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## 7. Mozambique

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### I. Introduction and background

A multiplicity of actors and a diversity of opinions in the military sector are acknowledged realities in Mozambique. Consequently, debates about national security have increasingly appeared in the public arena since the end of the civil war in 1992. An important contribution of the public debate on armed forces has been the progressive understanding that military issues are no longer restricted to military personnel and politicians but belong to the national agenda. However, public debate about such critical issues as military budgeting remains limited. Invariably, there is no public knowledge of, debate about or input into the military budget, nor is there any publicly accessible record of the exact military allocation.

This chapter analyses the budgetary process for the military sector in Mozambique with the aim of contributing to the ongoing debate about strengthening transparency, accountability and professionalism in the Mozambican military sector. This introductory section continues with a survey of the historical, political and economic context. Section II provides a description of the defence and security sector, including the components and structure of the armed forces, the governing doctrine (on missions and roles) and the nature of the security environment. Section III explores the formal national budgetary process, which in turn leads to an exploration of the military component in section IV. Section V undertakes a critical assessment of the formal process of military budgeting, focusing on its strengths and weaknesses, both perceived and real. Issues of institutional capacity, off-budget military spending, and lack of accountability and transparency are highlighted. The last section provides conclusions and offers recommendations for improving the process.

### **History, politics and economy**

Mozambique is an ethnically and linguistically diverse country, with 13 national languages and numerous other dialects spoken by 11 ethnic groups, most of which transcend national boundaries. The official language is Portuguese, which is spoken mainly in the cities. English and French are taught in secondary schools and are spoken by many young professionals as well as senior government officials and political leaders.

Mozambique gained its political independence from Portugal on 25 June 1975, after a 10-year liberation struggle led by the Frente de Libertação de

Moçambique (FRELIMO, liberation front of Mozambique). On independence, FRELIMO established a one-party, socialist state.

Mozambique's solidarity with liberation fighters elsewhere in the sub-region provoked serious threats to its national security, with direct military aggression and the raising, training and funding of a clandestine dissident military intelligence group, the Resistência Nacional Moçambicana (RENAMO, Mozambican national resistance), by the Rhodesian minority rule regime of Ian Smith. When Rhodesia became independent in 1980, as Zimbabwe, RENAMO moved its base to South Africa; its subsequent military activities were to prolong the civil war between the rebel movement and the FRELIMO-led government into the 1990s. Following informal peace efforts initiated by the Catholic Church and after two years of protracted negotiations, a general peace agreement was signed in Rome in October 1992.<sup>1</sup> The ensuing United Nations-sponsored peace process paved the way for Mozambique's first ever multiparty elections, in October 1994, which were mainly a contest between the two warring factions, then transformed into political parties.

The presidency is held by Armando Guebuza of FRELIMO, who took office in February 2005. The parliament is unicameral, with 250 members elected for a term of five years through a system of proportional representation.

A new constitution was adopted in December 2004 which defines the objectives of Mozambique's defence and security policy to be the defence of national independence; the preservation of the sovereignty and the integrity of the country; the guaranteeing of the normal functioning of institutions; and the safeguarding of citizens against any kind of armed aggression.<sup>2</sup> The authority of the constitution over the defence and security forces is symbolized by the oath to be taken by all members of the forces.<sup>3</sup>

Since 1988 the Mozambican Government has pursued a wide-ranging programme of economic stabilization and structural reform, which has reaped impressive results. Market liberalization, completion of an ambitious privatization programme, fiscal reform and progress on public sector reform have contributed to strong economic growth; for example, gross domestic product (GDP) grew by 7 per cent in real terms in 2003.<sup>4</sup>

Additional investment projects in titanium extraction and processing and in garment manufacturing are expected to improve the country's balance of trade. However, the scale of foreign investment should not be overestimated; there have been some setbacks. Indeed, 2002 was a bad year in terms of foreign investments, and the elections in 2003 and 2004 may have discouraged investment in those years.

