defence budget is the critical document that allows citizens to understand how their funds are being spent in these sectors, and to hold their governments and militaries accountable for their actions (TI, 2011). As noted, the defense budget is characterized by the content of sensitive information, and therefore there are some limitations in the openness and accessibility of budget information related to strategic information, the safety of which ensures the security and sovereignty of the country.

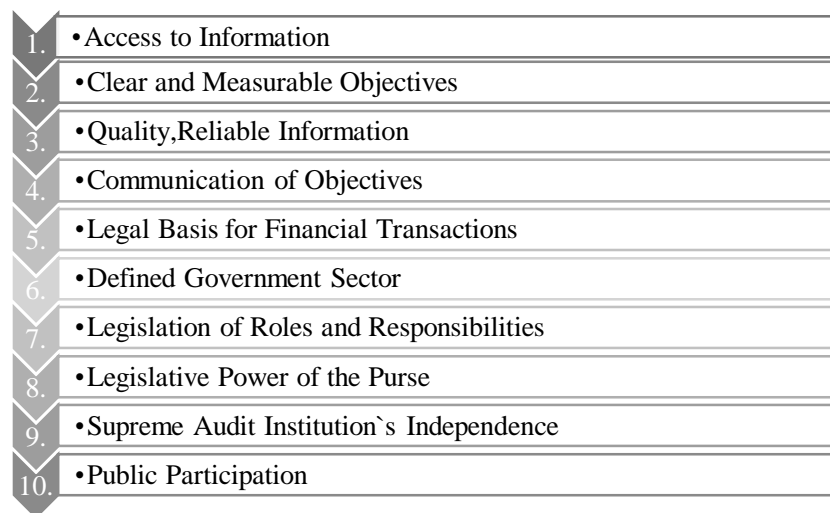
The generally accepted norms and requirements of transparency in the defense sector have created a number of agreements between the states and the general idea of openness at the system level, mechanisms of transparency have been created, and the very concept of transparency has become generally accepted. However, regarding internal transparency in the defense sphere, defense budgets, military procurement, and spending areas, there are no uniform rules or recommendations related to transparency.

Overall defense information transparency has numerous dimensions and aspects (Cheung, 2011). Perlo-Freeman proposes a classification of the transparency of the defense sector in terms of policy, resources and opportunities, activities, as well as areas: external and internal. Internal transparency of information is assessed by the quantity and quality of information available to the public, as well as the degree of public involvement in the discussion. External transparency refers to information provided to neighboring countries and international bodies, such as the United Nations or NATO. Information that is available to internal stakeholders is also available to external, but for the latter it can be provided in a broader and more detailed sense, in confidential reports, plans, negotiations (Perlo-Freeman S. , 2011).

Evaluation of the transparency of the defense budget is one of the tasks of this work and indeed requires a certain clear set of standards and criteria that are subject to it. In general, the basis for these evaluation standards were laid by the International Monetary Fund (IMF), the World Bank (WB), the Organization for Economic Cooperation and Development (OECD) and the North Atlantic Treaty Organization (NATO).

From the point of view of public administration and access to public data, the Sunlight Foundation has identified principles for assessing transparency, defining that transparency of data and information can be characterized by the following elements: “completeness, primacy, timeliness, ease of physical and electronic access, machine readability, non-discrimination, use of commonly owned standards, licensing, permanence and usage costs” (Sunlight Foundation., 2013). Speaking of data on budget information provided through electronic analytical systems, these requirements can help to analyze this aspect in a broad and systematic way, but for our research, such an aspect can limit the direction and reduce the study to only data provided electronically.

Another widely acceptable criteria to assessing budget transparency are the principles used by the International Budget Partnership (IBP) in its Open Budget Survey, namely - transparency, participation and oversight by the Legislative and Supreme audit institutions. A wider set of criteria and principles of fiscal transparency is established by the Global Initiative for Fiscal Transparency as The GIFT High-Level Principles (Fig.2.2). A detailed explanation of these criteria can be found in Appendix 1.



*Figure 2.2. The GIFT High-Level Principles. Source (GIFT, 2018)*

Using these approaches to assessing budget transparency and aiming to identify criteria for budget information that should ensure transparency from the point of view of information consumers - stakeholders, the following framework of analysis criteria will be used to assess the transparency of defense budget information transparency in Ukraine:

1. Access to defense budget information;
2. Defense transparency vulnerability due to the corruptions risks;
3. Clarity and Measurability of defense budget objectives and its Communication;
4. Quality, Reliability and Comprehensiveness of defense budget information;



5. Legislation of Roles and Responsibilities of the participants of the defense budget process;
6. Oversight over the defense budget process;
7. Transparency of secret items of defense budget execution;
8. Public participation in the defense budget process

The following criteria will be used in the empirical analysis of the state of the transparency of the defense budget in the empirical chapters.

#### **2.4. International and national standards for defense transparency, classification system and disclosure procedure**

The initial principles of budget transparency are defined by a number of international documents, in particular, such as the Lima Declaration of Guiding Principles of Control (1977), the Code of Good Practice on Ensuring Transparency in the Monetary and Financial Policy of the International Monetary Fund (1999), the Declaration on Transparency, Accountability and public participation in the budget process (2011), Global initiative to ensure transparency in the budget and tax sphere (2012).

Thus, in the Lima declaration of guiding principles of control, adopted by the International Organization of Supreme Audit Institutions, the need for control was emphasized for the first time as a mandatory element of the management of public financial resources, since such management implies responsibility to society. In addition, it is emphasized the need to make the results of inspections public, which provides wide information and sparks debate and thus creates a more favorable climate for the implementation of the conclusions and recommendations of the highest control bodies (INTOSAI, 1977).

The Code of Good Practice on Ensuring Transparency in Monetary and Financial Policy, developed and adopted by the IMF in 1999, helped to systematize the principles of open and responsible management of public finances (IMF, 1999). Without going into the details of the provisions of the Code, the following should be highlighted from the main pillars on which the document is based:

- clear division of tasks, functions and responsibilities between state bodies that carry out monetary and financial policy;
- openness of the decision-making process and the provision of information about these decisions;
- public availability of information on monetary and financial policy;
- accountability and guarantees of integrity of officials of state bodies.

As we have already found out in the previous subchapters, the expansion of the openness of the topic of transparency and its wide support initiate the creation of a number of agreements, peculiar mechanisms for managing the transparency of defense sector finance management and exchanging information on military capabilities. This is indeed an important step in promoting and enhancing the initiative on transparency,

openness and publicity of information in the defense sector that helps prevent exaggeration, misinterpretation of intentions or actions, and destabilizing arms build-up (Peter & Siemon Wezeman, 2014).

Support for these principles of transparency was implemented through international standards enshrined in a number of documents, agreements, conferences, statutes, which are aiming at regulation of different types of government relationships. Mention of international regulations on the accountability of defense budgets includes, for example The United Nations Military Expenditure Reporting Tool that was established in 1980, that is aimed at establishing set of tools that ensure transparency of military expenditures. However, when it comes to transparency mechanisms proposed by the UN, they are voluntary, and although symbolically supported by countries, in fact, as noted by UN representatives, participation in these mechanisms is very low, and relatively few countries provide information to the UN on procurement or arms sales and defense spending – “in 2012 only one-third of the 193 UN members states submitted any information on their arms import and exports, and even fewer states reported on their military expenditure”, state Pieter and Siemon Wezeman (Peter & Siemon Wezeman, 2014).

Also, the Vienna Document (OSCE, Vienna Document , 1999) establishes the basic principles of confidence- and security-building measures relating to transparency of information, including on military forces, armaments and equipment, defense budgeting and planning. A common understanding of the transparency of defense budgeting was reached in 1999 set out in the above-mentioned document, which explained why defense transparency is matters and to whom it is important. The goal was “to promote domestic and international transparency of defense budget and budget process, throughout South-Eastern Europe” and “to encourage good practice in defense decision-making (policy making, programming, budget planning and budgeting) with particular reference to accountability” (Yearbook on South-East European Defense Spending, Stability Pact for South Eastern Europe, 2003).

Of the important points worth emphasizing, because of the negotiations on confidence- and security-building measures, the result of which is reflected in the Vienna Document, the states participating in the negotiations declared the provisions on the disclosure of the following information:

1. Annual exchange of military information, in particular on: military organization, on the organization of the command of the military forces, indicating the name and subordination of all formations and units at each command level, the number of personnel and the main weapons and equipment systems (battle tanks, helicopters, armored combat vehicles, launchers, artillery pieces, etc.).

2. Information related to defense planning, in order to ensure the transparency of the intentions of each state, which consists of the following: on defense policy, including military strategy/doctrine, as well as

changes taking place in this area; on national defense planning procedures; on the planning of the armed forces (regarding the number of personnel, weapons and equipment systems and their deployment).

3. Information about previous and future expenses. States Parties are required to report their defense expenditures for the previous financial year on the basis of the categories defined in the United Nations "Document for Standardized Reporting of Military Expenditures", adopted on 12 December 1980. (OSCE, Vienna Document , 1999)

NATO has also made important contributions to the development of international standards of military sector transparency, declaring an established system of standards governing the accountability and transparency of Allies, standardizing many European and North American militaries. NATO contributes to enhancing accountability and transparency in terms of financial matters of defense sector of country members by reforming governance and transparency and accountability, especially in the management of NATO's financial resources by guiding by three key reference documents:

- the NATO Financial Regulations, which govern financial administration;
- the Guidelines on Corporate Governance, which establish the principles to be followed to strengthen transparency and accountability;
- the NATO Accounting Framework, which provides the minimum requirements for financial reporting in NATO.

Other equally important documents developed and published by NATO in the field of disclosure of important documents related indirectly to defense budget matters and approaches to classifying documents include: "NATO Security Policy" (2002), "The Management of Non-Classified NATO Information" (2002), "Policy on the Public Disclosure of NATO Information" (2008), NATO Information Management Policy (2008), "NATO Records Policy" (2011), "Streamlining the Public Disclosure Programme: Request to Submit Items of Ongoing National Sensitivities" (2013), "Guidelines for Inclusion of Non-NATO Nations in the Public Disclosure Process" (2014), "Directive on the Public Disclosure of NATO Information" (2014), etc.

The Treaty on Conventional Armed Forces in Europe once contributed to strengthening the exchange of information. The main contribution was the introduction of the upper limit on the number of active military forces, monitoring and verification mechanism through data exchange, and on-site inspections.

But it is important to note that these mechanisms are mainly related to external transparency and in no way affect the unification of the principles of transparency within the country, the so-called internal transparency. Indeed, when it comes to military affairs, there are no uniform rules for each state regarding the transparency of military policy, defense budgets, the process of purchasing military equipment, etc. The unification and globalization of common, open and understandable principles of defense transparency is, of

course, complicated by the specifics of the sector, since increasing transparency can harm the strategic planning of the state and its defense and security interests. Actually, this is precisely what justifies, in a sense, the more transparency of the military affairs of one country in relation to another, since the strategy, geopolitical goals, the political regime and relationships with other countries are different. Therefore, we can see a situation where in one country special reports are regularly published (such as annual defense budgets, budget programs passports, white papers) and through public statements it is reported about defense budget execution, in an open form, so that anyone interested can get information about plans for spending on the defense sector, with a general understanding of the country's strategy and the reasons for making decisions on military procurement and spending; but we also see another situation where in some countries access to information regarding military procurement, the defense budget is limited from the public, and even more - does not fall under parliamentary control. In such situations, an open dialogue about how to balance secrecy and transparency in military affairs becomes difficult or impossible.

Therefore, in order to establish transparency principles in the financial aspects of defense sector the existing country's legislative framework should correspond to the main transparency demands. The one of those - is the need to provide free access to state information, based on the appropriate legislation of so-called Freedom of Information (or Access to Information).

The first canonical freedom of information law, which became the basis for the development and adoption of similar laws in other countries, was the US Freedom of Information Act (1966). Other countries adopted this approach to the legal regulation of access to information a little later - France, the Netherlands, Australia and Canada adopted a system of laws between 1978 and 1982. Among the group of developing countries, Colombia (1985), Hungary (1992) and Ukraine (1992) pioneered the adoption of freedom of information legislation. Berliner (2014) notes that there is no correlation between the level of development of a country or its the adoption of laws on freedom of information, which in fact are an integral part of the democratic basis of government, citing as an example the countries of Great Britain and Germany, which are quite developed and democratic, but adopted laws later - in 2000 and 2005, respectively.

The adoption of such laws is a process accompanied by certain political resistance and complex lobbying, since in fact it restricts civil servants and politicians from committing illegal actions, gaining benefits from illegal levers of influence, and increases the likelihood of exposing corruption schemes. But despite the different paths, discussions, lobbying and participation of various activists and actors in the process of campaigning for the passage of the law in different countries, today more than 100 countries have a statutory, not just constitutional, framework that regulates free access to public information.

Of course, in each country the Law on Freedom of Information has its own characteristic differences, which largely depend on legal philosophy, social and political structure, socio-legal context, the level of

openness of public administration and government, the type of political regime, the level of corruption and the influence of third parties (activists, international NGOs, international political and non-political organizations etc.) on the process of institutionalizing transparency in the country. But Mendel (Mendel, 2014) highlighted the main provisions that any freedom of information law contains:

1. Maximum opening. The principle of maximum disclosure should govern the development of freedom of information laws.
2. Obligation to publish. Outline the obligation of government agencies to publish key public information.
3. Principles of open government. It consists of clauses that consolidate the obligation of the state to promote the principles of open government.
4. Scope of exceptions should be limited. That is, exceptions should be subject to the strict criteria of "harm" and "public interest" and defined as such, only after it has been passed and evaluated.
5. Facilitate access. Requests for information should not be a problematic and lengthy process, their processing should be standardized, operative, the evaluation of the request should be fair, based on clear criteria. Denials of access to information must contain an explanation of the reasons and are subject to verification.
6. Costs. Requests for information should not be costly and represent a significant cost to those making the request.
7. Open meetings. Meetings, conferences of state bodies must be open to the public.
8. Disclosure takes precedence. In the event of a conflict between laws, the law that does not comply with the principle of maximum disclosure will be amended or repealed.
9. Protection. Persons disclosing information about offenses - whistle-blowers - should be protected by law with the assistance of law enforcement agencies.

We can also trace a certain unity with the criteria proposed and applied in the Global Right to Information (RTI) rating, which provides a reliable assessment of “both the overall strength of the transparent legal framework and the strengths and weaknesses of the legal framework in seven different categories, namely: Right of Access, Scope, Request Procedures, Exceptions and Refusals, Appeals, Sanctions and Protection, and Promotional Measures.” (RTI, RTI Rating Methodology, 2011) A more detailed consideration of these components with the author’s comments is presented in Appendix 2.

But as Ackerman and Sandoval-Ballesteros (2006) point out, although there are commonalities in the approaches to developing and implementing freedom of information laws in different countries, “each country has developed its own organic understanding of what freedom of information conceptually means and what practice is required for freedom of information” (p. 91). And the difference in this understanding gives rise to differences in freedom of information laws (Ackerman, 2006).

Freedom of information laws are intended to actually define the standards and principles to guide the prevention of a state's misuse of the right to state secrets for reasons of national security. That is, in fact, the legislative consolidation of freedom of information considers the law on state secrets as an exception. In turn, laws on state secrets also set a framework for the state to use this right. Therefore, they also contribute to the formation of freedom and transparency of information in the public sector, especially in the defense sector. The practice of state secrets, in contrast to the concept of freedom of information, appeared much earlier, because of the very nature of secrecy (Hooper, 1987). The classification system, which outlines certain classification rules, explains what information and why should be withdrawn from public access, for how long, who has access to it and also includes the disclosure request process. "The purpose of the classification system is to prevent disclosure of information that could damage our national security" – says Aftergood (Aftergood S. , 2009, p. 401). But the understanding of the essence of this "damage", as well as the ways of causing it, differs in each country, and therefore the level of severity of the classification system and approaches to understanding how much information will be classified varies.

Approaches to the protection of information related to national security, although different in countries, have common 3 approaches in the legislative regulation of state secrets, which can be combined, using all, or only one or several of them in different countries.

#### *1. The source-based protection*

According to this approach, the authorized state body classifies the information as a state secret, and after evaluating this information, a conclusion is prepared regarding the legal status of this information. It also includes such a concept as "presumed intention", when, according to the position of a civil servant, he is given or receives information confidentially, which also falls under the criteria of state secrecy. For example, in Finland it is prohibited to disclose information "received in the service of the body, if it is covered by the obligation of non-disclosure provided by law."(Act on Openness of Government Activities, 1999 (Finland) section 23.) The underlying philosophy of this approach defines information that constitutes a state secret as that which is owned by the government, is official, and must be kept secret until a public access request is received. This naturally contributes to the development of a culture of secrecy in public administration.

#### *2. The class-based protection*

The class-based approach involves the use of a system of classes (levels) for state information, depending on its value, type and nature.

#### *3. The prejudice-based protection*

In this case, information is classified if its disclosure could cause harm or threat. Under the prejudice-based approach, information is protected only if its disclosure is harmful. Of course, each country independently determines for itself the threshold of threat, that will be reasonable to take information from free access. Also, the prejudice-based approach often is combined with the class-based approach in a way that the level of threat is a criterion for attributing information to one or another level. (Nasu, 2015).

In assessing the possible consequences of disclosing information, the "balance of interests" test is used to identify possible harm that disclosure of information will cause to public interests in general, or to individual interests, in particular. This test involves weighing two opposite values - the consequences of disclosing information and the consequences of its secrecy. The "harm caused" test is applied when the authorities focus their attention on the potential harm that may be caused or the prejudice that may be caused to interests protected by law. If the potential harm that may be caused to certain interests can be compared to "opposing" interests, then the two tests mentioned above are applied together.

Guided by the logic that classified information is the public information which temporarily is excluded from the free public access, the state secret law can be positioned as a supplement to the freedom of information laws. However, it barely indicates the true state of things. The narrative that ideas of national security prevail over any public interest can be traced both in the rhetoric of politicians of various countries and in legal practice - such as the practice of presumed intention or conclusive certification, which consists in the issuance by state bodies of admission certificates that exclude information related to national security, from public access. The practice of conclusive or security certification is implemented in Great Britain, New Zealand, Canada, Malaysia, etc. (Nasu, 2015).

As we have already seen, there are many interpretations of the concepts of state secrets, threats to national security, classification criteria, etc. But how to understand how close they are to the principles of a democratic society and open government? How to assess the level of transparency of the country, including military affairs, if we consider the existing national standards of transparency, the legal framework for freedom of information, the classification system and approaches to information disclosure? In my opinion, it will be appropriate to use the above-mentioned RTI criteria (Appendix 2) aimed at assessing the legitimacy and democracy of legislation related to the right to information, because they correlate with generally accepted standards, adopted from international standards.

### **2.5. The dilemma of defense secrecy**

As noted in previous sections, there are many initiatives, both national and international, aimed at building clear standards and legal constructs aimed at institutionalizing transparency in the public sector and, in turn, moderating secrecy. However, the dilemma of secrecy remains an unresolved issue in the field of public administration.

As Thompson (1999:182) says: “Some of the best reasons for secrecy rest on the very same democratic values that argue against secrecy. The democratic presumption against secrecy (and in favour of publicity) can be defended, but not so simply as is usually supposed. The conflict involves this basic dilemma of accountability: democracy requires publicity, but some democratic policies require secrecy”. Secrecy, which is a fundamental concept that permeates the ideology of the national security and defense sector, is motivated by the prevention of disclosure of information that could potentially threaten national security. But the notion of "security threat" in the information dimension is vague. In broad definition, secrecy allows organizations and institutions to protect valuable organizational assets through concealment (Costas, 2014). Secrecy in the dimension of governance is used to protect democratic processes and implement security policy (Curtin, 2014). In some cases, secrecy is mandatory, because in its absence, these functions can not be performed effectively or at all (Thompson, 1999). Approaches to the classification of documents, including the granting of special status, regulation of levels and methods of access for external and internal stakeholders, are commonly used to protect information covered by state secrets and provide secrecy in sector.

Secrecy is legitimate when justified, that is, the main problem in the secrecy of state information is to determine the legality of the grounds on which the decision to classify information was made. To determine whether the government's secrecy is legitimate, Aftergood (Aftergood S. , 2009) proposes two practical categories of secrecy, and recognizes that for a long time the problem of public policy in this area is to separate legitimate secrecy from illegitimate and in the preservation of the first and the disclosure of the second:

1. Real secret of national security
2. Bureaucratic secrecy

The first group included the category of a real secret of national security, aimed at protecting information that may pose a special threat to national security by compromising its defense or foreign activities. The classification of such information is reasonable and legitimate because it meets the concept of confidentiality and serves the interests of society. The next category is bureaucratic secrecy, which is to protect information based on convenience and avoid suspicion of the authorities and is used when disclosure may be more vulnerable than retention. In this case, there is usually a situation of excessive secrecy, which in turn increases budget spending on secrecy and often plays on bureaucratic feelings of self-importance and the reluctance of certain institutions to disclose how they do their job. Political secrecy reflects the tendency to use the right to state secrets for one's own political benefit. This category is the most controversial and undesirable. (Aftergood S. , 2009)

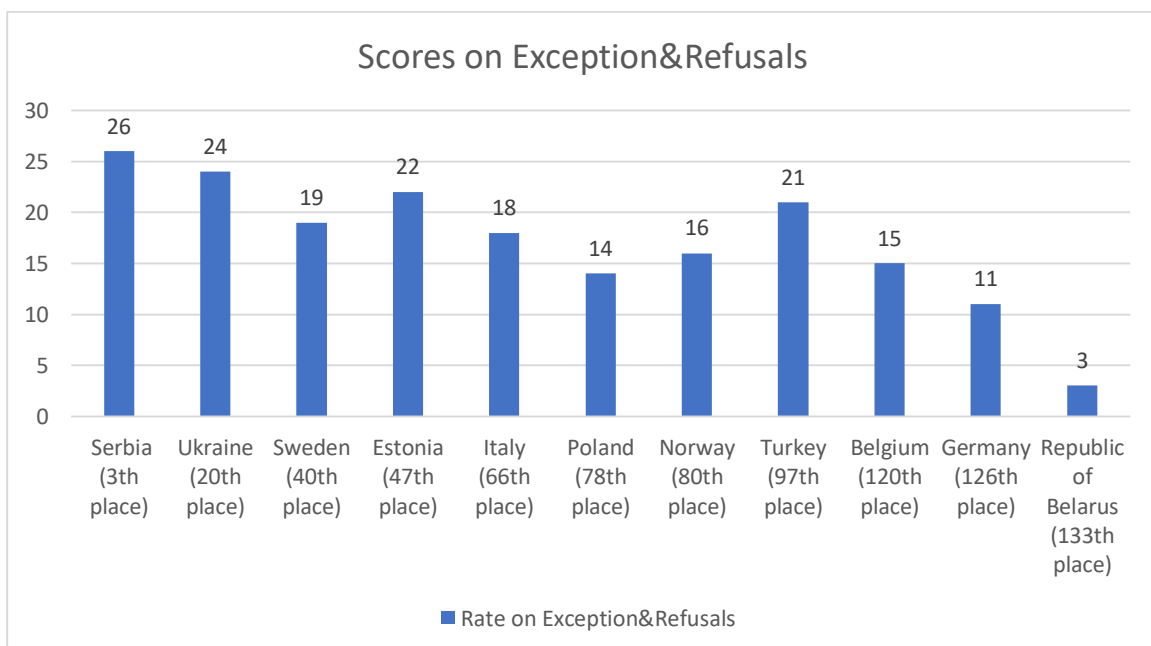
The Article 19th of the Universal Declaration of Human Rights and Article 19th of the International Covenant on Civil and Political Rights (ICCPR) declares the principle of the right to know. It states that transparency should be the rule and secrecy the exception. This provision states that the state must prove the



legality of the closure of information, because classified information is available information that has been removed from public access for some time for legitimate reasons (Article 19,1999). However, in practice the situation is different - information seekers need to prove their right to gain the necessary access, and the legality of the citizen's right to information is confronted by government agencies responsible for non-disclosure decisions. Of course, the public can rely on government decisions on information classification decisions, but giving unlimited discretion to a bureaucracy can be a formula for inefficiency and corruption (Mendel, 2014).

Balancing between the transparency of the defense sector and national security is quite problematic. As Rodrigues notes (2017, p. 18), "the goal of being transparent in defense becomes more difficult with the new challenges posed by technology." For example, through Open Source Intelligence (OSINT), using various Internet resources, intelligence has adapted to the collection and processing of information that can lead to strategically vulnerability as a result of gathering harmless independent facts (Posen, 2014). This is called "mosaic theory" and even though it provides us a great explanatory basis of justification of classifying public and defense information, it also can lead to situation when any withholding of information can be justified (Posen, 2014)

When assessing the transparency of the financial aspects of defense sector, it is necessary to assess the extent to which secrecy is democratic and is used legally. For example, the Right to Information (RTI) rating, which assess the legal framework concerning in particularly the right to access information that is being held by authorities based on 61 discrete indicators - each of which looks at a particular feature of a strong legal regime for RTI - divided into seven main categories - namely Right of Access, Scope, Requesting Procedure, Exceptions & Refusals, Appeals, Sanctions & Protections, and Promotional Measures» (RTI, RTI Rating Methodology, 2011).



*Figure 2.3- The Global Right to Information Scores on Exceptions and Refusals. Source: (RTI, 2022)*

Figure 2.3 shows the scores for the Exceptions & Refusals category for selected European countries. It is interesting that the position in the general rating (regarding the strength of the legislative framework of the right to information) does not always mean a high assessment of the level of strength of the legislative framework of exceptions and refusals. For example, Poland, which ranks 76th in the overall ranking, has fewer points in the Exceptions and Refusals category compared to Norway (80th place), Turkey (97th place), and Belgium (120th place). This is due to the fact that even if a country has a well-developed legal system of freedom of information laws (FOI), they may at the same time contain restrictions on the concealment of information on military defense issues.

However, the tension between the need to preserve classified information and the demands of a democratic society that calls for transparency in budgetary decisions in the defense sector is quite clear and reasonable. Governments where the implementation of military transparency and accountability initiatives (especially in countries at risk of external danger, such as Ukraine due to the military escalation of the situation with Russia) justify the secrecy of military budgets by budget information vulnerability and possession a threat to the country's security in case of its disclosure, especially information regarding military capabilities. And this has a very logical and natural basis. However, for example, SIPRI notes that it is practically impossible to keep budget information and procurement information secret. That can be explained as following - even Stockholm International Peace Research Institute (SIPRI), an organization that works only with open sources, with fewer resources, can gather military spending analytics and map global arms transfers, therefore this information can also be obtained by national intelligence services in potentially hostile countries with higher levels of access and greater resources (Wezeman, 2014). Therefore, the question of the real feasibility of closing the data is controversial.

