

## 8. The processes of budgeting for the military sector in Africa

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### I. Introduction

From the 1990s, military expenditure in Africa attracted renewed interest from external sources, especially the donors of economic aid to the continent. There were three principal reasons for this. One was the end of the cold war, which encouraged donors to look more critically at matters previously outside the purview of aid policy, such as national security and the cost of maintaining security establishments, especially in states where this was creating fiscal imbalances. The second was the increased number of armed conflicts on the continent from the late 1980s, and especially in the 1990s. Between 1990 and 2001, for instance, of the 57 major armed conflicts in the world, 19 were in Africa, the highest number for any region of the world.<sup>1</sup> The number of armed conflicts and widespread displacement of people in the areas affected aroused international concern about the causes of the conflicts, and one area that attracted much attention was the financing of the wars, which inevitably drew attention to the military expenditure of the states concerned. In addition, donors found that they increasingly had to work in post-conflict states where military expenditure constituted a disproportionate share of public expenditure, with a very high possibility of development assistance being diverted to military purposes. The third reason was the establishment of a linkage between good governance and development in the 1990s.<sup>2</sup> The establishment of this linkage logically led development actors to question 'excessive' or 'unproductive' expenditure, such as military expenditure, at the expense of the social sector and the alleviation of poverty.

In attempting to force a change in priorities in public-sector spending, donors chose to foist a predetermined ceiling or 'acceptable level' of military expenditure on national governments which wanted their support, instead of trying to understand why a particular level of funding had been decided or what would be an appropriate level. The result was continued opaqueness of military budgets at a time when donors were encouraging greater transparency of budgets in general, especially in aid-dependent countries which wanted to

<sup>1</sup> Eriksson, M., Sollenberg, M. and Wallensteen, P., 'Patterns of major armed conflicts, 1990–2001', *SIPRI Yearbook 2002: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 2002), p. 65.

<sup>2</sup> World Bank, *Governance and Development* (World Bank: Washington, DC, 1992); and World Bank, *Governance: the World Bank's Experience* (World Bank: Washington, DC, 1994).

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hide the true cost of their military expenditure. An unintended consequence of this policy was an increase in the level of unreliability of the data on which their judgement was based.

Donor meetings convened from the second half of the 1990s, and especially after the 1997 Ottawa meeting,<sup>3</sup> to discuss the issue of a link between ‘excessive’ military expenditure and development in developing countries pointed to the failure of this policy of imposing a maximum level of spending. The primary reason adduced for its failure was that it ignored the legitimate security concerns of the recipient nations. In 2000 participants at a meeting organized by the British Department for International Development (DFID) called for an approach that emphasized the strengthening of the *process* by which spending levels were determined instead of the level of spending itself. The approach advocated—also known as the process (or governance) approach—emphasizes key governance issues such as strengthening institutions that are particularly crucial to financial management (ministries of finance and defence, parliaments, audit departments and so on) and broadening the policy debate on identifying and meeting security needs.<sup>4</sup> This approach thus advocates the application to defence of sound public expenditure management principles which were already applied to other sectors, in concert with well thought-through security considerations. However, while the process approach appears to offer a better solution to the issue of the appropriate level of military expenditure, practical understanding of both the approach and its application remains untested.

Against this background, SIPRI (in collaboration with African Security Dialogue and Research, ASDR) launched a study in 2001 on the process of budgeting for the military sector in Africa.<sup>5</sup> It is a first attempt to examine the issue of military expenditure in selected African states from the perspective of process rather than level. The objective is to understand the process by which military spending decisions are made as a prelude to monitoring and strengthening this process (or encouraging the creation of one where there is none). It is an exploratory study, based on eight country case studies,<sup>6</sup> and uses an ana-

<sup>3</sup> In 1992 and 1993, 4 donor meetings were held in The Hague, Tokyo, Berlin and Paris to discuss the issue of military spending in developing countries. Since the policy of imposing a limit on military spending in recipient countries was just beginning, the impact of that policy could not be assessed. By the time of the 1997 Ottawa meeting, however, evidence of the failure of the policy was beginning to emerge. The report of the Ottawa meeting emphasized the need to strengthen the budgetary decision-making processes in recipient countries and also to consider their legitimate security needs when deciding on spending limits. Organisation for Economic Co-operation and Development (OECD), Development Co-operation Directorate, ‘Final report and follow-up to the 1997 Ottawa Symposium’, n.d., URL <<http://www.oecd.org/pdf/M00002000/M00002203.pdf>>.

<sup>4</sup> For a detailed explanation of the approach see Ball, N. and Holmes, M., ‘Integrating defense into public expenditure work’ (dissemination draft), 11 Jan. 2002, URL <<http://www1.worldbank.org/publicsector/pe/defense.htm>>.

<sup>5</sup> African Security Dialogue and Research (ASDR) is based in Accra, Ghana. See URL <<http://www.africansecurity.org>>. The SIPRI–ASDR project is sponsored jointly by the Swedish International Development Cooperation Agency (SIDA) and the International Development Research Centre (IDRC), Canada.

<sup>6</sup> The case studies cover Ethiopia, Ghana, Kenya, Mali, Mozambique, Nigeria, Sierra Leone and South Africa.

lytical framework consisting of a combination of elements of sound governance principles and universally acknowledged basic security considerations.