<sup>1</sup> General Peace Agreement for Mozambique, Rome, 4 Oct. 1992, available at URL <[http://www.usip.org/library/pa/mozambique/pa\\_mozambique.html](http://www.usip.org/library/pa/mozambique/pa_mozambique.html)>.

<sup>2</sup> Constituição da República [Constitution of the Republic], *Boletim da República* (Maputo), 22 Dec. 2004, Article 265.

<sup>3</sup> Constituição da República (note 2), Article 266.

<sup>4</sup> International Monetary Fund (IMF), 'Republic of Mozambique: request for a new three-year arrangement under the poverty reduction and growth facility', IMF Country Report no. 04/342, Washington, DC, June 2004, URL <<http://www.imf.org/external/country/moz/>>, p. 5.

In spite of the overall progress, Mozambique continues to depend heavily on foreign assistance for much of its annual budget, and a majority of the workforce is engaged in subsistence agriculture and is thus firmly rooted below the poverty line. A substantial trade imbalance persists, although it has diminished with the opening of some large-scale projects such as the Mozal aluminium smelter, the country's largest foreign investment project, and the Pande natural gas project in Inhambane.

## II. The defence and security sector

Mozambique's defence and security sector consists of the police, the Serviço de Informação e Segurança do Estado (SISE, state information and security service) and the military establishment. The three services of the Forças Armadas de Defesa de Moçambique (FADM, armed defence forces of Mozambique), the army, the air force and the navy, form the core of the military sector. Mozambique does not have a paramilitary force. To ensure the progressive development of the FADM, the military establishment is currently undertaking a legal review of the statutes governing the FADM. One of the achievements of this review was the approval in December 2004 of a new structure for the military establishment.<sup>5</sup>

Although the end of both the cold war and apartheid have fundamentally altered Mozambique's security environment by reducing high-level threats to national security, other threats abound, both military and non-military. The needs for sub-regional security cooperation, internal consensus and national cohesion have become imperative security issues. It has been argued that, although these threats to security seem distinct, they are in fact connected, as each exhibits serious multiplier effects.<sup>6</sup> Accordingly, a feasible solution is to join with partners in Southern Africa in their attempts to adapt themselves to the new philosophy of interdependence. On the basis of that philosophy, Mozambique has been playing an important role among member states of the Southern African Development Community (SADC) in speeding up the establishment of a regional security architecture. This is evidenced by its accession to the 2001 SADC protocol that created the Organ on Politics, Defence and Security Cooperation.<sup>7</sup> There are also concurrent efforts for the implementation of the strategic plan for establishing the Organ and the drafting of an SADC mutual defence pact.<sup>8</sup> However, the signing of these agreements and protocols

<sup>5</sup> Decree 48/2003, *Boletim da República* (Maputo), 24 Dec. 2004.

<sup>6</sup> Macaringue, P. J., 'Mozambique defence in the post-war era', MA dissertation, Department of Politics and International Relations, Lancaster University, 1998, pp. 30–31.

<sup>7</sup> SADC, Protocol on Politics, Defence and Security Cooperation, Blantyre, 14 Aug. 2001, URL <<http://www.sadc.int/>>.

<sup>8</sup> SADC, 'Strategic indicative plan for the Organ on Politics, Defence and Security Cooperation', Aug. 2004, URL <<http://www.sadc.int/>>.