Therefore, finding a balance between openness and secrecy is a real challenge for scholars, government officials, practitioners, because according to many literature sources, reports and recommendations (see, for example, Transparency International), secrecy cannot be complete in a democracy that has open economic and cultural borders, open information space and protects the rights of its citizens, and therefore it is possible to achieve only partial secrecy. But the issue of partial secrecy raises a number of discussions and issues, because the definition of boundaries where secrecy ends and openness begins must be determined by clear standards, regulations, laws, both domestic and international. The international standards of classification of data are of a recommendatory nature, and their application to national practice is voluntary. As for national standards, they are not uniform and, of course, differ from country to country.

Of course, secrecy in public administration results in a number of possible negative phenomena for the country, for example, (Peter & Siemon Wezeman, 2014) argues that the secrecy of military budgets and

procurement can create economic waste, as well as reduced responsibility for decisions on purchases, costs, modernization, re-equipment and more. Arms races, waste, and uncontrolled military escalation are also voices against secrecy in military finance. The transparency of the defense budget, on the other hand, leads to increased accountability, which significantly improves the coordination and systematization of the work of the entire state structure, with the free flow of information (Peter & Siemon Wezeman, 2014).

There are many arguments for and against because this issue is quite complex and complicated. However, secrecy is definitely not a negative phenomenon. I am not calling for the justification of secrecy, but only for the recognition that its existence is a necessary condition for an effective defense sector and ensuring national security. The legality of exercising the right to secrecy is another issue that is affected by the legal framework, as well as the implications of these provisions in practice.

## **2.6. External and internal stakeholders of defense budget information transparency**

Pieter D. Wezeman and Siemon T. Wezeman argue that transparency, in the absence of a multi-stakeholder environment when all stakeholders can make informed decisions on defense policy, budget and procurement which existing transparency in military matters is only a futile exercise in public relations (Peter & Siemon Wezeman, 2014). I agree with this view and believe that the issue of the role of stakeholders in developing transparency, accountability and openness of the defense budget cannot be underestimated. An important aspect of accountability and transparency is directly related to the list of agents or representatives who are accountable for relevant information on defense budgeting.

Literature review of this topic would be reasonable to begin with an analysis of approaches to defining the concept of stakeholders. There are two main general approaches to explaining the nature of stakeholders - broad and narrow, but overall any person company, group of people, institutions, states, government agencies, even the external environment can be identified as a stakeholder if they "can affect or are affected by the achievement of the organization's objectives" (Freeman, 1984). The above definition is very broad, but it sets out a certain range of what we can consider as stakeholder, i.e. the one who is involved in the affairs of the organization in an active or passive way and is a potential or actual participant. In other words, speaking from a broad perspective, the stakeholder is every person or group of person, except those "who cannot affect the firm (have no power) and are not affected by it (have no claim or relationship)". (Mitchell, 1997)

Other examples of a broad definition of stakeholders, such as Bowie's vision, in which he argues that stakeholders are vital players in the organization and "without whose support the organization would cease to exist" (Bowie, 1988).

Narrow approaches to identifying stakeholders and their role in organizational processes, Mitchell notes, involve understanding resource constraints, time, and the amount of attention available to managers to

distinguish a stakeholder, and therefore there is a need for a clearer, more limited definition of who is worth being salient to the organizations and can be identified as a stakeholder, given that the amount of time and money spent on serving their interests is limited. (Mitchell, 1997). Therefore, the need of clear determinants for identification of the stakeholder is highlighted. In the literature, such factors include the dependence of a firm's existence on a stakeholder group or organization (Bowie, 1988), the existence of a stakeholder risk in relation to the relationship with the organization (ie the existence of something "at stake") (Clarkson, 1995), or the existence of exchange relations. Such a determinant of stakeholder identification as the existence of moral claims are also widely discussed in the literature (Freeman, 1984) (Wicks, 1994))

Mitchell, Agle and Wood (1997) have made a significant contribution to the development of theoretical frameworks by creating clear system of identification and ranking of stakeholders of the organization and evaluating the stakeholder-manager relationships, defining three main determinants: power, legitimacy and urgency. They urge that those three variables are interconnected in a way that “power gains authority through legitimacy, and it gains exercise through urgency” (Mitchell, 1997, p. 869). In addition, the partial or complete expression of one or all of these variables forms different groups of stakeholders, depending on whether and to what extent their requirements are characterized by legitimacy, power or urgency. For example, a non-governmental organization has urgent and legitimate requirements for public authorities to provide open information on the use of public funds, but may not have enough power (leverage) to gain the highest level of salience for public officials and become a "definitive stakeholder" (as defined by Mitchell et al., 1997). Similarly, in a country with a high level of corruption and oligarchy, a group of influential businessmen with a high level of influence over politicians and urgent demands to lobby their own interests objectively shows no legitimacy, but are stakeholders who belong to the group of "dangerous stakeholders".

As discussed in previous sections, the concept of information transparency has often been seen as a one-way process where attention has been paid to the information provider, the organization that owns it, and the topic has been analyzed from this perspective. However, the focus on the entity-oriented view shifted slightly to more attention to the wide range of environmental factors and their influence, and also the analysis of organizational impact from their perspectives. Applying that to our topic, the aspect of transparency has also been extended “beyond financial disclosure” to “the larger arena of stakeholder communication and the interaction between corporate management and constituencies” (BANDSUCH, 2008, p. 114)

Number of scientific researchers devoted their attention to the issue of stakeholders role in transparency perspective (see (Albu, 2014), (O'Neill, 2002)). And also about what transparency of information means from the point of view of stakeholder. (Christensen L. &., 2009) note that for participants in the process, the transparency of information means the ability to correctly and easily perceive and interpret it. Another criteria of "transparency" from the stakeholders perspective are information receivers' comprehensibility

(Grunig, 1992) and existing of possibility to participate in the information management and decision making processes (Grunig, 1992).

Persisting the topic of information flows between participants, the issue of the defense sector– stakeholder relationships can be explained through the accountability concept. Recalling the concept of accountability, which is "the duty to provide an account or reckoning for those actions for which one is held responsible." (Gray, 1996). It involves two parties - the subject (accountable person or accountor) who is obliged to provide an account of the actions taken and their results to another entity (accountee) who has expectations to be met and who has a right to receive information and reports ( (Stewart, 1984), (Ryan, 2000)). In this case, the accountee is understood as a stakeholder, and an important point to emphasize in this approach to explaining interaction is that a stakeholder is a person who has expectations and is entitled to receive information or reports.

The studies on the stakeholders' issues often include analysis of the two group of the stakeholders - internal or external (see Schwarz and Teichler 2000; L de Chernatony & F Harris 2000; Marshall 2018; Marques et al., 2019). And as explained by D. Salvioni et al. (Salvioni, 2012) in the case of internal accountants in the defense sector, accountability is oriented toward internal budget decision support between managers. When the defense structures and institutions are accountable to external stakeholders – parliament, president, citizens, NGOs, international organizationa and alliances, then the administration demonstrates its own responsibility and achieves this function by publicly demonstrating the results and reporting it to interested parties. The point is, that not only the provision of information matter but also its evaluation, which means the existence of two parties - those who present information, and those who evaluate it, form and express an opinion. There is also another general classification that goes in place when studying stakeholders' issue – primary and secondary stakeholders. The first class are the stakeholders that engaged in a formal relationship with the entity (sivil servants, state divisions, military structures, departments, international partners, courts, etc.), while second class consists of stakeholders who have no formal relationship (citizens, NGOs, media, experts etc). (Clarkson, 1995)

Therefore, in order to ensure successful interaction, the state must ensure the readiness to satisfy expectations and rights of accountee, which inevitably includes an attitude to transparency, and the stakeholders must ensure the ability to correctly process and interpret information, positively and unbiasedly perceive it and support the process of change.

The literature on the transparency of a country's security and defense sector policies generally focuses on the role of the state, its legal framework and agreements through which transparency management practices are shaped - particularly in relation to spending patterns, capabilities and trade. However, attention is somewhat neglected to third-party actors - external participants who are not directly involved in the military

affairs of a certain state. They can be considered as non-governmental organizations (NGOs) or international organizations, which include, for instances, the United Nations (UN), the International Institute for Strategic Studies (IISS) and the Stockholm International Peace Research Institute (SIPRI), which contribute to changing the approach to monitoring military affairs. External stakeholders can directly or indirectly influence the development of transparency in military affairs in various ways:

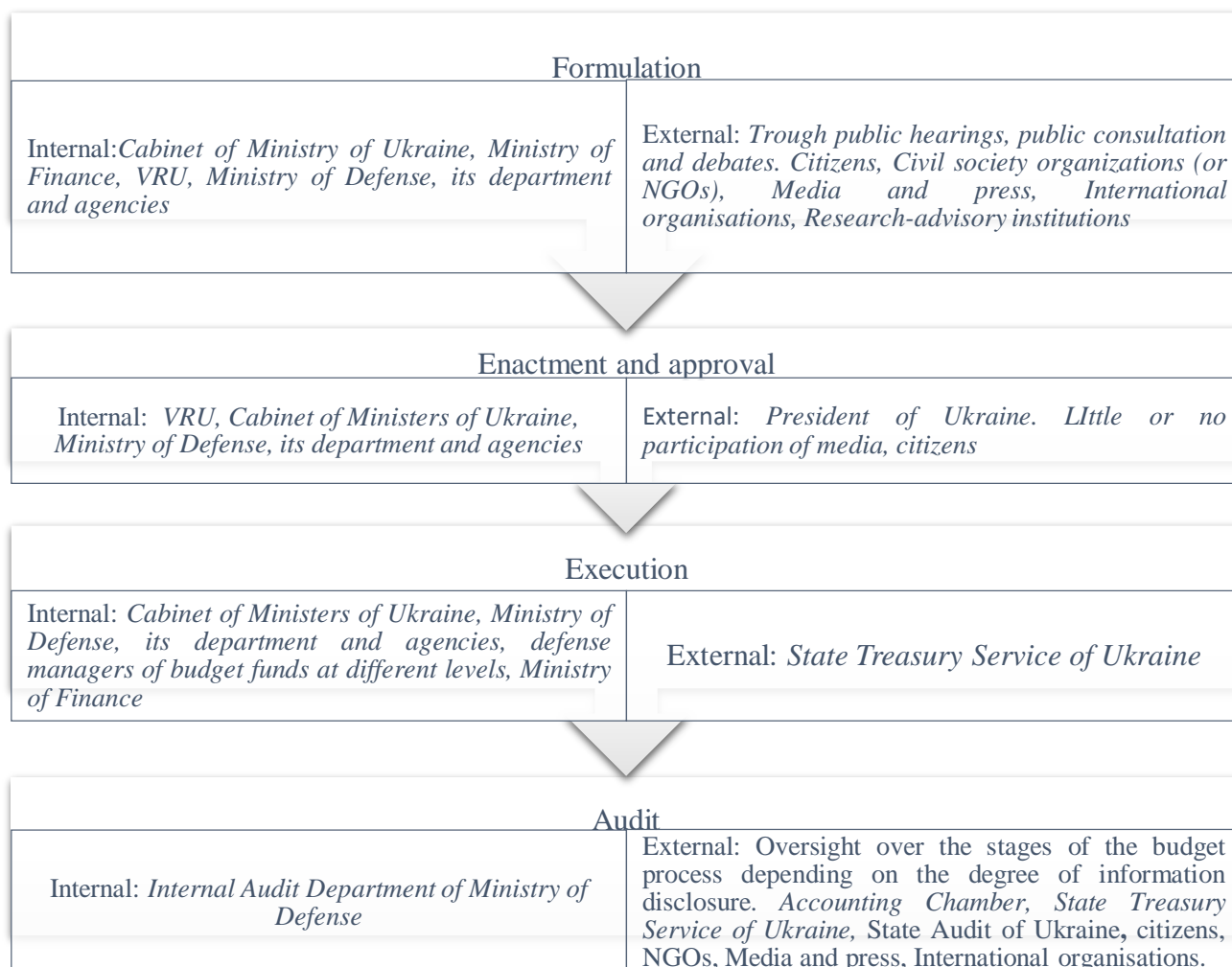
- promote the exchange of information between states, encouraging them to be more open, organizing the exchange of data exclusively between participating states ("Global exchange of military information", initiated and coordinated by the Organization for Security and Cooperation in Europe) or independently publishing data provided by various participants (for example, the UN publishes annual reports on military expenditures of member states);

- Increasing the level of data disclosure and transparency by independently collecting, analysing and publishing own data sets (for example, the activities of the IISS and SIPRI institutes). Information is taken from open sources (government reports, articles, expert opinions) and consolidated into separate reports, providing an analytical contribution to the development of transparency (Müller T, 2020).

In order to examine the relationship between the defense sector and stakeholders, both internal and external, in terms of the transparency of budget information contained in key defense budget documents, it is necessary to first determine who this stakeholder is. It can be said with confidence that the participants in the budget process, who influence this process (legislative power) and those affected by this process (executive power, managers of budget funds, recipients) are stakeholders by definition. Participants in the budget process are bodies, institutions and officials empowered with budgetary powers. However, doesn't this significantly limit our perception of the stakeholders in the budget process? There is a group of persons or persons who do not have direct legally regulated relations with state bodies, institutions and do not have budgetary powers, but also have claims to budgetary information and requirements regarding its transparency and openness. Citizens, activists, public organizations, NGOs, public associations, scientific and research institutions, media, etc although they do not have legally regulated powers to influence the adoption of budget decisions, but through the mechanisms of public participation, which is a guarantee of the openness of public administration, they can form the general opinion through public consultations and hearings and to influence indirectly through recommendations and public opinion on the formation of budget policy.

Guided by the general approach to the determination of stakeholders of the defense budget process, the participants of the stages of the budget process, namely formulation, enactment, execution and audit, were identified. More detailed explanation of the role of the stakeholders in the budgeting process is presented in Appendix 3.

Therefore, we have defined which scope we will apply when conducting stakeholder analysis in the case of the Ukrainian defense sector. Accordingly, the main stakeholders of the budget process in Ukraine are, in accordance with the legally defined normative acts (Fig.2.4):



*Figure 2.4. The role of internal and external stakeholders throughout defense budgeting process stage in Ukraine.*

Throughout all budget process stages internal stakeholders are directly involved in the fulfillment of the goals of each of the stages (Appendix 4). The procedures and scope of responsibility are determined by the current legislation of the state. In most cases, the participation of external stakeholders is also regulated by specific legislative or regulatory acts (public consultation, hearings, debates, advocating law), with certain exceptions when it comes to indirect influence (formation of public opinion and independent assessments).

Depending on the type of information and the nature of the information produced at each stage of the budget cycle, the demands of stakeholders for transparency (which essentially form the accountability system) will differ.

To sum up, democratic process changes in the state do not arise just like that. The necessary external or internal incentive is created by people who have a different interest in this and, moreover, a certain level of salience for the state. And also by establishing strict procedures, that regulates information flow, according to the transparency principles. The role of stakeholders in the direction of changes in state affairs is actually not sufficiently disclosed in the scientific community, but it seems to me quite reasonable to consider the state not as a separate institution, but as a form of organization of people who influence its political, economic, social discourse from inside and outside.

### **3. Theoretical Framework**

#### **3.1. Stakeholder Identification and Salience**

In general, stakeholder theory, proposed by Freeman in 1984 (Freeman, 1984), is used to explain the organization's relationship with its environment, both internal and external. Of course, at first it became widespread in the use of research on relationships in the private sector (because in Freeman's book the theory is explained more from the point of view of the enterprise), but later the stakeholder theory found its use for "explaining the behavior of other organizations, including the public sector." (Gomes, 2018).

In fact, the question of identifying stakeholders of any organization is quite broad for discussion, due to a number of approaches to their diversification, because a stakeholder can be external and internal, primary and secondary, as actors or those acted upon, voluntarily or involuntarily participant in relations, he can have different claims, it can be both a person and a group of persons (Freeman, 1984). Understanding and identification of stakeholders depends on the approach to their definition - broad or narrow and to the markers of affiliation. The defining determinant of a stakeholder is its influence on the organization and its importance to the organization in view of the validity of its claims, as proposed by Freeman, where an interested person is "any group or individual that can influence or is influenced by the achievement of the organization's goals" (Freeman, 1984, p. 46) or Bryson (Bryson, 1988, p. 74): "[stakeholder] is defined as any person, group, or organization that may claim the attention, resources, or results of the organization, or to which this result affects."

However, we have to agree with Mitchell, Eagle and Wood (1997) who point out that such a broad concept raises more questions than it answers. For greater clarity in the identification of stakeholders, they proposed a Venn diagram based on the following parameters: Power, Urgency and Legitimacy. This approach introduces more specificity in who can be considered a stakeholder. Savage, Nix, Whitehead, and Blair's (1991) framework for assessing stakeholder influence is also helpful in identifying stakeholders in terms of their influence (Grant T. Savage, 1991).



To identify stakeholders participating in the process of institutionalization of transparency in the defense sector, in particular in the budget process, it is appropriate to use the diagram of Mitchell, Eagle and Wood (1997), as well as to assess their salient for the state.

### 2.1.1. Power, Urgency and Legitimacy

According to the proposed concept, power, urgency and legitimacy are characteristics inherent in stakeholder claims and can be the basis for its classification, because "power and legitimacy are necessarily core attributes of a comprehensive stakeholder identification model" (Mitchell, 1997:863) and "urgency...is critical nonetheless to any theory that purports to identify stakeholders and to explain the degree of attention paid to them by managers." (Mitchell, 1997, p. 864).

*Power.* Power can be defined as an attribute that enables those who wield it to achieve desired results. Pfeffer explains power as an aspect of coercion in relations between social actors, in which a social actor A, who has power, is able to force another social actor B to do what he would not otherwise do (Pfeffer, 1981). However, in order to understand the specifics of the power's influence on processes, it is not enough for us to understand what it is, but also what kind of foundation it has behind it, because its stability, strength and temporality also depend on this. Etzioni (Etzioni, 1964) categorizes power depending on the resource on which it is based and which is used to exercise this power, distinguishing, for example, coercive power (totalitarian, based on the resource of physical force and psychological pressure), legitimate power (based on certain symbolic attributes such as statehood, patriotism, etc) and totalitarian power (based on material and financial resources). The perception of power as a manifestation of the possession of resources leads to the conclusion that, like resources, it is exhaustive and temporary, and its power depends on the amount of these resources.

*Legitimacy.* The attribute of legitimacy has become especially widespread in the study of relations with stakeholders. Legitimacy is quite aptly characterized by Suchman (Suchman, 1995, p. 574) as "a generalized perception or assumption that the subject's actions are desirable, correct, or expedient within a certain socially constructed system of norms, values, beliefs, and definitions." Quite often, it is combined with the social construct of power, forming the concept of legitimate power - "legitimacy is often implicitly combined with the concept of power when people try to assess the nature of relationships in society." (Mitchell, 1997, p. 866) It is quite a mistake to perceive legitimate stakeholders as powerful and vice versa – the example can be of illegal lobbying of interests by persons with significant financial resources, but not having legal grounds for their demands, for example, participating in the process of public procurement as a tender participant. And therefore, we must agree with the conclusion of Weber (Weber M. , 1947), who notes that legitimacy and power are different attributes, but which can usually be combined, creating different forms of social constructs, or can exist independently and separately.

*Urgency.* Urgency in the context of the relationship between the organization and stakeholders usually means the urgency of their claims. The urgency of a claim arises when the fulfilment of this claim must be achieved within a specified time frame and is key and critical to its claimant (Mitchell, 1997). And although all three attributes of stakeholder identification - strength, urgency and legitimacy - are independent elements, urgency can be perceived as a certain accelerator of the other two attributes (provided they are present), strengthening the stakeholder's motivation to fulfil his claims.

The possession of those attributes creates the frame for the identification and classification of the stakeholders in a way presented on the Venn Diagram (Fig. 3.1)

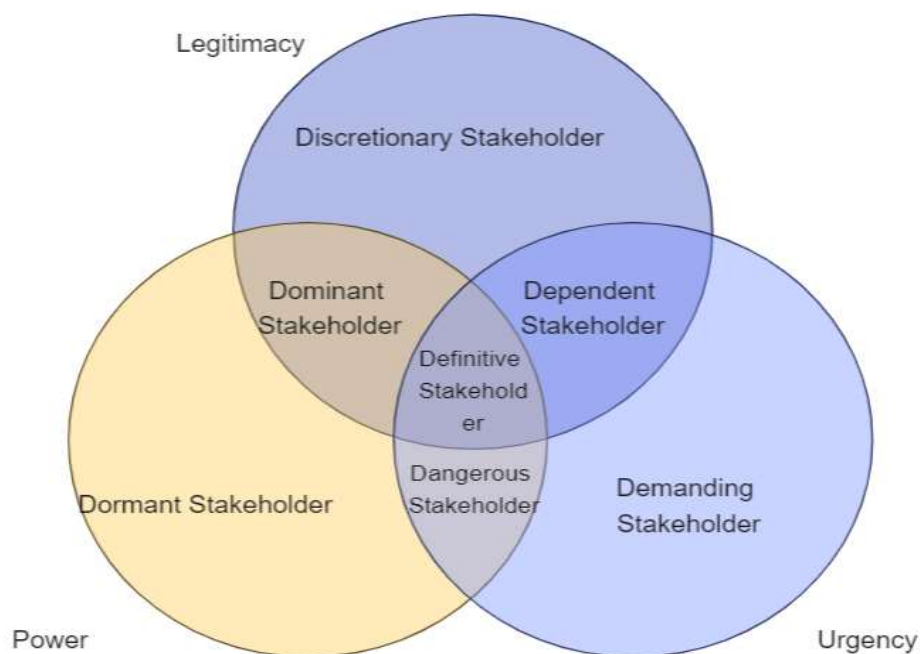


Figure 3.1. The types of stakeholders depending on their attributes. Source: (Mitchell, 1997)

1. Dormant stakeholders. Their only attribute is power. Stakeholders can impose their power and interests, but without legal grounds or urgent requirements, they cannot use it (in a lawful and democratic society).
2. Discretionary stakeholders. They have only the attribute of legitimacy. "The key point about discretionary stakeholders is that, in the absence of power and urgent demands, there is absolutely no pressure on managers to enter into active relationships with such stakeholders, although managers may choose to do so.» (Mitchell, 1997, p. 875).
3. Demanding stakeholders. Urgency is the only attribute characteristic of this group of individuals. Their claims are accompanied by "noise", but due to lack of power and legal grounds, it is not enough for their implementation.

4. Dominant stakeholders. They have power and legitimate grounds for claims, that is, their claims are legal and, by virtue of having power, are able to be feasible and be of high salience for the organization. Most often, their influencer has a formal mechanism for influencing the organization.
5. Dependent stakeholders. Individuals or group of individuals who have legitimate and urgent claims, but do not have power, and therefore depend on others who hold it.
6. Dangerous stakeholders. A stakeholder, characterized by the urgency of claims and power, but no legitimacy, quite often acquires the characteristic of "dangerousness", because the motivation for acquiring its claims does not have a regulated legal basis and established mechanisms. Quite often, illegal levers of influence and coercion are used by this group of stakeholders to realize their claims.
7. Definitive stakeholders. This group of stakeholders forms the greatest salient for organization and priority for fulfilling their requirements. This group of stakeholders has the appropriate authority, legitimate leverage, and urgency in their demands.

The strategy of interaction, the number of resources directed by the organization to manage relations with stakeholders and the level of their salience depends on the type of stakeholder, which is determined by the manifestation of the proposed variables. The different combination and intensity of these variables forms different levels of salience in the relationship between stakeholders and managers and creates a framework for the existence of a dynamic model of this relationship.

#### 2.1.2. Understanding of Stakeholder`s influence

The defense sector of the state faces important and complex strategic problems, operating with intensive decision-making processes. The process of forming the financial part of the sector's activities, the budget cycle in military structures, are complex aspects in the state, given the need for transparency in the allocation of taxpayers' resources. Additionally, the number of stakeholders who are willing to participate in these processes and, moreover, to influence them, significantly complicates the task. Claims that have legitimate or power basis and the need for defense structures and departments to respond to them lead to the need to use management strategies for interacting with the environment of the organization. To build a strategy for interaction with defense stakeholders, it is necessary to identify them, understand the specifics of their influence and claims, classify and build an interaction strategy, depending on the stakeholders`s classes, while forming a relationship management system.

The main problem in determining the management strategy, as Savage refers to it, is the different importance of stakeholders and their possible influences, based on different situations. Savage defines two types of stakeholder influence - threat and cooperation (Grant T. Savage, 1991). Depending on various factors, the potential for threatening or cooperative influence may vary. Table 3.1 presents a list of factors and their

influence on the degree of manifestation of the type of influence of stakeholders. In contrast to the attribute factors of legitimacy, power and urgency used by Mitchel, Edge and Wood (1997) to identify stakeholders and classify them on a Venn diagram, depending on the sets of these attributes, Savage et al (1991) uses other factors – namely resource possession, power, readiness for supportive actions, forming coalitions - to identify the type and level of influence of stakeholders on the relationship with the organization. Unlike Mitchel et al (1997) stakeholder attributes, Savage et al (1991) focuses not on the possession, but on the manifestation of stakeholders nature to identify their influence. After all, for example, possession of power alone is not enough for a stakeholder to become an active participant. The position of resources is as follows. But the readiness to act, the attitude to the creation of coalitions are already attributes of the manifestation of the position and participation of stakeholders.

Table 3.1

## Influence of factors on the stakeholder`s potential for threat and cooperation

Factors	Stakeholder`s potential for threat	Stakeholder`s potential for cooperation
Resource possession		
Key resources needed by the state are controlled by the stakeholder	Increased	Increased
Key resources needed by the state are not controlled by the stakeholder	Decreased	Increased/Decreased
Power		
Stakeholder has more power than the state	Increased	Increased/Decreased
Stakeholder has the same power than the state	Increased/Decreased	Increased/Decreased
Stakeholder has less power than the state	Decreased	Increased
Readiness for supportive action		
Stakeholders ready to take supportive actions	Decreased	Increased
Stakeholders not ready to take any actions	Decreased	Decreased
Stakeholders ready to take nonsupportive actions	Increased	Decreased
Coalitions		
Forming coalition with other stakeholders	Increased	Increased/Decreased
Forming coalition with state	Decreased	Increased
Stakeholder unlikely to form any coalitions	Decreased	Decreased

Source: Savage, Grant & Nix, Timothy & Whitehead, Carlton & Blair, John. (1991). Strategies for Assessing and Managing Organizational Stakeholders. Academy of Management Perspectives, The. 5. 61-75. 10.2307/4165008.