This chapter presents the basic issues covered by this SIPRI study and some of the main challenges suggested by the preliminary findings. Section II reviews the debate that led to the emergence of the approach. Section III describes elements of the analytical framework of the study, which offers one way to apply a process approach to the donor–recipient dialogue about military expenditure. Section IV discusses the challenges raised by applying the process approach to the case studies, and section V discusses the implications of these challenges for donor policies. Section VI summarizes the conclusions.

## II. Review of policy debates

Two interrelated issues—the perception of excessive or unsustainably high military expenditure which can contribute to fiscal imbalance in many developing countries, and the need to enforce good governance principles in budget practice, including in the defence sector—created the demand for a new approach to the management of military expenditure in developing countries from the end of the cold war.

While the need for a change of approach seemed self-evident given the glaring shortcomings of existing approaches to the issue of military expenditure in developing countries, development actors could not agree on the appropriate way forward. This was in part a hangover from the cold war era, when the development cooperation policies of major powers were dictated by ideological considerations but at the same time were expected to refrain from scrutiny of political matters (of which military expenditure was a major component). However, as these issues later became dominant in the development cooperation dialogue, a change in policy became inevitable.

The two Bretton Woods organizations—the International Monetary Fund (IMF) and the World Bank, which offer budgetary support and development assistance, respectively, to developing countries and countries with fiscal imbalances—were the first of the development actors to speak out publicly on the issue of excessive military expenditure as a major problem for many developing countries.<sup>7</sup> Before 1989, both institutions, like other development assistance agencies, had refrained from including the issue of military spending in their dialogue with recipient countries. This was a result both of the cold war and of their interpretation of the statutes that govern them.<sup>8</sup> After 1989, however, this changed. Both the Managing Director of the IMF, Michel Camdessus, and the President of the World Bank, Barber Conable, in different

<sup>7</sup> Neither institution gives any precise definition of what is meant by ‘excessive’. However, it was clear that they meant excessive in relation to overall government spending and in particular level of allocations to the social sector.

<sup>8</sup> International Bank for Reconstruction and Development (IBRD), Articles of Agreement (as amended effective 16 February 1989), URL <<http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,contentMDK:20049557~menuPK:58863~pagePK:43912~piPK:44037~theSitePK:29708,00.html>>. For the IMF Articles of Agreement see URL <<http://www.imf.org/external/pubs/ft/aa/index.htm>>.

forums made public statements urging restraint in military expenditure, especially in countries where social spending appeared to be at a disadvantage in relation to military expenditure.<sup>9</sup> Apart from this, they also began a process of discussing the issue of excessive military expenditure in their consultations with national governments.<sup>10</sup>

Within two years of Conable's September 1989 speech, the World Bank discovered that the issue of military expenditure featured in its dialogue with nearly 30 countries.<sup>11</sup> This confirmed Conable's earlier claim that excessive military expenditure was a critical part of the fiscal problem in many developing countries. He advocated placing military expenditure decisions on the same footing as decisions in other sectors in order to be able to systematically examine the possible trade-offs and ways of bringing military expenditure into line with development needs.

In both institutions' tackling of this problem, an upper limit of military expenditure was suggested. Camdessus suggested 4.5 per cent of gross national product (GNP)—the world average in 1988—as the upper limit for military expenditure.<sup>12</sup> Other international development actors, such as the United Nations Development Programme (UNDP) and the Secretary-General of the United Nations, Kofi Annan, also supported the idea of imposing an upper limit on military expenditure in developing countries. While the UNDP suggested a limit of 4 per cent of GNP,<sup>13</sup> Kofi Annan made a case for 1.5 per cent of gross domestic product (GDP) for African countries and zero growth in defence budgets for 10 years.<sup>14</sup>

However, the call for the imposition of a spending limit ignored certain critical factors.<sup>15</sup> First, developing countries are diverse—differently endowed in terms of resources and different in the security threats they face. A uniform upper limit on spending may be too high for some countries or too low for others, depending on the available resources and the security threats. Second, the data necessary for determining the level of spending were lacking, and where they were available they were not sound enough to be a reliable basis for such a fundamental judgement as one on appropriate or excessive spending. Third, the policy of imposing a limit encourages off-budget spending by

<sup>9</sup> Press Conference by Michel Camdessus, former Managing Director, International Monetary Fund, 28 Sep. 1989; and 'Address to the Board of Governors by Barber B. Conable, President, The World Bank Group', Washington, DC, 26 Sep. 1989, p. 11, cited in Ball, N., 'Transforming security sectors: the IMF and World Bank approaches', *Conflict, Security and Development*, vol. 1, no. 1 (2001), pp. 45–66, available at URL <<http://csdg.kcl.ac.uk/Publications/assets/PDF%20files/Ball.pdf>>.

<sup>10</sup> World Bank, *Governance: the World Bank's Experience* (note 2), pp. xviii, 47–52.

<sup>11</sup> Ball (note 9), p. 54.

<sup>12</sup> Camdessus, M., 'Global investment needs, savings, and military spending', *Finance and Development*, vol. 28, no. 3 (Sep. 1991), p. 28.

<sup>13</sup> United Nations Development Programme (UNDP), *Human Development Report 1994* (Oxford University Press: Oxford, 1994), especially chapter 3, 'Capturing the peace dividend', available at URL <<http://hdr.undp.org/reports/global/1994/en>>

<sup>14</sup> United Nations, The causes of conflict and the promotion of durable peace and sustainable development in Africa, Report of the Secretary-General, UN document A/52/871-S/1998/318, 13 Apr. 1998, p. 7.