**Table 7.1.** Directorates of the Mozambican Ministry of National Defence and their functions

Directorate	Functions
Defence Policy	Undertake strategic studies on defence; suggest measures and guidelines in order to promote civil–military relations; promote research and issue studies on national defence; ensure the development of the Ministry of National Defence, and coordinate the external activities of the ministry
Human Resources	Coordinate the technical assistance necessary for developing human resources in the military sector
Defence Equipment	Ensure the attainment of stated defence goals by coordinating the equipment and operational needs of the armed forces
Finance and Logistics	Plan, acquire, allocate and control the logistic and financial means of the military sector; design policy on management of the national defence facilities and infrastructure
Military Health	Provide health services and assistance to members of the armed forces
Defence Intelligence	Gather the intelligence necessary for attaining defence goals
General Inspectorate	Ensure proper management of the human, material and financial resources at the disposal of the defence establishment

*Source:* Ministerial Diploma 81/95, *Boletim da República* (Maputo), 7 June 1995.

has meant very little in practical terms since SADC member states tend not to adhere to commonly agreed rules and protocols.<sup>9</sup>

Finally, the relatively stable security environment also permits the FADM's involvement in civilian activities designed to improve the level of human security, especially in rural Mozambique. Such activities include humanitarian search-and-rescue operations, the clearing of minefields, the collection and destruction of weapons and explosives, and the rehabilitation of some basic socio-economic infrastructure. Externally, the FADM has been involved in peacekeeping operations in Burundi, Comoros, the Democratic Republic of the Congo, East Timor and Sudan,<sup>10</sup> and has actively participated in joint military exercises, such as Blue Hungwe in Zimbabwe in 1997 and Blue Crane in South Africa in 1999, all of which have been confidence- and security-building measures for Southern Africa.

<sup>9</sup> Nathan, L., 'The absence of common values and failure of common security in Southern Africa, 1992–2003', Working Paper no. 50, Crisis States Research Centre, London School of Economics, July 2004, URL <<http://www.crisisstates.com/>>.

<sup>10</sup> See, e.g., Dwan, R. and Wiharta, S., 'Multilateral peace missions: challenges of peace-building', *SIPRI Yearbook 2005: Armaments, Disarmament And International Security* (Oxford University Press: Oxford, 2005), pp. 139–98.

## The Ministry of National Defence

Just after independence, the Ministry of National Defence (MOND) was established by presidential decree.<sup>11</sup> This decree defines the role and functions of the ministry, placing emphasis on the military component of the national defence policy. The decree also underscores the fundamental responsibility of consolidating independence and national unity and sets the parameters for structuring the armed forces.

In the relatively new, multiparty democratic environment the MOND is politically responsible for the management of the military component of defence policy, the administration of the armed forces, providing logistic support, and overseeing and controlling the resources provided by the government.<sup>12</sup> These tasks are the responsibility of the MOND directorates for Defence Policy, Human Resources, Defence Equipment, and Finance and Logistics. There are also directorates for Military Health and Defence Intelligence and the General Inspectorate.<sup>13</sup> The functions of these directorates are enumerated in table 7.1. Figure 7.1 presents the structure of the MOND.

The Minister of National Defence is the political head of the MOND and is designated as the executive authority for the defence establishment. As such, the minister has the primary responsibility for political oversight, for implementation of the national defence policy and for ensuring that political and operational priorities are taken into account in the plans of the ministry. The Minister of National Defence also directs the budgetary process in the ministry through the annual formulation of the institutional framework of activities and guidelines necessary for defining the rules of management of financial resources allocated to the MOND and the FADM. In addition, the minister maintains transparency and efficiency in the budget implementation process.