The level of possession of the threat or cooperation potential forms the types of interaction strategies of the organization (in our case, the state, structural units and departments) and stakeholders. The approach developed by Savage et al (1991) proposes strategies with stakeholders having different levels of threat and collaboration potential, presented in more detail in Fig 3.2.

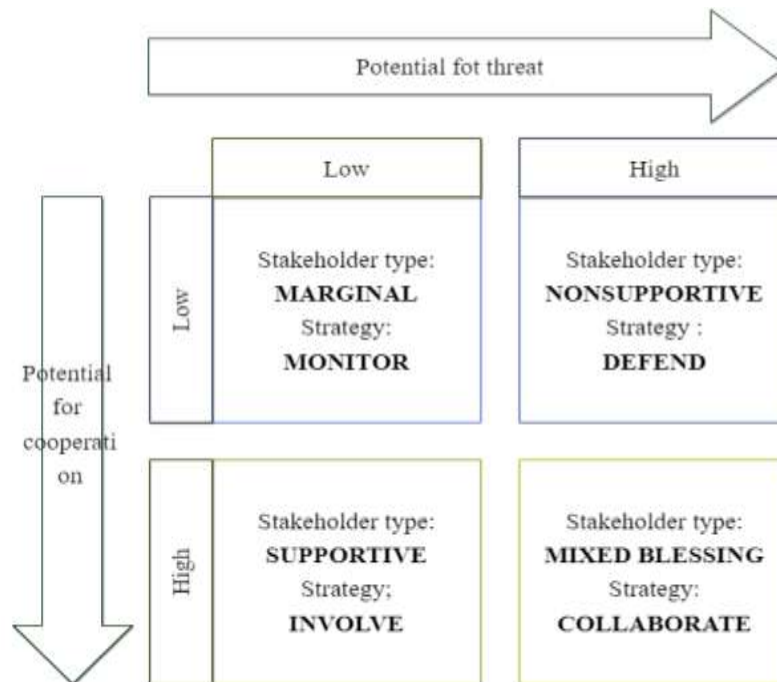


Figure 3.2. The stakeholders`typology based in their potential for cooperation or for threat.

Source: Savage, Grant & Nix, Timothy & Whitehead, Carlton & Blair, John. (1991). Strategies for Assessing and Managing Organizational Stakeholders. Academy of Management Perspectives, 5. 61-75.

Savage's typology defines common strategies for managing stakeholders with different types of levels of potential. Departing from the corporate perception of managing relations with stakeholders and applying this approach to the topic of the influence of stakeholders on the defense budget process, it is possible to highlight certain strategies of interaction in the aspect of applying transparency and accountability:

1. Involvement of supporting stakeholders (active public patriotic organizations, friendly states that do not succumb to pressure, civil servants, academic and scientific institutions, etc.) in solving common problems of transparency of the budget process and maintaining cooperation in this direction. Involving external supporting stakeholders can bring both cultural and economic benefits (Savage et al., 1991).
2. Awareness of requirements and claims of stakeholders. It is important to note that not all claims are enforceable. Their identification is necessary in order to identify the possible consequences in case of their non-fulfilment. Strategy involves understanding the interests of stakeholders in the aspect of budget transparency as narrow and specific and taking them into account only if the interests of stakeholders are

strong in a certain issue and the efforts spent on opposing them will be huge. Citizens, legal public organizations can pose their demands when their personal interests are affected.

3. Reducing dependence on stakeholders of the defense budget process, who have a negative and destabilizing influence. They are usually secondary stakeholders who do not have a direct influence on the process - mass media, political competitive organizations, oligarchs, etc.

4. Cooperation with stakeholders whose influence does not have a clear colour (negative or positive). For a country, such stakeholders can be international alliances, economic and political alliances, other countries, military groups, etc. The search for mutual benefit, the inclusion of stakeholders in the processes, various levels of mergers, alliances, joint projects can have a favorable effect on minimizing the level of threat from their side. (Savage et al, 1991).

### 2.1.3. Reference model of Transparency Actors Wheel

From the perspective of stakeholders, the transparency of budget information means the ability to correctly and easily perceive and interpret it with the necessary completeness of scope (Christensen L. &, 2009). Stakeholders' claims regarding budget transparency result in the need for a clear understanding of accountability and the reporting system. In essence, the process of "providing an account" is a clearly transparency-regulated information flow.

For example, Hood and Heald (Hood C. &, 2006) claim that there are 4 directions of transparency-related information - 2 horizontal and 2 vertical. Vertical directions of transparency are:

- hierarchical transparency upwards, where the principal controls the actions of the agent;
- transparency downwards, when, on the contrary, the agent controls the principal.

Among the horizontal directions of transparency there are:

- external transparency, when the agent observes the external manifestations of the organization from the outside;
- internal transparency, when what happens inside the organization is transparent and accessible to third parties. (Hood C. &, 2006).

The general model of information exchange, accepting the fact of an open environment and social interaction, proposed by Stuart et al (Stuart, 2012), is an extended model compared to the model of information exchange, which includes only the *source of information* and the *recipient of information*, and includes a larger number of recipients of information and the essence of the observer, who regulates access to information by recipients and can participate in the exchange of information (Figure 3.3).

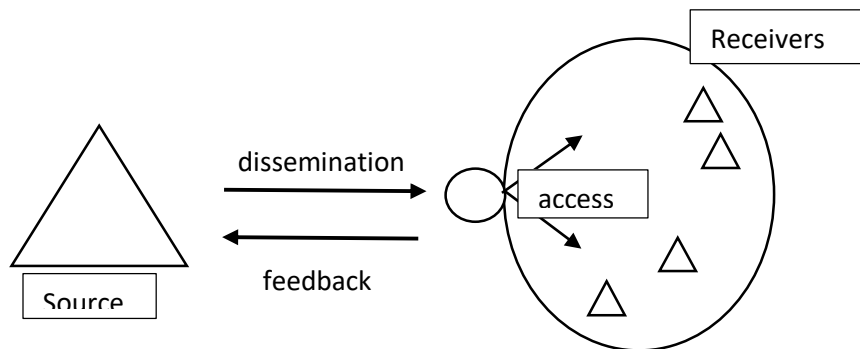


Figure 3.3. Advanced model of information exchange (Hosseini M. S., 2018)

However, this approach is obviously not enough to investigate transparency, because transparency does not consist only in providing access to information from its source to the recipients. An extended version of information exchange is the Transparency Actors Wheel model (Fig. 3.4) developed by Hosseini et al (Hosseini M. S., 2015), which is suitable for analyzing transparency requirements (Hosseini M. S., 2018). The components of this model are process subjects - information provider (IP), information recipient (IR), information medium (IM) and information entity (IE). The information essence consists in the division of the information flow into that related to transparency (transparency related information - TRI) and not related to transparency (transparency unrelated information - TUI).

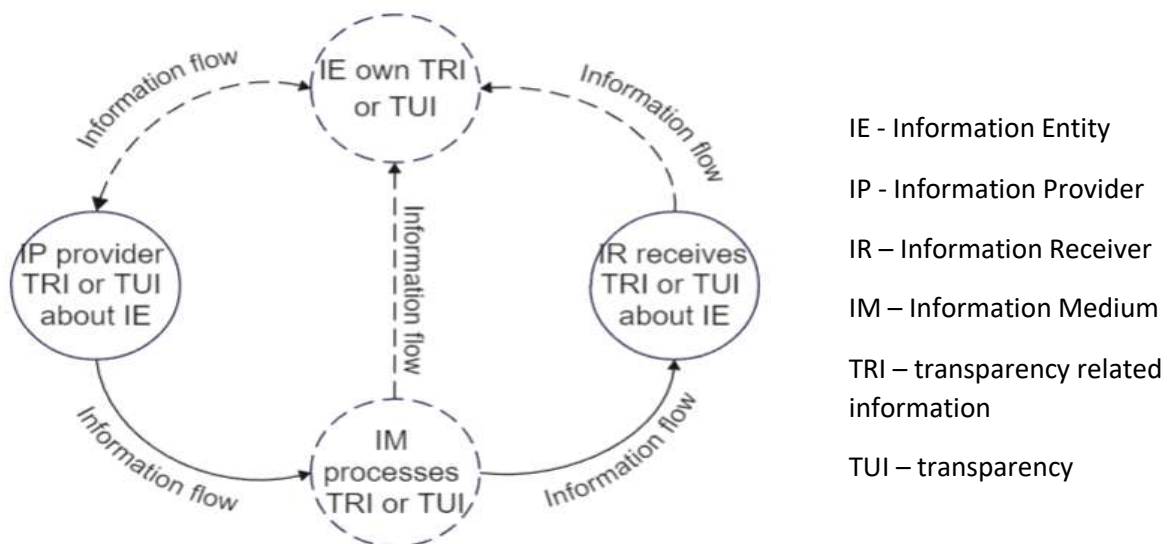


Figure 3.4. Transparency Actors Wheel. (Hosseini M. S., 2018)

As the authors of the model note, the Transparency Actor Wheel helps to better understand the spread of transparency among actors and identifying possible conflicts between them (Hosseini M. S., 2015).

Transparency on the part of the information provider can be transmitted by voluntary disclosure of information (for example, to increase legitimacy, trust in the institution) or by compulsion (through legislative mechanisms). Perlo-Freeman notes that there is an important difference between transparency in the context of interstate relations on voluntary disclosure (especially on defense and security), which can be part of confidence-building measures, and transparency as an internal governance aspect of citizens' access to relevant information on government activities, which is legally regulated in democratic countries (Perlo-Freeman S. , 2016). Shkabatur (Shkabatur, 2012) divides transparency into three categories in view of the clarity of the legislative regulation regarding the provision of information by the provider:

- mandatory - there is a mechanism of legitimate obligation to disclose information (Law on Freedom of Information);

- discretionary - the policy of openness of the government, which consists in the obligation to publish information (for example, on state web resources), but does not indicate what exactly should be disclosed (official government websites);

- involuntary - usually we are talking about the leakage of information or the publication of information by third parties (media).

Transparency on the part of the recipient is manifested in responding to their demands and requests by providing information, access to which is limited. These requirements may have a legal basis (the right of citizens to access information, the procedure for requesting access to information, etc.) and have a private nature of requirements for transparency that go beyond the scope of legislative regulation.

In any case, the transparency of information is regulated by the information provider, unless it is a question of leakage of information to third parties in the process of purposeful transmission from the provider to the recipient. In this case, the information is out of control.

The authors of the initial model took into account the points described above, which are manifested in the modified version of the Wheel of Transparency Actors (Fig. 3.5), where ACT is agent-controlled transparency and NACT is non-agent-controlled transparency.

This reference model for the transparency of information flow between the actors will be used as the basis for understanding the role of the stakeholders of the defense budget transparency in exchange information system flow.



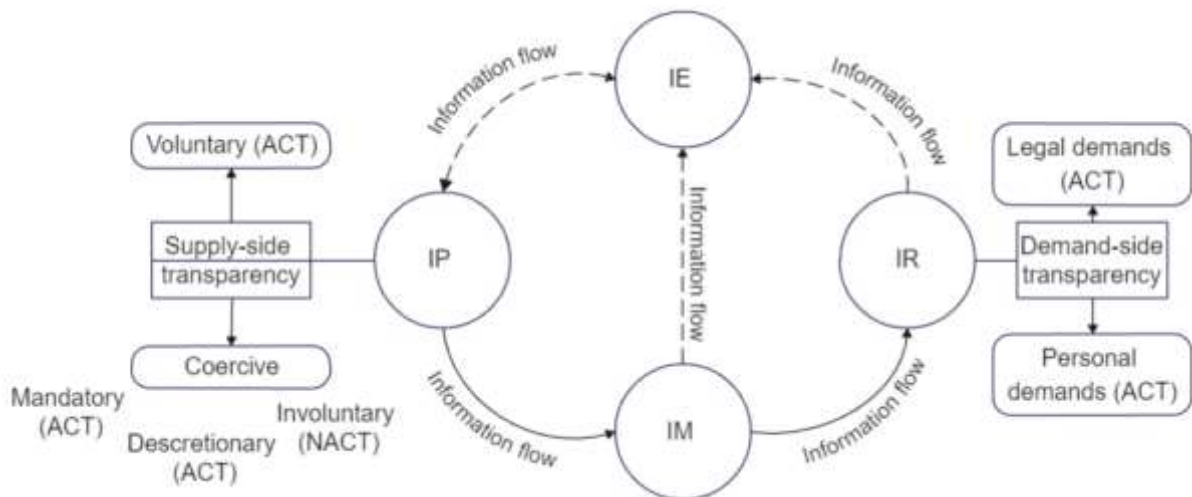


Figure 3.5. The modified Transparency Actors Wheel model. (Hosseini M. S., 2018)

#### 4. Methodology

This section is devoted to the methodology on which the research conducted in this thesis is based. The choice of design and research methods, as well as the type, method of analysis and data used for the research are explained.

##### 4.1. Research philosophy

Research philosophy is involved in defining and characterizing the approach according to which data on the studied phenomenon should be collected, processed, analyzed and used. In the research environment, we can distinguish two main directions of research philosophy in the Western tradition of science - positivists and interpretists (Galliers, 1991).

The research in this thesis was conducted according to the interpretive philosophy, which is that only through subjective interpretation and intervention in reality can we fully understand this reality. That is, in order not only to collect data on the studied phenomenon, but also to process, analyze, interpret, it is necessary to study it in the natural environment, without excluding the phenomenon from a number of interrelated environmental factors. Therefore, according to this philosophy, the research strategy includes a subjective study of the subject, has a descriptive nature, relies on reviews, action research etc. (Galliers, 1991, p. 149).

##### 4.2. Research design

According to Sekaran (Sekaran, 2003), a research project consists of the following basic elements: purpose of the research, type of the research, unit of analysis, research horizon, and data collection methods. Therefore, the methodology of this study should be considered through an explanation of these elements.

### **Purpose of the research**

The purpose of this thesis is to study the transparency and accountability of the defense budget and activities related to the defense process in Ukraine, reviewing international and national standards on these issues of transparency of the defense budget, the right to access information, approaches to the classification of information and disclosure procedures, and conducting an empirical analysis of compliance with these standards of the current state of affairs. Also, the aim of the work is to research the topic of stakeholders of budget information of the defense sector, with the help of their identification, analysis of their role and influence. The collected and analyzed data are used to answer the related questions identified in the work, covering the topic of achieving a balance between state secrecy and the principles of transparency and accountability.

### **Type of the research**

Guided by the purpose of the thesis, the main focus is to identify key issues related to transparency and accountability of government, and especially - to understand the problems of the origin. It also examines international and national standards, procedures, laws, norms related to initiatives related to the transparency of defense budget information, as well as approaches to classifying information and requesting information procedures in Ukraine and other countries. Thus, the study has the character of a comparative analysis with an attempt to determine the causes of differences and similarities, which accordingly involves not only understanding but also explanation. The method of researching the topic of this thesis is the method of researching judgments (opinions), which can be quantitative and qualitative (or their combination). In this thesis, the qualitative methods will be used in the exploratory study.

### **The unit of the analysis**

The research focuses on analysis of academic articles, also on documentary study with an empirical focus on the State Budget of Ukraine, international and national laws, Budget programs of the Ministry of Defense (MoD) of Ukraine, Audit reports, financial reports issued by MoD and reports of international organizations. In addition, several in-depth interviews will be conducted with experts involved in the activities of Ukraine's security and defense structures. Explanations and main reasons for this choice will be further explained in the Data Collection section.

### **Data collection and analysis**

Since the method of researching the topic of this thesis is the qualitative research, the data collected strategy will be designed accordingly. Qualitative research is designed to explore research topic or to test hypotheses. They are used to characterize phenomenon according to its features. Qualitative research provides in-depth information about the studied phenomena, allows to understand them, explain the scheme of

functioning and illustrate the studied object. They show the structure of the phenomenon based on qualitative relationships.

When conducting research for my thesis, from the very beginning I turned to the research method - the method of document study and analysis, which involves the review of scientific literature, regulations and laws aimed at ensuring transparency, as well as criteria, mechanisms and international programs aimed at developing the concept of a transparent and accountable defense sector. But, it is important to note that researcher should be extremely careful with the use of secondary data. Yes, of course, data published on official websites, in knowledgeable and reliable scientific journals is a reliable basis for research and significantly saves time, however, as Easterby-Smith (2015) notes for example, secondary data may very often not fit into research by context and the conclusions they carry (Easterby-Smith, 2015). And therefore, when collecting information from secondary resources, you must constantly keep in mind the main idea of your own research and manage the collected data, and not let secondary data direct the research in another direction.

After the analysis of documentary sources, depending on the results of the analysis of these secondary data, the second research method - in-depth interviews - was used in this work to understand why and how the problems described in the studied sources arose. The *in-depth interview* with an average degree of standardization is used. This approach is characterized by the convention of an ordinary conversation, in which specific topics are touched upon, developed and deepened. It is usually used to study complex, sometimes delicate issues, which, in my opinion, is a characteristic of the chosen thesis topic. This actually the *primary* source for data collection. The interviews are conducted in order to understand more deeply the practical procedure for classifying security and defense budget information, the actual use of transparency principles and their implications in Ukraine's defense sector. The interviews are conducted in Ukrainian, as the respondents are citizens of Ukraine. For the most part, the interview time varies between 0.5-1.5 hours, but the main criterion for an effective interview is not its duration, but the quality, extensiveness and applicability of the information obtained for the research in this thesis. The course of the interviews is recorded on a voice recorder, after which they are deciphered and translated into English for the use of the obtained materials in this work. During the interview, I asked the respondent to comment on a specific issue, directing the conversation, but starting it with general questions, delving into details, if necessary. The advantage of the research method chosen by me is that during the interview, new information is often revealed, often even unexpected and such that cannot be found in regulatory documents. The list of experts interviewed, and professional background of the interviewee is presented in Appendix 5.

The data collection have to proceed from the basic principles of data collection and analysis for research described by Kumar (2019):

- Credibility and reliability (the source of obtaining information must be reliable and verified so that the information is reliable);
- Personal bias (the research should be unbiased, consider the problem from all sides, and therefore the data used should be characterized by impartiality);
- Availability of data (of course, data must be available and open to use in research)
- Format (the data must have the required format). (Kumar, 2019)

Heeding the criteria mentioned above, the secondary data were selected by me from reliable and credible sources, analyzed unbiasedly and with subject to copyright and privacy.

This study is limited to an analysis of Ukraine's budget programs and budget cycle processes and an overview of sources related to transparency and accountability of public finances, including the military budget, and criteria, international conventions and programs aimed at developing an open government concept. The main source in this study is transparency rules, regulations and laws aimed at ensuring transparency, freedom of information and state secrets, that are enshrined in a number of international agreements between countries, within political, economic and military unions, the internal and national legislative framework of countries. Information on the effectiveness of current transparency measures is obtained from the Right to Information Rating, Open Budget Index (OBI), the Public Expenditure and Financial Reporting Database (pEfA), Government Defense Integrity Index (GDI), scientific articles, national or Ministry of Defense budgets available online, passports of budget programs of the Ministry of Defense, and the Transparent Budget information and analytical system etc.

### **Horizont of the study**

For this study, years 2014-2021 were chosen as the time horizon of the study. This period is interesting and informative for research, as it is possible to trace the genesis of forms of public administration in Ukraine and the aspect of transparency and openness of government on the way from the post-Soviet system to a democratic European country. Also this period covers the period of intensification of cooperation and exchange of values and experience with NATO, based on the declarative nature of the provisions of which is the transparency of the military sector, including the defense budget.

Unfortunately, the research horizon does not include the year 2022, the year of the start (and, I sincerely believe and hope, the victorious end) of a full-scale unjust war in my country, as a result of an attack by the Russian Federation, an aggressor and terrorist state. The assessment of the transparency and accountability of the defense and security sector of Ukraine and the military budget in 2022 should be a separate topic for research and separated from the study of this topic in peacetime, because the wartime stage significantly affects the state of the subject of research - all state registers are closed, the sensitivity of information regarding

military affairs, in particular the budgeting and financing of the activities of the Armed Forces of Ukraine, the Ministry of Defense and the Ministry of Finance, is extremely high, the procedure for providing access to state information is becoming stricter, and the attitude to the transparency of military affairs is significantly different from what it was in peacetime - it is meant the level of support for initiatives on transparency and accountability of the defense sector, public finances and government openness.

#### **4.3. Reliability, validity and ethics of the research design**

Research *reliability* is determined by the extent to which the results in the study can be obtained, for example, by other researchers. The topic of reliability is quite problematic, because in any author's work we do not have "certain protection against the influence of the subjectivity of this observer" (Babbie, 2010, p. 158). Indeed, problems of reliability arise due to the problem of subjectivity and bias, and the higher the level of these two factors, the less reliable the research work (Wilson, 2010).

Since the topic of the transparency of the military budget is new to me, as well as insufficiently researched in the Ukrainian scientific community, I can somewhat exclude the influence of my already formed opinions or the opinions of scientists regarding the issue of this topic and study it impartially, from a clean slate.

Research work should be characterized not only by reliability, but also by *validity*. Validity can be explained by the compliance with the requirements of the chosen research method and its specifics in the process of data collection and processing. Validity is an essential element in conducting all types of research (Oliver, 2010). In order to further specify the validity of the study, the following are distinguished: content validity, criterion-related validity, construct validity, internal validity, external validity, concurrent validity, and face validity (Cohen, 2000).

However, of course, it is impossible to fully ensure the reliability and validity of the research, because this also includes checking all the sources used in the research for reliability and validity, which significantly extends the time of conducting the research. We cannot rule out the risk that the sample of respondents for the interview was selected representatively, taking into account the turbulent times in which the research is being conducted, the specifics of the study of military topics under martial law, as well as the dynamism of the development of the military sector in Ukraine.

As Merriam (Merriam, 2009) points out, issues of reliability and validity of research findings can be minimized by conducting research in an *ethical* manner. And that is why the importance of ethics in research is key, but also quite problematic. The reason may be the lack of standardized criteria to minimize ethical problems (Elliott, 2006) especially in qualitative research, where criteria for evaluating qualitative research are in their infancy (Yardley, 2000). Kopelman (Kopelman, 2004) concluded that embarrassment, discomfort,

inconvenience, stigmatization, and damage to confidentiality are frequent ethical risks in qualitative research. Also, other authors add to this list of ethical risks sensitivity to the context, transparency and consistency, influence ( (Elliott, 2006) (Yardley, 2000)). However, Brownlow and O'Dell (Brownlow, 2002) point out that there are no generally accepted ethical guidelines for qualitative research to avoid these risks. Indeed, qualitative research can give rise to a number of ethical problems, and therefore the soft skills, experience, communication skills, sensitivity and expertise of the researcher are an important element in countering ethical problems.

## **5. Empirical findings**

### **5.1. The state of transparency of budgeting information in the defense sector in Ukraine**

#### **5.1.1. Legal regulations and initiatives on transparency of budgeting information in the defense sector in Ukraine**

State administration and management of public finances is impossible without following the principles of openness and transparency in the activities of state authorities, as well as ensuring public access to information on the formation and use of public funds, providing citizens with ample opportunities to participate in the procedure for reviewing and approving budgets and monitoring their implementation.

Initiatives regarding the openness of the government and the transparency of public administration are being actively implemented in Ukraine and characterized by a high support among citizens, local and state authorities. In recent years, Ukraine has already taken many steps in the development of transparency and accountability of state budget processes in the country, supporting this with practical examples of implementation, both at the legislative and executive levels. A big role in this was also played by the development of information technologies, which gave impetus to the development of electronic document flow and the creation of a single web portal for the use of public funds, as part of the Strategy for the Development of the State Finance Management System (MoD of Ukraine, 2020). The components of the web portal are the Information and Analytical System "Transparent Budget"<sup>1</sup>, the State web portal of the budget for citizens (open budget)<sup>2</sup>, the Unified web portal for the use of public funds (spending)<sup>3</sup>, the State web portal of the register of social and economic development projects of Ukraine (IFIs projects)<sup>4</sup>.

Ukraine is a member of the Partnership "Open Government", established in 2011 to ensure information transparency, and supports the initiatives of the European Union and NATO in the direction of openness, transparency and accountability of the government. As part of the "Open Government" initiative, four action plans were created and implemented, and the fifth action plan is currently being actively implemented. Over

---

<sup>1</sup> Information and analytical system "Transparent Budget", available at: [www.e-data.gov.ua](http://www.e-data.gov.ua)

<sup>2</sup> State web portal of the budget for citizens, available at: <https://openbudget.gov.ua>

<sup>3</sup> The only web portal for the use of public funds, available at: <https://spending.gov.ua/new/>

<sup>4</sup> State web portal of the register of projects of social and economic development of Ukraine, available at: <https://proifi.gov.ua/?p=index>

the years, as part of the government's initiative, the following steps have been taken, related to the openness of the government and the transparency of budget information:

- provision of access to public information in the form of open data was introduced;
- providing access to information about the use of public funds, in particular through the operation of the Unified web portal for the use of public funds, the web portal "Register of economic and social development projects of Ukraine supported by international financial organizations";
- creation of conditions for the transparency of public procurement, in particular the introduction of the electronic public procurement system "ProZorro".
- introducing update of the software "Integrated information and analytical system "Transparent Budget", module: "Budget for citizens", which will provide for the creation of a new subdivision "Indicators of budget programs" with information on budget requests, passports of budget programs chief administrators of local budget funds, reports on the implementation of passports.

In turn, this will contribute to a deeper understanding by taxpayers of exactly how funds are planned to be spent at the planning stage.

In the direction of the development of transparent functioning of the defense sector of Ukraine, in particular, the implementation of budget policy in security and defense force structures, Ukraine actively cooperates with NATO. The main goal of NATO is the declaration of ensuring the security of each state. And one of the main principles and tasks of ensuring the country's security is ensuring the transparency of the military budget (MoD Review, 2011).