<sup>15</sup> For a critique of the imposition of a spending level see MacDonald, B. S., *Military Spending in Developing Countries: How Much is Too Much?* (Carleton University Press: Ottawa, 1997).

the so-called overspending states, thus compounding the problem of determining the actual level of spending already created by the weakness of the available data.<sup>16</sup> Fourth, the issue of the capacity of most of the states to carry out serious budget exercises in the defence sector was ignored. Yet without this capacity and effective monitoring of the spending of defence allocations the likelihood of a sustainable reduction in military expenditure is very low. In addition, the call for spending limits to be imposed ignored the issue of rampant corruption associated with military budgets. How much of the funds allocated actually gets to the military as an institution, as opposed to individuals for their personal enrichment?

It was not surprising that in the end the objective of reining in military expenditure was not achieved; and a side effect of donors' imposition of spending limits was that data on military expenditure, which formed the basis of judgement on the level of spending, became even less reliable and sometimes completely unavailable.<sup>17</sup>

To promote understanding of this problem, several donor-sponsored meetings were organized between 1992 and 2000 with a specific focus on the issue of military expenditure and development in developing countries. However, only after the 1997 Ottawa meeting did the issues involved in the 'governance' approach begin to receive a favourable hearing. These meetings and commissioned studies<sup>18</sup> reached fundamental conclusions which can be summarized under four headings.<sup>19</sup>

1. The data on military expenditure, on which judgement on excessive military expenditure was based, were very weak and needed improvement.<sup>20</sup>

2. Military expenditure was not necessarily unproductive expenditure, even though it could be excessive or inappropriate if it led to a reduction in the well-being of citizens.

3. The focus should be on the decision-making process generating the level of military expenditure rather than on the level of spending per se.

<sup>16</sup> For a detailed discussion of different off-budget practices see Hendrickson, D. and Ball, N., *Off-Budget Military Expenditure and Revenue: Issues and Policy Perspectives for Donors*, CSDG Occasional Papers no. 1 (King's College, London, Conflict, Security and Development Group: London, Jan. 2002), available at URL <<http://csdg.kcl.ac.uk/Publications/html/occasional%20papers.htm>>. A typical example was Uganda, which hid parts of its military expenditure in the police budget to evade the prying eyes of donors who had imposed 2% of gross domestic product (GDP) as the spending limit for the country. 'Creative accounting in Africa: hidden skills', *The Economist*, 9 Oct. 1999, p. 64.

<sup>17</sup> Over the years, data on the military expenditure of some African countries, such as Tanzania and Zambia, have become unavailable in the main international sources, including IMF sources. Their national budget documents rarely contain data on military expenditure. In the case of Tanzania, on the few occasions when data were provided in the national budget document, this was done under the very broad heading of the 'Defence security sector'.

<sup>18</sup> One such study is Lamb, G. with Kallab, V., *Military Expenditure and Economic Development: A Symposium on Research Issues*, World Bank Discussion Papers 185 (World Bank: Washington, DC, 1992).

<sup>19</sup> It is important to note that these meetings reached different conclusions. In particular, the 4th conclusion here was only reached at the DFID meeting in 2000 and not at any earlier meeting.

<sup>20</sup> Michael Brzoska and Nicole Ball had earlier discussed the major weaknesses of military expenditure data. Brzoska, M., 'The reporting of military expenditures', *Journal of Peace Research*, vol. 18, no. 3 (1981), pp. 261–75; and Ball, N., *Third World Military Expenditure: A Statistical Compendium* (Swedish National Defence Research Institute: Stockholm, 1983).

4. Defence should not be treated any differently from the other public sectors in terms of policy formulation, budgeting, implementation or monitoring. In other words, the key governance principles of transparency, accountability, discipline and comprehensiveness in planning should apply to the military sector just as any other public sector.

These submissions found some limited resonance in internal developments within the Bretton Woods institutions, especially the World Bank. By the late 1990s the bank had several reasons to revisit the issue of military expenditure, which had been temporarily replaced by a preoccupation with demobilization and post-war reconstruction in the mid-1990s. Four principal reasons were responsible for this renewed attention.<sup>21</sup>

The first was the increased concern among the World Bank's major shareholders about the lack of transparency in the public expenditure of client countries at a time when the bank was increasing its financing to them in the form of budget support. There was thus an impulse to consider the role of non-development expenditures, including military expenditure, in borrower countries.

The second was a bill passed by the US Congress in 1996 (but which did not come into effect until 1999) requiring US directors of international financial institutions to vote against loans to countries that did not have a functioning system of reporting audited military expenditure to civilian authorities or to those whose governments declined to provide information about the audit process.<sup>22</sup>

The third reason was the astronomical increase in World Bank lending to post-conflict states. Over the 18 years 1980–97, the bank's lending to this category of states increased by as much as 800 per cent.<sup>23</sup> In the six years 1993–98, on average 15.3 per cent of the International Bank for Reconstruction and Development (IBRD)/International Development Agency lending commitments were absorbed by war-torn states. In most of these countries, budget outlays favoured defence at the expense of the development sector.

The fourth and final reason was that by the end of the 1990s the linkage between good governance practices and development was well established within the World Bank. Bank staff had gained experience of handling governance-related issues; and, because governance issues were being addressed in other sectors, it was difficult for recipient countries to argue against extending such principles to the military sector.

