

## 8. Military expenditure

ELISABETH SKÖNS, WUYI OMITOOGUN,  
CATALINA PERDOMO and PETTER STÅLENHEIM

### I. Introduction

World military expenditure in 2004 is estimated to have been \$975 billion at constant (2003) prices and exchange rates or \$1035 billion in current dollars. This is just 6 per cent lower in real terms than at the 1987–88 peak of cold war world military spending. As a global average, 2004 world military expenditure corresponds to \$162 per capita<sup>1</sup> and 2.6 per cent of world gross domestic product (GDP).<sup>2</sup> However, there is a wide variation between regions and countries in the scale and economic burden of military spending (see section II).

The average annual rate of increase in world military expenditure over the 10-year period 1995–2004 was 2.4 per cent in real terms. This average encompasses two distinct trends: first, the post-cold war reduction in military spending which culminated in 1998; second, an increasing trend since 1998, accelerating to an annual average increase of around 6 per cent in real terms over the three-year period 2002–2004.

The major determinant of the world trend in military expenditure is the change in the USA, with its 47 per cent of the world total. United States military expenditure has increased rapidly during the period 2002–2004 as a result of massive budgetary allocations for the ‘global war on terrorism’, primarily for military operations in Afghanistan and Iraq. These have been funded through supplementary appropriations on top of the regular budget. The supplementary appropriations for this purpose allocated to the Department of Defense (DOD) for financial years (FYs) 2003–2005 amounted to approximately \$238 billion and exceeded the combined military spending of Africa, Latin America, Asia (except Japan but including China) and the Middle East in 2004 (\$214 billion in current dollars), that is, of the entire developing world. Thus, while regular military spending has also increased, in the USA as well as in several other countries and regions, the main explanation for the current level of and trend in world military spending is the spending on mili-

<sup>1</sup> This per capita average is based on an estimated total world population of 6378 million in 2004. United Nations Population Fund (UNFPA), *State of the World Population 2004* (UNFPA: New York, 2004), URL <<http://www.unfpa.org/swp/>>.

<sup>2</sup> This share of GDP is based on a projected figure for world GDP in 2004 of \$40 108 billion at market exchange rates. International Monetary Fund (IMF), *World Economic Outlook, September 2004: The Global Demographic Transition* (IMF: Washington, DC, 2004), URL <<http://www.imf.org/external/pubs/ft/weo/>>, Statistical appendix, table 1, ‘Summary of world output’, p. 199.

tary operations abroad by the USA, and to a lesser extent by its coalition partners.<sup>3</sup>

High-income countries are also beginning to perceive that they have an interest in investing in the security of poorer countries. This is shown in the increased focus in their thinking on how to promote peace and security in developing countries, in the short term by means of security-related development assistance,<sup>4</sup> as well as in the longer term, for example, by providing for the achievement of the Millennium Development Goals.<sup>5</sup>

This chapter brings together the three themes discussed above: the trends and pattern displayed by SIPRI military expenditure statistics; the rising military spending in the USA; and the international financing of security in low-income countries. Section II presents the trends and pattern in military expenditure based on the SIPRI data on military expenditure provided in appendix 8A; first the regional trends; second the economic burden of military expenditure; and third the 15 major spenders in 2004. Section III considers the trends in US military expenditure, including the US defence budget for FY 2006, the costs of foreign military operations and the economic implications of the current levels of military spending. Section IV examines two cases of international financial support for security-related activities in two countries in two continents: Colombia in South America and Sierra Leone in Africa. It describes the foreign aid programmes for these two countries and analyses the different profiles and outcomes of these two programmes with a view to extracting some experience of how to promote security in developing countries that are engaged in or at risk of new or resumed armed conflict. This experience can then be applied in the development of new policies by donor countries. Conclusions are drawn in section V.

## II. Regional trends and major spenders

The SIPRI military expenditure statistics reflect official military spending, as reported by governments. The tables on military expenditures in appendix 8A to this chapter include 10-year series of military expenditure for 159 countries.<sup>6</sup> Table 8.1 below summarizes the country data by geographical region and by group of national per capita income.

<sup>3</sup> The difficulty of estimating the annual distribution of expenditure resulting from the US supplementary appropriations produces uncertainties in the growth rate for the most recent year in US military expenditure and thus also for world military spending. Consequently, the downward revision in the growth of world military spending in 2003 is due to the fact that part of the 2003 supplement was actually spent in 2004. See Sköns, E. *et al.*, 'Military expenditure', *SIPRI Yearbook 2004: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 2004), p. 305.

<sup>4</sup> Security-related development assistance refers to various forms of aid to strengthen security in developing countries. See the Internet site of the Organisation for Economic Co-operation and Development (OECD), Development Assistance Committee (DAC), Network on Conflict, Peace and Development Co-operation, URL <<http://www.oecd.org/dac/conflict/>>.

<sup>5</sup> United Nations Millennium Project, *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals* (Earthscan: New York, 2005), URL <<http://unmp.forumone.com/>>.

<sup>6</sup> Appendix 8B provides the sources and methods for the SIPRI military expenditure data. Appendix 8C provides statistics on governments' reporting of their military expenditure to SIPRI and to the

The world and regional totals are likely to be much higher than presented here, since it is known that many governments tend to underreport their spending, especially governments in developing countries and particularly those in countries engaged in armed conflict. The difference is often accounted for by off-budget income generated by the military for their own use. Second, the statistics reflect budgeted expenditure, which is sometimes exceeded by actual expenditure. Third, they reflect only government expenditure and not the spending of non-government armed forces.<sup>7</sup>

The total costs of wars and armed conflicts are much greater than indicated by these sums. Most armed conflicts take place in low-income countries.<sup>8</sup> The costs of these conflicts are largely unknown: first, because of the lack of transparency in the public expenditure accounts of most government engaged in armed conflicts; and second, because of the lack of knowledge of the costs of armed activities by non-government forces. More importantly, the expenditure on the fighting of war is only part of the cost of war. In addition, there are the economic and social costs of wars, such as the impact on human capital and economic growth in the countries in conflict as well as the external impact on countries and people who are not parties to the conflict. Although these types of cost have not been comprehensively assessed, it is nevertheless clear that they exceed by far the costs of the actual fighting of war.<sup>9</sup>

### Regional trends

The region in which military expenditure increased most in 2004 is South Asia, where spending increased by 14.3 per cent in real terms. Other regions with strong increases in 2004 are North Africa (12 per cent) and North America (9.9 per cent). In Central America and Western Europe regional military expenditure declined in 2004 (see table 8.1).

In *Africa* military expenditure increased by 7.4 per cent in real terms in 2004. The increase in African military expenditure was owing primarily to increased spending in the major spending nations of Algeria, Morocco and South Africa, which together accounted for more than half of the regional total in 2004. The main reason for the continuing rise in their military spending was the continuation of the various programmes of modernization of their armed forces. The regional total for Africa excludes Angola because of uncertainty in the data.<sup>10</sup> Angola increased its military expenditure considerably in 2004, partly due to debt payments and the cost of demobilizing former UNITA rebel

United Nations. The usual appendix on data on expenditure on military personnel and equipment of the member states of the North Atlantic Treaty Organization (NATO) is not provided this year because NATO did not release these data in time for their inclusion.

<sup>7</sup> For the sources and methods of SIPRI military expenditure statistics see appendix 8B.

<sup>8</sup> In 2004 there were 19 major armed conflicts (including the war in Iraq). See chapter 2 and appendix 2A in this volume.

<sup>9</sup> See chapter 7 in this volume.

<sup>10</sup> This includes uncertainty in the estimates of military expenditure and in economic parameters more generally.

**Table 8.1.** World and regional military expenditure estimates, 1995–2004

Figures are in US\$ b., at constant (2003) prices and exchange rates. Figures do not always add up to totals because of the conventions of rounding. Figures in italics are percentages.

Region <sup>a</sup>	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Change 95–04
<b>Africa</b>	<b>8.8</b>	<b>8.5</b>	<b>8.7</b>	<b>9.3</b>	<b>10.3</b>	<b>10.8</b>	<b>11.0</b>	<b>11.6</b>	<b>11.7</b>	<b>12.6</b>	<b>+43</b>
North	(3.4)	3.5	3.7	3.8	3.9	4.3	4.4	4.8	4.9	5.5	+65
Sub-Saharan	5.5	5.0	5.0	5.5	6.3	6.5	(6.6)	6.8	6.8	(7.1)	+29
<b>Americas</b>	<b>367</b>	<b>347</b>	<b>347</b>	<b>340</b>	<b>341</b>	<b>353</b>	<b>358</b>	<b>398</b>	<b>446</b>	<b>488</b>	<b>+33</b>
North	347	328	326	319	320	332	335	375	424	466	+34
Central	3.2	3.3	3.4	3.3	3.5	3.6	3.7	3.5	3.4	3.2	+2
South	17.2	15.6	18.1	17.4	17.0	17.9	19.9	19.6	18.4	18.8	+9
<b>Asia, Oceania</b>	<b>136</b>	<b>141</b>	<b>138</b>	<b>135</b>	<b>137</b>	<b>147</b>	<b>151</b>	<b>151</b>	<b>(158)</b>	<b>(164)</b>	<b>+21</b>
Central	0.4	0.5	0.5	(0.5)	0.5	..	(0.6)	..	(0.6)	(0.7)	+73
East	113	119	115	111	112	121	124	123	(129)	(132)	+17
South	13.4	13.6	14.2	14.4	15.5	16.2	16.8	17.0	17.5	20.0	+50
Oceania	8.7	8.6	8.8	9.1	9.6	9.5	9.9	10.3	10.6	11.0	+26
<b>Europe</b>	<b>237</b>	<b>236</b>	<b>237</b>	<b>234</b>	<b>239</b>	<b>243</b>	<b>244</b>	<b>250</b>	<b>256</b>	<b>254</b>	<b>+7</b>
Central, Eastern	28.1	26.2	27.7	23.4	24.8	27.3	29.2	30.7	33.2	34.2	+22
Western	209	210	209	211	214	216	215	220	223	220	+5
<b>Middle East</b>	<b>40.1</b>	<b>39.1</b>	<b>43.0</b>	<b>46.5</b>	<b>46.0</b>	<b>51.7</b>	<b>55.3</b>	<b>52.9</b>	<b>54.4</b>	<b>56.1</b>	<b>+40</b>
<b>World</b>	<b>789</b>	<b>772</b>	<b>774</b>	<b>765</b>	<b>773</b>	<b>806</b>	<b>819</b>	<b>864</b>	<b>927</b>	<b>975</b>	<b>+23</b>
Change (%)		-2.3	0.3	-1.2	1.1	4.2	1.6	5.4	7.2	5.3	

( ) = Total based on country data accounting for less than 90% of the regional total; .. = Available data account for less than 60% of the regional total.

<sup>a</sup> For the country coverage of the regions, see appendix 8A, table 8A.1. Some countries are excluded because of lack of data or of consistent time series data. Africa excludes Angola, Benin, Equatorial Guinea and Somalia; Asia excludes Afghanistan; and the Middle East excludes Iraq and Qatar. World totals exclude all these countries.

Source: Appendix 8A, tables 8A.1 and 8A.3.

soldiers;<sup>11</sup> thus, if Angola were included, the increase in the regional total would have been even greater. In North Africa the 12 per cent real-terms increase in 2004 military expenditure was accompanied by increasing transparency; all countries in the region released information on their military expenditure or budgets for 2004 in one way or another.<sup>12</sup>

In *East Asia* the 2.7 per cent real-terms increase in 2004 military spending represented a continuation of a long-term pattern of growth—although this was interrupted in 1997 and 1998 when the Asian financial crisis forced several of the major spenders in the region to cancel or postpone large procurement projects. However, in comparison with 2003, the East Asian increase in 2004 represents a slowdown, owing primarily to the impact of the reduced rate of increase in military expenditure in China, which accounted for over one-quarter of East Asian military expenditure. In spite of the increase in military

<sup>11</sup> Economist Intelligence Unit (EIU), *Country Report: Angola* (EIU: London, Feb. 2004).

<sup>12</sup> See appendix 8C.

spending in China in 2004—by \$2.3 billion, or almost 7 per cent in real terms—this is still significantly less than its average annual growth of 11.5 per cent during 1995–2003. It is also lower than the estimated 9 per cent rate of economic growth, thus leading to a further reduction in military expenditure as a share of China's GDP. China has increased its military expenditure by more than 150 per cent in real terms since 1995 and by 60 per cent since 2000. Continuing tension between North and South Korea has driven South Korea to increase its military expenditure by 4.2 per cent in 2004, giving a total increase of 15.2 per cent in real terms since 2000.

The main factor behind the strong increase in *South Asian* military expenditure in 2004 is a massive increase in India's defence budget. This increase reportedly reflects India's ambitions to play the role of a regional leader, rather than being directly connected to the ongoing tensions in the Kashmir conflict.<sup>13</sup> To a large extent it is also a measure to compensate the Indian Armed Forces for long-standing management problems, such as inefficient procurement processes and difficulties in the implementation of major procurement projects.<sup>14</sup> In Sri Lanka the government reacted to setbacks in the peace process with the Liberation Tigers of Tamil Eelam by increasing its military budget by 13.1 per cent.<sup>15</sup> However, as Sri Lanka spends only about 3 per cent of what India spends on its armed forces, this big increase had little impact on the regional trend.