In 2008, during a meeting of the Ukraine-NATO Joint Working Group on Military Reform, Ukraine officially declared its readiness to join the NATO/REAP Program (Building Integrity Initiative, VI), the purpose of which is to provide assistance to interested countries in implementing in their national defense and security institutions of an effective, honest and transparent system of managing financial and material resources, strengthening the mechanisms of counteraction and prevention of corruption. The Initiative's program provides for a Self-Assessment of national defense and security structures to identify corruption risks and threats. The First (2008-2009) and Second (2012-2013) cycles of self-assessment were conducted in Ukraine.

However, significant shifts in the direction of reforming the Armed Forces of Ukraine and the entire security and defense sector of Ukraine began after 2014 - the beginning of the armed conflict with the aggressor state of the Russian Federation. As *Respondent 1* pointed out:

*"Actually, the changes were caused by the significant restructuring of the Armed Forces and, in general, the growing understanding of the authorities and citizens of the importance of an efficient and strong army. The number of troops has increased significantly, the level of funding is even difficult to compare with what it was before 2014. We can say that before 2014 there was [in defense sector of Ukraine] essentially only the management apparatus, but there was no army."*

The need to ensure openness in the field of public finance management, in particular budget transparency, is emphasized in many conceptual documents of international institutions, such as the United Nations (UN), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the International the organization of the highest control bodies, NATO, etc, that was under considerations in the previous chapters.

The international agreements, documents, and codes discussed in the previous sections form the basis for the institutionalization of international transparency of public administration and openness of public finances. National standards of budget transparency are formed by legislative framework. In Ukraine, there is a developed legislative provision of budget transparency, which is enshrined in:

- Constitution of Ukraine dated June 28, 1996 No. 254k/96-VR;
- Budget Code of Ukraine dated July 8, 2010 No. 2456-VI;
- Laws of Ukraine "On Information" dated October 2, 1992 No. 2657-XII, "On Local Self-Government in Ukraine" dated May 21, 1997 No. 280/97-VR, "On Access to Public Information" dated January 13, 2011 No. 2939-VI, "On the openness of the use of public funds" dated February 11, 2015 No. 183-VIII;
- Decree of the President of Ukraine "Issues of ensuring access to public information by executive authorities" dated May 5, 2011 No. 547/2011
- other normative acts.

These regulations and provisions also legally regulate the aspect of transparency of the defense sector and resource management. The defense sector transparency is additionally regulated by law:

- Law of Ukraine "On National Security of Ukraine" dated June 21, 2018, No. 31, Article 241)
- Resolution of the CMU "On approval of the Procedure for conducting a defense review by the Ministry of Defense" dated October 31, 2018 No. 941
- Decree of the President of Ukraine "On the decision of the National Security and Defense Council of Ukraine dated December 29, 2016 "On the Information Security Doctrine of Ukraine".



As we can see, in Ukraine there is a developed legislative framework that regulates the freedom of information provision in this rather specific sector, the aspect of information security, as well as public access to information related to the financial aspects of the Ukrainian defense sector. These documents will be used to analyze aspects of transparency and accountability as a basis for assessing the current state of defense budget transparency.

#### 5.1.2. Structure of the defence budget and defense budget process in Ukraine

Before analyzing the transparency of the defense budget, it would be reasonable to first clarify what the defense budget of Ukraine consists of. The main documents of the defense budget and their short descriptions are presented in the Table 5.1.

Table 5.1

The main documents of the defense budget of Ukraine

No	Document	Description
1.	Publication of the annual budget	Contains information on the plan for the formation and use of financial resources to ensure the tasks and functions performed by state authorities during the budget period, with distribution by direction of use by the main managers of funds (Ministries) (Budget Code of Ukraine).
2.	Publication of budget programs of the Ministry of Defense of Ukraine	A document defining the purpose, tasks, directions of use of budget funds of the Ministry of Defense of Ukraine, performance indicators and other characteristics of the budget program in accordance with the budget allocation established by the Law on the State Budget of Ukraine (Budget Code of Ukraine)
3.	Annual report on the implementation of passports of budgetary programs of the Ministry of Defense	It consists of an analysis of deviations in the implementation of the budget program, performance indicators and an analysis of the status of their implementation.
4.	White paper on defense issues	An analytical document issued annually by the Ministry of Defense in a systematic form to inform society about the activities of the security and defense sector of Ukraine, to ensure the validity of decisions of state bodies on national security and defense issues, and about the state of implementation of measures for the development of the security and defense sector.
5.	Publications of parliamentary committees that control the Ministry of Defense	Contains information on the activities of the committees of the VRU that control the activities of the Ministry of Defense (the Committee on National Security, Defense and Intelligence, as well as the Committee on Finance, Tax and Customs Policy and Budget), which is directly related to the regulation of aspects of the Ministry's activities and implementation his duties.

6.	Publications of higher audit bodies	Reports on the results of the efficiency audit, in particular the use by the Ministry of the funds received for the fulfillment of orders of the Ministry of Defense of Ukraine (issued by the Accounting Chamber), the results of the internal audit (conducted by the Internal Audit Service of the Ministry of Defense of Ukraine)
7.	Publications of the Ministry of Defense	May not have a single standardized format. They are informative in nature, reporting on actual news of activities, results, planned events that are directly related to the budget process.

*Source: Budget Code of Ukraine. Code of Ukraine; Law, Code dated 07/08/2010 No. 2456-VI*

We proceed from the defense budgeting process and analyze the defense budget from this point of view, so it is necessary to clarify the stages of the budgeting process in Ukraine.

From the beginning of the preparation of the budget to the approval and execution of the budget, it is the responsibility of the Verkhovna Rada of Ukraine (VRU) and bodies of the defense sector, connected with the budgetary system, distinguish the following stages of the budgetary system:

- formulation (creation of the draft budget);
- enactment and approval (consideration and approving of the budget);
- execution of the budget"
- auditing and control (preparation of the review and approval of the budget execution report).

The primary stakeholders of the defense budget process of Ukraine, determined based on the theoretical basis developed in the previous chapters, have a clear distribution of roles and responsibilities at each of the stages. We will consider this aspect in more detail in the next subsection.

### 5.1.3. Transparency of the defense budget in Ukraine

The defense budget is part of the consolidated budget of Ukraine. In view of this, in order to expand the sources of information necessary for research, we can use the evaluation of the transparency of the general budget, to understand the general level, gradually moving on to the specific features of the transparency of the defense budget and its key documents.

For information on budget transparency in Ukraine, we should refer to the Open Budget Survey (OBS), the largest independent and comprehensive assessment of national budget transparency, oversight and participation. According to the results of the OBS in 2021, budget transparency in Ukraine was rated at 65/100 scores, oversight at 82/100, and participation in the budget process at only 39/100, which is indeed the lowest of the three elements evaluated, but if we take into account the average score of countries evaluated for participation, which is 14, it can be stated that there is a common negative tendency in the issue of participation in the open budget process of countries and the possibility of public participation is weak. Scores for budget transparency in Ukraine (65 out of 100) are higher than the national average (45 out of 100) and above the

acceptable standard of transparency, which corresponds to 61 points out of 100, which indicates that Ukraine has sufficient transparency practices. In addition, the scores for the oversight by the Legislative and Suprim audit institutions (82 of 100) is evaluated at much above rate comparing to the average score (52 of 100), that indicates proper system of oversight and accountability for the management of public finances in the country. Figure 5.1 shows the development trend of scores for the three components of the Open Budget Index assessment in Ukraine over the 2015-2021 years.

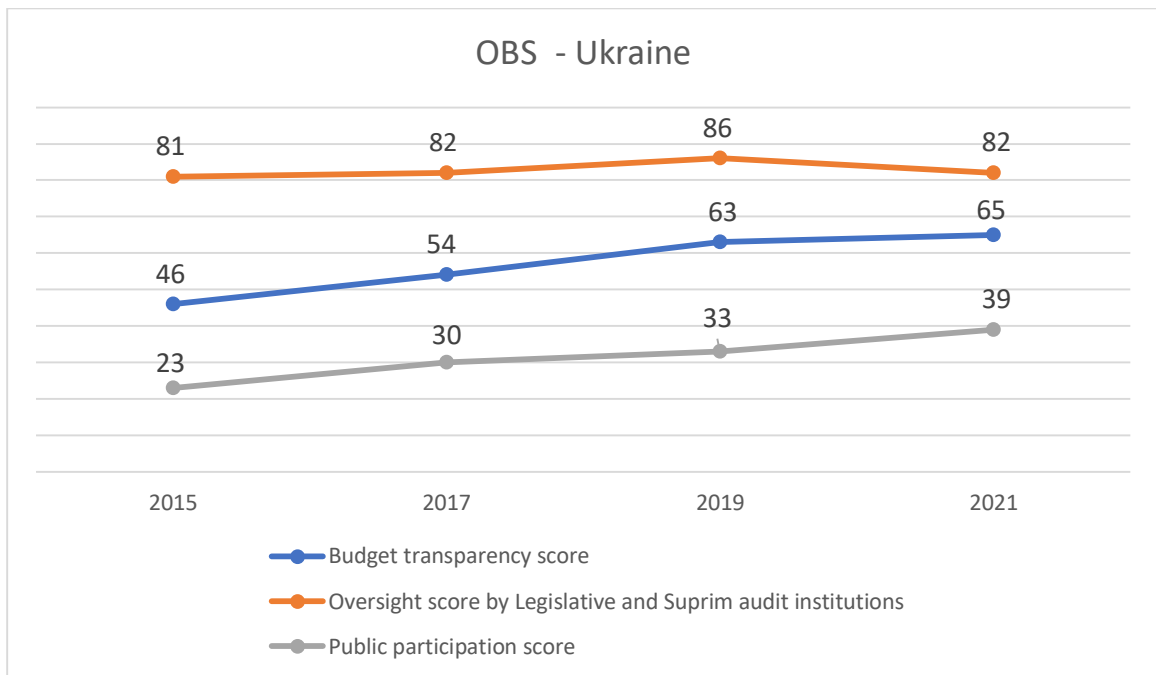


Figure 5.1. Open Budget Survey (OBS) assessment in Ukraine over the 2015-2021 years. Source: (OBS, 2021)

This trend indicates an existing intention to develop budget transparency, accountability and participation, but it is not stable and consistent, which signals certain legislative, executive and operational shortcomings that we need to identify.

For the analysis of the state of the transparency of budgeting information in the defense area in Ukraine, the lightly modified version of the GIFT framework (Appendix 1) for the assessment of the defense budget transparency, is implied.

### 1. Access to defense budget information

Among the main positive points that testify to the democratic nature of legislative regulation regarding the transparency and openness of public finances in Ukraine is that the fundamental *right to information* is enshrined in the Constitution of Ukraine and has supremacy over state secret laws, in case of any contradictions. However, in the normative acts, access is used only in the context of "public information" or

"information contained in documents", but there is no clear separation of the concept of access to documents and materials.

Every citizen or non-citizen of Ukraine, individual or legal entity has the right to create a request for access to information and submit it to the relevant body without the need to explain their motivation and obtain special letters or permits. The request for information can be submitted orally or in writing, by various means of communication (mail, fax, e-mail). The deadline for responding to a request is also outlined in the law and has very adequate and convenient terms - up to 5 working days. (Laws of Ukraine "On Access to Public Information").

It is safe to say that the provision on access to state information has a similar application to budget information, including defense budget information. However, the specifics of the security sector of Ukraine provide for the concept of sensitivity of information and protection of national interests, which finds its expression in the legislative base in the form of exceptions and refusals. Therefore, when analyzing the transparency of the military budget, we must also take into account the exceptions that limit access to defence budget information. In accordance with Article 21 of the Law of Ukraine "On Information", confidential information, together with official and secret information, belongs to information with limited access. Access to *information* is limited, not to the *document*. Accordingly, if the document contains open and closed information, then the open information can be made available to an interested person in the form of a separate document, not including classified information.

However, the provisions of the Law have some gaps - it stated, that information can be excluded from the public access to "protect the reputation or rights of other people", which is a rather broad definition. Indeed, such a criterion can provide a basis for illegitimate restriction of access to information, use of this point for personal illegal purposes. Also, restricting access "for preventing the disclosure of information received confidentially" also creates a certain loophole for abuse by the power, although this approach is widely used in many countries (for example, in Great Britain, Australia), when information received or produced confidentially by a public official becomes automatically with restricted information. Also, there is no information in the regulatory acts regarding the terms of removing information from public access.

However, the legislative base of Ukraine contains provisions that regulate the illegal and unlawful removal of information from public access. Article 24 of the Law of Ukraine "On Access to Public Information" states that "responsibility for violations of the legislation on access to public information shall be borne by persons guilty of the violations of obligation to respond to a request, to provide information upon request, in case of groundless refusal to satisfy a request for information, unreasonable attribution of information to information with limited access, intentional concealment or destruction of information or

documents, untimely provision of information and provision or publication of unreliable, inaccurate or incomplete information.

The fact that the topic of regulation of the violation of the legislation on access to public information is covered, indicates of a good level of government openness and conscientiousness. However, the legislation of Ukraine lacks a clear outline of a system for managing cases of misconduct by authorities in the context of systematic violation of the right to access to information and ways to resolve them.

Normative regulation of public access to state information related to the defense budget in Ukraine is assessed at a satisfactory level. This is evidenced by the analysis of the RTI regulatory framework and the GDI analysis of the level of corruption in terms of the influence of the factor of access to information, which is low. Anyone, regardless of citizenship and legal status, can request information, as well as to obtain information from the key defense budget document from open state electronic resources, such as the official websites of the VRU, the Ministry of Finance, the Ministry of Defense, the Cabinet of Ministers, and others government departments, as well as the electronic system "Open Budget" and its modules.

The legal basis for processing requests for access to information regulates the procedure for considering, processing the application and responding to the request. There is almost no information on how information requests to the Ministry of Defense are practically processed. In 2021, out of the total number of requests for public information (1,441) received by the Ministry of Defense, 251 of them were financial, 136 were statistical, and 16 were related to military purchases. As noted by *Respondent 1*:

*«Out of the total number of requests we received, only a small part of requests were made by other state bodies, and the vast majority - from individuals and journalists. I have not worked directly with citizen appeals, but I know that they are usually provided promptly and with clarifications.»*

According to the 2021 Public Information Request Status Report of the MoD of Ukraine, not a single request was rejected (Public Information Request Status Report, 2021) .

When the applicant makes a request for information centrally to the body that is the main administrator of this information, the body, after preliminary processing of this request for the possibility of providing this information, redirects the request to the structural unit that created this information. Here is a comment from *Respondent 2* explaining the process of processing an indirect request:

*«In 2016, a public volunteer organization asked us to provide information on the accounting status of property that was transferred as charitable aid to military units. The request was indirect, it came from the Ministry of Defense. The MoD provided us with the deadlines for processing the request. A total of 14 days is given, but if additional information is needed to process the request, the deadline can be extended to a month. At the end of this period, we inform the applicant that his request is being processed and we will provide an answer within the next 15 days. We usually process requests within 2 weeks.»*

## **2. Defense transparency vulnerability due to the corruptions risks**

Transparency, along with accountability, allows fewer opportunities for corruption (DCAF, 2010). Indeed, these two phenomena are inversely related, so that when the transparency of public finances and the process of public decision-making increases, the level of corruption decreases, because transparency tools are used in the context of fighting corruption as anti-corruption tools. And therefore, in order to understand the context of the transparency of the defense sector of Ukraine, I propose to turn to the topic of corruption in this sector.

Government Defense Integrity Index 2020 (GDI), the world's leading assessment of corruption risks in government defense institutions assessed Ukrainian defense sector in term of level of different risks (political, financial, operational etc) of corruption. According to the most relevant data of the 2020 GDI study, Ukraine was included in band D, as a group of countries with a high risk of institutional corruption among other countries such as Hungary, Greece, Albania, Portugal, Malaysia, Armenia and other (GDI, 2020). What we should pay attention to in the details of this GDI study is the assessment of individual risk elements, because the attribute of transparency is part of many provisions that are assessed, and we can discover some vulnerable area of defense budget transparency issue due to the corruption risks in Ukraine.

According to the report, the problematic areas of defense budget transparency resulting in:

- incomplete openness;
- problematic aspects of regulation and supervision;
- shortcomings of the internal audit;
- issues of transparency of the activities of state-owned enterprises in the defense sector;
- aspects of legislative regulation of lobbying of defense institutions;
- issues of transparency of disposal process and its financial results;
- scrutiny of asset disposals;
- big share of classified expenditures in the total amount of defense expenditures;
- issues in the control over off-budgetary incomes to the defense budget (charitable contributions, for example);
- the process of state defense procurement, especially its oversight;
- limited comprehensiveness of reports on already implemented purchases, regulation of actors' participation in the procurement process (GDI, 2020).

Special attention will be paid to these areas, identified as vulnerable during further research, when analysing them as constituent criteria for assessing budget transparency in Ukraine.

## **3. Clarity and Measurability of Defense Budget Objectives and its Communication**

Transmitting clear and defined goals of the budget policy is an element of compliance with the principles of transparency and openness, because the communication of these goals ensures a transparent process of information flow.

The Ministry of Finance of Ukraine annually publishes information on the goals of state policy on its official website. It contains information on the achievement of the planned goal, tasks and performance indicators of defense budget programs, as well as state policy goals based on the results of the respective years. Expenditures under budget programs have a clear distribution between target programs, which are determined when drawing up the state budget. In relation to these goals, performance indicators are used, which are subject to comparison of plan/actual indicators. Importantly, relevant conclusions that increase the understanding of non-experts in the content of the information are provided.

The main managers of state funds, including the Ministry of Defense of Ukraine, also make publicly available information on the achievement of the planned goal, tasks and performance indicators under defense budget programs with a corresponding analysis of planned and actual indicators for the fulfilment of goals and performance indicators of budget programs.

The budget programs of the Ministry of Defense (MoD) convey comprehensive and easy-to-understand information about the objectives of budget policy and understanding the targeting of expenditures, by indicating the purpose of the budget policy; goals for tasks of the budget program; directions for using budget funds in accordance with state target programs; effective indicators of costs, product, efficiency and quality of the budget program.

Although this information provided on the defense budget objective and its fulfilment is clear and comprehensive (with certain exceptions), the transparency of this information has discrete nature and therefore, not regulated by clear procedures and publication deadlines, nevertheless, the regularity of reporting on the fulfilment of goals is not satisfactory (the last publication of the MoD achievement of the planned goal, tasks and performance indicators under defense budget programs was in 2019).

#### **4. Quality, Reliability and Comprehensiveness of Defense Budget Information.**

The Annual State Budget contains information on expenditures of Ministry of Defense, providing comprehensive view on the directions of the expenditures. Any interested person can obtain information about budget revenues, transfers and distribution of expenses in the Appendixes to the Law of Ukraine on the State Budget for the relevant year on the official website of the VRU or using the "Open Budget" e-platform, where the information is presented in an accessible form and timely manner. Moreover, the need for explanations regarding all types of expenditures included in the State Budget of Ukraine, except for classified expenditures, is legislated by the Budget Code of Ukraine.

However, at the same time, the information on Ministry of Defense expenditures contained in the State Budget is disaggregated and contains a superficial distribution of expenditures. For example, expenses for salary or allowances are not provided separately, but are part of expenses for "Functioning of the system of the Armed Forces and military training." Also, expenditures on Research and development (R&D) works in the field of defense are also not separately allocated and included in expenditures for budget program "Development, procurement, modernization and repair of weapons, military equipment, means and equipment." Defense expenditures of the State Budget do not have the level of disaggregation that would provide a high level of control over expenditures by the public and mass media, i.e. recipients of budget information with no special budgetary power. In more specific stages of managing defense budget the level of secrecy and lack of open information increases. Data related to the purchase of specific military equipment and weapons are not available. Only the volume of the budget allocation for this item of expenditure is published.

A clearer and more transparent picture of defense expenditures is contained in the Order of the Ministry of Defense on the approval of budget programs (the list of budget programs of the MoD of Ukraine and their purposes can be found in Appendix 6). Therefore, the passports of budget programs, included in the orders, have comprehensive and easy-to-understand information:

- a clear classification system of state expenditures;
- amount of budget allocation;
- a list of legislative grounds for implementing the budget program;
- indicating the purpose of the budget policy;
- goals for tasks of the budget program;
- directions for using budget funds in accordance with state target programs;
- effective indicators of costs, product, efficiency and quality of the budget program.

In addition, in recent years, the transparency of the defense budget has increased somewhat thanks to the publication of information on the budget requests of the Ministry of Defense (Budget requests 2018-2020, 2020-2022) and information on the implementation of the state budget by the Ministry of Defense. These documents can be considered supplements to information on the distribution of state defense expenditures, as they contain reports on the direction of expenditures for the past period, in addition to budget programs of the Ministry of Defense, which contain information on planned expenditures. However, access to information does not always indicate its availability and clarity. That is, the level of comprehensibility, visibility, clarity of information for a person, who is not necessarily an expert, is taken into account. For example, the approved defense budget is accompanied by explanatory notes (for example, Explanatory note to the Draft Law of Ukraine No. 7012, On State Budget of Ukraine for 2021," Verkhovna Rada of Ukraine). However, they are of an expert nature, detailed explanations are not provided for non-experts.



According to the latest 2015 Ukraine Public Expenditure and Financial Accountability (PEFA) assessment, the comprehensiveness of information included in budget documentation was assessed by the B score (where A is a highest score). Indeed, the Annual Budget Implementation Report, the Annual Budget Proposal and the Adopted Budget give a complete picture of the past, current results and future forecasts. However, information on the budget implications of new defense policy initiatives and investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs is not available (PEFA, 2015)

#### **5. Legislation of Roles and Responsibilities of the participants of the defense budget process.**

Transparent management of public finances in the field of defense should be such that the distribution of authority, duties and relationships between branches of government are clear, defined and regulated. The Constitution of Ukraine regulates the roles and functions of the legislative, executive and judicial branches in the process of considering and adopting the budget. The Budget Code defines the stages and procedures of the budget process, the roles of state participants in the process. The participants in the budget process in Ukraine are the executive power, which forms the budget and implements it, and the legislative bodies, which approve the adoption of the state budget and amendments to it.

The application of the legislation is wide – it applies to all executive and administrative bodies, judicial and legislative - without any exception - all government structures, agencies and departments. That is, in the context of access to information related to the defense and security sector of Ukraine, these are the Verkhovna Rada of Ukraine (VRU), Cabinet of Ministers, the Ministry of Internal Affairs, the Office of the President, the Ministry of Defense of Ukraine, the Ministry of Finance of Ukraine, the State Service for Special Communications and Information Protection, the Security Service of Ukraine, intelligence agencies, etc. Also the legislation applies to information held by all state authorities, of course, with certain exceptions, which are covered by another part of the legislative framework (Constitution of Ukraine). Access to information also extends to state defense enterprises or enterprises with a share of state funding.

The role of the President of Ukraine in the budget process is clearly defined. The President, as the head of state, signs the law on the state budget for the relevant year, and in case of disagreement with the law adopted by the VRU, imposes a veto and then returns it to the VRU for reconsideration. Makes changes and additions to the state budget in accordance with the procedure established by law; issues decrees for the purpose of regulating certain current issues in the field of budgetary relations; submits draft laws related to the budget process to the VRU. In his annual messages to the VRU (Article 106 of the Constitution), the President of Ukraine defines the main directions of the socio-economic development of the state and, in particular, the budget policy for the current year and for the future.

As the highest link in the system of executive authorities, the Cabinet of Ministers of Ukraine submits to the Verkhovna Rada (Parliament of Ukraine) for consideration the draft of the main directions of budget policy for the next budget period, develops draft laws regulating the implementation of budget policy, and submits them to the parliament for consideration and adoption.

The main legislative powers belong to the VRU, which can approve and veto laws, including those related to defense. The VRU has the right to monitor large arms purchases. However, the approval of major defense purchases is part of the powers of the Cabinet of Ministers of Ukraine (Law of Ukraine No. 464-XIV). Other bodies (actors) of the legislative power, such as deputies, parliamentary committees or other special commissions can only make proposals, inform the public about the implementation of the budget process, submit questions to state authorities regarding the clarification of defense policy, deputies of the VRU take part in voting for the adoption of laws, including the Law on the State Budget.

The Ministry of Finance of Ukraine has a central place in the system of state executive bodies that manage budget relations. The Ministry of Finance carries out actions related to the operational management of budget funds and has the opportunity to contribute within its competence to the development of the entire system of budgetary relations. The legal status of the Ministry of Finance is determined by the Constitution and laws of Ukraine, decrees of the President of Ukraine, resolutions of the Cabinet of Ministers, as well as "Regulations on the Ministry of Finance of Ukraine", approved by Presidential Decree No. 446/2011 dated 04/08/2011.

The highest body of state financial control is the Accounting Chamber of Ukraine. It was created under the VRU, subordinated to and accountable to it. Unlike the state financial inspection, which carries out detailed control over compliance with financial legislation, the Accounting Chamber controls the effectiveness of financial policy and regulation of macroeconomic processes.

Managers and recipients of budget funds take a direct part in the budget process. Appropriations are allocated to them from the relevant budgets for the implementation of the programs and activities provided for by these budgets. Depending on the degree of subordination, the scope of granted rights, duties and responsibilities, managers of budget funds are divided into main and lower-level managers. The Ministry of Defense of Ukraine is the main administrator of budget funds. Functions are implemented in accordance with the manager level. The manager of the first level performs his functions through the Department of Finance of the Ministry of Defense, the second level - through the financial departments of the commands of the Armed Forces of Ukraine, military administration bodies, other branches of the military; managers of the third level - through financial bodies of military units. Table 5.2 summarizes the institutions as main participants in the defense budgeting process and their roles and responsibilities.