Because of the pre-eminent position of the World Bank and the IMF within the donor community, their inclusion of military expenditure issues in their dialogue with governments encouraged other donors, especially the Organisa-

<sup>21</sup> Ball (note 9), pp. 55 and 56. See also World Bank, *Governance: the World Bank's Experience* (note 2), p. 48.

<sup>22</sup> For background information on this legislation see Friedman, J. and Chellman, C., *Trust and Transparency: Reducing World Military Spending*, Research Report (Council on Economic Priorities: Washington, DC, Jan./Feb. 1997), pp. 1–5.

<sup>23</sup> Ball (note 9), p. 56.

tion for Economic Co-operation and Development (OECD) member countries, to do the same with the recipients of their development assistance.<sup>24</sup> As a result of this and, more significantly, of the problem of widespread conflict and post-conflict public security, donors began to understand the centrality of security to development. This development was reinforced by the result of the World Bank series of studies called *Voices of the Poor*, which showed that physical security was very high on the list of poor people's concerns.<sup>25</sup> Donors realized that some level of military expenditure is needed by states to meet their legitimate security needs and to provide the secure environment necessary for sustainable development, which is the goal of development assistance.<sup>26</sup> As a result, military expenditure is rarely described as unproductive any longer.

What remains, however, is the donors' insistence on imposing an upper limit on military expenditure in states that are heavily dependent on development assistance for budget support. While donors realize that there are negative sides to this policy—not least the fact that it risks driving military spending off-budget—their fear of being accused of interfering in the internal political affairs of recipient states or of becoming entangled in the often complex security situations in recipient countries has so far prevented the adoption of an alternative approach of greater engagement.<sup>27</sup> This is, however, gradually changing and an increasing number of donors are now becoming involved in the security sector.<sup>28</sup>

### **The process or governance approach**

In 2000 the British DFID convened a high-level meeting of development and security sector actors in donor and recipient countries to discuss the issue of defence expenditure management and the security sector generally. Here the idea of a 'governance' approach to the security sector was first discussed. The meeting suggested an integrated approach to the management of defence expenditure in particular and of the security sector in general. While the various elements of the approach had been suggested before at different meetings to discuss defence expenditure management since 1997, this was the first time all the elements were brought together as an approach to solving the problem of defence expenditure management and donor involvement.

Two important factors facilitated the re-emergence of military expenditure issues on the agenda of donors after the initial interest of the early 1990s

<sup>24</sup> The majority of the members of the OECD are the major shareholders of the IMF and World Bank. For OECD membership see the glossary in this volume.

<sup>25</sup> See URL <<http://www.worldbank.org/poverty/voices>>.

<sup>26</sup> Short, Clare (British Secretary of State for International Development), Keynote address at the DFID Symposium on Security Sector Reform, 17 Feb. 2000, in British Department for International Development (ed.), *Speeches: Security Sector Reform and Military Expenditure Symposium* (DFID: London, 2000), available at URL <<http://www.dfid.gov.uk/News/Speeches/files/sp17feb00.html>>.

<sup>27</sup> Hendrickson, D., *A Review of Security-Sector Reform*, Working Paper no. 1 (Conflict, Security and Development Group, Centre for Defence Studies, King's College, University of London: London, Sep. 1999), available at URL <<http://csdg.kcl.ac.uk/Publications/assets/PDF%20files/Working%20paper%20number%201.pdf>>.

<sup>28</sup> On the security sector see section I of chapter 7 in this volume.

waned: (a) the election in 1997 of the Labour government in the UK, whose development secretary, Clare Short, was strongly attached to good governance criteria; and (b) the interest of the OECD Development Assistance Committee (DAC), which had co-sponsored the 1997 Ottawa meeting where the issue of security sector governance first began to receive a favourable hearing. In 1999, the DAC Conflict Prevention and Development Cooperation Task Force commissioned a team to examine donor and developing countries' approaches to security sector reform and to produce a conceptual framework with definitions of security sector reform. These were agreed in the DAC Guidelines on Helping Prevent Violent Conflict in 2001. While this work was focused more broadly on security sector reform, it has been helpful in developing a climate within donor governments and multilateral agencies that is conducive to a governance approach to the defence budgeting problem.<sup>29</sup>

The new approach, known as the *process or governance* approach, combines good governance practices and sound financial management principles with security considerations and 'focuses attention on the institutional framework for both managing trade-offs between different sectors and for the effective management of the resources devoted to the defence sector'.<sup>30</sup> It does not claim that its adoption will necessarily lead to reduced military expenditure. Rather, it argues that in the short to medium term: (a) the figures for military expenditure may appear to increase, as previously off-budget military spending is brought on-budget, and (b) expenditure may actually rise as the armed forces are made more professional through training and modernization of equipment. Reduced military expenditure may eventually be achieved once proper governance principles are entrenched in the system.

The process approach has three main potential advantages to both donors and recipient countries. First, it has the potential to reveal the exact process of budgeting for the military sector, the actors involved and the kinds of trade-off involved between defence and other sectors, and ultimately to show whether the level of defence allocations is justifiable. This also has the potential of showing how reliable data are. Second, for recipient countries, it provides a unique opportunity to justify (to donors and their citizens) the level of military expenditure and the extent of military needs—especially where spending limits imposed by donors are well below the threshold of what is required to meet the basic security threats to the state. Third, if donors focus on the application of good governance principles to the military sector rather than on the level of spending, the argument of political interference in domestic affairs of recipient countries carries much less weight and even becomes less sensitive.