## The Forças Armadas de Defesa de Moçambique

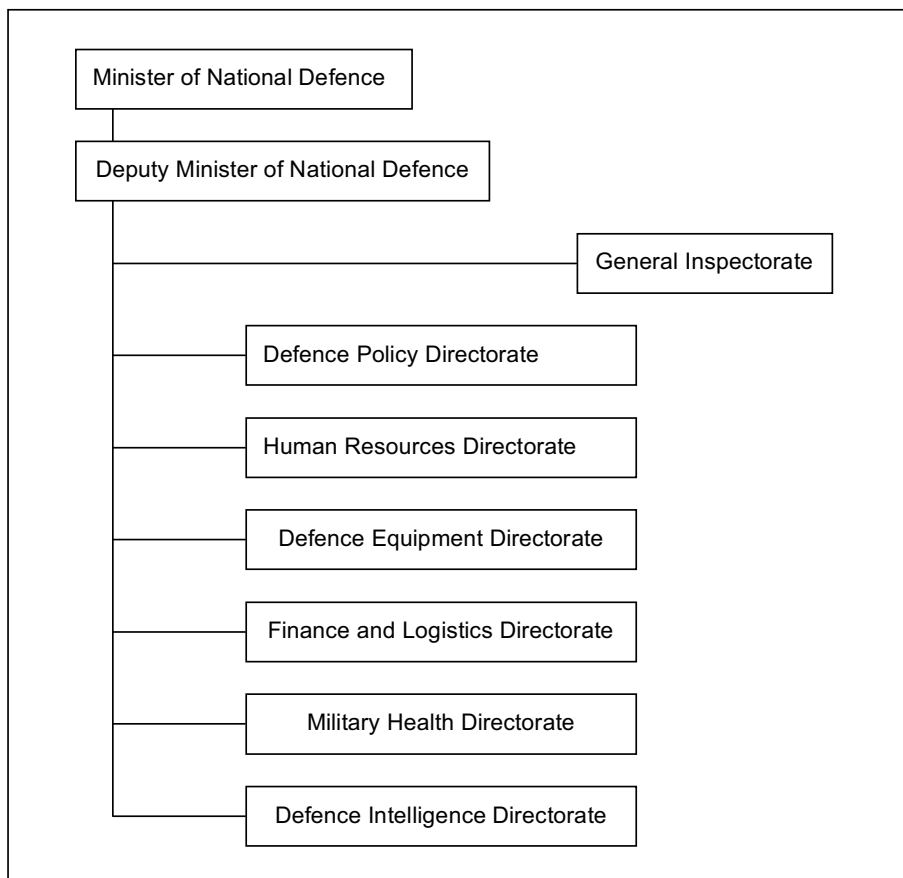
The process of creating new armed forces was regulated by a protocol of the 1992 peace agreement.<sup>14</sup> The protocol provided for the formation of a new, 30 000-strong defence force, composed of equal numbers of volunteers from the two warring factions. The new-look force was to consist of 24 000 personnel for the army, 4000 for the air force and 2000 for the navy. A joint commission for the formation of the FADM was created to oversee the administration of the armed forces prior to the inauguration of the new, post-war government. The joint commission was also expected to formulate the rules governing the FADM, including the criteria for selecting members of the Forças Armadas de Moçambique (FAM, armed forces of Mozambique) and of RENAMO for the

<sup>11</sup> Presidential Decree 01/75, *Boletim da República* (Maputo), 27 July 1975.

<sup>12</sup> Presidential Decree 04/2003, *Boletim da República* (Maputo), 27 Nov. 2003.

<sup>13</sup> Ministerial Diploma 81/95, *Boletim da República* (Maputo), 7 June 1995.

<sup>14</sup> General Peace Agreement for Mozambique (note 1), Protocol IV.



**Figure 7.1.** The structure of the Mozambican Ministry of National Defence

formation of the FADM and the naming of the commanding officers of the main commands.

The formation of the FADM did not, however, go as smoothly as anticipated, since the expected number of volunteers proved to be unattainable. Several hundred RENAMO and FAM troops were unwilling to join the FADM, as they did not want to repeat their previous experiences of long periods of service in generally poor conditions. As a consequence, of the targeted 30 000 men, only 12 195 joined the FADM: 8533 from the FAM and 3662 from RENAMO.<sup>15</sup>

In the post-war period the FADM has been managed by the reconstituted MOND.<sup>16</sup> The 1990 constitution defined the objective of Mozambique's defence and security policy to be to guarantee the normal functioning of state

<sup>15</sup> Macaringue (note 6), p. 60.