Table 5.2

## Roles and responsibilities of the participants of the defense budget process in Ukraine

State Institutions	Roles and responsibilities
President of Ukraine	<ul style="list-style-type: none"> <li>- signs the law on the state budget for the relevant year or imposes a veto</li> <li>- makes changes and amendments to the state budget</li> <li>- issues decrees for the purpose of regulating issues in the field of budgetary relations;</li> <li>- submits draft laws related to the budget process to the VRU</li> <li>- defines the main directions of the socio-economic development</li> </ul>
Verkhovna Rada of Ukraine	<ul style="list-style-type: none"> <li>- approving or vetoing the Law on the State budget of Ukraine;</li> <li>- control over the implementation of the defense budget (VRU Committee on National Security and Defense).</li> <li>- ratifies international treaties and makes decisions on bringing the budgetary legislation of Ukraine into compliance with their provisions,</li> <li>- determining the sources of revenues directed to the budgets;</li> <li>- monitoring compliance with budget legislation at each stage of the budget process</li> </ul>
Cabinet of Ministers of Ukraine	<ul style="list-style-type: none"> <li>- develops a draft law on the State Budget</li> <li>- ensures budget implementation and submits report on it to the VRU</li> <li>- develop draft of the main directions of budget policy for the next budget period and of the laws regulating the implementation of budget policy</li> <li>- approval of major defense purchase.</li> </ul>
Ministry of Finance of Ukraine	<ul style="list-style-type: none"> <li>- budget preparation and execution;</li> <li>- debt management;</li> <li>- revenues policy.</li> <li>- carries out actions related to the operational management of budget funds</li> <li>- assesses compliance with budget legislation</li> <li>- analysis of the budget report</li> </ul>
Ministry of Defense of Ukraine	<ul style="list-style-type: none"> <li>- Internal audit (Department of Internal Audit)</li> <li>- budget execution</li> <li>- reporting</li> </ul>
Ministry of Economy of Ukraine	<ul style="list-style-type: none"> <li>- macroeconomic forecasting;</li> <li>- state economic policy;</li> <li>- long-term planning.</li> </ul>
The Ministry of Economic Development and Trade and the National Security	<ul style="list-style-type: none"> <li>- coordination of the process of the state defense order (SDO).</li> </ul>

and Defense Council of Ukraine	
State Financial Inspection	internal inspection service.
Accounting Chamber	external audit of military expenditures; oversight and control over the implementation of the classified expenditures.
Deputies, parliamentary committees or other special commissions	make proposals on defense budget programs and resource allocation; inform the public about the implementation of the budget process; submit questions to state authorities regarding the clarification of defense policy; voting for the adoption of laws , including the Law on the State Budget.
Armed Forces of Ukraine and force branches	implementation of the defence budget; making request for financing of defense budget programs; submission of information on the scope of the need for financing activities.

Since under the GIFT framework, the division of roles and responsibilities of the budget process and their clear legal basis is one of the criteria for the transparency of the budget process itself, this part of the analysis indicates a positive assessment of the legislative regulation of this aspect in Ukraine.

## 6. Oversight over the defense budget process

An independent internal and external audit that takes place according to agreed procedures in accordance with international standards, greatly increases the transparency of the processes subject to audit, but through control and accountability, which is interconnected with transparency. The reliability of the audit process must be ensured by the fact that the institution conducting the audit has legally regulated independence from the institution subject to audit, any possible undue influence is excluded, the institution has sufficient resources for the audit and publication of the report of the work performed. To ensure budgetary transparency in the defense sector of Ukraine, audit bodies or institutions performing these functions must meet the criteria of independence, sufficient resources, have unrestricted access to information, a mandate, freedom and the right to publicly publish reports, financial and administrative autonomy (GIFT, 2013).

Internal audit of the defense budgeting process is carried out by the Department of Internal Audit, a subdivision of the Ministry of Defense. The department is an independent structural unit of the Ministry of Defense and is subordinate to the territorial departments of internal audit. The most important functions, among others, include ensuring the functioning of internal control and transparency of the financial and material resources management system. The results of internal audit activities are published once a year and are available on the MoD website. The Department of Internal Audit regularly publishes the results of its activities, general conclusions and statistics on the website of the Ministry. The site also publishes news about the department's activities, from which it can be concluded that employees constantly undergo training courses to meet international auditing standards. The Department of Internal Audit was the only body of the MoD that underwent an independent external audit by British experts in 2017, according to which the department met

30 criteria out of 50. After that, a plan was developed with recommendations to bring the standards of the department in line with international standards, which is currently 75 percent fulfilled. However, for example, the Department is not required by law to publish audit reports, access must be requested. In the media, the issue of undue pressure on the internal audit of the Ministry of Defense, unlawful dismissals, constant rotation of employees and offenses by the management was raised. The Ministry of Defense refutes these statements. The *Respondent 3* noted that:

*"Often, the auditor's opinion is based on the auditor's personal opinion, which may be controversial. Very often, the audit reveals controversial issues, the outcome of which depends on one's own interpretation of regulatory and executive acts."*

In case of disagreement with the auditor's decision, the object of the audit is obliged to sign the audit report, but may indicate that the report is signed "With objections".

*"I had cases when I completely disagreed with the decision of the audit. There was really a two-fold issue. You need to understand that the result of the audit can be either positive or negative. If the result is negative, it always means a financial violation, which led to the loss of state funds budget. Then the person responsible for this violation must be financially responsible for the losses"* – added *Respondent 3*.

According to the resolution of the CMU 1001 and administrative acts of the Ministry of Defense, the object of control must submit objections to the auditor's body within 10 days. The objection letter is sent to the manager who appointed the auditor for the inspection. The manager checks the results of the audit and the objection letter and issues a conclusion. Cases can also be considered in court.

The external audit of defense expenditures is carried out by the State Audit Service, which performs the functions of external financial control, and by the Accounting Chamber, as bodies of financial control over the effectiveness of implementation of the state budget.

The State Budget expenditures on defense also include classified expenditures, that published without decoding. Control over classified expenditures is carried out by the Accounting Chamber. After conducting an audit of secret expenditures, at a meeting of the Accounting Chamber, reports on the results of audits of the effectiveness of the use of budget funds allocated to secret items. The audit materials are information with limited access, which is classified as confidential (in accordance with the laws of Ukraine "On State Secrets", "On Information"). The Verkhovna Rada of Ukraine, the President of Ukraine, the Secretary of the National Security Council, the Chairman of the Committee of the Verkhovna Rada of Ukraine on National Security and Defense of Ukraine, the Cabinet of Ministers of Ukraine are informed about the results of the audit and the report is sent to the the Ministry of Defense of Ukraine to eliminate identified violations and deficiencies. Information about auditing financial activities concerning non-classified expenditures is issued by the Accounting Chamber in the "Conclusions on the analysis outcomes of the annual report on the execution of the Law of Ukraine' "On the State Budget of Ukraine (for corresponding year)" made publicly available six

month or later after the end of the fiscal year. It should be noted that the Audit Chamber of Ukraine conducts only performance audits, while the conduct of such measures is selective and unsystematic. At the same time, the implementation of such measures is effective, as evidenced, for example, by the number of detected violations in the amount of UAH 531.6 billion (Results of the Internal Audit Service of the Ministry of Defense of Ukraine for 2021).

The Ministry of Economic Development and Trade and the National Security and Defense Council of Ukraine, exercise control over the SDO, however in somewhat limited (from a practical point of view) scope, because only the coordination of this process is legally justified, and not the control of the process of implementation of orders.

Control over the implementation of the defense budget is entrusted to the VRU Committee on National Security and Defense to monitor the effectiveness and expediency of the use of state funds (Law of Ukraine No. 116/95-BP).

Oversight over the implementation of the defense budget and control over the effectiveness of the use of financial and material resources for the needs of the defense sector can, and in democratic countries, should also be handled by the public - citizens, the media, non-governmental public organizations, analysts, journalists, etc. The production of so-called "citizens" documents - budgets, reports - gives non-experts the opportunity to understand the aspects of documentation in view of the simplification of a complex document. Understanding the topic will simplify the possibility of publicity for the exercise of public control, which, as defined in the previous paragraphs, is an important aspect of ensuring transparency through the accountability of the state to citizens. In Ukraine the Audit reports, one of the key budget document, are not produced in the "citizens" version (OBS, 2021).

## **7. Transparency of secret items of budget execution**

The defense procurement and spending deserves a separate analysis because of two factors:

- Existing of secret items of spendings;
- Defense procurement process special features (separate system of controlling and monitoring over expenditures, especially classified ones, the process of conducting tenders for secret parts of expenditures and the decision-making process in this area).

The main limitation on access to budget information regarding procurement is classifying items of expenditures. We cannot assess the transparency of the stage of budget execution in terms of secret expenditures, however, we can assess how reasonable and transparent the procedure for assigning budget information to secret is.

Secrecy of these items of expenses is regulated by the law "On State Secrets", and therefore constitutes information removed from public access. The basis for the withdrawal of information is a possible threat to national security in the event of its disclosure. In the previous chapter we discussed this approach to

classification - prejudice-based protection, which is actually established in the defense sector of Ukraine. We have to take it for granted that when analyzing the transparency of defense budget information, the lack of access to certain information, which is justified, does not affect the general perception of the transparency of the defense budget.

The only sources of reference to the legality and transparency of the procedure for restricting access to information about certain military expenditures are the law of Ukraine on secrecy and reference to it when making decisions, as well as the Compendium of Information Constituted by State Secrets (CISS). Obviously, we do not have the possibility to access actual decisions regarding their legality, since we do not have access to them.

The procedure for classifying information is formally justified by the Law "On State Secrets", where the *first stage* is the determination of whether the information belongs to those spheres, and in which classification is possible at all. Of course, one of these areas is defense. The *second stage* is to determine the type of threat in case of disclosure of this information. Accordingly, at the *third stage*, the calculation of possible costs related to information disclosure will be calculated. The *fourth stage* of information assessment consists in determining the degree of secrecy depending on the level of risk assessed in the previous stages. Namely: "secret", "top secret", "of special importance".

In practice, decisions regarding the classification of financial information of defense activities are made by employees of the financial department of the relevant defense structures that create this information (the document containing it).

*"The level of confidentiality of a document is determined by the person who creates this document. Therefore, the responsibility for the legality of this decision rests with the person who makes it. Employees of the financial department, for example, when preparing financial documentation regarding expenses (payments) independently determine whether this information is confidential and to what level of secrecy it should be assigned, guided by the CISS." – Respondent 4.*

As the respondent noted, not knowing the Law on Secrecy or the provisions of the information register, which constitutes secret information, does not exempt from responsibility. I received the following comment on my question about ensuring the knowledge of the officials who make the relevant decisions from the *Respondent 3*:

*"No special trainings are conducted. Employees are provided with the CISS, as well as an internal manual. If the employee responsible for the decision-making process regarding the classification of information is not sure whether it needs to be classified or to what level of secrecy it should be assigned, he applies to the regime-secret authority, which is usually created by a military unit, depending on the needs. These needs are determined by the Security Service of Ukraine (SSU), which makes a decision on the necessity of creating such a body."*

Thus, in a partially decentralized form (the classification mechanism is determined by experts, and summarized and registered by the SBU), specific documents containing certain data are classified in accordance with the procedure determined by an authorized official (NAKO, 2018).

As for the process of implementation of classified items of expenditure, they are implemented separately through the SDO, which is prepared by the Ministry of Defense and must be approved by the Cabinet of Ministers, but without consideration by the Verkhovna Rada (Law of Ukraine No. 464-XIV "On State Defense Order")

### **8. Public participation in the defense budget process**

In order to implement the principles of openness and transparency of defense budget process, it is necessary to conduct the practices on ensuring the participation of public in the debates on the defense policy. Therefore, citizens' right to know and access to information should be combined with granting the right to participate in public debates, discussions, voting, decision-making, which affect social aspects of life. In addition, through the implementation of public participation, governments can gain information about public opinion and the share of support for decisions, it also increases trust in the government and its perception as legitimate.

The Open Budget Survey 2021 assessed the state of public participation in state processes in Ukraine at the level of 39/100, which is higher than the average indicator of the countries that took part in the survey, however, it is usually not satisfactory. In the report on the results of the survey, the authors noted the success in establishing the mechanisms of public participation, but also noted that it is necessary to finalize the already existing instruments of participation and allow representatives of the public or public organization to testify during the hearings of the budget proposal before its approval, as well as during the audit report (OBS, 2021).

In Ukraine, the greatest application of the principles of citizen participation in the budget process was carried out at local levels. Involving the public to participate in the budget process at local levels is considered one of the most effective approaches to public administration in the conditions of decentralization of power in Ukraine. Current legislation provides for a number of regulations, rules and procedures designed to ensure the openness of the budget policy formation process.

Innovative direction of development of public participation in budget process is to use the potential of e-democracy (electronic democracy) in ensuring the functioning of the local budget, which will contribute to more effective local governance, transparent and accountable to the public. Today, such elements of e-democracy in the field of the budget process as electronic budget legislation are implemented in Ukraine; electronic portals "Transparent Budget", "Open Budget", the Unified web portal for the use of public funds; websites of authorities at different levels; online initiatives of public organizations, etc. Electronic public hearings, including voting and notification of decision-making, are also a promising direction of budget



decision-making with the involvement of the public and currently being in use and realized through the web platform "Unified platform of local e-democracy" (abbreviated as e-DEM), services "Local electronic petitions", "Public budget", "Open city", "Electronic consultations with the public" and, to a limited extent, in the application of public services "Action".

However, the expected increase in the degree of effectiveness of public participation is not observed. The provided mechanisms and tools are used by citizens with an active position to a too limited extent, are not always effective and do not lead to the expected results (Ivanina, 2018).

Mechanisms for public participation through public consultations and hearings also function at the national level. Public organizations, experts and ordinary citizens are mostly involved in consultations, but representatives of certain groups of society can also be invited. The relevant persons are called "stakeholders" (or "interested parties") - they are citizens who are interested in a certain policy, who will be affected by it, or who will participate in its implementation.

Public consultations are conditioned and regulated by the current legislation of Ukraine, in particular: Regulation of the Cabinet of Ministers of Ukraine dated July 8, 2007 No. 950, which provides for the involvement of citizens in the decision-making process; The procedure for conducting consultations with the public on issues of formation and implementation of state policy, approved by the Cabinet of Ministers Resolution No. 996 of November 3, 2010; Law of Ukraine "On the Regulations of the Verkhovna Rada of Ukraine" (2010), which contains several provisions according to which the VRU must consult with the public; The Decree of the President of Ukraine "On the Regulations on the Procedure for the Preparation and Submission of Draft Acts of the President of Ukraine" (2006), which states that the President of Ukraine can submit drafts of his acts for public discussion, however, the document does not contain a reference to the specific procedure for conducting such consultations.

The Ministry of Finance of Ukraine is actively conducting electronic consultations and public discussions on tax and budget policy, coordination of regulatory acts and procedures, draft laws and issues of public importance. An approximate plan for public consultations is developed for each year (see, for example, Estimated plan for consultations with the public of the Ministry of Finance of Ukraine for 2021).

But, when it comes to defense procurement decisions, the opportunity for public participation in discussion, debate or consultation is very limited, if not eliminated. The great secrecy and confidentiality of defense affairs limits public access not only to the decision-making process, but also to the information on which decisions are to be based.

## **5.2. Stakeholders' engagement into public budgeting process in the defense sector and their role in shaping military budget transparency.**

Interest in the issues of openness and transparency of government actions and decisions, including in the sphere of public finances, in Ukraine was reflected in the number of publications by Ukrainian scientists who devoted a significant part to the study of the necessity, content and mechanism of action of the principles of transparency and their institutional foundation to improve budget transparency in Ukraine, including the transparency of defense sector financial management (Volokhov, O. S. (2013), Dem'yanyuk, A. V. (2012, Luchka, A. (2007), Maly`nyak, B. (2012)). However, the development of the topic of stakeholders' participation in the process of institutionalization of governance transparency in Ukraine is limited. The investigation of the role of the transparency stakeholder of the defense budget may help us to answer research question by discovering to whom, to what extent, which information should be available to maintain balance between preserving secrecy and demands for transparency. What are the requirements of the stakeholders toward the transparency of information, what information they want to be transparent, for what purpose, what are the procedures for accountee and accountant on the transparency processes?

An important and necessary condition for democratic transformations in Ukraine is usually ensuring the transparency of the budget process at all its levels and stages, but what is important - with the involvement of all participants in this process, stakeholders who can influence or are influenced by this process. The key to the possibility of access by stakeholders is the openness of the process - preparation, review, approval, implementation and reporting on the implementation of the budget. Ensuring the participation of stakeholders in the administrative process is one of the necessary practices of implementing the principles of transparency (COE, 2009).

Stakeholders of defense sector transparency can be internal and external. Considering the defense budget process as an object of research, the primary participants of the defense sector will be considered as internal stakeholders, secondary - as external. However, first, let's determine what the defense sector of Ukraine consists of. Figure 5.2 shows the security and defense sector of Ukraine.

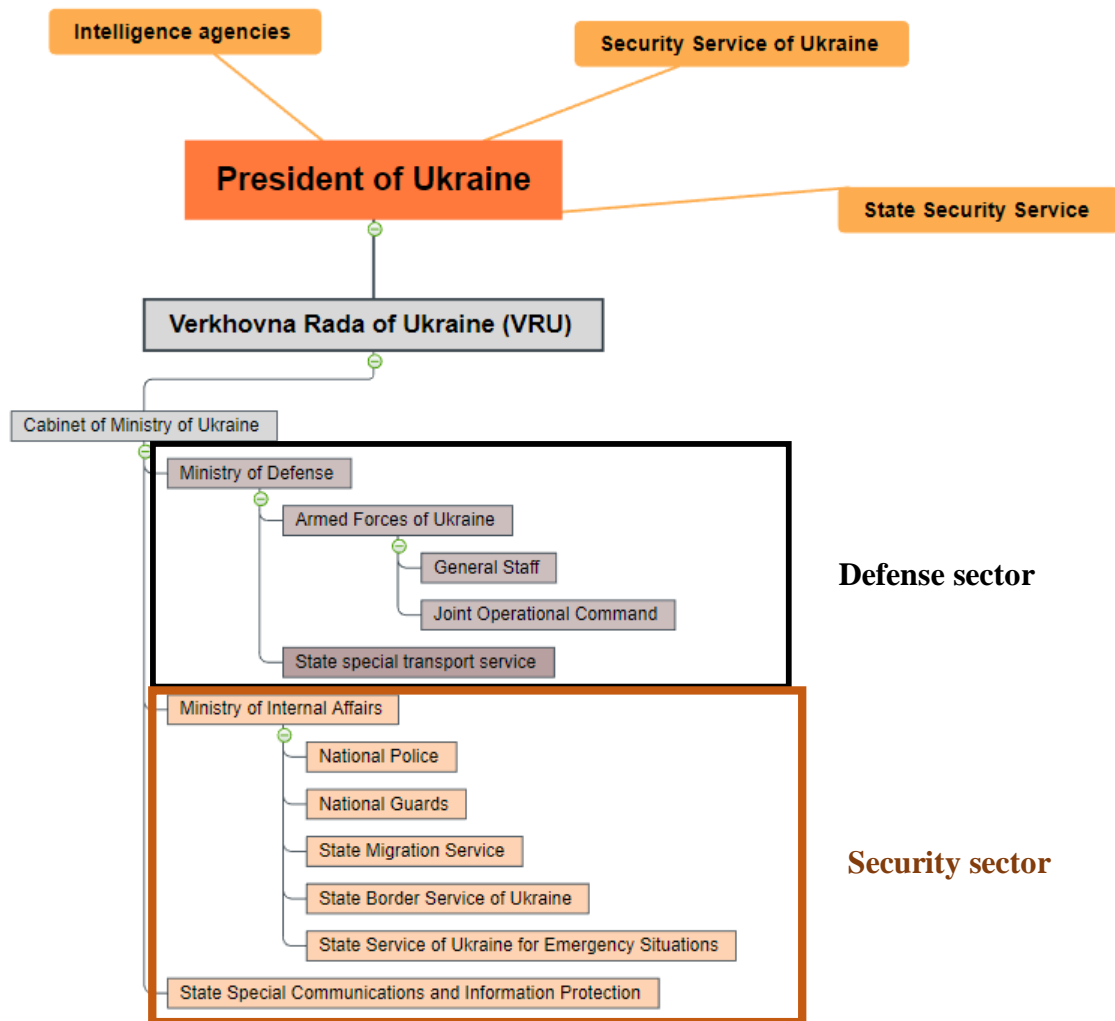


Figure 5.2. The security and defense sector of Ukraine.

Guided by the principle of primary participation in the affairs of the defense sector, we define *internal stakeholders* as: the Verkhovna Rada of Ukraine (VRU), the Cabinet of Ministers, the Ministry of Finance the Ministry of Defense of Ukraine, the Armed Forces (General Staff and Joint Operational Command) and State Special Transport Service.

Applying the theory of information flow and the principle of accountability, the internal interaction in the aspect of transparency of the financial aspects of the defense sector between internal stakeholders can be additionally determined from the level of fund managers.

1. The main manager of funds is the Ministry of Defense of Ukraine. The structure has a separate Department of Finance.

2. Managers of the second level. Types of armed forces, types of troops and types of forces. The management has its own financial bodies. They do not implement the funds, but only distribute them among managers of the third level.

3. Managers of the third level. Military units. They have financial departments, services and management.

The reporting of financial information, and therefore the flow of information regarding resource management, occurs in the reverse order. Managers of the third level, when performing expenses, approve them in the State Treasury Service, and then transfer the approved information to the manager of the second level. The administrator, in turn, consolidates the collected information and transfers it to the Department of Finance of the MoD. Providers and recipients of financial information regarding reporting are governed by legally regulated provisions and regulatory acts.

5.2.1. Analysis of the accountability framework and information provision of the defense budget information stakeholders.

Guided by the principle of accountability and Transparency Actor Wheel reference model, we can define stakeholders who act as an accountee, as someone who has expectations and is entitled to receive information or reports regarding the type of provision of information, both agent and non-agent controlled transparency (Table 5.3).

Table 5.3

The basis for the provision of information by the Ministry of Defense to stakeholders and the type of their claims.

<b>Supply-side</b>	<b>Types of information provision</b>	<b>Demand-side</b>	<b>Grounds for the claim</b>
<b>The Ministry of Defense and its subordinate structures, departments, commands and units</b>	mandatory	<b>Parliament (President, VRU, Cabinet of Ministries)</b>	Legal demands
	mandatory	<b>SAI (Accounting Chamber, State Audit of Ukraine)</b>	Legal demands
	mandatory	<b>Fiscal bodies (Tax Service of Ukraine, bodies of the State Fiscal Service)</b>	Legal demands
	Mandatory (partly)	<b>State Treasury Service of Ukraine</b>	Legal demands
	Discretionary. Sometimes voluntary	<b>Citizens</b>	Legal demands (partly).
	Voluntary, discretionary	<b>Polical-military cooperation organisations (NATO)</b>	Legal demands

	Discretionary	<b>Other states with which agreements on military cooperation have been concluded</b>	Legal demands
	Voluntary, discretionary	<b>International non- and governmental organisations (OSCE, Eurocontrol)</b>	Legal demands (partly voluntary)
	Discretionary, mandatory	<b>Anti-corruption bodies (National Anti-Corruption Bureau, National Agency on Corruption Prevention, Independent Anti-Corruption Commission)</b>	Legal demands
	Voluntary, discretionary	<b>Academic and Research Institutions (TI, OBS, GDI)</b>	Personal demands
	Voluntary, discretionary	<b>NGOs or CSO</b>	Legal demands (partly voluntary) Personal demands
	Voluntary, discretionary, involuntary	<b>Media</b>	Legal demands (partly) Personal demands
	Discretionary, voluntary	<b>Human Right Organisations (UN - UN Commission on Disarmament)</b>	Legal demands (partly symbolic or voluntary)

*Source: author's own elaboration. Based on (Hosseini M. S., 2018) framework*

On the part of the information provider, the grounds that bind them can be voluntary or coercive (mandatory, discretionary, and involuntary). On the part of the recipient of information - the stakeholder - his claims may have a legal basis or a personal one (that is, indicating his own claims, as a stakeholder, for receiving information that are not justified by law or agreements) (Hosseini M. S., 2018). Relations with the bodies of the *Parliament, Supreme Audit Institutions, Anti-corruption bodies* and *Fiscal bodies* are clearly regulated by law, and the provision of information to them and claims have a mandatory legal basis.

Providing information within the limits of accountability to the *State Treasury Service of Ukraine* is also mandatory and has a legal basis. However, the completeness of information is limited in the area of secret expenditures:

*"When making expenditures, we must submit acts, payments, contracts to the State Treasury Service for approval. However, if payment is made under a secret item of expenditures, I send only a payment marked "Secret" without adding a contract." – Respondent 4.*

Information related to the financial aspects of the defense sector is provided to *citizens* in a discrete form, that is, the State is obliged to do so, but the volume and form of providing information is not strictly defined. Also, the state often publishes data voluntarily, usually in order to increase trust in the government, confirm the legitimacy of its actions and decisions, and increase support for government decisions (however, it can also lead to negative consequences). On the part of citizens, their claims are justified by the Right to access to information in relation to that information defined by law. If the citizens' claims have a broader, personal application, then the state is not obliged to provide information. The process of requesting information from government bodies is clear, but there is a possibility of refusal from the bodies holding this information. This also applies to *NGOs and the media*. Additionally, information is provided to the media sometimes involuntarily, i.e. through information leakage.

In relation to *Academic and Research Institutions* the state has no obligation to publish information, but can provide it voluntarily to increase trust in the authorities in the international arena and for stakeholders. Institutions do not have a legal basis for their requests unless relevant agreements are concluded. There is no legal obligation to provide information to national and international research institutions. They have a right to access public data only through the channels that are defined for all state information recipients (the law on the right to information states that any person, citizen or non-citizen, legal entity or natural person has the right to receive public state information).

Interaction with *international organizations, governmental or non-governmental*, is in accordance with the resolution of the Cabinet of Ministers of Ukraine dated September 13, 2002 No. 1371 "On the procedure for the participation of central executive bodies in the activities of international organizations of which Ukraine is a member." The Ministry of Defense, taking into account Ukraine's membership in international organizations, has established relations with the UN (the UN Commission on Disarmament, the Committee on the Elimination of Discrimination against Women, the Committee on the Rights of the Child, the Committee on Human Rights, the UN Human Rights Council), the OSCE (the OSCE Forum on cooperation in the field of security), the European Organization for the Safety of Air Navigation (Eurocontrol). This means that Ukraine, within the framework of international partnership relations, concluded an agreement with the specified organizations, which form the framework for the interaction of the central executive authorities with international organizations. For example, the UN Disarmament Commission publishes recommendations on confidence-building measures in the field of armaments. However, all provisions of these international organizations are of a recommendatory nature, and in essence, the participating countries provide information, if necessary, essentially on a voluntary basis, in order to increase trust in the international political arena, increase trust and the level of cooperation in the military sphere.