However, despite the potential of the process approach to solve the vexatious issue of appropriate levels of military expenditure between donors and

<sup>29</sup> The DAC Guidelines, *Helping Prevent Violent Conflict* (OECD: Paris, 2001), are available at URL <<http://www.oecd.org/pdf/M00040000/M00040778.pdf>>. The author is grateful to Nicole Ball for pointing out the significance of these 2 factors in the emergence of the process approach.

<sup>30</sup> British Department for International Development, *Security Sector Reform and the Management of Defence Expenditure: A Conceptual Framework*, Discussion Paper no. 1 (King's College, London, Centre for Defence Studies: London, 2000).



developing countries, it remains untested, and its various aspects have not been examined in real situations.

The approach emphasizes institution strengthening, but little is known about the institutions. What if there are no institutions to strengthen? Or if there is no process to begin with? The new approach requires a sea change in the approach to military-sector governance in most developing countries. While this may not be entirely bad—in fact, all stakeholders believe that the approach is ultimately good for the system—it is at the same time true that the new approach remains essentially a donor initiative, which raises the questions of how local ‘ownership’ will be encouraged. These are some of the questions that remain unanswered by the process approach. The SIPRI study attempts to examine these issues using the process approach in eight African countries.<sup>31</sup>

### III. An analytical framework for a process approach

In order to use a process approach, a framework of an ideal process is needed. The SIPRI study uses an analytical framework that is an amalgamation of: (a) internationally accepted standards of sound public expenditure management,<sup>32</sup> which includes good governance principles and sound financial management practices; and (b) an ideal-type policy, planning, programming and budgeting framework for armed forces.<sup>33</sup> In other words, it combines economic and security considerations as the basis for determining and managing military expenditure. This balance is important for both the finances and the security of the state. The overarching principle of the framework is that the military sector should be treated no differently in terms of policy development, planning and budgeting from any other part of the public sector. It requires an integrated set of policy principles, involving the military and other sectors in the national policy framework and reflecting the country’s social, economic and political environment. The translation of this policy into a defence plan allows for the appropriate allocation and efficient use of resources. This framework is based on the assumption that all armed forces have a constitutional role, which enjoins them to serve as guarantors of the territorial integrity of the state and the sovereignty of the nation.

According to this analytical framework, the budgeting process involves a number of institutions and actors that differ from country to country. In an ideal situation, however, the stages involved in the process remain basically the same. The overall policy direction and economic policy framework of the

<sup>31</sup> See note 6.

<sup>32</sup> Ball and Holmes (note 6). See also World Bank, *Public Expenditure Management Handbook* (World Bank: Washington, DC, 1998); and Ball, N., ‘Managing the military budgeting process: integrating the defence sector into government-wide processes’, Paper presented at the SIPRI–ASDR Workshop on Budgeting for the Military Sector in Africa, Accra, Ghana, 25–26 Feb. 2002.

<sup>33</sup> A more comprehensive list of the challenges and implications will be presented in the volume which will report on the findings of the SIPRI study. Omitoogun, W. (ed.), *Budgeting for the Military Sector in Africa: The Processes and Mechanisms of Control* (Oxford University Press: Oxford, forthcoming 2004). The challenges identified and discussed here are part of the preliminary findings of the study.

government have a major influence on the process. The objective is to ensure that the government allocates resources appropriately to defence within the scope of what the state can afford. It is also important that the process be transparent and participatory (the approach will be most successful in a democratic environment), and that the military sector competes on an equal footing with all other government sectors.

A participatory process means that economic managers and oversight bodies such as the legislature and the auditor general play a central role, and that non-state actors are consulted. The various stakeholders in the process should receive the amount and type of information required to ensure that appropriate decisions are made. They also need to receive it in a timely fashion. Accountability and control are essential; thus the last three stages in the process outlined below—output monitoring, accounting for expenditures and evaluating results—are an important part of the process approach. The following are the main elements of a proper budgeting process for the military sector.

1. The fiscal envelope for the security sector is defined by government and communicated to those responsible for overseeing strategic planning for the defence sector.
2. The security environment is analysed.
3. The constitutional and legal framework within which the decision is to be made and implemented is identified.
4. The challenges for the armed forces are defined. What types of challenge are envisaged for defence? These are usually articulated in a defence White Paper or similar policy paper.
5. The types of military capability required to manage the challenges are identified and the options weighed.
6. The size, shape and structure of the armed forces are defined.
7. Resources are allocated and the defence budget prepared.
8. Planned activities are implemented and functional areas aligned and rationalized in order to produce an effective defence organization.
9. Outputs (results) are monitored.
10. Expenditures are properly accounted for.
11. Outputs are evaluated and audited, and results are fed into future plans and reported to the relevant legislative and executive bodies.

While it is recognized that the framework described above may not be applicable in its entirety to all existing military budget processes across Africa, two compelling reasons make the use of an ideal-type process framework attractive (in this case for research). One is the need for a standard measure of good practice in the military policy, planning and budget process that will serve as the basis for assessing practice in a number of African states. Without such a measure it becomes difficult to assess performance in the sector. The other is that it provides a conceptual support for the study on which to anchor the analyses in the case studies. A common conceptual approach provides a

good basis for a comparative analysis in the whole study, and to help point the way to how processes might be strengthened.

In a number of African states, the gap between *de jure* (formal) and *de facto* (actual) processes for determining military expenditure is currently very significant. It is therefore important to study not only the *de jure* process but also the *de facto* process of decision making for military budgeting.