Australian military expenditure accounts for more than 90 per cent of the regional total for *Oceania* and is thus decisive for the regional trend. The Australian defence posture is being reoriented towards a more global focus,<sup>16</sup> with improved capabilities to counter emerging types of threats, such as 'terrorism, concerns associated with the proliferation of weapons of mass destruction and the risk of failed states in the region'.<sup>17</sup> For this purpose the Australian Government is not only raising military spending but is also freeing resources through cuts in the size of its armed forces.<sup>18</sup>

*Central America* is one of the two regions where military expenditure decreased during 2004. The regional giant Mexico, which accounts for 87 per cent of total regional military expenditure, decreased its military spending by \$122 million or 4.1 per cent in 2004. All other countries in the region for which data were available also decreased their military spending in 2004. Since 2000, Central American military expenditure, which historically has been devoted primarily to internal security, has decreased by more than 10 per cent in real terms, and in 2004 regional spending was at roughly the same level as in 1995.

<sup>13</sup> For a survey of military expenditure trends in India see Sköns *et al.* (note 3), pp. 333–34.

<sup>14</sup> 'India defense budget up 18 percent', *Defense News*, 19 July 2004, p. 44; and 'India steps up defence spending to buy new arms', *Air Letter*, no. 15 530 (13 July 2004), p. 5.

<sup>15</sup> 'Sri Lanka violence fears sour return to normality', *Financial Times*, 4 Dec. 2004.

<sup>16</sup> 'Australia plans to upgrade defence force', *Air Letter*, no. 15 367 (12 Nov. 2003), p. 4.

<sup>17</sup> Wyatt, S., 'Australia announces 10-year plan to improve military equipment', *Financial Times* (Japan edition), 5 Feb. 2004, p. 2.

<sup>18</sup> Ferguson, G., 'Australia cuts deep to fund future needs', *Defense News*, 17 Nov. 2003, p. 18.

Five countries in *South America* increased their military budgets in 2004, five countries reduced theirs, while no data were available for one country, Guyana. In relative terms, Paraguay was the country that decreased its military budget most in 2004, with a decrease of 14.7 per cent in real terms. Brazil and Ecuador made the largest absolute cuts in their military budgets, \$401 million and \$67 million, respectively. These decreases were too small to offset the enormous increases in the Chilean and Colombian military budgets, resulting in a slight increase for the region as a whole. In Chile the sharp increase in copper prices made additional resources available (in accordance with the 1958 Copper Law<sup>19</sup>) for its military modernization plan and for participation in international military missions.<sup>20</sup> The main motives behind Colombia's decision to increase spending on its armed forces are the continuing internal conflict and the government's efforts to increase the number and professionalism of military personnel.<sup>21</sup> During the past decade military expenditure in South America has followed a fluctuating but slowly increasing trend, largely following the trend of the major regional spender, Brazil, which accounts for 40 per cent of the regional total.

Military spending in the *Middle East* increased by 3.1 per cent in real terms in 2004, thereby continuing a long-term increase. Over the ten-year period 1995–2004 military spending in the region increased by 40 per cent in real terms with Saudi Arabia and Israel (and to a lesser extent Kuwait) being the main countries accounting for this trend. The increase in 2004 is owing primarily to a \$700 million increase in the Israeli military budget and a \$500 million increase in Saudi Arabia. In relative terms, Israel and Kuwait are the countries with the strongest increase in 2004, approximately 7 per cent each. The increase in Israel was in reaction to the reduction in 2003, which was fiercely opposed by Israeli military chiefs of staff at a time of continuing security crisis. The rise in 2004 is expected to continue in 2005 according to preliminary budget figures for defence and this is seen as a victory for the Israeli military establishment.<sup>22</sup> The Kuwaiti increase in military spending continued a trend in spending that started in 2000 and which is associated with the procurement of new equipment. The increase of 2.8 per cent in Saudi

<sup>19</sup> According to the Ley Reservada del Cobre (Restricted Law on Copper), law no. 13 196 of 29 Oct. 1958 (most recently modified in 1987), 10% of total revenue from copper exports is set aside to finance military acquisitions.

<sup>20</sup> Chilean Ministry of Finance, 'Informe presupuestario del gobierno central cuarto trimestre 2004' [Budget report of the central government fourth quarter 2004], Santiago, 10 Feb. 2004, p. III; and International Monetary Fund, 'Chile: 2004 Article IV Consultation', IMF Country Report no. 291/2004, 13 Sep. 2004, URL <<http://www.imf.org/external/country/chl/>>.

<sup>21</sup> Villmizar, A. and Espejo, G., *El Gasto en Seguridad y Defensa en Colombia: De la Contención a la Ofensiva* [Defence and security spending in Colombia: from containment to offence] (Fundación Seguridad y Democracia: Bogotá, Nov. 2004), p. 8.

<sup>22</sup> 'Part of defense budget hike to come from separation fence', *Rishon Leziyyon Globes*, 17 Aug. 2004, in Foreign Broadcast Information Service, *Daily Report–Near East and South Asia (FBIS-NES)*, FBIS-NES-2004-0817, 18 Aug. 2004.

Arabia in 2004 is mainly associated with the authorities' increasing focus on internal order in the aftermath of terrorist attacks in the country.<sup>23</sup>

European military expenditure increased slightly in both 2002 and 2003, but the combined budgeted expenditure for 2004 showed a small decline. The overall trend for these countries is strongly influenced by the spending of the five major powers in Europe—France, Germany, Italy, Russia and the United Kingdom—which together accounted for approximately 70 per cent of total European military expenditure in 2004. These five countries exhibit different trends.

France's military expenditure has been increasing at a rate of 2 per cent per year over the period 2001–2004, and is most likely to continue to grow during the remaining years of its 2003–2008 military programme law.<sup>24</sup> This law defines the annual budgets for investment in defence, giving priority to military equipment: in 2004 the total defence budget increased by 4.3 per cent in total, while the equipment budget increased by 9.2 per cent, reaching 46 per cent of the total.<sup>25</sup> While a spending freeze has been imposed on French public expenditure in order to reduce the budget deficit from 4.1 per cent of GDP (well above the 3 per cent limit set by the European Union (EU) Growth and Stability Pact),<sup>26</sup> the Ministry of Defence has been exempted from that freeze.<sup>27</sup>

Germany and Italy reduced their military spending during 2002 and 2003. Germany, which also has problems in meeting the economic targets of the Growth and Stability Pact, has taken the opposite approach to France and is extending heavy budget cuts to the military.<sup>28</sup> However, the German Ministry of Defence is simultaneously trying to restructure the armed forces to focus the German Army on peacekeeping, crisis management and anti-terrorist oper-

<sup>23</sup> For an account of military expenditure trends in the Middle East see Omitoogun, W., 'Military expenditure in the Middle East after the Iraq war', *SIPRI Yearbook 2004* (note 3), pp. 381–88.

<sup>24</sup> Loi de programmation militaire 2003–2008 [Military programme 2003–08 law], Loi no. 2003-73, 27 Jan. 2003, URL <<http://www.legifrance.gouv.fr/>>; and 'Armed forces welcome 2005 budget allocations', *Le Monde*, 3 Oct. 2004, in Foreign Broadcast Information Service, *Daily Report–Western Europe (FBIS-WEU)*, FBIS-WEU-2004-1004, 5 Oct. 2004.

<sup>25</sup> 'Un budget de redressement pour la France' [A correction budget for France], *Air & Cosmos*, no. 1906 (3 Oct. 2003), pp. 32–33.

<sup>26</sup> Council of the European Union, 'Resolution of the European Council on the Stability and Growth Pact, 17 June 1997', *Official Journal of the European Communities*, C236, 2 Aug. 1997, URL <<http://europa.eu.int/eur-lex/lex/en/index.htm>>, pp. 1–2; and 'Editorial: Sarkozy and the budget', *Le Monde*, 18 Apr. 2004, in 'French daily views Minister Sarkozy's approach to budget management', FBIS-WEU-2004-0419, 26 Apr. 2004.

<sup>27</sup> President Jacques Chirac made a commitment in 2002 that the Ministry of Defence would be a 'protected sanctuary' from spending cuts. 'Sarkozy ready for a budget battle against Mrs. Alliot-Marie', *Le Monde*, 18 Apr. 2004, in 'France's Sarkozy reportedly to include defence cuts in effort to reduce deficit', FBIS-WEU-0419, 23 Apr. 2004; and 'France to boost 2004 military spending', *Air Letter*, no. 15 532 (15 July 2004), p. 5.

<sup>28</sup> 'Germany unveils huge defence cuts', BBC News Online, 14 Jan. 2004, URL <<http://news.bbc.co.uk/2/3395575.stm>>; and Agüera, M., 'German budget deficit may spell further cuts in defense spending', *Defense News*, 24 May 2004, p. 9.

ations.<sup>29</sup> Since 1995, Germany has reduced its military expenditure by more than 10 per cent and since 2000 by about 6 per cent in real terms.

Despite a slight increase in the Italian defence budget for 2004, there was a substantial cut in the procurement part of the budget because of the resources required for the transformation of the Italian armed forces into an all-professional force. Furthermore, in a mid-year revision, the budget was cut by 3.8 per cent, resulting in a 3.2 per cent decrease in spending since 2003. Most of this cut was in arms procurement, leading Italy to postpone several major procurement programmes.<sup>30</sup>

In Russia, the 2004 budget for national defence, signed into law by the president on 27 December 2003, amounted to 411.5 billion roubles (\$12 billion), an 8 per cent increase in real terms over the 2003 budget.<sup>31</sup> In October 2004 the budget was amended, adding another 14.7 billion roubles (\$435 million) for national defence. This extra allocation was due mostly to increased budget revenues as a result of higher oil prices and was largely oriented towards paying off debts to the arms industry and the energy sector and to regulating unpaid salaries.<sup>32</sup> Total Russian military expenditure in 2004, including this supplement and military-related expenditure outside the official budget for national defence, amounted to 655.8 billion roubles (\$19 billion), an increase over 2003 of 4.8 per cent in real terms.

The trend in the military expenditure of the UK is difficult to assess because of its change to a new accounting system for government public expenditure.<sup>33</sup> The higher level of spending in 2002 and 2003 is to some extent caused by the additional costs of unprogrammed military activity in Afghanistan, Bosnia and Herzegovina, Iraq and Kosovo.<sup>34</sup> However, this does not explain the large increase in 2003 and only partly explains the fall in budgeted expenditure for 2004. In July 2004 the British Treasury announced an increase of 1.4 per cent

<sup>29</sup> Williamson, H., 'Defence overhaul sets new focus for Germany', *Financial Times*, 14 Jan. 2004, p. 2; and 'German transformation adopts official agenda', *Defense News*, 25 Oct. 2004, p. 42.

<sup>30</sup> Kington, T., 'Italian spending increase? Not so fast', *Defense News*, 11 Oct. 2004, pp. 1, 12; and Valpolini, P., 'Italian budget set for major cut', *Jane's Defence Weekly*, 26 Jan. 2005, p. 12.

<sup>31</sup> Russian Ministry of Finance, Federal law of 23 December 2003, 186-FZ: on the federal budget for 2004, Moscow, Dec. 2003, URL <<http://www.minfin.ru/>> (in Russian).

<sup>32</sup> Sklyarova, I., 'Uncovered reserves', *Vremya Novostei*, no. 172 (22 Sep. 2004), p. 4, URL <<http://vremya.ru/print/108014.html>> (in Russian).

<sup>33</sup> In 2001 the British Government decided to change its accounting system from a 'cash basis' to an 'accrual basis' (or 'resource basis' in British terminology). In accrual basis accounting systems, revenue and expenditure are accounted for in the period in which they arise rather than in the period in which the associated cash transactions occur. This change, implemented in 2001 and 2003, produces a break in the military expenditure series for the UK. Following advice from the British Ministry of Defence, SIPRI has selected the expenditure series that are most consistent over time. Thus, the figures used for the SIPRI military expenditure database and presented in appendix 8A for FY 2002/2003 are for Departmental Expenditure Limits (DEL) and for the period from FY 2003/2004 onwards are Total DEL. Bennett, N., Defence Analytical Service Agency, British Ministry of Defence, Personal communications with the authors, 20 Sep. 2004 and 11 Jan. 2005.

<sup>34</sup> The figures used by SIPRI include the 'cost of unprogrammed operation/conflict prevention', such as the activity in Afghanistan, Bosnia and Herzegovina, Iraq and Kosovo. British Ministry of Defence, *The Government's Expenditure Plans 2004/2005-2005/2006*, Command Paper no. 6212 (The Stationery Office: London, 2004), URL <<http://www.hms.gov.uk/>>, p. 24. The extent to which these costs include the total amount of contingency funds for military operations in Iraq in 2003 is unclear.

in real terms in the 2005 defence budget.<sup>35</sup> In the same month the defence minister, Geoff Hoon, announced a major restructuring of the British armed forces, the costs of which are to be partly compensated for by cuts in troops, bases and major weapon systems.<sup>36</sup>

With the exception of the new North Atlantic Treaty Organization (NATO) member states and those that aspire to NATO membership, most other countries in Europe budgeted for a reduction in military expenditure in 2004. The comparison with US military expenditure appears to have lost ground as an argument for increased European military expenditure. For example, Nick Witney, the chief executive of the European Defence Agency, established in 2004, questioned the relevance of this comparison for Europe on the basis that the USA is a 'global hyper-power', while 'the EU does not aspire to that role'.<sup>37</sup> According to Witney, the important target for Europe is to increase spending on research and technology in order to maintain strategic defence-industrial capability. The arguments referring to a transatlantic gap in advanced new military technology and a lack of transatlantic interoperability were also challenged in 2004. In a major study of European capabilities in command, control, communications, computers, intelligence, surveillance and reconnaissance technologies (so-called C<sup>4</sup>ISR technologies, required for network centric capability), the conclusion was that the European countries studied have a greater commitment to the deployment of such capabilities and provide greater interoperability within NATO than is sometimes thought.<sup>38</sup> According to this report, the transatlantic interoperability problems are neither as extreme nor as powerful a barrier to transatlantic interoperability as is sometimes claimed. It is argued that the capabilities gap is to some degree a misperception. 'Only the United States has set for itself the twin goals of global operations and a fully network centric military force to conduct those operations. European agendas are more modest with respect to geographic reach and the creation of a fully networked force.'<sup>39</sup>

### **The economic burden of military expenditure**

The share of global resources used for military purposes has increased steadily during the period 2000–2004. As a global average, the military burden, as expressed by the share of GDP spent on the military, increased from 2.3 per cent in 2001 to 2.5 per cent in 2003 (see table 8.2). This represents a rate of increase of a full 0.1 percentage point per year, a significant rate considering the large size of world GDP. Estimated world military expenditure in 2004

<sup>35</sup> Kemp, D., 'UK budget gets £3.7 billion boost', *Jane's Defence Weekly*, 21 July 2004, p. 15.