The goal of cooperation is also to expand the exchange of information on combat control, resulting in the development of a protocol and data model for exchanging information about the situation between combat control systems. In order to legally regulate and ensure the legality of the information flow between the Government of Ukraine and the North Atlantic Treaty Organization, administrative agreements on the protection of restricted information were signed in 2016, agreeing to the protection of information with limited access taking into account the national legislation of Ukraine in the field of information protection and handling limited access and minimum security standards approved in the NATO Security Policy document. In the context of this agreement, "Restricted Information" means all information and materials prepared, created independently or jointly, or exchanged between the Parties subject to access restrictions, regardless of the form of their expression: oral, visual, written or in any other way. They apply to all types of activities of cooperation with NATO and to all information of Ukraine with degrees of access restriction "For official use", "Secret", "Top Secret" and NATO information with degrees of access restriction NATO RESTRICTED, NATO CONFIDENTIAL, NATO SECRET.

Unlike the specifics of information exchange with international organizations discussed above, in the context of cooperation with NATO there is a clear regulation of information exchange, according to internal agreements within the framework of mutual activities. However, Ukraine has no legal obligations regarding NATO financial reporting and compliance with the NATO Financial Regulations, the NATO Accounting Framework and other documents governing defense policy as Ukraine is not a member of NATO Alliance and is not obliged to comply with above mentioned reporting rules. The exchange of information concerns only the framework of NATO and Ukraine`s cooperation and activities.

Understanding stakeholder engagement in the public process of the defense sector is not limited to the concept of information flow and exchange and the basis for this. The role of stakeholders is also expanded by influencing the formation of budgetary defense policy, increasing the transparency and accountability of information related to the financial aspects of the sector's activities. The influence is depending on the possession of the power, legitimacy and urgency of their claims.

#### 5.2.2. Defense budget information stakeholder classification

The theoretical framework proposed in this work serves as a basis for the classification of stakeholders of budgetary defense information. Classification is a necessary element of analysis to identify the role and impact on the process of developing defense budget transparency. To perform this task, it is necessary to analyze the defined groups of stakeholders, their responsibilities, role and possession of the attributes defined in the theoretical framework of Mitchell et al. (1997).

1. *Departments, divisions and administrations of the Ministry of Defense, Bodies of the Armed Forces Management (General Staff, Main Command Center, Force Command, Internal departments), Internal*

*audit* are the internal stakeholder that are engaged in the budgeting process and influence the transparency and accountability of it from the inside. Their claims on the comprehensiveness, completeness and timeliness of the defense budget information is driven by *legal* claims that based on the normative and executive acts, laws and internal orders. The specifics of the defense sector, the high need for effective and timely financial support of military units, and the direct responsibility for the fulfillment of the goals of the defense policy form an *urgent* requirement for obtaining transparent and complete information. The high influence of the Ministry of Defense in view of the growing understanding of the strategic importance of a combat-ready, well-equipped and effective Armed Forces for maintaining national security (affecting the growth of military aggression from a neighboring state) forms a powerful mechanism of influence and *power*. These three aspects form internal stakeholders as a *definitive* one. They have the most mechanisms and channels of influence on the formation of the defense budget policy and lobbying their claims regarding the information management mechanisms related to it.

2. *Legislative bodies, namely Parliament (President, VRU, Cabinet of Ministries) and Ministry of Finance* form the specifics of the influence, which is legislative, because they directly form the legislative regulation of the security sector, create a budget policy and develop and approve the state budget. Initiatives regarding the transparency and accountability of the budget process are developed, considered and adopted by the Parliament at plenary sessions, as part of the process of forming an open government, in accordance with the implementation plan of the Partnership "Open Government" initiative and the Strategy for the Development of the State Finance Management System. The instruments of transparency of the state budget and financial system directly affect the defense budget, which is part of it. Given the significant participation of this group of stakeholders in the budget process (Table 5.2 from the previous subchapter), they constitute a *definitive* group of stakeholders.

3. *Supreme Audit Institutions - The State Audit Service and the Accounting Chamber* - perform the functions of control and monitoring of the management of finances and the defense sector, evaluate the productivity, effectiveness and economy of the use of state budget funds by the defense management bodies for the measures determined by the budget programs. In order to conduct an audit and prepare a report, the necessary information must be provided to the audit bodies in full of the obligatory observance of the deadlines (more in the Resolution of the CMU dated March 27, 2019 No. 252 "On approval of the Procedure for the State Audit Service and its interregional territorial bodies of the state financial audit of activities economic entities"). Audit and supervision are carried out by independent audit institutions to control the use of public funds. This in turn creates an effective system of accountability within the structure of the defense sector, which in turn affects transparency and the perception of the sector as reliable and accountable. The position of the legislative mechanism of supervision and indirect influence on the financial aspects of the sector, clear terms of claims and power (which is manifested in sanctions and bringing to administrative and criminal



responsibility for non-compliance with the requirements of the law, as well as integrity and transparency in financial management) makes them *definitive* in terms of influence on the military budget transparency.

4. *State Treasury Service of Ukraine.* According to the Law of Ukraine "On the State Budget of Ukraine for the relevant year", funds are allocated to the Ministry of Defense of Ukraine according to the approved estimate of revenues and expenditures for the year and transferred by the Ministry of Finance to accounts opened in the State Treasury Service of Ukraine in the relevant directions, including: payments of cash support and wages, rear support, repair and maintenance of weapons and military equipment, training of troops, etc. All levels of managers of budget funds of the defense sector use treasury accounts and are not allowed to open accounts in other banking institutions. All payment documents must be verified by the Treasury regarding their purpose and availability of funds in the account and approved for the payment transaction. The Treasury has the appropriate authority regarding claims for obtaining the necessary financial information, because the realization of financial payments depends on it. In the case of non-compliance with deadlines or financial violations, the treasury suspends payments and immediately reports this fact to the relevant law enforcement agencies. The work of the State Treasury is regulated by Resolution No. 21 of the Cabinet of Ministers of Ukraine "On Approval of the Regulation on the State Treasury Service of Ukraine" dated April 15, 2015. Taking into account all of the above, it can be stated that the influence of the treasury is *definitive* on the formation of a transparent and accountable management system.

5. *Anti-corruption bodies (National Anti-Corruption Bureau, National Agency on Corruption Prevention, Independent Anti-Corruption Commission)* are bodies entrusted with the prevention, detection, termination, investigation and disclosure of corruption offenses assigned to its jurisdiction, as well as prevention of new ones. To fulfill their duties, they put forward requirements for providing financial information for further verification and assessment of corruption risks for their prevention and countermeasures. The Ministry of Defense is obliged to provide appropriate reporting on the progress of the Anti-Corruption Program of the Ministry of Defense and the implementation of measures within the framework of the program. The Ministry of Defense is obliged to ensure that authorized persons carry out an anti-corruption examination of draft acts issued by military administration bodies, to take into account the Declaration on the absence of a conflict of interest of an official responsible for public defense procurement, to conduct an inspection of defense procurement procedures for compliance with anti-corruption legislation, to constantly ensure openness and integrity in the field of public procurement by deepening cooperation with the NATO Support and Supply Agency. State anti-corruption bodies control compliance with anti-corruption principles through the use of transparency and accountability instruments. In case of non-fulfilment of the duties stipulated by the measures to prevent and combat corruption, administrative responsibility is provided. Support for anti-corruption initiatives has wide support among the public, international organizations, both governmental and non-governmental, such as (NATO, TI, UNCAC, CIDS, OSCE, etc.).

Instead, the Independent Defense Anti-Corruption Committee (NAKO) is a non-governmental anti-corruption committee funded by the Ministry of Foreign Affairs of the Kingdom of the Netherlands. Unlike state anti-corruption committees and bodies, claims for providing information and regulating relations with them are not regulated by law in the same way. Obligations for informing and reporting are established within the framework of cooperation agreements. Currently, NAKO cooperates with NABU, NSDC and the Ministry of Defense of Ukraine, as well as interacts with public non-governmental organizations.

For the defense sector in aspects of the development of transparency of the defense budget process, anti-corruption bodies are *definitive* stakeholders who are interested in this process, there is a legal basis for influencing it and their claims, the power of influence, as well as urgency.

6. *Citizens.* In the previous paragraphs, we paid considerable attention to the importance of democratic public participation in state-building processes. It was emphasized that this is an integral part of the process of institutionalization of transparency and openness of public administration. A significant obstacle in the wide application of participatory democracy and real influence on state-building processes is the passivity of the citizens themselves. Overcoming the passivity of citizens is possible under the following conditions: building an effective state strategy for conducting lectures and seminars to explain the basics and goals of public participation; launching special sections and programs devoted to this topic in mass media; ensuring the implementation of legislative acts that support and promote participation in the public life of the country; the state's promotion of public participation.

However, the wide application of the right to participate in the context of defense policy, which itself shapes the form and characteristics of the defense budget, is questionable. The impact on citizens' participation is largely limited both by the legal framework and in practice due to the lack of real mechanisms. In practice, public participation was widely used only in the formation of the public budget at the level of local communities. Really good results were obtained because of decentralization reforms, which actually gave such an opportunity to communities. However, discussions about citizen participation in the formation of the defense budget are mostly fruitless conversations. What makes them *discretionary* stakeholders who have legitimate claims, but do not have urgency (due to the passivity of the position) and power (due to the lack or even the need for mechanisms for participation in the defense budget process).

7. *NGOs.* The influence of the public on the transparency of the defense sector is possible by moving the problem into the public sphere, where collective decisions are made using the mechanisms of public consultations and debates (Zürn, 2019). For public organizations, the mechanism of participation is similar to the one regulated by public participation in the budget process, which was considered in the previous section paragraphs. However, given that mainly NGOs have a greater level of expertise, connections and awareness in the regulation of participation and influence, the influence of these organizations and the process

of institutionalization of transparency in sectors is manifested in the form of lobbying and advocacy. NGOs with broad public support and other non-governmental organizations are more likely to gain access to consultation meetings (Bruycker, 2017)

Institutions of civil society are regulated in the state legislation of Ukraine as "a system of subjects endowed with rights and obligations to defend their legitimate interests in the process of further development of civil society in Ukraine and participation in the management of state affairs." (Ministry of Justice). The relevant legal framework, which defines the legal basis for the creation, rights and guarantees of the activities of these organizations, determines the legitimacy of their activities<sup>5</sup>.

The active participation of the NGOs in the discussion of issues related to the defense and security of Ukraine is evidenced by the activities of such public organizations as the Razumkov Center and DCAF, which take an active part in organizing seminars, meetings, and webinars devoted to the actual problems of defense production, defense procurement, and human rights ( "National Security and Defense Journal," Razumkov Center). Journalists, scientists, and public organizations are involved in the discussions, thereby forming public opinion and analysis of the current state of the mentioned problems. There are also examples of the active participation of public organizations in discussions and advocacy of reforms and changes to legislation on national defense - this is the involvement of the expert group of the public organization Reanimation Package of Reforms (RPR) in advocacy and consultation regarding the draft law No. 2488 "On the peculiarities of procurement of goods, works and services for guaranteed provision of defense needs", Strategic Defense Bulletin. However, with regard to public debates on defense budget decisions, there is little or no evidence that they are held on a regular basis. Even if representatives of public organizations are invited for consultations in the discussion of decisions regarding budgetary defense policy, this stipulates the possibility of discussion, but no influence on the government's decisions.

Indeed, the development of the implication of the participation of non-governmental public organizations in the public process is complicated by certain factors: lack of credit of trust, limited funding, passivity of the citizens' position. The perception of one's role as a citizen was greatly influenced by the Soviet system, in which several generations of Ukrainians grew up, where the whole role was reduced to the fulfillment of instructions sent from the center. There was no belief that an active position could lead to real changes. It is quite difficult even in modern conditions to eradicate this belief from the public consciousness. This significantly inhibits and discourages citizens from participating in the activities of public organizations. Distrust of politicians and political structures, as well as insufficient educational work with citizens, which

---

<sup>5</sup> These are the Laws of Ukraine "On Associations of Citizens" (1992), "On Youth and Children's Public Organizations" (1997), "On Charity and Charitable Organizations" (1998), "On Professional Creative Workers and Creative Unions" ( 1998), "On trade unions, their rights and guarantees of activity" (1999), "On employers' organizations" (2001), "On associations of local self-government bodies" and other legislative acts.

would be aimed at realizing the need for their participation in the social and political life of the country, additionally negatively affect this.

In addition, there is a lack of material and financial support from the government of Ukraine for NGOs.

*"Today, almost all effective and successful public organizations in Ukraine function only with funds received from grants. Mostly small and medium-sized grants with which most NGOs work are received from the Democracy Commission of the American Embassy in Ukraine, The International Renaissance Foundation, The EU Institute for Economic Research and Policy Consulting. There are a number of other Western donors, but in most cases I work with the above mentioned. I cannot say anything about financial support of NGO activities from the state. In my practice and the practice of acquaintances from other organizations, such an initiative unfortunately was not implemented,"* says the Respondent 5.

Of course, Western funding of NGOs provides an opportunity to act independently of the Ukrainian authorities, in the interests of the public. However, it also allows the authorities to accuse the NGO of pandering to the interests of another state.

The level of cooperation of state bodies with NGOs remains insufficient, the forms and mechanisms are undeveloped, the influence of NGOs on the formation and implementation of state policy is limited. The Ukrainian legal framework provides for the possibility, but does not define effective mechanisms, for the involvement of NGOs in the formation of state policy.

The role of NGOs is not limited to expressing a civic position and fulfilling social goals. They also have their own special requirements regarding the transparency of the budget of the defense sector structures. A volunteer NGO that provides direct, free material assistance (in the form of purchasing equipment, uniforms for military personnel) has legal grounds to demand accountability for the targeted use of the provided resource. Usually, the requirements for transparency are expressed in the requirements to provide an act of acceptance and transfer and entry into the balance sheet of tangible assets.

To conclude, the NGOs in Ukraine has the legitimacy that gives them the right to demand for the information, to express their claims regarding the improvement of the state of transparency of state finances, including the finances of the defense sector. However, due to the problems of really broad public support, this makes them *discretionary* stakeholders.

8. *Media.* The media are the main communicators that shape public opinion, and therefore their activities should be based on independent and informed reporting. To do this, the interaction between representatives of state agencies of the defense sector and journalists should be characterized by transparency, reliability and trust. The media performs its oversight function over the activities of the defense sector, but faces numerous obstacles. The practice of limiting access to mass media information among representatives of state bodies is quite widespread. Without the possibility to obtain additional necessary information, the

mass media can only quote official government statements without critical analysis, which weakens participatory democracy. Or, use information entered involuntarily - i.e. through information leakage.

The military needs the media to inform the public about its role and to have public support. Independent reporting is necessary to provide oversight of the military, but the media is highly dependent on the military for information. According to the World Press Freedom Index (RSF, 2021). Ukraine gets the 91th place on the World Press Freedom rating that includes 180 countries into analysis, which indicated clearly some serious problem with the media independence in Ukraine from any kind of undue pressure.

During an armed conflict, the media play a prominent role in informing the public about military operations, but face restrictions from the Government and the Armed Forces. Lack of practical knowledge of laws and legislation on mass media can also negatively affect the work of journalists. Journalists often do not have systematic knowledge of the specific defense issues they talk about when covering certain events. In addition, they are often unaware of the potential impact of social media on the defense sector. Implementation of the principles of impartiality, objectivity and professionalism in itself does not guarantee public access to information. Yes, defense structures are often very reluctant to share information. Journalists, in turn, are not always well aware of the challenges faced by the defense forces, and therefore the specifics of the budgeting of this sector. That is why it is necessary to create formal channels of communication between mass media and the defense sector. Special attention should also be paid to the Office of Press and Information, which is subordinate to the Minister of Defense of Ukraine and implements the state information policy on national security issues in the military and defense spheres with the aim of providing comprehensive and objective information about the activities of the Ministry of Defense of Ukraine, and carries out measures to create a positive public opinion regarding the Ministry of Defense, the Armed Forces of Ukraine and the State Special Transport Service. That is, it is not an independent communicator of information related to the defense sector. In addition, the management organizes interaction with mass media and responds to media requests for information.

Investigating the impact of the media on the transparency of the defense budget process is quite difficult. They do not have a direct mechanism of influence. However, forming a general public opinion, presenting their own analysis of available information, they can influence the active position of citizens who participate in public organizations or independently join the process and play the role of watch-dogs . But not only public opinion is formed on the basis of information broadcast by the media. It is also a significant source of information for foreign organizations, partners, and research centers. And therefore, without having legislative grounds for the requirements regarding the information transparency of the budget process, the media has enough power and urgency to significantly influence the process of spreading the perception and culture of openness of public administration and transparency of public finances in Ukraine, including the finances of the defense sector, which makes them *dangerous* stakeholders.

9. *States with which agreements on military cooperation have been concluded.* Within the framework of the agreement between the Ministry of Defense of Ukraine and other states on bilateral military cooperation in the defense sector, the states justify the exchange of information, including financial information related to military capabilities, planning and financing in the military sphere. The exchange of information is carried out through the participation of representatives of both states in events aimed at the exchange of experience and information, consultations, official visits, adoption of agreed actions, invitation of experts on specific issues as consultants and other forms of interaction by mutual agreement of the parties. Agreements on military cooperation have been concluded with a number of states: the United Kingdom of Great Britain and Northern Ireland, the Republic of Croatia, Bulgaria, Poland, the Kingdom of Belgium, Denmark, Hungary, Armenia, Georgia, Slovenia, the Slovak Republic, Turkey, the Republic of Estonia, Greece, Montenegro, Malaysia, Afghanistan, Turkmenistan, Kazakhstan, Equatorial Guinea, Indonesia and a number of other countries. However, this exchange has a more discretionary nature, that is, governments agree on the exchange of information, but the limits and volumes of information provided bilaterally are not defined, and therefore countries, within the framework of such agreements, are discretionary stakeholders.

10. *International non-governmental and governmental organisations, Human Right Organisations.* The role of these organizations in building the transparency of the defense budget process consists in spreading the main ideas and principles of transparent financial management, preventing corruption, developing practical recommendations regarding the openness of management, financial accounting of military equipment, weapons and equipment, advocating public access to the financial aspects of the defense sector, promoting public consultation and democratic debate on budget policy decisions. Usually, their requirements regarding the transparency of the budget process in the defense sector are not urgent, they are of a recommendatory nature, but they are those that deserve salience from the Ministry of Defense, because they shape the general perception of the defense sector of Ukraine as democratic and open to cooperation. That makes them the *dominant* stakeholders, as they have the power to influence the position of Ukraine and its defense sector in the international arena.

11. *Academic and Research Institutions (TI, OBS, GDI).* Similar to governmental and non-governmental organizations, Scientific and research institutions influence the institutionalization of budget transparency in the defense sector through the development of recommendations based on research in the direction of transparency of the state budget, public participation, the level of legislative justification of the Right to Information, freedom of speech, transparency of the defense sector, corruption risks, etc. However, unlike governmental international organizations, interaction with which is based on agreements, the power of influence of scientific institutions is limited and has a *discrete* nature.

12. *Polical-military cooperation organisations (NATO).* The defining documents in relations between Ukraine and NATO, which remain relevant to this day, are the Charter on the Special Partnership

between Ukraine and the North Atlantic Treaty Organization (July 9, 1997) and the Declaration on Supplementing the Charter on the Special Partnership (August 21, 2009). In recent years, a number of acts developed by the VRU and signed by the President of Ukraine laid the foundations of the country's Euro-Atlantic course aimed at Ukraine's acquisition of full membership in NATO (The Law "On National Security of Ukraine"). Amendments to the Constitution of Ukraine in terms of the strategic course for Ukraine's acquisition of full membership in the EU and NATO and the signing of the National Security Strategy of Ukraine, which emphasizes the strategic importance of relations with NATO, became a significant addition to the formalization of cooperation with NATO.

The Order of the Ministry of Defense regarding the organization and implementation of international cooperation in the Ministry of Defense system refers to the order, procedure and substance of international cooperation measures of the Ministry of Defense, the Armed Forces of Ukraine and the State Transport Service with NATO, in accordance with the national political course aimed at achieving the specified goals. In essence, the cooperation with NATO is consist in:

- participation in programs of technological cooperation of the armed forces of NATO countries;
- maintaining a military-political dialogue, providing up-to-date information on threats to national security in the military sphere and on the implementation of defense reform tasks;
- ensuring the appropriate level of awareness of partners regarding the security situation on In the East of Ukraine and in the Azov-Black Sea region;
- implementation of plans and measures for the implementation of the state's strategic course for membership in NATO;
- engagement of advisory assistance for the implementation of defense reform tasks.

The annual national program under the auspices of the Ukraine-NATO Commission annually builds cooperation and creates obligations for Ukraine to achieve NATO membership criteria, transfer Ukraine's security and defense sector to NATO standards, and strengthen democratic civilian control.

In terms of the aspect that is of scientific interest to us, namely the transparency and accountability of the budgetary defense process and the influence of cooperation with NATO, most of the criteria to be evaluated in this area are part of the Building Integrity Program, of which Ukraine is a participant. According to the Program strategy, the Government of Ukraine should ensure:

- implementation of the principles of the NATO Program on building integrity, transparency, accountability, introducing integrity and reducing corruption risks in the work of defense and security institutions in the activities of the components of the security and defense sector of Ukraine;

- ensuring the activities of the defense sector bodies in compliance with the balance of openness and confidentiality (Decree of the CMU dated June 16)
- to ensure public access to budget information (expenditure, planning) with the exception of restrictions related to certain spheres of intelligence and other activities;
- carry out a review of the defense procurement policy with the aim of providing greater transparency to such processes;
- implementation of Euro-Atlantic principles and approaches to budget planning in the defense budget policy;
- creation of an integrated procurement system in the Ministry of Defense of Ukraine;
- improvement of the mechanism of formation and execution of the state defense order (MoD Reform Project Office. Electronic resource).

Therefore, cooperation with NATO forms certain obligations of Ukraine regarding their fulfillment, and therefore, the formation of NATO requirements. The expected result in terms of the implementation of NATO initiatives regarding the transparency and accountability of the defense budget and NATO requirements regarding the transparency of the defense budget and budget planning, as part of defense planning, are:

1. Coordination of budgetary planning in the field of defense with planning of the socio-economic development of the state and planning in the security and defense sector.
2. Implementation, in accordance with the best practices of NATO member countries, of the rational distribution of expenses for the maintenance of troops (forces), operational needs and combat training, development and procurement of weapons and military and special equipment.
3. Implementation of a procurement system in accordance with the principles and approaches used by European countries and NATO member states, which applies to all public procurements, while ensuring its openness and transparency. (In Ukraine, there is a gradual partial transition of procurement of conventional weapons through the SDO to the sphere of public procurement).
4. Formation of the state defense order for a three-year period with the possibility of annual adjustment of its indicators.
5. To improve the quality of the development and preparation of the defense budget, to ensure the planning of the development of the capabilities of the defense forces, which will allow to systematize the procedures and documents of defense planning.



Due to the specificity of the imposed obligations, the dependence on NATO's financial, advisory and legislative support, for the defense sector of Ukraine, NATO is a *definite* stakeholder.

**To sum up**, the demands of various stakeholders for transparency in the defense sector arise from the concluded agreements and obligations of the state to them to ensure aspects of budget transparency. Access to budget information, completeness, availability and comprehensibility of information, clear and accessible procedures for requesting public information, developed tools for participation in public discussions and debates regarding the formation of the budget process must be ensured for citizens, media, and NGOs. In the case of other states, international governmental and non-governmental organizations, the requirements to be fulfilled by the defense sector of Ukraine regarding transparency are outlined in agreements, acts and contracts. NATO's requirements are of a semi-coercive nature, because they do not require its implementation, however, in order to fulfill the Euro-Atlantic goals of the European policy and join the Alliance, Ukraine must meet them.

Therefore, based on the analysis carried out in this paragraph, the main directions of influence of stakeholders on the aspect of the transparency of the defense budget and the budget process in general are:

- participation in the decision-making process of budget policy for providing legitimacy;
- provision of advisory and assistance support in the implementation of transparency initiatives;
- advocating for reforms related to increasing transparency and accountability of the defense budget;
- formation of public opinion and reputation on international trust
- providing credit with credibility and legitimacy;
- public pressure;
- regulatory pressure;
- statement of claims.

## **6. Balancing transparency and secrecy of budgetary information between various stakeholders**

Wide support for the idea of an open and accountable government, which ensures transparency of government processes for those who are affected or affected by these actions, has prompted the need for concrete steps and reforms in approaches to the management of public resources, information on the budget process and reporting. In Ukraine, we can experience a fairly wide application of the principles of transparency of public finances, which is manifested in ensuring the legality of the right to information, regulating access to information, expanding the requirements for the publication of government documents in the "citizen" comprehensible version, introducing the concept of responsibility for the intentional concealment of information, clear regulatory reporting system and implementation of the Unified Information and Analytical System "Transparent Budget" with relevant modules by direction. These shifts mostly concerned public finances, though partially bypassing the finances of the defense sector.

The reason for the impossibility of fully applying the principles of transparency logically lies in the need to ensure the security of sensitive information, which constitutes a large part of the information flow in any defense sector. Of course, the basis of democratic governance is effective informing about the decisions and actions of the authorities, providing the opportunity for citizens to participate in state-building processes, which is impossible without providing transparent and comprehensive information on which these decisions should be based. But the goal of state policy, in addition to ensuring democratic and economic well-being, is also ensuring national security. It is the protection of national security that explains the need to classify certain sensitive information. Therefore, secrecy can also be considered a part of good governance, but only if it is justified, clearly regulated by open and democratic legislative provisions.

Secrecy is needed. For example, Schoenfeld in his work *Necessary Secrets*, devoted to secrecy in public administration, noted that secrecy in the public sector is "an essential prerequisite of self-government." And quite aptly characterizing the need to preserve secrecy in the defense sector in Ukraine, given the tense military situation, he adds: "...when we turn to the most fundamental matter of democratic governance, namely self-preservation, which is carried out through the behavior of foreign politicians and the conduct of war - an imperative secrecy becomes critical, often a matter of survival." (Schoenfeld, 2010). However, I am not calling for the justification of secrecy, but only for the recognition that the fact of its existence is a necessary condition for an effective security sector and combat capability of a state in a state of war.

The emphasis is on moving away from the Soviet principle of "secrecy everything". In Ukraine, the presumption of openness of information is legally defined. That is, classified information is *open* information that has been removed from public access for a certain period of time. A number of laws, normative and regulatory acts define the principles of secrecy in the defense sector. However, quite often these definitions are broad, and as we have already noted in the previous paragraphs, the responsibility for the process of classification lies with the owner of the information or its creator. In the event that non-classification of information will bring losses to the state, this person must answer to the law. And as one of the respondents, an employee of the financial department of the military unit, notes, "if there are doubts, it is better to keep it secret in order to insure yourself." Here it is important to add that the decision on classification made by a civil servant concerns materials containing state secrets, and not information related to state secrets. The latter is handled by state experts on secrets.