#### IV. The challenges of using the process approach

The findings of the SIPRI study reveal some challenges for good governance in the area of military budgeting. They involve the basic divergences between the ideal process described above and the existing—both formal and informal—practices in the African countries examined. As such, they indicate first priorities to be addressed by development actors planning to apply the process approach to the issue of military expenditure in particular, and the security sector generally, in Africa. This section summarizes some of the main challenges identified by the SIPRI study. The implications for donor policies are addressed in section V.<sup>34</sup>

##### Policy development

Perhaps the first of these challenges is the issue of policy development. While policy is critical to planning generally, and to defence planning in particular, most of the countries in the case studies, with the exception of South Africa, do not have a well-articulated defence policy to guide their military sector activities. In some, such as Ghana, no defence policy document exists.<sup>35</sup> In others, such as Nigeria, the policy was unwritten until 2001 and merely assumed to be known to all.<sup>36</sup> There is also a problem of the lack of a wider national economic policy framework that a defence policy can feed into.

The absence of a well-defined defence policy has grave implications for budgeting and planning generally. Without a proper definition of policy goals it will be difficult to develop a strategic doctrine, and this in turn will affect the determination of appropriate force levels, the organization of the armed forces, financing and weapons procurement. In the early 1980s the Nigerian Navy bought a frigate which soon became a burden to it in terms of both maintenance cost and combat use, mainly because inter-service rivalry and

<sup>34</sup> A more comprehensive list of the challenges and implications will be presented in the book which will come out of the SIPRI study. Omitoogun, W., *Military Expenditure of African States: A Survey*, SIPRI Research Report no. 17 (Oxford University Press: Oxford, forthcoming 2003). The challenges identified and discussed here are part of the preliminary findings of the study.

<sup>35</sup> Hutchful, E., 'Military budgeting in Ghana', Research report submitted as part of the SIPRI Project on Budgeting for the Military Sector in Africa, Mar. 2003.

<sup>36</sup> Ekoko, A. E. and Vogt, M. A. (eds), *Nigerian Defence Policy: Issues and Problems* (Malthouse: Lagos, 1990), p. 101. See also Omitoogun, W. and Oduntan, B., 'Budgeting for the military sector in Nigeria', Research report submitted as part of the SIPRI Project on Budgeting for the Military Sector in Africa, Mar. 2003. For the first time, a draft defence policy for Nigeria was in 2001 made available to the public.

prestige played a greater role in the procurement decision than strategic considerations or need.<sup>37</sup> In Ghana, the absence of a defence policy and strategic framework led to the adoption of a 'shopping list' approach to budgeting by the armed forces. This approach to budgeting involves a 'wish list' of items rather than a budget that is the product of strategic planning and coordination.<sup>38</sup>

The absence of a defence policy to guide the budgeting and planning processes in many African states is a result of: (a) the lack of expertise in ministries of defence to draw up such policies, and (b) the absence of an enabling environment—lack of political will on the part of the executive, absence of a national policy framework that defence can feed into, lack of coordination between defence and other sectors with which defence should interact, and so on—which would make the drawing up of such plans possible. In Ghana and Nigeria, for instance, the problem is more the second, as highly qualified personnel are available in the armed forces of both countries, even though their ministries of defence, which are supposed to lead policy development processes, are institutionally very weak. In other countries, such as Ethiopia and Mali, the problem is a combination of the two.

Solving the problem in the countries concerned presents a major challenge for the process approach. It demands country-specific rather than standard solutions, so the work involved may be a deterrent for donors because of the sheer number of countries in Africa needing such support.

There are a number of approaches that could be adopted to alleviate the problem of managing defence policy processes. These would include the consultative processes that are found in Sierra Leone, South Africa and Uganda, and more periodic reviews on an annual or biannual basis.

### **The scope of the formal defence budget**

One other significant challenge for a process approach is that of defining the scope of the military budget. The coverage of military budgets is difficult to determine in a number of the SIPRI case studies. For different reasons that range from wrong classification of military items under other sectors and the availability of special funds for discretionary spending by governments to deliberate hiding of military expenditure items, a significant proportion of military expenditure is off-budget in a number of states. These off-budget expenditures are financed either under some other heading in the government budget, such as the interior or public works, or entirely outside the public expenditure framework, for example, through some separate funds.

Examples are the Nigerian Petroleum Savings Trust Fund (PTF) and the Dedicated and Oil Windfall accounts that were used to finance military operations in Liberia and Sierra Leone between 1990 and 1999. Given the size of the Nigerian economy, these are huge sums. In Mali, off-budget military

<sup>37</sup> Ekoko and Vogt (note 35), p. 154.

<sup>38</sup> Hutchful (note 34).

expenditure is allowed because the armed forces are excluded from the Special Investment Budget, which is financed mainly from external sources.<sup>39</sup> The Malian armed forces' incomes from commercial activities are usually not included in the annual budget estimates. In Ethiopia, off-budget military expenditure is also common, but the highly centralized decision-making process makes it impossible to assess the magnitude of such spending.<sup>40</sup> Ghana has over the years received additional income from its forces' peacekeeping activities. Although these have not been huge sums in dollar terms, they have been quite significant in local currency, especially when compared to the size of the official military budget.