<sup>36</sup> Kemp, I., 'UK details armed forces restructure', *Jane's Defence Weekly*, 28 July 2004, p. 14.

<sup>37</sup> 'EDA chief: defence budget race with US is irrelevant', *EurActiv*, 21 Jan. 2005, URL <<http://www.euractiv.com/Article?tmuri=tcm:29-134450-16&type=News>>.

<sup>38</sup> Adams, G. *et al.*, 'Bridging the gap: European C4ISR capabilities and transatlantic interoperability', Defense & Technology Papers no. 5, Center for Technology and National Security Policy, National Defence University, Washington, DC, Oct. 2004, URL <<http://www.ndu.edu/ctnsp/>>.

<sup>39</sup> Adams *et al.* (note 38), p. 8.

**Table 8.2.** Military expenditure per capita in 2004 and as a share of gross domestic product in 2000–2003, by region and by income group

Per capita expenditure figures are in US\$, at current prices and exchange rates.

Region/income group <sup>a</sup> (GDP/GNI per capita) <sup>b</sup>	Military expenditure per capita, 2004	Military expenditure as a share of GDP (%)			
		2000	2001	2002	2003
World (\$6019)	162	2.3	2.3	2.4	2.5
<i>Region</i>					
Africa (\$775)	18	2.2	2.1	2.1	2.1
Americas (\$16 599)	597	2.7	2.8	3.0	3.3
North America (\$36 464)	1 453	2.9	2.9	3.2	3.6
Latin America (\$3406)	47	1.3	1.5	1.4	1.3
Asia (\$2651)	45	1.6	1.6	1.6	1.6
Oceania (\$24 145)	516	1.8	1.8	1.8	1.8
Europe (\$15 397)	351	2.1	2.0	2.1	2.1
Western Europe (\$23 971)	530	2.0	2.0	2.0	2.0
Central and Eastern (\$3133)	112	2.8	2.9	2.9	3.0
Middle East (\$4513)	248	7.0	7.5	6.9	6.7
<i>Income group</i>					
Low income ( $\leq$ \$765)	20	2.3	2.0	1.8	1.8
Lower-middle income (\$766–\$3035)	46	2.6	2.7	2.7	2.7
Upper-middle income (\$3036–\$9385)	136	2.5	2.6	2.4	2.4
High income ( $\geq$ \$9386)	867	2.2	2.2	2.4	2.5

GDP = Gross domestic product; GNI = Gross national income.

<sup>a</sup> For the definition and coverage of regions and income groups, see appendix 8A.<sup>b</sup> The figures in parentheses after regions are 2003 GDP per capita. The ranges in parentheses after income groups are 2003 GNI per capita.

*Source:* **Military expenditure:** appendix 8A, table 8A.1. **GDP:** International Monetary Fund, International Financial Statistics database, Dec. 2004, URL <<http://www.imf.org/>>. **2004 population:** United Nations Population Fund (UNFPA), *State of the World Population 2004* (UNFPA: New York, 2004), URL <<http://www.unfpa.org/swp/>>.

corresponds to 2.6 per cent of world GDP,<sup>40</sup> which suggests a continuation of this rate of increase. However, world military expenditure is very unevenly distributed, as is national output. Furthermore, the military burden also varies significantly between geographical regions and income groups.

The Middle East is the region with by far the highest military spending in proportion to GDP. However, there has been a decrease in recent years to 6.7 per cent of GDP in 2003. The region with the second highest military burden is North America, with allocations for military purposes representing 3.6 per cent of GDP in 2003, a major increase over the 2.9 per cent share in 2000. The regions with the lowest shares of GDP devoted to military expenditure are Latin America, Asia and Oceania. In these regions the burden has

<sup>40</sup> For GDP data see note 2.

also been roughly stable over the period 2000–2003. Africa and Europe each had an average share of 2.1 per cent of GDP spent on the military in 2003. Within Europe, the share is lower for Western Europe than for Central and Eastern Europe. Furthermore, while the share has been stable in Western Europe during the period 2000–2003, in Central and Eastern Europe it has increased from 2.8 to 3.0 per cent of GDP. This reflects the efforts of countries in the latter region to fulfil the requirements of NATO membership.

The level and trend in the share of GDP devoted to military spending also vary between countries belonging to different income groups, as defined by the World Bank (see table 8.2). Low-income countries have on average the lowest share: 1.8 per cent of GDP in 2003, which is even more noteworthy considering that this group includes many individual countries that spend an extremely high share of their GDP on the military, in particular African countries engaged in armed conflict. However, the level of military spending is severely underreported in many countries in this group. More importantly, in countries with a per capita income near or below the poverty line, even a very low share of GDP spent on the military can represent a very heavy economic burden.

As regards trends in the military burden over the period 2000–2003, there was a significant increase in the group of high-income countries and a slight increase in lower-middle-income countries, while the military burden in upper-middle- and low-income countries has decreased over this period.

Military expenditure as a share of GDP is the most common way of measuring the military burden. It captures to some extent the economic burden that the armed forces constitute at the national level. An alternative measure is military expenditure per capita, which shows both the average individual burden of the military sector and the level of provision of military funding per inhabitant, whether by country, region or other grouping.

In 2004 estimated world military expenditure corresponded to an average of \$162 per capita. The region with by far the highest per capita spending on the military sector is North America at \$1453. The level of per capita spending on the military sector is strongly linked to the level of income. It is much higher in high-income regions—including Western Europe and Oceania, both spending more than \$500 per capita—than in low-income regions, such as Africa, which spends only \$18 per person. This pattern is in many ways the reverse of the pattern of armed conflict: 20 of the 29 armed conflicts in 2003 were located in low-income countries.<sup>41</sup>

### **Major spenders**

The 15 countries with the highest military spending in 2004 accounted for 82 per cent of the global total, as measured at 2003 prices and converted to US dollars at 2003 market exchange rates (see table 8.3). Hence, the remaining

<sup>41</sup> See table 7.1 in chapter 7 in this volume.

**Table 8.3.** The 15 countries with the highest military expenditure in 2004 in market exchange rate terms and purchasing power parity terms

Spending figures are in US\$, at constant (2003) prices and exchange rates.

Military expenditure in MER dollar terms						Military expenditure in PPP dollar terms <sup>a</sup>		
Rank <sup>b</sup>	Country	Spending (\$ b.)	Spending per capita (\$)	World share (%)		Rank <sup>b</sup>	Country	Spending (\$ b.)
				Spending	Popul.			
1	USA	455.3	1 533	47	5	1	USA	455.3
2	UK	47.4	798	5	1	2	China	[161.1]
3	France	46.2	764	5	1	3	India	81.8
4	Japan	42.4	332	4	2	4	Russia	[66.1]
5	China	[35.4]	[27]	[4]	21	5	France	51.2
<b>Sub-total, top 5</b>		<b>626.7</b>		<b>64</b>	<b>29</b>	<b>Sub-total, top 5</b>		<b>815.6</b>
6	Germany	33.9	411	3	1	6	UK	46.2
7	Italy	27.8	484	3	1	7	Germany	36.9
8	Russia	[19.4]	[136]	[2]	2	8	Japan	35.2
9	Saudi Arabia <sup>c d</sup>	19.3	775	2	0	9	Italy	34.5
10	Korea, South	15.5	323	2	1	10	Saudi Arabia <sup>c</sup>	29.1
<b>Sub-total, top 10</b>		<b>742.5</b>		<b>76</b>	<b>35</b>	<b>Sub-total, top 10</b>		<b>997.4</b>
11	India	15.1	14	2	17	11	Turkey	24.3
12	Israel <sup>d</sup>	10.7	1 627	1	0	12	Korea, South	23.1
13	Canada	10.6	336	1	1	13	Brazil	20.7
14	Turkey	10.1	140	1	1	14	Iran <sup>c</sup>	18.5
15	Australia <sup>d</sup>	10.1	507	1	0	15	Pakistan	16.1
<b>Sub-total, top 15</b>		<b>799.2</b>		<b>82</b>	<b>54</b>	<b>Sub-total, top 15</b>		<b>1 100.2</b>
<b>World</b>		<b>975</b>	<b>153</b>	<b>100</b>	<b>100</b>	<b>World</b>		<b>..</b>

MER = market exchange rate; PPP = purchasing power parity; [ ] = Estimated figure.

<sup>a</sup> The figures in PPP dollar terms are converted at PPP rates (for 2003), calculated by the World Bank, based on comparisons of gross national product.<sup>b</sup> The top 15 list would probably include Myanmar if data were available.<sup>c</sup> Data for Iran and Saudi Arabia include expenditure for public order and safety and are a slight overestimate.<sup>d</sup> The populations of Australia, Israel and Saudi Arabia each constitute less than 0.5 per cent of the total world population.

Sources: **Military expenditure:** appendix 8A. **PPP rates:** World Bank, *World Development Report 2005: A Better Investment Climate for Everyone* (Oxford University Press: New York, 2004), URL <<http://www.worldbank.org/wdr/>>, table 1, Key indicators of Development, pp. 256–57, and table 5, Key indicators for other economies, p. 264. **2004 population:** United Nations Population Fund (UNFPA), *State of the World Population 2004* (UNFPA: New York, 2004), URL <<http://www.unfpa.org/swp/>>.

144 countries in the SIPRI military expenditure database together accounted for only 18 per cent of global military spending. The combined share of the five top spenders—the USA, the UK, France, Japan and China—was 64 per cent of the world total. The US share alone was 47 per cent of the total, while the other four countries accounted for 4–5 per cent each.

Military expenditure per capita varies considerably between the major spenders, from populous China, which spends \$27 per capita, to the USA, which spends \$1533 per capita. Because of their great resources, high-income countries generally have high per capita military spending, as reflected in table 8.3 by the examples of the USA, the West European countries, Saudi Arabia and South Korea. For the same reason, there is a striking asymmetry in the pattern of world military spending in comparison with the global population pattern: the top five spenders account for 64 per cent of world military expenditure for the protection of 29 per cent of the global population.

Table 8.3 also provides an alternative top 15 list of major spenders in purchasing power parity (PPP) terms in order to illustrate the problems involved in international comparisons of economic data. On the left-hand side of the table, countries are ranked according to their military spending when converted into dollars by ordinary market exchange rates (MERs), while on the right-hand side countries are ranked according to their spending converted according to PPP. In conceptual terms, the comparison based on military expenditure in MER dollar terms indicates the purchasing power on the international market, while the comparison based on military spending in PPP dollar terms indicates the relative amounts of alternative goods and services (in terms of a standardized basket of national output) that the military budget could buy on the domestic market (i.e., its ‘opportunity cost’).

Military expenditure data expressed in PPP dollar terms, while reflecting the non-military items that the military budget could buy on the domestic market, can exaggerate 10-fold what that budget can buy on the international market. In particular, military expenditure expressed in PPP dollar terms does not appropriately reflect the technological level of the military equipment it can buy. Furthermore, in practice there are reliability problems with some PPP rates since they are artificial: calculated on the basis of comparisons of the GDPs of the USA and the respective countries.<sup>42</sup>

An additional problem is that military expenditure figures are often used for international comparisons of the size, strength or even capability of the military forces. However, neither of these two series is suitable for these purposes, and in particular PPP-based figures can be highly misleading in this context. While military expenditure is a measure only of the financial resources that are allocated to the military sector, military size or capability also depends on

<sup>42</sup> On the relative merits and impact of using MERs and PPP rates see Sköns, E. *et al.*, ‘Military expenditure’, *SIPRI Yearbook 2003: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 2003), pp. 304–306; and ‘Sources and methods for military expenditure data’, *SIPRI Yearbook 1999: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 1999), pp. 327–33. Table 7C.1 in the latter reference shows the difference between MER-based and PPP-based military expenditure for selected countries.

several other factors, such as the level of military technology, the mix of military equipment and manpower paid for by the military budget, whether soldiers are reimbursed conscripts or salaried professionals, and a host of other factors.

As shown in table 8.3 the choice of exchange rate has a significant impact on the apparent level of military spending, in particular for China, India and Russia. This is the main reason for the difference in military spending estimates for these countries. For instance, most researchers agree on the general level of Chinese military expenditure when expressed in the local currency, the yuan. However, estimates in dollar terms differ significantly, ranging from SIPRI's MER-based estimate of \$35 billion, via estimates of \$56 billion by the International Institute of Strategic Studies and \$50–70 billion by the US DOD,<sup>43</sup> to SIPRI's PPP-based estimate of \$161 billion. The differences between the estimates depend largely on the type of exchange rate that has been used.