Information related to state secrets is determined within the "Compendium of information constituting a state secret", the process of applying the provisions on state secrets is regulated, controlled and coordinated, is decentralized (the SBU, although it is responsible for the legality of the application of the provisions on state secrets, but in practice, it only evaluates the decision of state experts on secrets on the classification

of information.) Such decentralization significantly reduces the risk of information classification for one's own purposes, harming public interests.

Then, what are the specific aspects of balancing secrecy and transparency in Ukraine in the context of the defense budget?

1. The defense budget, as we defined in the previous paragraph, is publicly accessible, but the disaggregation of articles is at such a level that it reduces transparency to a symbolic level. Information about the share of secret expenditures in the general defense budget is not available, that is, the possibility of understanding the general picture and distribution of defense budget expenditures is limited to a certain extent. Even in the part of open expenses, there is no detailed information about expenses. Only the amount of the defense budget and the amount of funds distributed by budget programs.

2. Justification of the decision regarding classification. In the literature, to make a decision on the classification of a document or information, it is recommended to use the "balance of interests" test to identify the possible damage that the disclosure of information will cause to public interests in general or to individual interests in particular. This test involves weighing two opposite values - the consequences of disclosing information and the consequences of its secrecy. An analogue of such a test in Ukraine is a three-syllable test. It is used when there are legal prerequisites to assign information to the category of restricted access and at the same time such information is not defined by law as unconditionally open. But it is worth noting that in Ukraine there is no legal requirement to use that test. It consists in checking the compliance of the information/document with three criteria: the restriction is carried out exclusively to protect national interests (clearly defined); disclosure of information may cause significant damage to these interests; the harm from disclosing the information outweighs the public interest in obtaining it. Access to information is limited only if all three requirements are met. In the absence of at least one of them, the information is open. However, there are several weaknesses in this process. One of the interests that secrecy is designed to protect is the protection of other people's reputations. This is a very broad definition that leaves room for abuse. Also, formally, the process of verifying information for the presence of grounds for classification meets generally accepted standards (for example, (Tshwane Principles), but today in Ukraine it is not possible to check whether it is carried out correctly in practice. TI (Transparency International) emphasizes the need to publish explanations as to why this information was classified, and what possible harm its distribution could cause.

3. Defense procurement. According to the opinion of many domestic and international experts who study the transparency of the defense and security sector of Ukraine, as well as the sources of corruption in the sector (NAKO, TI, GDI, Razumkov Center, DCAF etc), the defense procurement process remains the weakest link of the budget process from the point of view of lack of transparency and risk of corruption. SDP (State Defense Procurement) essentially constitutes any expenditure that is necessary to ensure the activity and

functioning of the defense sector. The open part of the SDP in accordance with the Law of Ukraine "On State Procurement" conducts publicly through the ProZorro portal, an electronic procurement system with an open process of tenders and competition. The other secret part of the SDP is not conducted according to open tenders and competitive procedures. Basically, a contract is signed directly with the supplier of goods and services, the process is closed, there is no free participation in the tender. Information about suppliers is confidential (The Law of Ukraine No. 464-XIV "On State Defense Orders"). Only the amount of the purchase contract is published, and the price is set in accordance with the resolution of the CMU (Resolution of the CMU No. 309). This state of affairs is permissible. However, the problem is that, in practice, about 95% of defense purchases are carried out precisely according to a non-competitive procedure, which is not transparent to society at all (NAKO, 2018). This creates a fertile ground for the development of illegal interest lobbying (concluding contracts with «those» suppliers in order to receive "bribes" and "kickbacks", ignoring the suitability of the product and its compliance with technical standards, which can reduce the country's military capability), reducing the motivation of decent suppliers with high-quality products due to mistrust in the real chances of participation in defense procurement (widespread opinion about a high entry threshold and nepotism), potential economic losses, reduced accountability (it is not clear how much and what the budget funds are used for).

4. Public Participation and oversight. Lack of real mechanisms for the participation of the public and non-governmental organizations in the budget process of the defense sector. The provisions regulating public participation are quite broad and it is not entirely clear how exactly citizens can participate (or can they at all) in making budgetary decisions in the defense sector of Ukraine, given the very high limitation of information on which these decisions are actually based. The level of involvement of expert NGOs is very low in Ukraine. Moreover, defense budget process is also a problem of parliamentary control. As noted by NAKO (2021): "... deputies who vote for the defense budget have a superficial idea of the details of the financing of each program."

The specified problems of the closedness of the defense sector and the negative aspects of secrecy do not allow to ensure democratic parliamentary and public control over the preparation, approval and execution of the defense budget, to ensure the transparency of each stage of the process, as well as to involve relevant stakeholders in the formation of defense policy, defense capability and the development of a transparent sector.

Balancing the secrecy and transparency of the defense budget should be based on the synergy of transparency initiatives and the protection of national security. First of all, balance can be achieved by strengthening legislative initiatives aimed at increasing the transparency and accountability of the defense budget.

In particular, we are talking about the draft Law of Ukraine "On Amendments to the Budget Code of Ukraine (Regarding the State Defense Budget)", which provides for:

- separation of the process of drawing up, reviewing and approving the state defense budget (that is, introducing the legal concept of the State Defense Budget at the legislative level);
- increasing the influence and responsibility of the main managers of the state defense budget funds during the preparation and implementation of the state defense budget (increasing the influence of internal stakeholders);
- introduction of planning of state defense budget expenditures for five budget periods;
- display in the state defense budget the name and price of units of goods, services, and works (more details, and therefore the breadth of the SDB).

Draft laws No. 8075 and No. 8076 provide for changes to the Budget Code, to the laws on the regulations of the Verkhovna Rada, on state secrets, canceling the provisions justifying the disaggregation of expenditure items and their classification. In radical application, these initiatives are aimed at removing the veil of secrecy from defense procurement. Drafts were withdrawn from consideration of VRU. Yes, they were certainly aimed at increasing transparency, but did they strike a balance with secrecy?

Refusal to justify the secrecy of part of the defense budget process will by no means lead to balance and ensuring national security. Full transparency greatly harms the national security of a country embroiled in a war. Instead, in my opinion, more sufficient ways to implement the balance between transparency and secrecy of budgeting information taking into account the multi-stakeholder environment, are:

1. Gradual increase of state defense procurement through competitive procedures until reaching the most optimal level.

The SDP should become a priority area of reform, because the risk of corruption and unlawful excessive secrecy is greatest here. Most defense purchases must be made publicly available, of course, while maintaining the principle of preserving national security. That is, when making decisions, clear criteria for secrecy and a mandatory three-syllable test, must be applied. Moreover, these criteria as well as the rationale for the decisions should be published for free access.

2. Derivation of a separate concept of "war budget".

When we talk about the risk and harm of the release of sensitive information related to the financial aspects of the functioning of institutions and power structures of the defense sector, we mostly mean the involuntary release of information, information leakage about military capabilities that can be used by the enemy. The number of personnel involved in the conduct of military operations arising from the sum for payment for the performance of official duties of military personnel, the amount of purchased or modernized equipment for the conduct of military operations arising from the sum of expenses for the budget program on the development, purchase, modernization and repair of military equipment armament , the development of

new types of equipment that constitute military capability, according to the item of expenditure on scientific and research activities - all this constitutes extremely sensitive information that can directly threaten national security, given that Ukraine has been involved in a war with the Russian Federation since 2014. Information directly related to the pre-financial support of hostilities must be allocated separately with the necessary level of secrecy. Whereas financial information on the activities of the defense sector, which does not directly relate to the military potential involved in the conduct of hostilities (anti-terrorist operations), should be published with a greater level of detail of the budget articles, and procurement should be carried out according to competitive procedures.

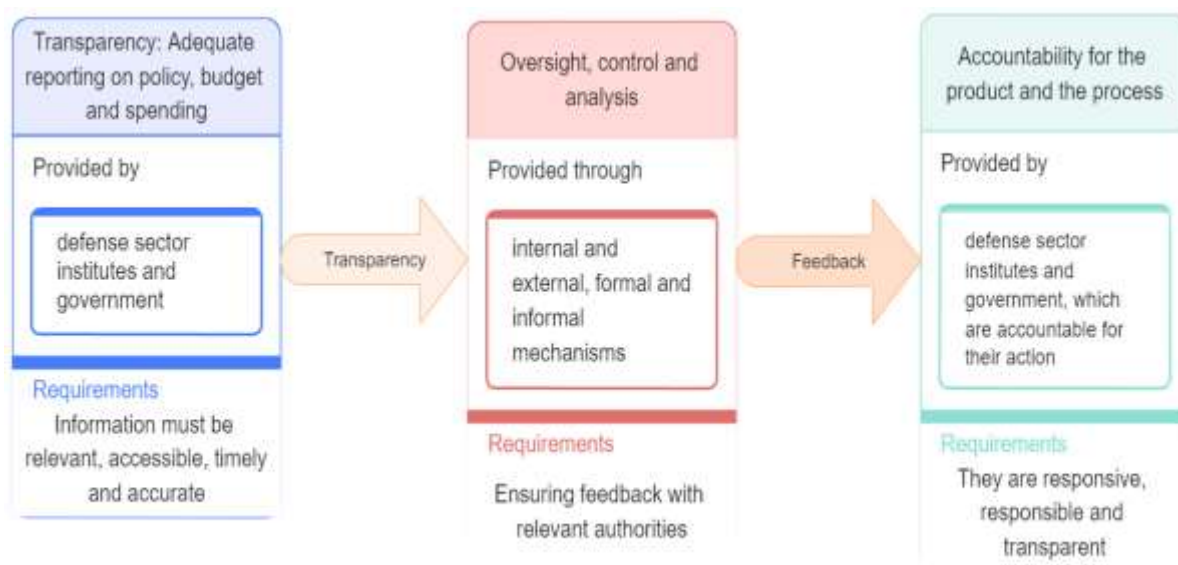
### 3. Training of military and financial personnel regarding the information classification procedure

Military financiers and accountants who work with or create financial information make decisions on classifying a document as containing a state secret and determine its level. The criteria for classifying such information as confidential are contained in internal regulatory provisions that are not public. Additionally, the staff does not undergo special training that would provide them with a sufficient level of knowledge to make the right decision. And therefore, the staff must undergo special training and exercises, which are aimed not only at the acquisition of relevant knowledge by the staff, but also at strengthening the awareness that when analyzing a document on grounds for classification, it is necessary to strive for the lowest level of secrecy and follow the philosophy of the presumption of openness. A high level of secrecy and access restrictions must have very good reasons and a strong justification for the decision.

### 4. Creation of partnership synergy with transparency stakeholders.

In the scientific literature, synergy is defined as the effectiveness of thinking and acting, which arises in the process of cooperation, combining the knowledge, skills and resources of the participants. ( (Weiss, 2002), (Mattesich, 1992), (Logan, 2010). Synergy acts as a certain mechanism for solving complicated problems collectively, with the broad participation of citizens and organizations (Logan, 2010).

Synergy is possible if there is mutual trust between the various stakeholders of the defense sector. Trust is achieved through the transparency of processes and, as a consequence, accountability. Transparency, in turn, is due to compliance with the requirements of transparency stakeholders, which must be outlined by clear criteria, requirements, information claims in the form of formal agreements and arrangements, the legislative and regulatorive framework etc. For effective interaction with stakeholders in the context of state and defense financial policy, transparency and accountability of the financial aspects of the activities of defense sector bodies and structures must be ensured through bilateral agreements and memoranda. Fig. 6.1 schematically presents the process of ensuring the openness of financial aspects of activity and the requirements of stakeholders at each of the stages.



*Figure 6.1. The process of ensuring the transparency of financial aspects of defense sector*

5. Sufficient feedback about result of the control in the field of secret finances.

In Ukraine, control over the effectiveness of the distribution of expenses for secret purchases is carried out by the Accounting Chamber. However, the reports are not public, which does not provide a sufficient level of trust and transparency, because citizens do not have guarantees that information unfavorable to the Ministry of Defense is not hidden from them. A mechanism for monitoring and informing the public of its results should be implemented.

6. Clear terms regarding the duration of information removal from public access.

A significant shortcoming in Ukrainian legislation is the absence of specified periods for which information is removed from open access due to classification. For each level of secrecy, a maximum period of validity must be specified, after which the document containing classified information must be re-analyzed, and in the event that good grounds for re-classification are not found, the authorized bodies must make it public.

In addition, the significant disaggregation of defense budget articles, as was discovered in this study, limits transparency, however, as the mosaic theory suggests, one piece of complementary information can be created from separate pieces of incomplete available information. Budget requests of the Ministry of Defense of Ukraine, passports of budget programs, reports on the effectiveness of implementation of budget programs, audit reports and publications of the Ministry of Defense or other bodies complement each other and create the necessary level of openness, taking into account the requirements of national security. security Making a

"civilian" version of the defense budget, including this information, in an accessible and simplified version would contribute to the perception of the activities of the defense sector structures as open and transparent.

## **7. Conclusion**

The initial goal of this thesis was to determine the current state of transparency of the military budget in Ukraine, evaluating according to transparency criteria the regulatory base of Ukraine, normative and regulatory acts, research and reports of scientific institutions, information published by authorities and state institutions on official websites, scientific articles on this topic, the provisions of the main documents that establish the foundation and regulate budget transparency in the defense sector (Vienna Document, Lima Declaration, Code of Good Practise), international agreements and development strategies jointly with NATO supplementing it with comments from practitioners of financial management of the defense sector of Ukraine, military financiers and others.

However, not only the evaluation, but also the analysis of compliance with the requirements of balancing with secrecy is an important area of scientific interest. After all, as we have already discovered, the issue of developing the concept of a transparent Ukrainian defense budget process concerns not only the concept of free access to relevant information, free participation in the discussion and openness of the defense sector, but also the extremely important topic of ensuring the secrecy of important defense information, contained in the defense budget, in order to preserve national security, which is an extremely urgent issue for Ukraine, taking into account the increase in military aggression from Russia. Maintaining confidentiality and preserving sensitive strategically important information is critical for Ukraine. On the other hand, there are clear requirements for democratic public administration regarding transparency, openness and comprehensibility of state decisions in the field of budget policy.

In the thesis the current state of transparency of the defense budget is analyzed and the following weaknesses of the transparency were identified: a large disaggregation of articles and budgetary programs of the defense budget and low informativeness, shortcomings in the process of evaluating information on grounds for classification (lack of publicly open criteria, lack of requirements for passing the generally accepted three-syllable test, the lack of a standard in the training of employees directly related to the decision-making process regarding secrecy), the closure of public defense procurements (most procurements are secret), the lack of transparency of an independent audit (there is no possibility to assess the independence and results of the audit conducted by the Supreme Audit Institutions, because reports are not published publicly), low level of public participation and cooperation between the sector and NGOs, citizens, media.

However, the rhetoric of perceiving them as deficiencies to be corrected is not correct, because in certain cases they are meant to protect national security. The specificity of defense information implies the



need to justify who need this information and why. And this includes the aspect of considering the recipients of information - stakeholders.

Many authors emphasize the need to shift the focus of the view from the entity to a broader aspect of external factors and participants, consider transparency not only from the side of the sender, but also the recipient of information, as well as expanding the aspect of transparency from information disclosure to the sphere of communication and interaction with process participants ( (Wezeman, 2014), (BANDSUCH, 2008), (Albu, 2014) (Ferguson, 1984) (O'Neill, 2002) and other).

In the thesis, the main internal and external stakeholders of the defense process were defined and identified, their grounds were analyzed (based on laws, acts, agreements, cooperation or personal grounds) and the type of their claim to receive information. This information helped to determine, using the theoretical framework of (Mitchell, 1997), the type of stakeholder depending on the manifestations of attributes: power, legitimacy and urgency of claims (in our case, claims for receiving defense budget information).

The aspect of stakeholder participation in the defense budgeting process and the fact of the existence of a multi-stakeholder environment is important for analysis in this work, because it allowed us to more deeply consider the issue of achieving a balance of secrecy and transparency of the defense budgeting process in Ukraine. The proposed recommendations considered in the discussion include the following: reforming public defense procurement to achieve openness of the process and reduce the share of secret non-competitive procurement procedures, introduction of a separate "war budget", appropriate preparation and training of specialists working with classified information or making decisions on classification, establishing the validity period of decisions regarding classification and the procedure for re-evaluating information for the presence of grounds for classification with the involvement of a mandatory three-syllable test, providing sufficient feedback about the result of the control in the field of secret finances and the creation of partnership synergy with transparency stakeholders, balancing between self-interests, democratic principles of public administration and stakeholder requirements.

This study is limited to the analysis of budget programs and processes of the budget cycle of Ukraine and a review of sources related to the transparency and accountability of public finances, in particular the military budget, as well as criteria, mechanisms and international conventions and programs aimed at developing the concept of open government integrity. Transparency rules, anti-corruption principles, regulations and laws aimed at ensuring transparency are used as a primary source in this study, supported by comments from interviews with military financiers. Information on the effectiveness of current transparency measures was obtained from the Budget Openness Index (OBI), the Public Expenditure and Financial Accountability (pEfA) database, scientific articles, the State Budget or the budget of the Ministry of Defense,

audit reports available online, the Information and Analytical System "Transparent Budget", passports of budget programs and sufficiency report of the Ministry of Defense, etc.

Recommendations for further research. This work created the basis for further research on this topic. First, research can be conducted in the direction of analyzing the influence of already identified stakeholders of the defense budget process on the process of institutionalization of transparency. Secondly, the aspect of the historical retrospective of the process of changing approaches and perception of the transparency of the defense budget in Ukraine is also a potential direction. Third, the horizon of this study does not include the year 2022, when a full-scale war began in Ukraine. Studying the requirements of transparency, which depends on informational, material and financial support from stakeholders (international organizations, friendly countries, NATO, the EU, NGOs and charitable foundations) and critical secrecy is a real challenge for scientists.

## Bibliography

- Ackerman, J. &-B. (2006). The global explosion of freedom of information laws. *Administrative law review*. 58. , 85-130.
- Aftergood, S. (2009). Reducing Government Secrecy: Finding What Works. *YALE LAW & POLICY REVIEW*, 399-416.
- Aftergood, S. (2010). National Security Secrecy: How the Limits Change. *Social Research: An International Quarterly\_ 77 (2)*, 839-852.
- Albu, O. B. (2014). Organizational Transparency and Sense-Making: The Case of Northern Rock. *Journal of Public Relations Research*, 26(2), 117-133.
- Babbie, E. (2010). *The practice of social research*. . 12th Edition, Wadsworth, Belmont.
- Ball, N. &. (2006). A Model for Good Practice in Budgeting for the Military Sector. *Oxford University Press for SIPRI*.
- BANDSUCH, M. P. (2008). Rebuilding Stakeholder Trust in Business: An Examination of Principle-Centered Leadership and Organizational Transparency in Corporate Governance. *Business and Society Review*, 113:, 99-127.
- Blocher, J. (2008). Institutions in the Marketplace of Ideas. *Duke Law Journal* 57, 821-889.
- Bovens, M. (2010). Two Concepts of Accountability: Accountability as a Virtue and as a Mechanism. *West European Politics*, 33: 5,, 946-967.
- Bowie, N. (1988). The moral obligations of multinational corporations. *Westview Press*, 97-113.
- Brownlow, C. &. (2002). Ethical Issues for Qualitative Research in Online Communities. . *Disability and Society*, 17(6) , 685–694.
- Bruycker, I. (2017). Politicization and the public interest: When do the elites in Brussels address public interests in EU policy debates? *European Union Politics*, 18:4, 603–619.
- Bruzelius, N. a. (1998). Big Decisions, Big Risks: Improving Accountability in Mega Projects. *International Review of Administrative Sciences*, vol. 64, no. 3, 423-440.
- Bryson, J. M. (1988). A strategic planning process for public and non-profit organizations. *Long Range Planning*, 21(1), 73-81.
- Budget Code of Ukraine. (n.d.). *Code of Ukraine; Law, Code dated 07/08/2010 No. 2456-VI*.
- Campos, J. E. (2007). *The Many Faces of Corruption : Tracking Vulnerabilities at the Sector Level*. Washington, DC: World Bank.
- Cheung, T. M. (2011). Defense Transparency Index for North-East Asia. *IGCC Workshop on Defense Transparency in Northeast Asia*.
- Christensen, L. &. (2009). Public Relations and the Strategic Use of Transparency: Consistency, Hypocrisy, and Corporate Change. *Rhetorical and Critical Approaches to Public Relations*, 129-153.
- Christensen, L. T. (2015). Peering into Transparency: Challenging Ideals, Proxies, and Organizational Practices. *Communication Theory*, 25(1),, 70-90.
- Clarkson, M. (1995). A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance. *The Academy of Management Review*, 20(1) , 92–117.

- COE. (2009). Code of Good Practice for Civil Participation in the Decision-Making Process. *Conference of INGOs*. Kyiv.
- Cohen, L. M. (2000). Research methods in education. *British Journal of Educational Studies* 48 (4), 446-446.
- Constitution of Ukraine. (n.d.). *dated June 28, 1996 No. 254k/96-VR;Art. 34.*
- Cordona, F. (2016). *Access to information and limits to public transparency*. Centre for Integrity in the Defence Sector.
- Costas, J. &. (2014). Bringing Secrecy into the Open: Towards a Theorization of the Social Processes of Organizational Secrecy. *Organization Studies*, 35(10), 1423-1447.
- Curtin, D. (2014). Overseeing secrets in the EU. *J Common Mark Stud*, 52, 684-700.
- d'Agostino, G. &. (2012). Corruption, Military Spending and Growth. . *Defence and Peace Economics*. 23. , 591.
- DCAF. (2010). Building Integrity and Reducing Corruption In Defence: a Compendium of Best Practices. 165.
- de Fine Licht, J. (2011). Do We Really Want to Know? The Potentially Negative Effect of Transparency in Decision Making on Perceived Legitimacy. *Scandinavian Political Studies*, 34, 183-201.
- Decree of the CMU dated June 16, 2. N.-r. (n.d.). *On the approval of the plan of measures for the implementation of the Annual National Program under the auspices of the Ukraine-NATO Commission for 2021 and indicators of the effectiveness of its implementation.*
- Dzyundziuk, V., Meltyukhova, N., Fomitskaya, N., etc. (2011). Public administration in Ukraine. Retrieved from [https://dut.edu.ua/uploads/l\\_334\\_71011815.pdf](https://dut.edu.ua/uploads/l_334_71011815.pdf)
- Easterby-Smith, T. a. (2015). *Management Research*. . 5rd ed. London: Sage Publications. .
- Elliott, M. S. (2006). Paradoxes of qualitative research. *Counselling and Psychotherapy Research*, 1(3), , 181–183.
- Etzioni, A. (1964). Modern organizations. *Englewood Cliffs, NJ: Prentice-Hall*.
- Ferguson, M. A. (1984). Building theory in public relations: Interorganizational relationships as a public relations paradigm. *the Association for Education in Journalism and Mass Communication*. Gainesville, FL.
- Florini, A. (2007). The Right to Know: Transparency for an Open World. *Columbia University Press*.
- Freeman, R. E. (1984). The politics of stakeholder theory: Some future directions. *Business Ethics Quarterly* 4:, 409-421.
- Fung, A. G. (2007). Full Disclosure: The Perils and Promise of Transparency. *Cambridge University Press, Cambridge*.
- Galliers, R. (1991). Choosing Appropriate Information Systems Research Approaches: A Revised Taxonomy. The Information Research Arena of the 90s. . 155–173.
- Garust., Y. (2016). Openness and transparency [In Ukrainian]. *Great Ukrainian encyclopedia.*, 5, 180.
- GDI. (2020). *Ukraine`s GDI Assesment Result*. Gobal Defense Integrity index.
- GDI. (2022). *About: The Government Defence Integrity Index (GDI)*. Retrieved from GDI Website: <https://ti-defence.org/gdi/about/>

- GIFT. (2018). *The GIFT High-Level Principles on Fiscal Transparency, Participation and Accountability*.
- Gomes, R. C. (2018). Measuring collaborative stakeholder influence and open budget actions. *Revista de Administração Pública - RAP*, 52(4), 593-609.
- Grant T. Savage, T. W. (1991). Strategies for assessing and managing organizational stakeholders. *AMP*, 51, 61–75.
- Gray, R. O. (1996). Accounting and Accountability: Changes and Challenges in Corporate Social and Environmental Reporting.
- Grimmelikhuijsen, S. J. (2017). Behavioral Public Administration: Combining Insights from Public Administration and Psychology. *Public Admin Rev*, 77: , 45-56.
- Grunig, J. &. (1992). Models of public relations and communication.
- Hayman, S. &. (2002). Policing, surveillance and social control. *Willan Publishing*.
- Heide M., V. J. (2020). Changing Patterns of Information Governance,. *Government Information Quarterly*, 37 (10), 3-27.
- Heide, M. V. (2020). Changing Patterns of Information Governance,. *Government Information Quarterly*, 37 (10), 3-27.
- Holmes, B. &. (2011). Citizens' engagement in policymaking and the design of public services. *Parliamentary Library*, 12, no. 1.
- Hood, C. &. (2006). *Transparency: The Key to Better Governance?* British Academy.
- Hood, C. (2006). Transparency: The Key to Better Governance. *Oxford University Press*, 3-23.
- Hooper, D. (1987). Official Secrets: The Use and Abuse of the Act. *Secker & Warburg*, 17-22.
- Hosseini, M. S. (2015). Towards engineering transparency as a requirement in socio-technical systems. *the 23rd IEEE international requirements engineering conference (RE)*.
- Hosseini, M. S. (2018). Four reference models for transparency requirements in information systems. *Requirements Eng* 23,, 251–275.
- IMF. (1999). Code of Good Practices on Transparency in Monetary and Financial Policies: Declaration of Principles.
- IMF. (2012). Fiscal Transparency, Accountability, and Risk.
- INTOSAI. (1977). *The Lima Declaration of Guidelines on Auditing Precepts*.
- Ivanina, O. (2018). PARTICIPATION OF CITIZENS IN THE BUDGET PROCESS AT THE LOCAL LEVEL. *Regional Studies No. 15*.
- Jacobsen, A. L. (2003). National Security and the Right to Information in Europe. *Centre for Advanced Security Theory*.
- Kelly, M. (1999). *Openness and Transparency in Governance: Challenges and Opportunities*. Network of Institutes and Schools of Public Administration in Central and Eastern Europe.
- Khotami. (2017). The Concept of Accountability in Good Governance. *Advances in Social Science, Education and Humanities Research (ASSEHR)*, vol. 163, 30-33.

