

## V. Transparency in military expenditure data

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Government transparency in military expenditure is an important component of good governance and international efforts to maintain peace and security. It contributes to rational decisions about the allocation of limited resources and to confidence building at international and national levels. This section discusses developments in 2016 in governmental transparency at (a) the international level through the United Nations report on military expenditure; and (b) the national level through the publication of key data on military expenditure by government institutions.<sup>1</sup>

### Reporting to the United Nations

In 1981 the UN General Assembly agreed to establish an annual report in which all UN member states could voluntarily provide data on their military expenditure. Each year the UN Secretary-General invites all member states to report their military expenditure by 30 April for the most recent financial year for which data is available. Originally, the reporting was aimed at facilitating a reduction in military budgets. Since the 1990s it has been seen more as a transparency measure, aimed at promoting confidence building among states in the political–military sphere.<sup>2</sup> A total of 49 of the 193 UN member states submitted reports in 2016—a participation rate of 25 per cent (see table 9.8).<sup>3</sup> While the response rate averaged 40 per cent in 2002–2008, it fell to an average of 25 per cent in 2012–16. A total of 28 European states reported in 2016, compared with 13 states in the Americas and 8 states in Asia and Oceania. No country in Africa or the Middle East reported information in 2016.

### National transparency

The lack of reporting to the UN is in stark contrast to the fact that many states publish information about military spending in government budgets

<sup>1</sup> For an in-depth and long-term assessment of transparency in military expenditure see Perlo-Freeman, S. et al. 'Military expenditure', *SIPRI Yearbook 2015*, pp. 360–68.

<sup>2</sup> United Nations Office for Disarmament Affairs (UNODA) and SIPRI, *Promoting Further Openness and Transparency in Military Matters: An Assessment of the United Nations Standardized Instrument for Reporting Military Expenditures*, UNODA Occasional Papers no. 20 (United Nations: New York, Nov. 2010), p. 7.

<sup>3</sup> United Nations, General Assembly, 'Objective information on military matters, including transparency of military expenditures', Report of the Secretary-General, A/71/115, 27 June 2016 and A/71/115/Add.1, 15 Sep. 2016. According to personal communication received in March 2017 from the UN Office for Disarmament Affairs (UNODA), 49 countries reported military spending to the UNODA in 2016.

**Table 9.8.** Number of countries reporting their military expenditure to the United Nations, 2002, 2010–16<sup>a</sup>

	2002	2010	2011	2012	2013	2014	2015	2016
No. of UN member states	191	192	192	193	193	193	193	193
<b>Total no. of reports</b>	<b>81</b>	<b>60</b>	<b>67</b>	<b>49</b>	<b>56</b>	<b>49</b>	<b>43</b>	<b>49</b>
Response rate (%)	42	31	35	25	29	25	22	25
Reports from non-UN member states <sup>b</sup>	1	–	–	–	–	–	–	–

– = no report.

<sup>a</sup> Years are the year of the Secretary-General's request (the deadline of which is 30 Apr. of the following year). The reports relate to spending in the most recently completed financial year.

<sup>b</sup> Reports from non-UN member states are not included in other totals.

*Sources:* United Nations, General Assembly, 'Objective information on military matters, including transparency of military expenditures', Reports of the Secretary-General, Various dates, 2002–16.

or other reports on government spending. SIPRI based its military spending figures for 2016 on information from government publications for 148 countries. For a few other countries, where government information was not available, SIPRI's figures for 2016 were based on other sources, such as reports by the International Monetary Fund and research papers. Several countries used to publish data, but have not done so for at least the past 10 years (e.g. Eritrea, Turkmenistan and Uzbekistan). Gabon, Guinea, Sudan, and Trinidad and Tobago have recently started to release their military spending data again after breaks in publication.

Incomplete or inaccurate information on military spending is a widespread problem. This is illustrated by a report from the French Court of Auditors (Cour des comptes), the body that audits the use of public funds in France, published in 2016. The report criticized the French Ministry of Defence's (MOD) lack of transparency in reporting on its spending for international operations, mainly in Africa and the Middle East, led by France's armed forces.<sup>4</sup> It stated that the €1.1 billion figure presented by the MOD as the cost of these operations for 2012–15 was an underestimate. The report also criticized the MOD's method of presenting its spending, which made it impossible for the auditing body to isolate costs related to operations paid through regular budget funding.