Such unbudgeted expenditures (which also encourage corruption because of the secrecy associated with the sector) often cause distortions in the macro-economic situations of these countries. However, off-budget items are difficult to identify in the budgets of many African countries because of the lack of detail in most defence budgets. For instance, until 2002 Ethiopia did not have a column for arms procurement in its budget breakdown, yet weapon purchases have been a major part of military activities since the Derg regime of 1974–91. If what is included in the defence budget is not known, it is difficult to know what to look for in other budgets or extra-budgetary funds. In some countries off-budget spending could be equal to or greater than the defence budget itself.<sup>41</sup> Ensuring a sufficiently detailed breakdown of all defence budget items is thus a major challenge for both the 'level of military expenditure' approach and the process approach. The process approach, however, has more potential than the 'level' approach to discover off-budget spending because it is comprehensive, involving not only defence but also other aspects of the public sector.

### **The role of parliaments**

Parliamentary oversight of the military budget is very weak in virtually all the countries in the study. While the legislature is supposed to vet expenditure and represent a check on the executive with regard to policy and spending in order to ensure accountability and transparency, this hardly ever happens. This is partly a result of the ambiguity of the law in relation to the extent of parliaments' powers in the process, as is the case in Ghana; but even where the extent of their powers is clear, as it is in Ethiopia, Kenya, Mali and even Nigeria, parliaments have not been as effective as might be expected in discharging their oversight functions. Two reasons were identified as possible causes of this weakness.

First, the expertise needed to scrutinize military budgets is lacking among most members of the legislature across the countries examined. Most of the

<sup>39</sup> Ayissi, A. and Sangare, N., 'Military budgeting in Mali', Research report submitted as part of the SIPRI Project on Budgeting for the Military Sector in Africa, Mar. 2003.

<sup>40</sup> Omitoogun, W., *Military Expenditure of African States: A Survey*, SIPRI Research Report no. 17 (Oxford University Press: Oxford, forthcoming 2003).

<sup>41</sup> Omitoogun (note 33).

legislatures are also too poor to employ qualified aides as research officers. As a result, they rely on the judgement of the retired military personnel among them, who may not be totally objective in their analysis of the defence budget. The result is that the defence budget is hardly subject to any serious scrutiny, with all that that implies for the chances of reining in military expenditure and for control of the armed forces generally. This is the situation in Ethiopia, where the military budget is almost completely prepared by the Ministry of Finance and Economic Development and the Prime Minister's Office, while the Parliament merely rubber-stamps the final document.<sup>42</sup> Added to this problem is the sort of influence which ruling political parties in many African states exercise over the legislature. This can be pronounced and often undermines the capacity of parliaments to carry out their oversight responsibilities.

The problem of lack of expertise is compounded by the lack of continuity in the membership of the defence committees, as the leadership of the parliament changes regularly. This is the situation in Nigeria, where the composition of the Defence Committee changed three times in four years. The opportunity of learning through experience is lost in the process.

Second, there has been something like a conspiracy between the legislative and executive branches (in the name of security) to hide defence expenditure either from the public or from donors. Ethiopia is again an example here, as the government is torn between meeting the spending limit imposed by donors and carrying out the transformation of its armed forces from a guerrilla army to a modern armed force. This is a national goal shared by the executive and the legislature in the country, and providing resources for the purpose without overshooting the donor limit is a task for both branches of government. In Ghana and Nigeria, guided tours of major military installations or barracks were enough to persuade the legislature to increase defence expenditure without asking questions about previous allocations to the sector.

Correcting this weakness through capacity building is a major challenge that needs to be overcome before the issues of transparency and accountability can be effectively addressed. The challenge is even more daunting because periodic elections mean that continuity of membership of a country's parliament itself and of its defence committee is uncertain. Devising the means to build the capacity of the legislators and ensuring continuity in the system are challenges that must be overcome for the process approach to succeed. One way to proceed would be to institute courses in Africa designed to enhance the knowledge of practitioners in the military budgeting processes.

### **The role of auditors**

Auditors are key actors in the process of budgeting and control. If there is to be any form of accountability, they have to be accorded high priority in the process. This is not the case in many of the countries studied by the SIPRI project. While some lack good audit departments staffed by qualified per-

<sup>42</sup> Adejumobi and Binega (note 39).

sonnel, in others relatively good audit offices have only been given limited opportunity to carry out their constitutional role where defence budgets are concerned.

Again, the question of how far auditors (external auditors in particular) can go in auditing military budgets has been a subject of controversy in some countries. In Ghana, the auditor-general was denied access to vital documents and prevented from making an on-the-spot assessment of military sites that was important in order to verify some of the purchases purportedly made by the military. Similarly, in Nigeria no audit was carried out on the federal government's accounts throughout the 1990s. In 2003, when the auditor-general released a highly critical report on the government accounts, including the military, he was accused by the government of bias against it and later relieved of his position.<sup>43</sup> In Ethiopia the role of the auditor, especially in relation to the defence budget, is not well defined. This raises the issue of the strengthening of institutions, such as the offices of the auditor general, that are critical to financial control within the budget process.

### **The role of civil society**

Ideally, the defence budget process should be participatory, involving several stakeholders, including members of civil society and especially think tanks dealing with defence issues specifically and security as more broadly defined.<sup>44</sup> However, this is not the case in the countries studied. The majority of the civil society organizations (CSOs) lack the expertise in defence issues to contribute meaningfully to the defence budget debate; and the few who do have some knowledge of the issues are denied the opportunity to participate since the budget is not discussed beyond the small circle of government officials concerned.