- Kolstad, I. &. (2009). Is Transparency the Key to Reducing Corruption in Resource-Rich Countries? *World Development*, 37 (3), 521-532.
- Kopelman, L. M. (2004). Minimal Risk as an International Ethical Standard in Research. *Journal of Medicine and Philosophy*, 29(3), 351–378. .
- Korzh, I. (2019). The right to open data - as a right of a private nature. *Information and Law"*, 1 (28) , 19-28.
- Kukharska, H. (2019). Budget policy as an instrument of economic development. *Investytsiyi: praktyka ta dosvid*, vol. 7, 77-85.
- Kumar, R. (2019). *Research methodology: A step-by-step guide for beginners*. . Sage Publications Limited.
- Law of Ukraine No. 116/95-BP, A. 1. (n.d.). *On committees of the Verkhovna Rada of Ukraine," Verkhovna Rada of Ukraine, April 4, 1995.*
- Law of Ukraine No. 464-XIV, O. S. (n.d.). *Verkhovna Rada of Ukraine, March 3, 1999.*
- Laws of Ukraine "On Access to Public Information". (n.d.). *dated January 13, 2011 No. 2939-VI.*
- Linders, D., & Wilson, S. (2011). What is Open Government? One Year after the Directive. *In The Proceedings of the 12th Conference on Digital Government Research*, (pp. 262-271).
- Lindsay, J. (2011). Defense Transparency: Seeking a Definition for a Paradoxical Concept. *Policy Brief* (5), 1-6.
- Logan, B. N. (2010). An Interinstitutional Academic Collaborative Partnership to End Health Disparities. *Health Education & Behavior*, 37(4), 580–592.
- Mattesich, P. a. (1992). *collaboration:What Makes It Work.*
- Meijer, A. (2009). Understanding modern transparency. *International Review of Administrative Sciences*, 75(2), 255–269.
- Meijer, A. (2013). Understanding the Complex Dynamics of Transparency. *Public Admin Rev*, 73, 429-439.
- Mendel, S. a. (2014). Doing Good, Public Good, and Public Value. . *Nonprofit Management and Leadership*, 25, 23-40.
- Merriam, S. B. (2009). *Qualitative research: A guide to design and implementation*. San Francisco, CA: Jossey-Bass.
- Ministry of Justice. (n.d.). *CHARACTERISTICS OF PUBLIC FORMATIONS AS INSTITUTIONS OF CIVIL SOCIETY*. Retrieved from Ministry of Justice official website: [https://minjust.gov.ua/m/str\\_33565](https://minjust.gov.ua/m/str_33565)
- Mitchell, R. B. (1997). Toward a Theory of Stakeholder Identification and Saliency: Defining the Principle of. *The Academy of Management Review Vol. 22, No. 4*, 853-886.
- MoD of Ukraine. (2020). *Analytical report on the implementation of the action plan for the implementation of the Strategy for the development of the public financial management system*. Retrieved from Ministry of Finance of Ukraine Website: <https://mof.gov.ua/uk/zvit>
- MoD Review. (2011). Review of force structures in implementation of partnership goal g 0028, preliminary report for consultations with NATO [Text]., (p. 142). Sofia,.
- Müller T, B. S. (2020). MCDA handling uncertainty. *Radioprotection* 55(HS1).

- NAKO. (2018). *Secrecy and Transparency: Striking the Right Balance in the Defence Sector*.
- Nasu, H. (2015). State Secrets Law and National Security . *International and Comparative Law Quarterly*, Volume 64, Issue 2,, 365-404,.
- OBS. (2021). *Open Budget Survey 2021 Ed. 8th*. OBS.
- OECD. (2010). The Right to Open Public Administrations in Europe: Emerging Legal Standards. *SIGMA Papers*, No. 46, OECD Publishing,.
- OECD. (2017). Budget Transparency Toolkit.
- OECD. (2017). *Recommendation of the Council on Open Government, approved by all OECD member countries*. Paris: OECD.
- O'Neill, O. (2002). A Question of Trust. *Cambridge University Press*.
- OSCE. (1999). *Vienna Document* . OSCE.
- OSCE. (2015). *RECOMMENDATIONS ON ENHANCING THE PARTICIPATION OF ASSOCIATIONS IN PUBLIC DECISION-MAKING PROCESSES*.
- PEFA. (2015). *Ukraine Public Financial Management Performance Report*. Kyiv.
- Perlo-Freeman, S. (2011). "Measuring Transparency in Military Expenditure: The Case of China,". *Institute on Global Conflict and Cooperation, University of California*.
- Perlo-Freeman, S. (2016). Military and social expenditure. *SIPRI Yearbook 2016: Armaments, Disarmament and International Security (Oxford University Press: Oxford, 2016)*, 520–34.
- Peter & Siemon Wezeman. (2014). Balancing Transparency and National Security. *SIPRI*.
- Pfeffer, J. (1981). Power in organizations. *Marshfield, MA: Pitman*.
- Pitseys, J. (2016). Publicity and Transparency: The status of representation and political visibility in Kelsen and Schmitt. *Revue française de science politique*, 66, 117-135.
- Porumbescu, G. (2015). Using Transparency to Enhance Responsiveness and Trust in Local Government: Can It Work?. *State and Local Government Review*. 47. .
- Posen, B. R. (2014). *Restraint: A New Foundation for U.S. Grand Strategy*. Cornell University Press.
- Public Information Request Status Report. (2021). *Ministry of Defense of Ukraine*. MoD.
- Resolution of the CMU No. 309. (dated March 17, 2021). *On approval of the Procedure for the formation and adjustment of the expected cost of goods, works and services for defense purposes, the procurement of which is carried out under a non-competitive process*.
- Robinson, J. T. (2006). Political foundations of the resource curse. *Journal of Development Economics* 79, 447–468.
- RSF. (2021). *2021 World Press Freedom Index*.
- RTI. (2011). *RTI Rating Methodology*. Retrieved from RTI Rating Website: <https://www.rti-rating.org/methodology/>
- RTI. (2022). *RTI Website*. Retrieved from Results of the Global Right to Information Rating: <https://www.rti-rating.org/country-data/>

- Ryan, R. M. (2000). Self-determination theory and the facilitation of intrinsic motivation, social development, and well-being. *American Psychologist*, 55(1), 68–78.
- Salvioni, D. A. (2012). Convergence of corporate governance in a globalised world. *Academic Publishing International Limited*, 380-389.
- Schnackenberg, A. K. (2016). Organizational Transparency: A New Perspective on Managing Trust in Organization-Stakeholder Relationships. *Journal of Management*, 42(7), 1784–1810.
- Schoenfeld, G. (2010). *Necessary Secrets: National Security, the Media, and the Rule of Law*. New York: W. W. Norton & Co.
- Sekaran, U. (2003). *Research Methods for Business A Skill-Building Approach*. . 4th Edition, John Wiley & Sons, New York.
- Shkabatur, J. (2012). Transparency with (out) accountability: open government in the united states. *Yale Law Policy Rev* 31(1), 79–140.
- Singapore Government Agency. (2009). *Speech by Minister for Defence Teo Chee Hean, at Committee of Supply Debate 2009*. Retrieved from [https://www.mindef.gov.sg/web/portal/mindef/news-and-events/latest-releases/article-detail/2009/february/2009feb12-speeches-00242/!ut/p/z1/tVJNU9swEP0tPfoaCPbsd2boR2gExPaBoh16cj2-oPakpFFDP--G9IemAE6PVS3t\\_t25-174pLvuNRq3zXKdUarnnAuVz-izafTcwjE5SbcLiG92W7X](https://www.mindef.gov.sg/web/portal/mindef/news-and-events/latest-releases/article-detail/2009/february/2009feb12-speeches-00242/!ut/p/z1/tVJNU9swEP0tPfoaCPbsd2boR2gExPaBoh16cj2-oPakpFFDP--G9IemAE6PVS3t_t25-174pLvuNRq3zXKdUarnnAuVz-izafTcwjE5SbcLiG92W7X)
- SIPRI. (2021, April 26). *World military spending rises to almost \$2 trillion in 2020*. Retrieved from SIPRI website: <https://www.sipri.org/media/press-release/2021/world-military-spending-rises-almost-2-trillion-2020>
- Stewart, J. D. (1984). The role of information in public accountability. *Issues in Public Sector Accounting*.
- Stuart, H. D. (2012). Social transparency in networked information exchange: a theoretical framework. *CM computer supported cooperative work (CSCW) conference*, (pp. 451–460).
- Sturges, P. (2004). Corruption, Transparency, and ICT's. *International Journal of Information Ethics*. Vol. 2 Nov.
- Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, 20, 571-610.
- Sunlight Foundation. (2013). Ten Principles for Opening Up Government Information. *Sunlight Foundation*.
- The Law of Ukraine No. 464-XIV "On State Defense Orders". (dated March 3, 1999). *Clause 3 of Article 7*.
- Thompson, S. (1999). Illusions of Control: How We Overestimate Our Personal Influence. *Current Directions in Psychological Science*., 187-190.
- TI. (2011). *The Transparency of National Defence Budgets*. Transparency International UK.
- Tshwane Principles. (n.d.). *Open Society Foundations*:. Retrieved from Global Principles on National Security and the Right to Information (Tshwane Principles),: <https://osf.to/2LRe77j>
- Ubaldi, B. (2013). Open Government Data: Towards Empirical Analysis of Open Government Data Initiatives. *OECD Working Papers on Public Governance, No. 22*,.
- UN. (2015). *Responsive and Accountable Public Governance*. New York: World Public Sector Report.
- UNESCO. (2011). *Freedom of information: the right to know*. UNESCO.



- United States International Information Program. (n.d.). Retrieved from <http://usinfo.state.gov/products/pubs/democracy/dmpaper10.htm>
- Verschraegen, G. (2015). Fabricating Social Europe: From Neo-Corporatism to Governance by Numbers. *Houndmills: Palgrave MacMillan.*, 101– 120.
- Weber, M. (1947). The theory of social and economic organization. *New York: Free Press.*
- Weber, R. H. (2007). The Enhancement of Transparency in Internet Governance. *Global Internet Governance Academic Network, Annual Symposium 2007.*,
- Wehmeier S, R. O. (2012). Transparency matters: The concept of organizational transparency in the academic discourse. *Public Relations Inquiry 1(3)*, 337-366.
- Wehmeier, S. &. (2012). Transparency matters: The concept of organizational transparency in the academic discourse. *Public Relations Inquiry, 1(3)*, 337–366.
- Weiss, E. S. (2002). Making the Most of Collaboration: Exploring the Relationship Between Partnership Synergy and Partnership Functioning. . *Health Education & Behavior, 29(6)*, 683–698.
- Wezeman, P. &. (2014). Balancing Transparency and National Security. *SIPRI.*
- Wicks, A. F. (1994). A feminist reinterpretation of the stakeholder concept. . *Business Ethics Quarterly, 4*, 475-497.
- Wilson, J. (2010). Essentials of Business Research: A Guide to Doing Your Research Project. *SAGE Publications.*
- Worthy, B. &. (2010). Assessing the performance of freedom of information. *Government Information Quarterly (27)*, 352-359.
- Yardley, L. (2000). Dilemmas in qualitative health research. *Psychology and Health, 15(2)*, 215–228.
- (2003). *Yearbook on South-East European Defense Spending, Stability Pact for South Eastern Europe.* Budget Transparency Initiative.
- Zürn, M. (2019). Politicization compared: At national, European, and global levels. *Journal of European Public Policy, 26:7* , 978.

## Appendixes

### Appendix 1. The GIFT High-Level Principles for Fiscal Transparency

No.	Criteria	Comments
1.	Access to Information.	The criteria articulates the citizen's right to search, receive and distribute information about budget and fiscal policy. The manifestation of satisfaction of this criterion should be the development of a legislative framework with mandatory indication of the citizen's presumption to receive information without exceptions, which are not regulated by law.
2.	Clear and Measurable Objectives	The bottom line is that clear and measurable targets for fiscal and budgetary policy were regularly published by the government with explanations so that progress against them could be tracked. After all, in order to ensure transparent and open public administration, it is necessary to operate a system of open information of interested parties regarding the government's intention, goals, progress and results
3.	Quality, Reliable Information.	Qualitative and reliable information is financial and non-financial government information about the past, current and future state of affairs, performance results, true financial indicators, real budget risks. Such information is provided in a timely manner, without limiting the right of a person to information and is true, comprehensive, useful and accessible. The form of publication of information should meet internationally recognized standards, be consistent for different types of documentation and include explanations. This factor contributes to public understanding and participation in budget processes and evaluation of the government and the results of its actions.
4.	Communication of Objectives	Governments operate with resources provided to them by taxpayers, and therefore reporting on their allocation and distribution must be effective. Resource management must correspond to clear government goals and expected results in the social, economic, and environmental spheres. Governments must report on the goals and the results they achieve to ensure compliance with the principles of transparency, participation and accountability

5.	Legal Basis for Financial Transactions.	The management of state finances, which includes, in particular, financial transactions, must be based on the law. That is, regulation based on normative acts and procedures, laws is necessary. They must be publicly accessible. That is, in addition to financial information, citizens should be given access to regulatory procedures that justify this information.
6.	Defined Government Sector.	The definition of the government sector is important for a clear division between government powers and the regulation of relations with the private sector. A sector defined as government should be clearly governed by the principles of transparency, openness and accountability and defined by the objectives associated with them.
7.	Legislation of Roles and Responsibilities.	The division between branches of power - legislative, executive and judicial, as well as between levels of management, state structures, administrations and departments - should be clear and correspond to their respective roles and responsibilities of the budget process. This is important for understanding the principle of subordination, which results in building a system of accountability, as well as the distribution of responsibility. The lack of clarity about who is responsible for what, within what limits, and to whom they report, creates gaps in the control over the transparency of the process, and makes it unclear who should be held accountable.
8.	Legislative Power of the Purse	Every financial decision, approval of increase or decrease of state revenues/expenditures, inter-budget transfers must be approved at the legislative level. The legislative power must have effective mechanisms of control and regulation of the decisions of the executive power, and, if necessary, prosecution. The requirement of legislative approval before making changes to the budget, for example, or the possibility of making amendments to the budget - is the main requirement for ensuring public control and decentralization of power.
9.	Supreme Audit Institution's Independence	The financial control carried out by the Supreme Financial Audit Institution must be independent from the executive power and have the appropriate powers, access to information and resources to verify and publish reports on the use of public funds by the executive power. Institutions must perform their role in an accountable, transparent and independent manner, excluding any illegal leverage. An independent audit is the basis for ensuring an effective and honest mechanism for the management of state resources and reporting, as well as a guarantee of the reliability of information about state finances.

10.	Public Participation	Citizens' right to know and access to information should be combined with granting the right to participate in public debates, discussions, voting, decision-making, which most affect social aspects of life. After all, budget decisions should contribute to the best possible provision of the distribution of public funds in such a way as to benefit society and improve the quality of life. In addition to the fact that through the implementation of public participation, governments can gain information about public opinion and the share of support for decisions, it also increases trust in the government and its perception as legitimate
-----	----------------------	--

## Appendix 2. Categories of evaluation of Right to Information according to RTI Rating

No	Component	Criteria
1.	Right of Access	The legal framework includes a fundamental right of access to information and creates a specific presumption in favor of access to all information held by public authorities, with certain exceptions.
		The legislative framework contains a specific statement of the principles providing for a broad interpretation of the law on the right to information.
2.	Scope	Everyone (including non-citizens and legal entities) has the right to request the provision of all types and formats of government materials and any other information (i.e. the right to both request information and apply for specific documents).
		The right to apply for access implies an appeal to all, without exception, authorities, administrations, the judiciary (cabinet of ministers, ministries, departments, local authorities, public schools, health authorities, police, armed forces, security services and bodies owned or controlled by control of the above persons), and also applies to state-owned enterprises or private organizations with a share of state funding.
3.	Requesting Procedures	Requesters must provide details necessary to identify the requester and to deliver information, without stating the reasons for their requests.
		Request procedures are structured in a clear and simple manner, and include available referral channels.
		Public officials are required to assist requesters in formulating requests, providing feedback and advice. Assistance to persons with special needs (illiteracy, disability) should be mandatory.
		Applicants shall be provided with confirmation of the submission of the request within a reasonable time, which should not exceed 5 working days. The response to the request must be received by the requested person no later than 20 working days (i.e. within a reasonable maximum time). In the event of an extension of the request processing line, a notification indicating the reasons for the extension is required.
		Appropriate procedure for notifying by requesting authority that the requested information is not available. This also includes an obligation to forward the request to the requester with the explanation or to self-submit the request to another institution where the requested information is stored.
		It is free to submit request. If there are access fees, their level should be determined centrally by the state.
4.	Exceptions and Refusals	The provisions of the Right to Information Act take precedence over restrictions on disclosure of information where there is a conflict. The public interest takes precedence and therefore the information must be disclosed, even in the event of damage to the authority guarding the information, especially when the request for information concerns human rights, corruption or crimes against humanity.
		Exceptions to the right of access comply with international standards, with some exceptions (national security; international relations; public health and safety; prevention, investigation and prosecution of offenses, etc.)

		The harm test applies to all exceptions, so disclosure can only be withheld if disclosure poses a risk of actual harm to a protected interest.
		The information should be published as soon as the exception no longer applies (for example, after a decision has been made to tender the contract).
		There is a severability clause so that where only part of a record is covered by an exception the remainder must be disclosed.
		When refusing to provide access to information, public authorities must a) state the exact legal grounds and reason(s) for the refusal and b) inform the applicant of the relevant appeals procedures.
5.	Appeals	The law establishes the possibility of internal (simple, free of charge and with reasonable filing lines) and external appeal (to an independent administrative oversight body, following clear and understandable filing and review procedures).
		Members of the supervisory body are protected from political interference and any other levers of influence of third parties.
		An independent oversight body has the necessary authority and authority to carry out its functions, including for checking classified documents and inspecting the premises of state bodies.
		The decisions of the independent oversight body are binding. Appeals to a supervisory authority (if applicable, or to a judicial authority if one does not exist) are free of charge and do not require legal assistance, and the grounds for appeal are broad.
		During the appeal process, the authorities that refused to provide information are required to prove that his actions do not contradict the relevant legislation.
		The external appellate body has the power to impose appropriate structural measures on the public authority (e.g. to conduct more training or to engage in better records management)
6.	Sanctions & Protections	Those who wilfully act to undermine the right to information can and should be sanctioned.
		There is a system to deal with the problem of government agencies that systematically fail to disclose information.
		An independent supervisory body has the appropriate powers to decide on the unfair observance of the right to information by state bodies, as well as legal immunity.
		There are legal protections for those who disclose information in good faith that reveals wrongdoing (i.e., whistleblowers).
7.	Promotional Measures	Public bodies are required to have separate officials or a separate unit to monitor compliance by the body with its obligations to disclose information.
		Measures to raise public awareness must be taken in accordance with the law. As well as the training of officials.
		Public authorities are obliged to create and update lists or registers of documents in their possession and publish them.
		Reporting by government agencies on the actions taken by them to fulfill their obligations to disclose information (statistics, analytics).

## Appendix 3. Stakeholders of the defense budget process

Budget process stage	Stakeholder	Comments
Formulation	Parliament, parliamentary committees, Ministry of Finance	Budget policy, financing directions, macro- and micro-economic indicators are determined, and the distribution of resources is proposed for approval.
	Ministry of Defense, its department and agencies	They determine the priorities of the sector or industry and the consumption of resources, provide the scope of the need to provide resources in accordance with the defined goals of the strategy.
Enactment	Legislature, legislative committees	Considers the draft budget, may request an explanation from the ministries about certain budget decisions. Has the authority to promise, amend and approve the budget law.
	Ministry of Defense, its department and agencies	Responds to or explains policy decisions, appropriations, and expenditures as required by the Legislature
Execution	Ministry of Defense, its department and agencies, defense managers of budget funds at different levels	Execute and implement the approved budget, in relation to the specified framework, defined in the budget passports.
	Ministry of Finance	Control of budget implementation and reporting on it. Approval of changes in the budget, in case of receiving a corresponding

Audit	Supreme Audit Institutions (SAI)	Monitoring, reviewing and evaluating the effectiveness of the use and disposal of budget funds by fund managers. Monitoring and control of classified expenditure items. Preparation and submission of reports at the plenary sessions
	Internal Audit Department of Ministry of Defense	Monitoring, reviewing and evaluating the effectiveness of the use and disposal of the budgetary funds of the ministry. Preparation and publication of reports on the results of activities.
Throughout stages	all Citizens Civil society organizations (or NGOs) Media and press International organisations Research-advisory institutions	Supervision and monitoring and stages of the budget process depending on the degree of information disclosure. Formation of public opinion and independent assessments. Participating in the formulation of budget policy and advocating laws regarding the transparency and openness of public finances, including the financial aspects of the defense sector, forming an indirect influence on the formation of policy, appropriations and expenditures throughout the budget cycle.



## Appendix 4. The stakeholders of the defense budget process in Ukraine

Budget process stage	Stakeholder	Comments
Formulation	Cabinet of Ministry of Ukraine	the draft of the main directions of budget policy for the next budget period is submitted to the Verkhovna Rada of Ukraine for consideration
	Ministry of Finance	determines the main organizational and methodological principles of budget planning, the level of budget revenues and expenditures, the amount of its financing; prepares and submits to the Cabinet of Ministers of Ukraine the draft Law on the State Budget of Ukraine
	VRU	considering the draft law on the state budget
	Ministry of Defense, its department and agencies	They determine the priorities of the sector, develop draft estimates and budget requests in accordance with the defined goals of the strategy.
Enactment and approval	President of Ukraine	signs the Law on the State Budget of Ukraine, may veto its individual articles in case of disagreement.
	VRU	adopts the Law on the State Budget of Ukraine
	Cabinet of Ministers of Ukraine	ensures implementation of the State Budget of Ukraine
	Ministry of Defense, its department and agencies	Responds to or explains policy decisions, appropriations, and expenditures as required by the Legislature. Approve budgetary allocations in the relevant budget
Execution	Cabinet of Ministers of Ukraine	ensures implementation of the State Budget of Ukraine
	Ministry of Defense, its department and agencies, defense managers of budget funds at different levels	Execute and implement the approved budget, in relation to the specified framework, defined in the budget passports. Funds are spent and distributed among administrators at all levels to maintain the apparatus and to fulfill the tasks of the structures.
	Ministry of Finance	carries out methodical guidance on budget execution
	State Treasury Service of Ukraine	opening of accounts for the execution of budgets; making expenses within the limits of real incomes and in terms that make it possible to implement the corresponding budget programs

Audit	Accounting Chamber	Monitoring, reviewing and evaluating the effectiveness of the use and disposal of budget funds by fund managers. provides control over secret expenditures from the State Budget of Ukraine. Preparation and submission of reports at the plenary sessions
	Internal Audit Department of Ministry of Defense	Monitoring, reviewing and evaluating the effectiveness of the use and disposal of the budgetary funds of the ministry. Control over the completeness of receipts received by managers of budget funds of a lower level and recipients of budget funds and their spending of budget funds Preparation and publication of reports on the results of activities.
	State Treasury Service of Ukraine	carrying out preliminary and current control procedures during expenditure
Throughout all stages	Citizens Civil society organizations (or NGOs) Media and press International organisations Academic and Research institutions	Oversight and monitoring of the stages of the budget process depending on the degree of information disclosure. Formation of public opinion and independent assessments. Participation in the formation of budget policy through public consultations of the Ministry of Finance and public hearings and advocacy of laws regarding the transparency and openness of public finances, including financial aspects of the defense sector, the formation of indirect influence on the formation of policies, allocations and expenditures throughout the budget cycle.
	VRU	monitors compliance with budget legislation at each stage of the budget process

## Appendix 5. The professional background of the interviewee

No	Rank	Position (on the date of the interview)	Previous position (if relevant)	Interview aprox duration in hours
1.	Major	Employee of the Department of Personnel Work with Civil Servants and Heads of State Enterprises of the Personnel Policy Department of the Ministry of Defense of Ukraine (2015 - ...)	Specialist in personnel work and civil service at the State Service for Special Communications and Information Protection of Ukraine. (2010-2015)	1
2.	Lieutenant colonel	Head of the financial service of the military unit (2019-...)	Assistant to the head of the financial service (2017-2019)	0,75
3.	Colonel	Assistant commander for financial and economic work, head of the financial body (2022-...).	Head of the financial department of the military structure (2015-2022). He was also the deputy head of the control and audit department (2012-2015). Has been working in the financial sphere of the Defense Forces of Ukraine since 1987.	1,5
4.	Colonel	Head of the financial department (2018-...)	Head of the financial service (2010-2018)	1
5.	Not applicable	Director of the NGO "Molod' za krashche maybutnye" and communal institution "Youth Center" (2016-...)	-	0,5

## Appendix 6. The budget programs of the Ministry of Defense of Ukraine

No	Name of the budget program	The purpose of the budget program
1.	Management and military administration of the Armed Forces of Ukraine	Formation and implementation of state policy on issues of national security in the military sphere, the sphere of defense and military construction.
2.	Ensuring the activities of the Armed Forces of Ukraine, training of personnel and troops, medical support of personnel, military service veterans and their family members, war veterans.	Ensuring the functioning, combat and mobilization readiness, combat capability and training of the Armed Forces of Ukraine to perform the functions and tasks assigned to them.
3.	Development, procurement, modernization and repair of weapons and military equipment.	Increasing the military-technical level of the armament park, military and special equipment of the Armed Forces.
4.	Construction (purchase) of housing for servicemen of the Armed Forces of Ukraine	Provision of housing for servicemen of the Armed Forces, creation of an official housing fund.
5.	Disposal of ammunition, liquid components of rocket fuel, weapons, military equipment and other military property, ensuring survivability and explosion-fire safety of arsenals, bases and warehouses of the Armed Forces	Prevention of man-made disasters in places where rockets, ammunition and liquid rocket fuel components of the Armed Forces are stored and creation of conditions that guarantee the safety of the population.
6.	Ensuring the activities of the State Special Transport Service	Ensuring stable functioning of transport in peacetime, in emergency conditions and in a special period.