### III. The United States

Since the post-cold war low point in 1999, US military expenditure has increased by 41 per cent in real terms.<sup>44</sup> Most of the increase occurred during the period 2001–2004, when outlays for national defence increased at an annual average rate of 10 per cent in real terms. This increase reflects the supplementary appropriations made to fund the USA's military operations in Afghanistan and Iraq, in addition to increased regular military expenditure.

#### **The US defence budget for financial year 2006**

The US defence budget request for FY 2006 (1 October 2005–30 September 2006) amounted to \$419.3 billion in budget authority for the Department of Defense, an increase of 4.8 per cent in nominal terms over FY 2005.<sup>45</sup> Figures released for the Future Years Defense Program 2006–11 show planned budget authority increasing to \$502.3 billion in FY 2011 (see table 8.4). These figures do not include funding of military operations abroad, which are not part of the regular US defence budget process but are financed instead through supplementary appropriations.

In the presentation of the budget, the continued increase in budget authority for FY 2006 and beyond was motivated by four main objectives as pledged by

<sup>43</sup> These 2 estimates are presented in US–China Economic and Security Review Commission, 'The national security implications of the economic relationship between the United States and China', Report to the US Congress, Washington, DC, July 2002, URL <[http://www.uscc.gov/researchpapers/2000\\_2003/reports/anrp02.htm](http://www.uscc.gov/researchpapers/2000_2003/reports/anrp02.htm)>, chapter 9, 'The defense budget and the military economy'.

<sup>44</sup> This refers to official US budget data, which differ from the NATO-supplied data used in the tables in appendix 8A.

<sup>45</sup> US Department of Defense (DOD), 'Fiscal 2006 Department of Defense budget is released', News Release no. 129-05, 7 Feb. 2005, URL <<http://www.dod.mil/releases/2005/>>. Additional DOD budget documents are available at URL <<http://www.dod.mil/comptroller/defbudget/fy2006/>>.

the administration of President George W. Bush: 'to defeat global terrorism, restructure America's armed forces and global defence posture, develop and field advanced war-fighting capabilities, and take good care of our forces'.<sup>46</sup> 'We are a nation at war', said Defense Secretary Donald Rumsfeld, and the 'budget, together with the supplemental spending proposals the President has made, provides the men and women in uniform what they need to prevail'.<sup>47</sup> This includes funding for the restructuring of the army and Marine Corps to increase the number and types of forces needed to fight terrorism; for making more units available for deployment to Afghanistan and Iraq; and for the Special Operations Forces to increase their personnel and give them a more prominent role in fighting terrorism. The budget also includes requests for authorities to enable the DOD to provide assistance to military or security forces in Iraq and other designated nations in fighting the 'global war on terrorism'.

Restructuring of the forces focuses on increasing the number of combat units in the ground forces: the army and the Marine Corps. It also provides new funding to return military personnel now doing 'commercial-like functions' back to combat functions. The US global defence posture is being restructured to better position US forces to strengthen coalition and partner nation relationships in order to fight terrorism and meet other challenges. The budget request highlights major investments in a number of 'capabilities essential to the transformation and future dominance of America's military forces', including in missile defence; the Future Combat Systems programme for the modernization of the army; a continued shift to a new generation of ships; acquisition of advanced combat, transport and tanker aircraft and a series of programmes in intelligence, communications and related systems, which are seen as key to predicting threats and defeating terrorism.<sup>48</sup>

### **Supplementary appropriations for military operations abroad**

The US Administration has decided that military operations in Afghanistan, Iraq and other countries will not be financed through the regular defence budget but by separate supplementary appropriations. By February 2005 the total amount of supplementary appropriations requested for the 'global war on terrorism' since 11 September 2001 had reached \$346 billion, of which \$268 billion was for the DOD, \$238 billion for the period FYs 2003–2005 (see table 8.5).<sup>49</sup> The total includes funding for agencies other than the DOD, such as the Department of Homeland Security and the Department of State, and for reconstruction in Afghanistan and Iraq.

<sup>46</sup> US DOD (note 45), p. 1.

<sup>47</sup> US DOD (note 45), title page.

<sup>48</sup> US DOD (note 45), pp. 4–6.

<sup>49</sup> See also Lumpkin, J. J., 'Iraq, Afghan war costs may exceed \$300b', Associated Press, 16 Feb. 2005, available at URL <[http://www.truthout.org/docs\\_2005/021605E.shtml](http://www.truthout.org/docs_2005/021605E.shtml)>.

**Table 8.4.** US budget authority<sup>a</sup> for the Department of Defense,<sup>b</sup> financial years 2004–11Figures are in US\$ b., at current prices. Years are financial years.<sup>c</sup>

Budget title	2004	2005	2006	2007	2008	2009	2010	2011
<i>Figures excluding supplementary appropriations<sup>d</sup></i>								
Military personnel	97.0	104.0	108.9	112.0	115.4	119.4	123.3	127.1
Operation and maintenance	128.1	137.0	147.8	154.1	160.8	167.3	172.1	177.4
Procurement	76.1	78.1	78.0	91.6	101.4	105.3	111.3	118.6
Research, development, testing and evaluation	64.3	68.8	69.4	66.8	66.5	72.4	68.8	59.7
Military construction	5.6	6.0	7.8	12.3	13.6	11.1	10.5	10.9
Family housing	3.8	4.1	4.2	3.9	3.0	2.7	2.7	2.7
Other	0.7	2.1	3.2	2.4	1.7	3.8	3.4	5.9
<b>Total DOD</b>	<b>375.7</b>	<b>400.1</b>	<b>419.3</b>	<b>443.1</b>	<b>462.4</b>	<b>482.0</b>	<b>492.1</b>	<b>502.3</b>
<i>Figures including supplementary appropriations enacted before 8 February 2005</i>								
Enacted supplements <sup>e</sup>	92.8	1.1	–	–	–	–	–	–
<b>Total DOD<sup>e</sup></b>	<b>468.5</b>	<b>401.1</b>	<b>419.3</b>	<b>443.1</b>	<b>462.4</b>	<b>482.0</b>	<b>492.1</b>	<b>502.3</b>

DOD = Department of Defense.

<sup>a</sup> Budget authority is the authority to incur legally binding obligations on behalf of the government. These will result in immediate or future outlays, i.e. expenditure.

<sup>b</sup> DOD programmes constitute the major part of US national defence programmes. Other defence-related activities, including those of the Department of Energy, accounted for less than 0.5% of budget authority for national defence in financial year (FY) 2004. Comparable data for total military expenditure were not available at the time of writing.

<sup>c</sup> The US financial year runs from 1 Oct. of the previous year to 30 Sep. of the named year.

<sup>d</sup> These figures exclude supplementary appropriations for foreign military operations in Afghanistan and Iraq. The figures for FYs 2005–11 are from the defence budget for FY 2006 and the Future Years Defense Program for FY 2006–11, as released by the DOD on 7 Feb. 2005. The figures for FY 2004 are comparable figures released by the White House Office of Management and Budget on 8 Feb. 2005.

<sup>e</sup> These figures include supplementary appropriations for foreign military operations in Afghanistan and Iraq enacted before 8 Feb. 2005, as provided by the White House, Office of Management and Budget, 8 Feb. 2005.

*Sources:* US DOD, 'Fiscal 2006 Department of Defense budget is released', News Release no. 129-05, 7 Feb. 2005, URL <<http://www.dod.mil/releases/2005/>>; and Office of Management and Budget, 'Department of Defense', *Budget of the United States Government, Fiscal Year 2006* (White House: Washington, DC, 8 Feb. 2005), URL <<http://www.whitehouse.gov/omb/budget>>, pp. 83–95.

The FY 2005 supplementary appropriation requested on 14 February 2005 amounted to \$81.9 billion 'to fund ongoing military operations in the War on Terror, reconstruction activities in Afghanistan, tsunami relief and reconstruction, and other purposes'.<sup>50</sup> The request included \$75 billion for the DOD, \$5.6 billion for international functions, including the Department of State; \$0.95 billion for multi-agency tsunami relief efforts; and nearly \$0.4 billion for other agencies, including the Department of Energy and the Department of Homeland Security (in particular, the US Coast Guard) for counter-terrorism efforts in support of the 'global war on terrorism'.<sup>51</sup> The \$75 billion DOD share included \$36.3 billion to fund combat operations in support of Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom during FY 2005. Other items funded by the supplement include restructuring of the army (the 'Army Modularity' plan); refurbishment and replacement of equipment used in operations in Afghanistan and Iraq; addition of armour to all convoy trucks and procurement of armoured security vehicles; additional contributions to the Afghan Security Forces Fund and the Iraq Security Forces Fund; and funding of the activities of coalition partners in direct support of US military operations, including Pakistan's counter-terrorist operations along its border with Afghanistan and for the Polish forces in Iraq.<sup>52</sup> Some of these funds will reportedly also be used to establish more permanent military bases in Iraq, assuming that the new Iraqi Government permits a long-term US military presence.<sup>53</sup>

Some of the DOD items in this supplement are not directly related to costs incurred as a result of the ongoing military operations abroad. It has therefore been argued that those should be financed through the regular DOD budget and not through supplementary appropriations.<sup>54</sup> This applies, for example, to the Army Modularity plan, which is a central component of the army's plans to transform its forces and would have been carried out regardless of whether US forces were engaged in military operations abroad. This practice of funding costs not directly related to military operations abroad adds to the difficulties of assessing the realism of the projected future budgets for the DOD as presented in the Future Years Defense Program (see table 8.4).<sup>55</sup>

The \$5.6 billion requested for international affairs activities includes funding for State Department operations in Iraq; a new US embassy in Iraq; aid for critical partners in the 'global war on terrorism'; reconstruction, police support and counter-drug activities in Afghanistan; support for Palestinian efforts to build a democratic state; the humanitarian crisis in Darfur, Sudan; and for new

<sup>50</sup> Office of Management and Budget (OMB), 'Emergency supplemental (various agencies)', White House, Washington, DC, 14 Feb. 2005, URL <<http://www.whitehouse.gov/omb/budget/amendments.htm>>.

<sup>51</sup> OMB (note 50).

<sup>52</sup> OMB (note 50).

<sup>53</sup> Andrews, E. L., 'Bush aides say budget deficit will rise again', *New York Times*, 26 Jan. 2005.

<sup>54</sup> Kosiak, S., 'FY 2006 defense budget request: DOD budget remains on upward trajectory', Center for Strategic and Budgetary Assessment, Washington, DC, 4 Feb. 2005, URL <<http://www.csbaonline.org/>>.

<sup>55</sup> Kosiak (note 54).

**Table 8.5.** US supplementary appropriations for the ‘global war on terrorism’, financial years 2002–2005

Figures are in US\$ b., at current prices. Figures do not always add up to totals because of the conventions of rounding.

Date of appropriation	Financial year <sup>a</sup>	DOD	Non-DOD	Total
September 2001	2001	13	7	20
January 2002	2002	3	17	20
August 2002	2002	14	10	24
February 2003 <sup>b</sup>	2003	10	0	10
April 2003	2003	63	16	78
November 2003	2004	65	22	87
May 2004	2005	25	0	25
February 2005 <sup>c</sup>	2005	75	7	82
<b>Total</b>		<b>268</b>	<b>79</b>	<b>346</b>

DOD = Department of Defense; Non-DOD = Agencies other than the DOD.

<sup>a</sup> The US financial year runs from 1 Oct. of the previous year to 30 Sep. of the named year.

<sup>b</sup> This additional funding was provided in the Consolidated Appropriations Act 2003.

<sup>c</sup> This supplement was requested on 14 Feb. 2005.

*Sources:* Kosiak, S., ‘Funding for defense, military operations, homeland security, and related activities since 9/11’, Center for Strategic and Budgetary Assessments, Washington, DC, 18 Oct. 2004, URL <<http://www.csbaonline.org/>>, p. 6; Office of Management and Budget, ‘Budget amendment: \$25 billion contingent emergency reserve fund (Department of Defense—Iraq Freedom Fund)’, White House, Washington, DC, 12 May 2004, URL <<http://www.whitehouse.gov/omb/budget/04amendments.htm>>; and Office of Management and Budget, ‘Emergency supplemental (various agencies)’, White House, Washington, DC, 14 Feb. 2005, URL <<http://www.whitehouse.gov/omb/budget/amendments.htm>>.

international peacekeeping missions in Burundi, the Democratic Republic of the Congo, Côte d’Ivoire, Haiti and Sudan. These efforts were said to ‘not only assure the delivery of critical humanitarian supplies, they also provide an important alternative to deploying U.S. forces’.<sup>56</sup>

The request for supplementary appropriations for FY 2006, planned for submission in early 2006, is expected to be of roughly the same magnitude as that for FY 2005.<sup>57</sup> According to Lieutenant General James J. Lovelace, the director of US Army operations, in January 2005 the army was operating on the assumption that the number of US troops in Iraq would remain above 100 000 throughout 2006,<sup>58</sup> compared with the presence of 150 000 at that time.

<sup>56</sup> OMB (note 50), p. 4.

<sup>57</sup> Kosiak (note 54); and Shanker, T. and Schmitt, E., ‘Pentagon budget up: war cost is excluded’, *New York Times*, 8 Feb. 2005.

<sup>58</sup> Andrews (note 53).

### **The economic and social impact of US military spending**

Assessments of the economic and social impact of the significant rise in US military expenditure have evolved around two major and interrelated issues: its impact on the USA's economic growth and its impact on non-military government spending. The first issue concerns the extent to which military expenditure contributes to the budget deficit and the impact of the deficit on future economic growth. The second issue concerns whether military expenditure is crowding out non-military government expenditure or will do so in future. In addition, there is disagreement on the projections of military expenditure, caused primarily by the uncertainties about future trends in expenditure for foreign military operations.