In 2016 the level of government transparency in military spending improved in several cases. The biggest improvement in data availability was for Sudan. Information about defence spending was absent from Sudan's annual budget between 2006 and 2014. However, the information was

<sup>4</sup> French Court of Auditors, 'Les opérations extérieures de la France 2012–2015' [France's external operations 2012–2015], Communication to the Finance Committee of the Senate, Oct. 2016.

included in the budgets for 2015 and 2016. Furthermore, secondary sources provided data for the years 2007 to 2009 and for 2015 and 2016. The new data for Sudan has led to an improvement in regional military spending estimates for Africa and sub-Saharan Africa. These estimates now only exclude Eritrea and Somalia.

*Improvements in national transparency: Chile's Copper Law*

In December 2016 the complete content of Chile's Copper Law, including its amendments, was finally made publicly available.<sup>5</sup> The disclosure of the legislation is a landmark in the efforts to further increase national transparency and accountability. Chile's Copper Law allocates 10 per cent of copper export revenues to arms procurement and maintenance. The mechanism was created in 1958 to provide stability to military funding and protect the military budget against political shifts. The law initially established a minimum annual allocation to the military budget of \$90 million. In 1985 the minimum annual allocation was raised to \$180 million.

The budgetary mechanism established by the Copper Law and its classified status have come under increasing scrutiny in recent years. Proposals for an alternative budgeting mechanism were made in 2009 and 2011, but neither of these was successful.<sup>6</sup> The debate over the Copper Law's classified status was reignited in 2015 after the Council for Transparency called for its full publication, including any modifications. The request was based on an earlier civilian petition for full publication of the law, which was denied by the Under Secretariat of the Armed Forces on the grounds that its disclosure could potentially affect national security. Parallel to these efforts, Congressman Jaime Pilowsky, a former president of the congressional Defense Commission, introduced a motion to Chile's Congress to make the content of the Copper Law publicly available. After a positive outcome in Congress, Pilowsky's motion was unanimously approved in the Senate.<sup>7</sup> Nevertheless, while the publication of the law in December 2016 has improved transparency, Pilowsky's motion did not encompass any modifications to the budgetary process. Pilowsky introduced the motion in the wake of several cases of corruption involving high-ranking military officials. Between 2010 and 2014 it is estimated that around \$5 million was misappropriated through

<sup>5</sup> Chilean Ministry of Finance, 'Exige la publicación en el Diario Oficial de la Ley No 13.196, Reservada del Cobre' [Requirement for the publication in the Official Journal of Law No 13.196, Copper Reserve Law], Law no. 20.977, 22 Dec. 2016.

<sup>6</sup> 'Bachelet quer limitar poder de tribunais militares no Chile' [Bachelet wants to limit the power of the military courts in Chile], BBC (Brasília), 27 Oct. 2009.

<sup>7</sup> Chilean Senate, 'Sesión: 59/364 Miércoles 2 de Noviembre de 2016 a las 18:47. Tema: Proyecto de ley, en segundo trámite constitucional, que exige la publicación en el Diario Oficial de la ley No 13.196, reservada del cobre' [Session 59/364 Wednesday 2 November 2016 at 18:47. Subject: a bill, in second constitutional process, requiring the publication in the Official Journal of Law No 13.196, Copper Reserve Law], 2 Nov. 2016.

irregular arms procurements.<sup>8</sup> The calls for reform have been further strengthened by the poor economic performance over the past few years of the National Copper Corporation of Chile (Codelco)—the company required to allocate funds to the military under the Copper Law. Falling copper prices and the obligation to allocate a minimum of \$180 million of its annual revenues to the military have placed a heavy burden on Codelco. In early 2016 Codelco's financial deficit reached \$97 million, with the company attributing the poor results to the Copper Law.<sup>9</sup>

<sup>8</sup> Agencia EFE, 'Chile no cambiará por ahora la Ley del Cobre que financia a las Fuerzas Armadas' [Chile will not change for now the Copper Law that finances the Armed Forces], 13 July 2016; and Transparency International, Chile Transparente, 'Minuta Milicogate' [Milicogate minutes], [n.d.].

<sup>9</sup> 'Políticos amplían debate para derogar la Reservada del Cobre y entregar más recursos a Codelco' [Politicians widen debate over revoking the Copper Law and delivering more resources to Codelco], Emol, 29 Aug. 2016.