One major reason for this (which is also related to the problem of policy development) is that, in the absence of defence White Papers in most of the countries covered by the case studies, there is little basis for contribution to the budget debates. This problem is compounded by the lack of detail in the defence budgets. Even where there is no defence policy but the budget is sufficiently detailed, CSOs can make some contribution to military budgetary decisions. A major challenge, therefore, is to encourage more transparency in the budgeting processes and to broaden the basis for debate by empowering research-based CSOs through capacity building and financial support. South Africa is a good example of CSOs making an important contribution in the process of carrying out a defence review but, apart from South Africa and possibly Nigeria, hardly any African country has a sufficient pool of security analysts who can seriously engage in such debate in the defence sector.

<sup>43</sup> 'The auditor-general's report: matters arising', *The Guardian* (Lagos, Internet edn), 27 Feb. 2003, URL <<http://odili.net/news/source/2003/feb/27/38.html>>.

<sup>44</sup> On new concepts of security see chapter 9 in this volume.

### **The degree of institutionalization of the decision-making process**

In many of the case studies, the degree of institutionalization of the processes of budgeting is limited and in some cases virtually nil.

The extent to which the available rules guiding the process are adhered to determines the degree of institutionalization of the process (although it should also be acknowledged that the different actors' maturity of approach, which would allow them to entertain divergent and often critical opinions while managing military budgeting processes, is also an important element). While there are rules to guide the processes, in many of the countries studied these are hardly ever followed. Although most of the countries in the case studies have now become multiparty democracies, the level of adherence to rules and procedures is still very low in nearly all of them. (In some cases, the rules are not very clear as to who is responsible for what.) All this creates a vacuum that is filled by strong and influential personalities.<sup>45</sup>

In Ethiopia, under both the Derg and the subsequent regime of Prime Minister Meles Zenawi, the prime minister has been very influential in the budgeting process, even though the law confers enormous powers on the legislature. In Nigeria in the 1990s, certain individuals who wielded great influence in government were able to attract huge resources to their ministries, but once they left office the ministries were treated like other ministries in budgetary allocation. The PTF, headed by former military ruler Mohammed Buhari, was richer than most government ministries and actually took over most of their development functions even though it was only an agency in the presidency. Its enormous influence and resources were the result of the stature of Buhari in the country generally and in the government of Sani Abacha in particular. The PTF has since been abolished. The influence of Daniel Arap Moi, former President of Kenya, was also significant in attracting resources to favoured ministries in Kenya. The Department of Defence there is in the Office of the President.

## **V. Implications for donor policies and practices**

The challenges enumerated above have to be tackled if the new approach to military sector governance is to take root. However, they have some implications for existing donor policies or practices.

### **Enhanced policy dialogue**

Addressing some of the challenges identified above requires a much deeper involvement than donors currently engage in. Most of the challenges identi-

<sup>45</sup> For a discussion of the way in which strong personalities destroyed institutions in Africa see Ng'ethe, N., 'Strongmen, state formation, collapse and reconstruction in Africa', ed. I. W. Zartman, *Collapsed States: The Disintegration and Restoration of Legitimate Authority* (Lynne Rienner: Boulder, Colo., 1995). See also Chabal, P. and Daloz, J.-P., *Africa Works: Disorder as Political Instrument* (James Currey: Oxford, 1999).



fied require capacity building in the form of either training or infrastructure development, which will be difficult to undertake from a distance. The need is even greater for enhanced policy dialogue between donors and recipient countries in order to develop a reform-friendly environment which will ensure that projects and reforms are sustainable. It is only when both parties are engaged in such constructive and sustained dialogue that reforms can achieve their intended objectives.

### **Long-term commitment**

A major reason for donors' reluctance to embrace the governance approach may be that it lacks an 'exit strategy'<sup>46</sup> should the security situation degenerate in the recipient country. Applying strict governance principles requires a much longer time to achieve results. The nature of the challenges is such that they require long-term solutions and commitment to make any meaningful impact. Institution building takes time because of the numbers of actors involved and the need for attitudinal change on the part of those actors. While the 'level' approach can be likened to a sprint, the process approach is a marathon. Are donors prepared for the race? Of course, this is not to advocate perpetual donor involvement in recipient countries, but rather to stress the need for a realistic period of support in order to wean countries from their old ways.

### **Allocation of donor funds to the military sector**

The challenges identified above will require resources to be allocated to the military sector, and this will need to be addressed sooner rather than later. While some donors are already allowing the use of development assistance in the security sector, several others still resist the idea of being involved with the sector. The sheer number of countries in Africa and the prospect of stemming armed conflicts resulting from the mismanagement of the military sector should be enough justification for a concerted donor effort in this field. Such assistance should be given in partnership with African institutions in support of regional initiatives.

## **VI. Conclusions**

There is little doubt that the process approach to military sector governance is much more rewarding to both donors and recipient countries than the 'maximum level' approach. It promotes accountability, due process and a participatory approach to military sector management. However, the challenges arising from its application and their implications for existing donor policies in the sector require careful consideration, especially by donors, because of the long-term commitment required and the additional resources needed, at least

<sup>46</sup> Hendrickson (note 27) p. 40.

in the short to medium term. Starting reform and then abandoning states midway through the reform process would be a waste of time and resources. Ensuring local ownership of the process from the outset is also an essential part of guaranteeing the sustainability of the process in recipient countries in the long run.