United States expenditure (or 'outlays' in US terminology) for national defence have increased from \$276 billion in FY 1999 to \$454 billion in FY 2004, including expenditure deriving from the supplementary appropriations for military operations abroad (see table 8.6). During the period FYs 2005–10 national defence outlays are projected to increase from \$464 billion to \$502 billion. However, these projections do not include funding for a continued US military presence in Iraq and other outlays resulting from supplementary appropriations approved in 2005 and beyond; these projections thus understate actual outlays by a significant amount, at least for the earlier years.<sup>59</sup> The share of its GDP that the USA spends on defence has increased from 3.0 per cent in 1999 to 3.9 per cent in 2004. While this share is high, it is still much lower than at its peak level in 1985–87 during the cold war, when it exceeded 6 per cent of GDP. Similarly, outlays on national defence as a share of total government outlays have increased from 16.2 per cent in 1999 to 19.8 per cent in 2004, but are still lower than at the cold war peak of 27–28 per cent of total outlays in 1987–88.<sup>60</sup> The reason for concern is that the current spending hike comes in a financial context of rising budget deficits. Some groups are concerned about the deficit per se, while others are concerned that the combined policies of cutting taxes, raising military expenditure and trying to cut the deficit in half by 2009, which is the declared goal of the US Administration, will result in significant crowding out of non-military federal spending.

While the main cause of the deficit is the tax cuts enacted during 2001, 2002 and 2003, the level of military expenditure is an important contribution. Without the increase in defence spending as a share of GDP in 1999–2004, the budget deficit as a share of GDP would have been 0.9 percentage points lower. Furthermore, only one-third of federal budget expenditure is made up of dis-

<sup>59</sup> The figure for FY 2005 does, however, include expenditure resulting from supplements approved before 2005. The outlays resulting from the supplement proposed in Feb. 2005 are shown separately in table 8.6.

<sup>60</sup> Office of Management and Budget, *Historical Tables FY2006: Budget of the United States Government Fiscal Year 2006* (US Government Printing Office: Washington, DC, 2004), table 6.1, 'Composition of outlays: 1940–2009'.

**Table 8.6.** US military expenditure and other federal expenditure, financial years 1999–2010Years are financial years.<sup>a</sup> Figures do not always add up to totals because of the conventions of rounding.

Outlay category	1999	2000	2001	2002	2003	2004	2005 <sup>b</sup>	2006 <sup>b</sup>	2007 <sup>b</sup>	2008 <sup>b</sup>	2009 <sup>b</sup>	2010 <sup>b</sup>	Source <sup>c</sup>
<i>Outlays (\$ b., at current prices)</i>													
Total Federal outlays	1 702	1 789	1 864	2 011	2 160	2 292	2 479	2 568	2 656	2 758	2 883	3 028	Table 8.1
Discretionary <sup>d</sup>	572	615	649	734	826	895	965	946	935	935	953	971	Table 8.1
National defence	276	295	306	349	405	454	464	444	446	463	485	502	Table 8.1
Proposed supplement <sup>e</sup>							34.9	24.5	17.8	2.5	1.3	–	Table 8.1
Non-defence <sup>f</sup>	297	320	343	385	421	441	466	477	471	469	467	470	Table 8.1
Mandatory <sup>g</sup>	900	951	1 008	1 106	1 181	1 237	1 337	1 410	1 476	1 551	1 635	1 743	Table 8.1
Net interest <sup>h</sup>	230	223	206	171	153	160	178	211	245	272	294	314	Table 8.1
Surplus/deficit	125	236	128	–158	–378	–412	–427	–390	–312	–251	–233	–207	Table 1.1
<i>Outlays as a share of total federal outlays (%)</i>													
National defence	16.2	16.5	16.4	17.4	18.7	19.8	18.7	17.3	16.8	16.8	16.8	16.6	Table 8.3
Proposed supplement <sup>e</sup>							1.4	1.0	0.7	0.1	negl.	..	Table 8.3
Non-defence <sup>f</sup>	17.4	17.9	18.4	19.2	19.5	19.3	18.8	18.6	17.7	17.0	16.2	15.5	Table 8.3
Net interest <sup>h</sup>	13.5	12.5	11.1	8.5	7.1	7.0	7.2	8.2	9.2	9.9	10.2	10.4	Table 8.3
<i>Outlays as a share of gross domestic product (%)</i>													
Total Federal outlays	18.7	18.4	18.5	19.4	19.9	19.8	20.3	19.9	19.5	19.2	19.1	19.0	Table 8.4
National defence	3.0	3.0	3.0	3.4	3.7	3.9	3.8	3.4	3.3	3.2	3.2	3.2	Table 8.4
Non-defence <sup>f</sup>	3.2	3.3	3.4	3.7	3.9	3.8	3.8	3.7	3.5	3.3	3.1	3.0	Table 8.4
Net interest <sup>h</sup>	2.5	2.3	2.0	1.6	1.4	1.4	1.5	1.6	1.8	1.9	1.9	2.0	Table 8.4
Surplus/deficit	1.4	2.4	1.3	–1.5	–3.5	–3.6	–3.5	–3.0	–2.3	–1.7	–1.5	–1.3	Table 1.2
<i>Memoranda (\$ b., at current prices)</i>													
Federal debt	5 606	5 629	5 770	6 198	6 760	7 355	8 031	8 708	9 350	9 949	10 544	11 137	Table 7.1
Gross domestic product	9 125	9 710	10 058	10 389	10 839	11 553	12 227	12 907	13 617	14 349	15 111	15 906	Table 1.2

- <sup>a</sup> The US financial year runs from 1 Oct. of the previous year to 30 Sep. of the named year.
- <sup>b</sup> These figures exclude outlays from financial year 2005 supplementary appropriations and any supplements that will be required in later years for military operations in Afghanistan and Iraq.
- <sup>c</sup> This refers to the table in the source document (see below) from which the figures were obtained.
- <sup>d</sup> Discretionary outlays are for programmes whose budgetary resources are provided in appropriations acts. (In financial year 2004 discretionary outlays accounted for 39% of total federal outlays and national defence accounted for 50% of discretionary spending.)
- <sup>e</sup> Proposed supplement shows the allowance for an anticipated supplementary budget request of \$80 billion in 2005, expected to include \$75 billion for military operations and \$5 billion for non-defence. The actual supplement requested in Feb. 2005 amounted to \$82 b.
- <sup>f</sup> Non-defence discretionary programmes include mainly international affairs, science, natural resources and environment, transportation, education, health, and administration of justice.
- <sup>g</sup> Mandatory outlays are for entitlement programmes whose budget authority is provided by laws other than appropriations acts (social security, Medicare, Medicaid and income security programmes).
- <sup>h</sup> These are figures for interest payments on the federal debt

*Source:* Office of Management and Budget, *Historical Tables FY2006: Budget of the United States Government Fiscal Year 2006* (US Government Printing Office: Washington, DC, 2004).

cretionary spending, that is, programmes whose spending can be decided directly in the budgetary process. The other two-thirds is made up of so-called mandatory spending, resulting from entitlement programmes, such as social and income security programmes, whose costs are influenced by changes in the entitlement criteria; any cuts in these programmes thus require decisions to change these criteria.

The US budget has gone from a surplus of \$125 billion in 1999 to a deficit of \$427 billion in 2005, corresponding to 3.5 per cent of GDP. The federal debt has increased from \$5.6 trillion in 1999 to \$8.0 trillion in 2005, corresponding to 65.7 per cent of GDP (see table 8.6). The deficit is projected to fall to \$233 billion in FY 2009, thus indicating that the policies of the current US Administration will achieve its goal of cutting the deficit in half by the end of its term. However, as required by law, this projection is based on assumptions that make it unrealistic.<sup>61</sup> In particular, (a) it is assumed that all temporary tax provisions expire as scheduled, although President Bush is committed to making them permanent; (b) future war cost funding is excluded; and (c) the projections do not include the borrowing that would be needed to establish the private investment accounts that President Bush has proposed for Social Security starting in 2009, which according to US Administration officials would add \$23 billion to the deficit in 2009 and \$56.5 billion in 2010.<sup>62</sup> An alternative, independent, projection that abandons such assumptions shows instead that the deficit will remain at 3.5 per cent of GDP over the next decade.<sup>63</sup>

The impact of budget deficits on economic growth is a contested issue, with views differing between schools of economic theory.<sup>64</sup> Alice Rivlin, former head of the US Congressional Budget Office, argues that persistent deficits of the magnitude of the current US deficit ‘are likely to lower standards of living, make [the USA] dangerously dependent on the rest of the world, and pass on large fiscal burdens to future generations’.<sup>65</sup> The fact that other major powers, in particular China and Japan, hold significant currency reserves in dollars and can thus influence the value of the dollar—and therefore US debt repayment—has emerged as an additional source of concern during recent years.

<sup>61</sup> US Congressional Budget Office (CBO), *The Budget and Economic Outlook: Fiscal Years 2006 to 2015* (CBO: Washington, DC, Jan. 2005), URL <<http://www.cbo.gov/ftpdoc.cfm?index=6060&type=1>>.

<sup>62</sup> Andrews, E. L. and Rosenbaum, D. E., ‘The big picture may seem rosy, but the deficit is in the details’, *New York Times*, 8 Feb. 2005; and Stevenson, R. W., ‘President offers budget proposal with broad cuts’, *New York Times*, 8 Feb. 2005.

<sup>63</sup> Gale, W. G. and Orszag, P. R., ‘The US budget deficit: on an unsustainable path’, *New Economy* (Dec. 2004), pp. 236–42, URL <<http://www.brookings.edu/views/articles/20041201orszagale.htm>>.

<sup>64</sup> Some critics argue that budget deficits matter because they reduce national savings and thus reduce future national income, either by leading to a rise in interest rates and reductions in domestic investment or by increasing foreign borrowing and therefore future foreign debt. Gale and Orszag (note 63). Adherents of the Keynesian school of economic theory argue that deficits do not matter because they lead to economic growth and therefore to increased tax revenues, which will lead to a reduction of the deficit in future. However, even this school argues that budgeting for long-term deficits is not sustainable.

<sup>65</sup> Rivlin, A. M. and Sawhill, I. V., ‘How to balance the budget’, Policy Brief no. 130, Brookings Institution, Washington, DC, Mar. 2004, URL <<http://www.brook.edu/>>, p. 1.

The efforts to cut the deficit in half have involved cuts in both non-security discretionary spending and mandatory spending. National defence accounts for roughly half of discretionary spending. The FY 2006 budget projects that all discretionary spending except that on the military and domestic security will be frozen for the next five years. Thus, military spending will expand at the cost of other discretionary programmes, such as education, health, environment, agriculture and space.<sup>66</sup> The budget projections also include substantial reductions in mandatory programmes such as Medicaid, which provides medical assistance for those on low incomes.<sup>67</sup> The share of total federal expenditure that is spent on national defence is projected to decline from 18.7 per cent in FY 2005 to 16.6 per cent in FY 2010 (but this excludes funding of military operations abroad), while the share of non-defence spending will decline from 18.8 per cent to 15.5 per cent of federal spending over the same period (see table 8.6). Considering that these falling shares will take place in the context of a decline in the federal budget as a share of GDP, this projection includes a substantial reduction in non-military spending and it is most likely that the actual reduction will be much greater when the effect of future supplements on discretionary outlays becomes known. Thus, there are reasons to question the sustainability of the current US military effort.

#### IV. Financing security through international assistance

Security is a prerequisite for sustainable development. Several donors of development assistance are now favourably disposed to treating the security sector as a legitimate area of support in many recipient countries, particularly those that are conflict prone.<sup>68</sup>

While all major donors of development assistance seem to agree on the need for security as the basis for sustainable development and accept the broad development goals underlining the agenda of security sector reform,<sup>69</sup> they differ in the ways in which they approach support for the security sector.<sup>70</sup>

<sup>66</sup> Stevenson (note 62).

<sup>67</sup> Stevenson (note 62).

<sup>68</sup> See, e.g., Brzoska, M., 'Development donors and the concept of security sector reform', Occasional Paper no. 4, Geneva Centre for the Democratic Control of Armed Forces, Geneva, Nov. 2003, URL <<http://www.dcaf.ch/>>, pp. 37–45.

<sup>69</sup> This is demonstrated by their adoption of the OECD guidelines on security sector reform. OECD Development Assistance Committee (DAC), 'Security system reform and governance: policy and good practice', DAC Guidelines and Reference Series, OECD, Paris, 2004, URL <<http://www.oecd.org/dac/conflict/>>. See also White House, 'The national security strategy of the United States of America', Washington, DC, Sep. 2002, URL <<http://www.whitehouse.gov/nsc/nss.html>>; US Agency for International Development, 'Conflict management: security sector reform and conflict', webpage, n.d., URL <[http://www.usaid.gov/our\\_work/cross-cutting\\_programs/conflict/focus\\_areas/security.html](http://www.usaid.gov/our_work/cross-cutting_programs/conflict/focus_areas/security.html)>; and Colletta, N., Mendelson Forman, J., and Vanheukelom, J., 'Security, poverty reduction & sustainable development: challenges for the new millennium', Working paper, World Bank, Washington, DC, Sep. 1999, URL <<http://www.worldbank.org/socialdevelopment/>>.

<sup>70</sup> See, e.g., Samuelsson, T., 'Sweden takes a closer look at security vs development', *New Routes*, no. 1, 2004, pp. 16–17; and Maxwell, S., 'The Washington Consensus is dead! Long live the meta-narrative!', Working Paper no. 243, Overseas Development Institute, London, Jan. 2005, URL <[http://www.odi.org.uk/publications/working\\_papers/](http://www.odi.org.uk/publications/working_papers/)>.

Some countries fear that extending the definition of official development assistance (ODA) to cover security-related issues may diminish the overall support for real (social and economic) development efforts since security problems abound in several aid-receiving countries. Others fear that including security in ODA may result in the cold war-style assistance, with the strategic interests of donors dictating the direction of their aid policy or with assistance skewed in favour of the military sector.

Much of the debate on this subject among donors has taken place in the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD). In 2004 the DAC agreed on a compromise position that, as a first step towards the expansion of the definition of ODA, allows the inclusion of certain non-controversial categories of security-related assistance in ODA. The DAC high-level meeting agreed to count as ODA such security-related activities as: (a) providing technical cooperation to government for the management of security expenditure, including military budgets; (b) improving civilian oversight and democratic control of security forces by providing assistance to civil society to enhance its capacity to scrutinize the security establishment; and (c) providing assistance to government and civil society organizations to support legislation designed to prevent the recruitment of child soldiers.<sup>71</sup> Discussion of the more controversial areas such as support for peacekeeping activities was deferred. In taking this least controversial position the DAC's greatest concern was the implication of an expansion of the definition of ODA for the credibility of the ODA statistics.

The financing of security in recipient countries is already becoming common among some members of the DAC.<sup>72</sup> Two ongoing support programmes for security activities in recipient countries by two members of the DAC—the USA's assistance to Colombia and the UK's support for the security sector in Sierra Leone—are examined here as examples of emerging patterns of security assistance to recipient countries. The programmes are examined within the context of the development assistance policies of the two countries and the increasing realization by developed countries that funding security in crisis-prone developing countries can be an indirect way of enhancing security at home.

<sup>71</sup> OECD Development Assistance Committee (DAC), 'Annex 5: ODA coverage of certain conflict, peace building and security expenditures', *DAC Statistical Reporting Directives* (OECD: Paris, 28 Apr. 2004), URL <<http://www.oecd.org/dac/stats/dac/directives/>>.

<sup>72</sup> Some donor countries, such as the Netherlands, Norway and the UK, as well as the World Bank, have developed innovative ways of dealing with the interface between peace, security and development through the creation of special accounts. For details see Randel, J. with Cordeiro, M. and Mowjee, T., 'Financing countries in protracted humanitarian crisis: an overview of new instruments and existing aid flows', eds A. Harmer and J. Macrae, *Beyond the Continuum: The Changing Role of Aid Policy in Protracted Crises*, Humanitarian Policy Group Report no. 18 (Overseas Development Institute: London, July 2004), URL <<http://www.odi.org.uk/hpg/>>, pp. 54–70. The EU's African Peace Facility is also an example of an attempt to support the security sector.

### The USA's assistance to Colombia

Traditionally, the USA has used its foreign aid to pursue its strategic interests abroad, although it has also contributed to humanitarian assistance from time to time: in the age of global media, strategic interest and humanitarian aid may often coincide. Throughout the cold war the strategic interest of the USA was the major determining factor in the disbursement of its aid. As a result, the aid was not always directed to the countries in the greatest need.<sup>73</sup> This pattern of support changed briefly in the 1990s as the cold war came to an end and the development of the least developed countries came to be seen as a strategic goal in itself. However, since the September 2001 terrorist attacks on the USA, the approach to foreign assistance has returned to the traditional cold war pattern; the USA's strategic interests dictate the location and form of assistance and the recipient countries it considers most important both in terms of proximity and the fight against terrorism.

Owing to the region's strategic importance, Latin America has always been of interest to the USA. In recent years, the issues of drugs and terrorism have narrowed the focus of the USA to a few countries in the Andean region where the problems of instability and narcotic production are most prevalent. Colombia—from where over 90 per cent of the illicit drugs entering the USA originate—and other countries such as Bolivia and Peru have been the focus of US foreign assistance programmes that combat the problem of illicit drugs through eradication of their means of production.<sup>74</sup>

Colombia has been embroiled for decades in an armed conflict with a number of left-wing guerrilla and right-wing paramilitary groups over social and economic inequalities.<sup>75</sup> Attempts to resolve the conflict have met with little success. Over the years the armed groups have become involved in narcotics production and trafficking to finance their activities.

In 1999 the Colombian Government announced a national initiative known as Plan Colombia, which aimed to restart the peace process with the rebels, generate employment, intensify the war against drugs and provide alternative economic activity to drug cultivation. The plan also aimed to provide a stable justice system and to modernize the armed forces.<sup>76</sup> The total cost of the plan was estimated at \$7.5 billion, to be financed through three main sources: \$4.5 billion from the Colombian Government, \$1.3 billion from the US Government and the remaining \$1.7 billion from other donors.<sup>77</sup> The bulk of

<sup>73</sup> Chauvet, L. and Collier, P., 'Development effectiveness in fragile states: spillovers and turn-arounds', Background paper, Senior Level Forum on Development Effectiveness in Fragile States, OECD, Paris, 13–14 Jan. 2005, URL <<http://www.oecd.org/dac/lap/slffragilestates/>>; and Lancaster, C., 'Redesigning foreign aid', *Foreign Affairs*, vol. 79, no. 5 (Sep./Oct. 2000).

<sup>74</sup> US Department of State, 'A report to Congress on United States policy towards Colombia and other related issues', Washington, DC, 3 Feb. 2003, URL <<http://www.state.gov/p/wha/rls/rpt/>>.

<sup>75</sup> See also chapters 2 and 6 in this volume for discussions of the Colombian conflict.

<sup>76</sup> For a summary of Plan Colombia see US Department of State, 'Plan Colombia', Fact sheet, Washington, DC, 14 Mar. 2001, URL <<http://www.state.gov/p/wha/rls/fs/2001/>>; and US Department of State (note 74).

<sup>77</sup> US Department of State, 'Support for Plan Colombia', Fact sheet, 14 Mar. 2001, URL <<http://www.state.gov/p/wha/rt/plncol/>>.

**Table 8.7.** US assistance to Colombia by programme, financial years 1998–2005

Figures are actual expenditure, in US\$ m., at current prices. Years are financial years.

Type of assistance	1998	1999	2000	2001	2002	2003	2004	2005
<i>Military assistance</i>								
FMF	..	..	..	..	..	17.1	98.5	99
IMET	0.9	0.9	0.9	1.0	1.2	1.2	1.7	1.7
INCLE and ACI	66	206	895	48	380	580	474	463
NADR	..	..	..	..	25	3.3	..	4.0
Peace Corps	..	..	..	..	..	..	..	..
Peacekeeping operations	..	..	..	..	..	..	..	..
<b>Sub-total</b>	<b>67</b>	<b>207</b>	<b>896</b>	<b>49</b>	<b>406</b>	<b>602</b>	<b>574</b>	<b>568</b>
<i>Economic or development assistance</i>								
Child survival and health	..	..	..	..	..	..	..	..
Development assistance	0.02	..	..	..	..	..	..	..
Economic Support Fund	..	3.3	4.0	..	..	..	..	..
FSA	..	..	..	..	..	..	..	..
MRA	..	..	..	..	..	..	..	..
SEED	..	..	..	..	..	..	..	..
Other	..	..	..	..	..	..	..	..
<b>Sub-total</b>	<b>0.02</b>	<b>3.3</b>	<b>4.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>67</b>	<b>210</b>	<b>899</b>	<b>49</b>	<b>406</b>	<b>602</b>	<b>574</b>	<b>568</b>

FMF = Foreign military financing; IMET = International military education and training; INCLE = International narcotics control and law enforcement; ACI = Andean counter-drug initiative; NADR = Non-proliferation, anti-terrorism, de-mining and related; FSA = Freedom Support Act Undergraduate Program (FSA); MRA = Migration and refugee assistance; SEED = Supporting Entrepreneurs for Environment and Development.

*Source:* US Congress, 'Foreign Operations, Export Financing, and related programs appropriations', Hearings before a Subcommittee of the Committee on Appropriations, US House of Representatives, Part 1A, 'Justification of budget estimates', annual, 2000–2005, (US Government Printing Office: Washington, DC, 1999–2004).

the US assistance was to be military under the International Narcotics Control and Law Enforcement (INCLE) programme.<sup>78</sup> The Colombian Government supported the idea of the US assistance being mainly military as it planned major offensives against the rebel groups to regain territories under their control.

The primary objective of the US assistance programme for Colombia is the eradication of the production of illicit drugs and of terrorism through the enhancement of the counter-terrorism capability of the Colombian armed forces by providing military advice, supplying equipment and sharing intelligence. Other objectives include the defence of human rights, the promotion of

<sup>78</sup> Storrs, K. L. and Serafino, N. M., 'Andean Regional Initiative (ARI): FY2002 supplemental and FY2003 assistance for Colombia and neighbors', Library of Congress, Congressional Research Service, Washington, DC, 12 June 2002, URL <<http://fpc.state.gov/fpc/c6943.htm>>. According to the SIPRI definition of military expenditure, military assistance is counted as part of the donor country's military expenditure (see appendix 8B).

economic, social and alternative development initiatives, the reform and strengthening of the administration of justice, assistance to internally displaced persons, and the promotion of economic growth through trade.<sup>79</sup>

The Aerial Eradication Program (AEP) is a key component of the US and Colombian governments' strategy to eliminate the production of coca and poppy crops while they simultaneously offer compensation through the Alternative Development Program (ADP) to farmers who give up coca and poppy production. Conceptually, the AEP and ADP are therefore complementary, although in their application in Colombia they are not.

Under Plan Colombia, the country received over \$895 million in US assistance in 2000, mainly for the training of its armed forces in anti-narcotics operations, the upgrade of military aviation facilities and the supply of equipment to the armed forces, especially the anti-narcotics brigade.<sup>80</sup> Most of the US military assistance is offered through private military companies, which train Colombian security forces and fight alongside them against the rebel groups and coca producers.<sup>81</sup> In addition, normal military assistance worth \$0.9 million was provided in the form of military education and training for Colombian officers and \$4 million was provided from the Economic Support Fund for social and economic purposes (see table 8.7).<sup>82</sup> After the terrorist attacks on the USA on 11 September 2001 a new approach was adopted towards Colombia, as the anti-narcotics war was re-categorized as a counter-terrorism war.<sup>83</sup> As a first step under the new approach all armed groups in the long-running conflict in Colombia were categorized as terrorist groups and were therefore included in the USA's list of foreign terrorist organizations.<sup>84</sup> As a result, the counter-narcotics assistance was broadened to include counter-terrorism as a complementary strategy. Furthermore, Plan Colombia was replaced by a new initiative known as the Andean Counter-drug Initiative (ACI) to cover all countries in the Andean region, although still with an overwhelming focus on Colombia—as suggested by the level of resources allocated to that country.<sup>85</sup>

<sup>79</sup> US Department of State (note 77).

<sup>80</sup> US Department of State, *Congressional Budget Justification for Foreign Operations Fiscal Year 2002* (Department of State: Washington, DC, 2001), URL <<http://www.state.gov/m/rm/rls/cbj/>>.

<sup>81</sup> Fidler, S. and Catn, T., 'Colombia: Private companies on the frontlines', *Financial Times*, 12 Aug. 2003, available at URL <<http://www.corpwatch.org/article.php?id=8028>>. See also 'Letter to Secretary of State Powell from Cynthia McKinney (D-Georgia), Jan Schakowsky (D-Illinois), Barbara Lee (D-California), and Pete Stark (D-California)', 15 Mar. 2001, URL <<http://www.ciponline.org/colombia/031506.htm>>.

<sup>82</sup> US Department of State, 'U.S. social, economic and development support for Plan Colombia', Fact sheet, 20 Feb. 2001, URL <<http://www.state.gov/p/wha/rls/fs/2001/>>.

<sup>83</sup> Taylor, F. X., 'The presence of international terrorist groups in the western hemisphere', Remarks before the Committee on International Relations, Subcommittee on the Western Hemisphere Committee, US House of Representatives, Washington, DC, 10 Oct. 2001, URL <<http://state.gov/s/ct/rls/rm/2001/>>; and US Department of State, 'Fact sheet: Secretary of State designates Foreign Terrorist Organizations (FTO's)', Washington, DC, 5 Oct. 2001, URL <<http://state.gov/r/pa/prs/ps/2001/>>.

<sup>84</sup> US Department of State (note 83).

<sup>85</sup> Between 2001 and 2004 Colombia received over 51 per cent of the total assistance disbursed under the ACI programme. US Congress, 'Foreign Operations, Export Financing and related programs appropriations', Hearings before a Subcommittee of the Committee on Appropriations, US House of

**Table 8.8.** US assistance to Colombia by source, financial years 2000–2004

Figures are in US\$ m. Years are financial years.

Type of assistance	2000 <sup>a</sup>	2001	2002	2003 <sup>b</sup>	2004	Total
<i>Agency<sup>c</sup></i>						
Department of State <sup>d</sup>	774.9	48.0	275.4	416.6	495.8	2 110.7
USAID <sup>e</sup>	123.5	0	104.5	122.2	122.2	472.4
Department of Defense	128.5	190.2	119.1	165.0	122.0	724.8
<b>Total</b>	<b>1 026.9</b>	<b>238.2</b>	<b>499.0</b>	<b>703.8</b>	<b>740.0</b>	<b>3 307.9</b>
<i>of which non-military<sup>f</sup></i>						
Obligated	125	24	151	152	123	575
Expended	1	130	97	59	23	310

<sup>a</sup> Figures for 2000 include funds appropriated for Plan Colombia through the 2000 Emergency Supplemental Appropriations Act.

<sup>b</sup> Figures for 2003 include \$93 million in foreign military financing funds appropriated in the 2003 Foreign Operations, Export Financing, and Related Appropriations Act; \$34 million appropriated to the Department of State; \$34 million in the 2003 Emergency Wartime Supplemental Appropriations Act; and \$1 million for foreign military financing allotted from the supplementary appropriation for financial year 2003.

<sup>c</sup> These figures are for appropriations.

<sup>d</sup> These figures include \$88 million in funding transferred by the Department of State to the Department of Justice for its rule-of-law programmes.

<sup>e</sup> In financial years 2000–2003 the Department of State transferred \$375 million to USAID for alternative development, democracy and rule of law, and internally displaced persons programmes. In financial year 2004 the US Congress directly appropriated money for these programmes to USAID.

<sup>f</sup> The Department of State's Bureau of International Narcotics and Law Enforcement Affairs did not provide complete funding data. As a result, the table may not reflect what was actually promised (obligated) and spent (expended).

*Source:* US General Accounting Office (GAO), 'Drug control: U.S. non-military assistance to Colombia is beginning to show intended results, but programs are not readily sustainable', GAO Report no. GAO-04-726, Washington, DC, July 2004, URL <<http://www.gao.gov/>>, table 1, p. 8, and table 2, p. 9.

Between 2000 and 2004 the total US assistance (economic and security) to Colombia was \$3.3 billion (see table 8.8), which made Colombia the largest recipient of US aid in the western hemisphere and the fifth largest in the world.<sup>86</sup> About 82 per cent of this assistance was for the military and the police (who are trained and equipped for military operations). The remaining portion of the assistance was for non-military purposes, including the ADP, the programme for internally displaced persons and the justice and democracy programmes.

Representatives, Part 1A, *Justification of Budget Estimates*, annual, 2000–2005 (US Government Printing Office: Washington, DC, 1999–2004).

<sup>86</sup> The first 4 countries are Iraq, Israel, Egypt and Afghanistan. See US General Accounting Office (GAO), 'U.S. non-military assistance to Colombia is beginning to show intended results, but programs are not readily sustainable', GAO Report no. GAO-04-726, Washington, DC, July 2004, URL <<http://www.gao.gov/>>, p. 7.

In spite of the huge military-related assistance, there is little to suggest that the intended result is being achieved or that the military operations are sustainable over the long term. First, although there was an estimated reduction of 37.5 per cent in the coca crop between 2000 and 2002 and a further 43 per cent reduction between 2002 and 2003,<sup>87</sup> there is little evidence that the small, modern and hi-tech cartels are being apprehended and that the overall availability of drugs is affected, as the US street price of cocaine is reported to be falling.<sup>88</sup> Moreover, the AEP's efforts to eliminate coca and poppy farms are wreaking havoc on small farmers by displacing them from their farmlands, while the ADP is not as effective as it should be as it reaches only about a quarter of its target recipients. Of the total US assistance received by Colombia between 2000 and 2004, only 17 per cent, or \$575 million, was devoted to non-military programmes including the ADP and only \$310 million was spent (see table 8.8), while the intended beneficiaries of the programme complained of the lack of compensation for their destroyed farms. It is little surprise therefore that the impact of these projects is felt by only a fraction of those targeted and the projects themselves face a number of challenges in their implementation that may result in their being unsustainable.<sup>89</sup> This has increased local resentment of the Colombian Government, whose principal contact with the people in rebel-controlled regions is through the AEP's destruction of their crops.<sup>90</sup> The programme itself has led to what is called the 'balloon effect' whereby illicit crop cultivation goes down in certain areas but goes up in others. It has led to the 'atomization of drug cultivation' across the country, with the number of departments where illicit drug cultivation takes place increasing from 21 in 2002 to 23 in 2003 (of a total of 32 departments).<sup>91</sup>

Second, the branding of the conflict as a war on terrorism is leading to restrictions on civil liberties and human rights abuses by the security forces in Colombia.<sup>92</sup> Like many countries supporting the USA's 'global war on terrorism', Colombia was encouraged to adopt an anti-terrorism law; this has greatly restricted the civil liberties of citizens and has given enormous powers

<sup>87</sup> US Agency for International Development (USAID), 'Colombia', *Congressional Budget Justification: FY 2005* (USAID: Washington, DC, 2004), URL <<http://www.usaid.gov/policy/budget/cbj2005/lac/>>, Annex IV, 'Latin America and the Caribbean'.

<sup>88</sup> Walsh, J. M., 'Are we there yet? Measuring progress in the U.S. war on drugs in Latin America', *Drug War Monitor*, Washington Office on Latin America, Dec. 2004, URL <<http://www.wola.org>>. See also International Crisis Group, 'War and drugs in Colombia', *Latin America Report* no. 11, Brussels, 27 Jan. 2005, URL <<http://www.crisisgroup.org/>>.

<sup>89</sup> US GAO (note 86).

<sup>90</sup> US General Accounting Office (GAO), 'Drug control: aviation program safety concerns are being addressed, but State's planning and budgeting process can be improved', GAO Report no. GAO-04-918, Washington, DC, July 2004, URL <<http://www.gao.gov/>>.

<sup>91</sup> International Crisis Group (note 88)

<sup>92</sup> US assistance to Colombian military and police forces is provided in accordance with Section 556 (the Leahy Amendment) of the 2000 Foreign Operations Appropriations Act (Public Law 107-115) and with Section 8098 of 2000 Department of Defense Appropriations Act (Public Law 106-79) which requires that no assistance be provided to any unit of the security forces for which the US Government has credible evidence of commission of gross violations of human rights, unless the Secretary of State is able to certify that the Colombian Government has taken effective measures to bring those responsible to justice. See US Department of State, 'Colombia: Profile', Washington, DC, Apr. 2002, URL <<http://www.state.gov/outofdate/bgn/c/>>.

to the security forces.<sup>93</sup> The anti-terrorism legislation gives the military power to arrest, to tap telephones and to carry out searches without warrants.<sup>94</sup> These powers have reportedly been abused by state officials. In a country where a major cause of the conflict is injustice and social inequality, giving security forces such powers is likely to only aggravate the situation.

Third is the issue of sustainability of the current military efforts and spending. To date the US Government has shown no desire to stop its assistance to Colombia. In the US budget request for FY 2006, President Bush asked for assistance for Colombia at the level of 2005 (see table 8.7) even though US assistance under Plan Colombia officially ends in September 2005.<sup>95</sup> In its bid to completely rout the rebel groups and complement the mainly military assistance from the USA, the Colombian Government has already increased both the size of its armed forces and the military budget. Between 2000 and 2004 its military budget increased by 44 per cent in real terms. However, with an economy saddled with a public debt that is 57 per cent of GDP, it is doubtful whether this level of resource commitment to military activities is sustainable in the long term.<sup>96</sup> Critics of the Colombian Government have attributed the current budget deficit of 2.5 per cent of GDP to the increase in military spending.<sup>97</sup> This does not bode well for the sustainability of an expanded military force and the on-going military operations, especially when the USA's assistance eventually ceases.

Although the US Government recognizes that the Colombian situation is complex, the bulk of its support has continued to be military related, perhaps reflecting its preoccupation with the military approach that has so far characterized its response to terrorism. According to the USA, this approach is necessary because the three designated terrorist groups in Colombia—through their activities financed by narcotics trafficking, extortion and kidnapping—pose the greatest threat to the ability of the Colombian Government to resolve its people's economic and social problems.<sup>98</sup> While the activities of the guerrilla groups undoubtedly pose a serious threat to the ability of the government to reach all parts of the country, military operations alone are not suf-

<sup>93</sup> Congress of the Republic of Colombia, Acto Legislativo 02 de 2003 (diciembre 18) [Act 2 of 2003 (December 18)], *Diario Oficial* (Bogotá), no. 45 406 (19 Dec. 2003), URL <<http://www.secretaria.senado.gov.co/leyes/acl02003.htm>>. See also Human Rights Watch (HRW), 'Human rights overview: Colombia', Jan. 2004, URL <<http://hrw.org/english/docs/2004/01/21/colomb6978.htm>>.

<sup>94</sup> HRW (note 93).

<sup>95</sup> US Department of State, 'FY 2006 international affairs (function 150) budget request: foreign operations, export financing and related programs', Washington, DC, 7 Feb. 2005, URL <<http://www.state.gov/m/rm/rls/iab/2006/html/41795.htm>>.

<sup>96</sup> 'Tracking trends', *Latin American Weekly Report*, 28 Sep. 2004, p. 9; and 'Colombian defence ministry faces 3 trillion peso budget cut', *Cali El Pais* (Internet version, in Spanish), 13 Sep. 2004, in Foreign Broadcast Information Service, *Daily Report—Latin America (FBIS-LAT)*, FBIS-LAT-2004-0913, 13 Sep. 2004.

<sup>97</sup> Rueda, M. I., 'Harry Potter y el primer año de Uribe' [Harry Potter and Uribe's first year], *Revista Semana*, 14 Feb. 2005, URL <<http://semana.terra.com.co/opencms/opencms/Semana/articulo.html?id=72170>>.

<sup>98</sup> US Department of State, 'Western hemisphere', *Supporting Human Rights and Democracy: The U.S. Record 2004–2005* (Department of State: Washington, DC, Mar. 2005), URL <<http://www.state.gov/g/drl/rls/shrd/2004/>>, pp. 250–87. See also US Department of State (note 77).

ficient to restart the peace process nor can they address the questions of inequality, social justice and rule of law that are fundamental to the resolution of the long-running Colombian conflict.<sup>99</sup>

Other major donors, especially the European Union, have repeatedly emphasized the complex nature of the Colombian crisis.<sup>100</sup> In particular they have stressed the social and economic inequalities in Colombia and the urgent need to address these as part of the wider peace process. Thus, the EU's assistance has focused on the ADP, on strengthening the participation of civil society in the peace process, and on measures to improve respect for human rights and the rule of law.<sup>101</sup>

Overall, the military focus of US assistance has achieved limited results due to the neglect of, or inadequate attention to, other components of the original objectives. A more appropriate balance between security and the socio-economic issues central to the complex Colombian conflict would probably have achieved a better outcome.

### **The UK's assistance to Sierra Leone**

As a major donor of development assistance, the United Kingdom has over the years articulated the view that development and security must be linked if the former is to have the desired impact. Central to the British Government's argument linking security, poverty and development is that uncontrolled security expenditure and ill-disciplined security forces can be a burden on and source of insecurity to the state and its people, especially the poor. This view is informed by the fact that the UK directs a large share of its development assistance to poor countries where security is often a major problem.<sup>102</sup> It is no surprise therefore that the UK, through its Department for International Development (DFID), has been a major advocate of the expansion of the definition of ODA to cover security-related development assistance. The connections between security and development were emphasized in both the 1997 and 2000 White Papers on international development.<sup>103</sup> As a result, since

<sup>99</sup> International Crisis Group (note 88).

<sup>100</sup> See, e.g., European Parliament, 'Resolution on Plan Colombia and support for the peace process in Colombia', Resolution B5-0087/2001, 18 Jan. 2001, URL <<http://www.europarl.eu.int/>>

<sup>101</sup> Patten, C., EU external relations commissioner, 'The EU commitment to Colombia', Message to EU-Colombia Forum, Bogotá, 12–13 May 2003, EU Directorate-General for External Relations, Brussels, URL <[http://europa.eu.int/comm/external\\_relations/news/patten/sp03\\_241.htm](http://europa.eu.int/comm/external_relations/news/patten/sp03_241.htm)>.

<sup>102</sup> British Department for International Development (DFID), *Departmental Report 2004* (The Stationery Office: London, 2004), URL <<http://www.dfid.gov.uk/aboutdfid/performance.asp>>, annex 3, p. 189. See also Baulch, B., 'Aid for the poorest? The distribution and maladministration of international development assistance', Chronic Poverty Research Centre (CPRC) Working Paper no. 35, CPRC, Manchester, Mar. 2004, URL <<http://www.chronicpoverty.org/>>.

<sup>103</sup> British DFID, *Eliminating World Poverty: A Challenge for the 21st Century*, White Paper on International Development, Command Paper no. 3789 (The Stationery Office: London, Nov. 1997); and British DFID, *Eliminating World Poverty: Making Globalization Work for the Poor*, White Paper on International Development, Command Paper no. 5006 (The Stationery Office: London, Dec. 2000)—both at URL <<http://www.dfid.gov.uk/pubs/>>.

**Table 8.9.** British assistance to Sierra Leone, financial years 2002/2003–2005/2006

Figures are in thousands of pounds sterling, at current prices. Years are financial years.

Type of assistance	2002/2003	2003/2004	2004/2005	2005/2006	Total, 2002/03– 2005/06
Military assistance	14 165	14 801	17 245	17 139	<b>63 350</b>
Other assistance	33 044	33 000	40 000	40 000	<b>146 044</b>
<b>Total</b>	<b>47 209</b>	<b>47 801</b>	<b>57 245</b>	<b>57 139</b>	<b>209 394</b>

*Sources:* **Military assistance:** British Ministry of Defence, Policy and Defence Relations (South), Personal communication with the authors, 28 Jan. 2005. **Other assistance:** British Department for International Development, *Departmental Report 2004* (The Stationery Office: London, 2004), URL <<http://www.dfid.gov.uk/aboutdfid/performance.asp>>, annex 1, p. 170.

2000 the UK has made security sector reform a part of its development focus, especially in states in conflict and those coming out of conflict.

The main focus of British aid is Africa and poor countries of East Asia,<sup>104</sup> but nowhere has the UK's policy of connecting security and development been put into practice more coherently and effectively than in Sierra Leone.

After more than a decade of fighting, the civil war in Sierra Leone was officially declared to be over in January 2002. Two of the critical areas of need for the country, as for any post-conflict state, were security and post-conflict reconstruction. The country's security forces needed to be rebuilt from scratch, given their ignoble role in the civil war; without new and professional armed forces, and new security forces generally, there would be no guarantee that civil war would not start again after the departure of international peacekeepers. However, this was a process with which many donors were neither familiar nor ready to engage in given their operational limits and the lack of clearly measurable output from any investment. Above all, the process seemed to require long-term commitment, whereas donors prefer quick returns on their investments. Although many donors have experience of disarmament, demobilization and rehabilitation, very few had undertaken the complete restructuring of a country's security structures after a civil war.

In 1998 the democratically elected president of Sierra Leone, Tejan Kabbah, declared his government's desire to have professional security forces and invited the British Government to give assistance. The British Government responded through its Foreign and Commonwealth Office by allocating £10 million (\$18 million) in 1999 for the design of a security sector reform initiative in Sierra Leone.<sup>105</sup> Another £20 million (\$36 million) was earmarked

<sup>104</sup> British DFID, 'Aid framework 2001–2004', DFID, London, 14 Sep. 2004, URL <<http://www.dfid.gov.uk/pubs/>>.

<sup>105</sup> Ero, C. 'Sierra Leone's security complex', Working Paper no. 3, Conflict, Security and Development Group, King's College London, 2000, URL <[http://www.grc-exchange.org/info\\_data/record.cfm?id=221](http://www.grc-exchange.org/info_data/record.cfm?id=221)>.

by the British DFID to be spent over a three-year period to implement security sector reform.<sup>106</sup>

After the end of the war in 2002, the Sierra Leone Government and the British Government signed a memorandum of understanding committing them to a 10-year partnership in which the British Government provides financial assistance and expertise to support the Sierra Leone Government's programme of reconstruction and poverty alleviation.<sup>107</sup> As a first step the British Government provided £120 million (\$202 million) for the first three years of the partnership, starting in 2002.<sup>108</sup> In return, the Sierra Leone Government agreed to meet mutually agreed benchmarks for every supported programme before moving on to the next stage.<sup>109</sup> For comparison, over the four-year period 1999–2002 Sierra Leone's average annual government budget was 413 million leones (\$154 million) and in 2004 its defence budget was 45.5 million leones (\$17 million),<sup>110</sup> illustrating the magnitude of the British aid from a local perspective.

Sierra Leone's security sector was one of the key areas supported by the British Government in line with the policy outlined above. The principal British contribution has been the training of the soldiers of the new Republic of Sierra Leone Armed Forces (RSLAF)—which includes former rebel soldiers—initially through the British Military Advisory Training Team, but later through the International Military Advisory Training Team. A new building for the Ministry of Defence was constructed to replace the old one that was destroyed during the war, and British officials hold key defence administration posts within the ministry. The British Government also helped in conducting a defence review for the RSLAF to identify the needs and direction of the new armed forces.<sup>111</sup> In total, about £45 million (\$67 million) was spent between 2002 and 2004 on training and other forms of assistance to the new RSLAF (see table 8.9). In addition to this, in June 2004 £4.5 million (\$6.8 million) was promised over three years from FY 2004/2005 for a technical assistance package for new military trucks and communications equipment.<sup>112</sup> This brings the total of military assistance for each of the three years covered to over £17 million (\$25 million). Most of the assistance to the Sierra Leone military has come through the British Ministry of Defence. Other forms of security-related assistance from the British Government to the Sierra Leone Government are listed in table 8.10 along with their costs.

<sup>106</sup> Ero (note 105), p. 23.

<sup>107</sup> Poverty reduction framework arrangement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Sierra Leone, Nov. 2002, URL <<http://www.dfid.gov.uk/countries/africa/sierraleone.asp>>.

<sup>108</sup> Poverty reduction framework arrangement (note 107), paragraph 3.2.

<sup>109</sup> These benchmarks were updated in Apr. 2004; see Poverty reduction framework arrangement (note 107).

<sup>110</sup> See tables 8A.2 and 8A.3 in appendix 8A.

<sup>111</sup> Williams, R., 'National defence reform and the African Union', *SIPRI Yearbook 2004* (note 3), pp. 231–49.

<sup>112</sup> British Ministry of Defence, Policy and Defence Relations (South), Personal communication with the authors, 28 Jan. 2005.

**Table 8.10.** Financial support by the British Department for International Development to security-related programmes in Sierra Leone, 2000–2004

Figures are in pounds sterling, at current prices.

Programme dates	Programme title	Purpose	Commitment (£)
Jan. 2005– Nov. 2009	Safety, Security and Access to Justice	To improve safety, security and access to justice for the people of Sierra Leone, especially the poor	25 000 000
June 2000– June 2005	Sierra Leone Community Safety and Security Project	To improve safety, security and respect for people's rights by re-establishing an effective and accountable police service	25 848 000
July 2003– Mar. 2005	Sierra Leone Security Sector Programme	To establish effective and disciplined armed forces, controlled by and accountable to the democratic government of Sierra Leone, in the interests of lasting peace and stability	7 080 100
Mar. 2003– Feb. 2005	Operation Pebu <sup>a</sup>	To provide all members of the Sierra Leone Armed Forces with adequate personal and operational accommodation	3 900 000
Nov. 2000– Feb. 2004	Security Sector Project: Ministry of Defence headquarters	To provide the Sierra Leone Ministry of Defence with a new headquarters	1 124 000
Feb. 2000	Sierra Leone Police Force: Emergency Public Order Needs	To quickly equip and train 500 police officers in the management of public disorder and to train senior police officers in the command and control of public order	650 000
June 2000– Oct. 2000	Humanitarian assistance to the Sierra Leone Police Force	To enable the Sierra Leone Police Force to alleviate hardship suffered by police officers and their families	155 000

<sup>a</sup> Pebu is a Mende word meaning shelter.

*Source:* British Department for International Development, Personal communication with the authors, 2 Feb. 2005.

Apart from the support given to the RSLAF and the Sierra Leone Police Force, aid has been given to other critical areas of the state that require expert support: these include projects such as the Anti-Corruption Commission, the rehabilitation of the legal system, assistance to the National Electoral Commission and the country's Special Court, the strengthening of the financial management systems, civil service reform, the strengthening of the diamond industry and support for the preparation of a poverty-reduction strategy. According to available statistics, military assistance constitutes about 30 per cent of total British assistance provided (and planned) in 2002/2003–2005/2006 (see table 8.9).

The DFID uses a broad definition of the security sector.<sup>113</sup> According to official data, Britain provided support for this sector amounting to about £39 million (\$58 million) between 2000 and 2004 (see table 8.10; this figure excludes commitments given in the table for the period 2005–2009). In spite of this strong focus on security, however, other forms of assistance have not been neglected. The focus of other donors on areas other than security complements the role of the British Government in building the capacity of the security forces.

Given the atrocities committed by both government and rebel forces during the civil war, the normative aspect of military professionalism, especially the need to respect human rights and obey the law like any other citizens, has been a major focus of the training of the new RSLAF. Respect for human rights is very important if the brutal mutilation of people that occurred during the civil war is to be avoided in the future.<sup>114</sup> As a result, those who committed crimes during the war have been excluded from the new force.

On the whole the British efforts appear to be achieving the desired results. This is shown by the relative peace in Sierra Leone and the gradual but steady return of the country to normalcy. While there was an initial reluctance on the part of several donors to get involved in the security sector, there was a consensus on the need to rebuild the security system in Sierra Leone as the basis for sustainable development. The memory of the badly structured and financed security forces that led to the decade-long civil war still lingers. The British support has been well complemented by other donors that have concentrated in the more traditional area of support for development cooperation, such as poverty alleviation and infrastructure building; this support has relied on the security provided by the British effort. The result is the consolidation of peace in Sierra Leone.

However, the key question remains: can the Sierra Leone Government sustain the reformed security sector after the termination of the British aid programme? Its maintenance requires sustained and, in the short to medium terms, probably increasing level of military spending. The government depends on external donors for nearly half of its annual budget and the security sector is just one of many sectors competing for resources. Finding the required level of resources to maintain the newly established system will be a tough challenge for the government. It demonstrated its commitment by increasing military expenditure by 18 per cent in 2003, but allocations fell by 6 per cent in 2004.<sup>115</sup> Thus, the answer to the above question remains unclear.

<sup>113</sup> The DFID definition of the security sector is: 'those who are, or should be, responsible for protecting the state. This includes military, paramilitary, intelligence and police services as well as those civilian structures responsible for oversight and control the security forces and for the administration of justice.' British DFID (note 102), annex 7, p. 206.

<sup>114</sup> For details of the atrocities committed during the war see Ero, C., 'Vigilantes, civil defence forces and militia groups: the other side of the privatisation of security in Africa', *Conflict Trends*, June 2000, URL <<http://www.accord.org.za/ct/intro.htm>>, pp. 25–29.

<sup>115</sup> See table 8A.3 in appendix 8A.

### Summary

The nature of assistance provided by the US and British governments to Colombia and Sierra Leone is in both cases primarily a reflection of the objectives of their respective aid policies. How those objectives are achieved is a question of tactics. While the UK adopted a holistic approach—and may have examined the problem from the recipient's perspective given the history of the war in Sierra Leone and the reputation of its security forces and paramilitary groups for banditry and human rights violations—the US approach in Colombia is influenced primarily by the desire to stem the flow of narcotics into the USA. Overall, these two examples show both the problems and the merits of supporting security-related activities within the context of foreign assistance. In general, the outcome of a donor's involvement in the support of security abroad is highly dependent on the objectives of its intervention and on adequate understanding of the problem to be addressed.

### V. Conclusions

World military spending, according to official data, is again approaching its level at the height of the cold war. The main reason for this is the high levels of military spending by the USA in recent years, reflecting its global security agenda and in particular its foreign military operations. While US military spending is still lower than during the cold war in terms of its share of GDP, the sustainability of the current levels is being increasingly questioned. In addition, in other countries there is an emerging dilemma over financial policies and military spending; for example, in some of the major EU countries that are exceeding the targets of the Growth and Stability Pact. Military spending has also been under severe criticism in certain developing countries, especially in the Middle East where military spending has assumed alarming proportions in relation to other public sector spending.

Beyond the issue of sustainability, however, is the question of the nature of security threats driving expenditure in these countries. In a globalizing world, in which security is becoming increasingly internationalized, it could be more cost-effective for high-income countries to use some of the resources that they now allocate for military purposes to help improve the security environment and promote peaceful conditions in low-income countries that are increasingly perceived as hotbeds of international insecurity. These are some of the reasons why international consensus is building around ideas to the effect that the new types of threats and challenges to security in an increasingly globalized world have to be addressed at source and that this requires global action and multilateral approaches.<sup>116</sup>

<sup>116</sup> United Nations, 'A more secure world: our shared responsibility', Report of the High-level Panel on Threats, Challenges and Change, UN documents A/59/565, 4 Dec. 2004, and A/59/565/Corr. 1, 6 Dec. 2004, URL <<http://www.un.org/ga/59/documentation/list5.html>> (for the synopsis of the report see the appendix to the Introduction in this volume); and United Nations, 'The relationship between dis-

A number of difficulties are associated with the design of policies for such global action, as illustrated by the two case studies on foreign assistance in this chapter. There is no doubt that security is intertwined with development, especially in conflict and post-conflict states, but attempting to address the security problem without identifying the underlying causes of insecurity can result in a negative outcome. Since the resources available for development are small, there is a need to ensure that they are used for genuine development or for security-related activities that demonstrably protect and promote development. However, consensus is needed among key actors on the modalities for supporting such security-related development programmes. The examples of US aid to Colombia and British aid to Sierra Leone show that, while development resources are already being used for security purposes, the outcome depends on the objectives and methods of the donor and on how these relate to the actual needs and conditions in the field.

There is also the question of what implications the emerging patterns of action to address security threats will have for understanding of military expenditure as an analytical concept. The general applicability of the traditional definition of military expenditure as the cost of providing security has always been limited. Given the generally comprehensive approach to security that is being taken worldwide, and the increasing blurring of the lines between external and internal security and between domestic and international dimensions of national security, the applicability of the traditional definition is about to be even more limited as states grapple with a new set of security threats. In order to obtain a comprehensive picture of the costs of addressing security problems by force—‘hard security’—there is a need to supplement data on military expenditure with data on that part of internal security spending that is devoted to internal security forces, and to examine the extent to which data on expenditure on intelligence services should be integrated into security expenditure. Furthermore, access to data on military aid, which is currently very limited, needs to be improved, both on the donor side and the recipient side. A comparable series of data on the costs of providing security by means other than force—‘soft security’—would serve as a useful tool for policy makers in assessing the costs and benefits of different means for providing security. A first step in that direction would be to develop an operational definition of ‘soft security’.

armament and development in the current international context’, Report of the Group of Government Experts on the relationship between disarmament and development, UN document A/59/119, 23 June 2004. A similar idea constitutes the rationale for the concept of ‘global public goods’. See, e.g., Kaul, I. *et al.*, *Providing Global Public Goods: Managing Globalization*, published for the United Nations Development Programme (Oxford University Press: New York, 2003). See also chapter 7 in this volume.