<sup>16</sup> Macaringue (note 6), p. 60.

institutions and to secure citizens against any armed aggression.<sup>17</sup> The 1997 defence and security policy act subordinates the defence and security forces to the law when in pursuit of their missions,<sup>18</sup> while the 1997 national defence act prescribes the fundamental principles and norms for the national defence policy and the armed forces.<sup>19</sup> Mozambique has a conscription law making military service mandatory.<sup>20</sup>

The missions of the armed forces in a war situation, especially their engagement in war, are directly under the command of the commander-in-chief of the defence and security forces (i.e., the President). In peacetime and in accordance with the national defence act, the commander-in-chief is empowered to direct the participation of the armed forces in missions of the United Nations or regional security organizations and in humanitarian missions and missions for development assistance.<sup>21</sup> There has also been a progressive development of civil–military relations in post-war Mozambique, especially in relation to the respect and obedience shown by the armed forces to democratically constituted authorities and their non-partisan posture in a multiparty environment.

### **The national defence policy**

Since the late 1980s Mozambique has experienced multiple transitions: from a centralized to a market economy, from one-party to multiparty politics and from war to peace. The formation of the national defence policy has consequently been influenced by these complex processes and transitions. According to Henrique Banze, Mozambican defence and security policy reflects the political stalemate between political representatives of the former rebel movement, RENAMO, and of the ruling party, FRELIMO; the low level of confidence and the mutual distrust between the two parties; and the domination of parliament by FRELIMO.<sup>22</sup> The policy has also been influenced by external pressure to implement radical political and economic reforms and by the extremely weakened defence capabilities that resulted from the amalgamation of elements with completely different combat standards, with military personnel drawn from the former rebel movement and government regular forces.

The actual formulation of the defence policy was spearheaded by the National Directorate for Defence Policy, which set up a working group consisting of

<sup>17</sup> Constituição da República de Moçambique [Constitution of the Republic of Mozambique], *Boletim da República* (Maputo), 2 Nov. 1990, Article 59, English translation at URL <<http://confinder.richmond.edu/>>.

<sup>18</sup> Lei do Política de Defesa e Segurança [Defence and security policy act], Act 17/97, *Boletim da República* (Maputo), 7 Oct. 1997.

<sup>19</sup> Lei da Defesa Nacional [National defence act], Act 18/97, *Boletim da República* (Maputo), 7 Oct. 1997.

<sup>20</sup> Lei do Serviço Militar [Military service act], Act 24/97, *Boletim da República* (Maputo), 23 Dec. 1997.

<sup>21</sup> Lei da Defesa Nacional (note 19), Article 25.

<sup>22</sup> Banze, H., 'Mozambican security agenda: from liberation to development', MSc dissertation, Department of Peace and Development Research, Gothenburg University, 2001, pp. 68–70.

skilled military and civilian personnel. This working group was responsible for drafting the concept paper that formed the basis for subsequent discussion. The discussion included important contributions from security experts from research centres such as the the Centro de Estudos Estratégicos e Internacionais of the Instituto Superior de Relações Internacionais in Maputo. The draft defence policy was thereafter sent to parliament for approval as official public policy.<sup>23</sup> In general terms, the 1997 defence and security policy act enumerates the main responsibilities of the FADM—to act as the military component of national defence—and states its mission.<sup>24</sup>

The basic principles underlining the defence policy include: (a) the collective responsibility of citizens for national defence, promotion of state security and public order; (b) the strengthening of national unity and the safeguarding of national interests; (c) the prohibition of compulsory conscription and voluntary enlistment into the defence and security services of citizens under 18 years of age; (d) the political neutrality of the defence and security establishments and their obligation to abstain from participating in actions or activities that could jeopardize the internal cohesion and unity of the nation; (e) the exclusive fidelity of the military to the constitution and other binding legal texts, and obedience to the commander-in-chief; (f) respect for the use of legitimate force where necessary to accomplish peace and security, the emphasis being on conflict prevention or the negotiated settlement of conflicts; (g) the creation of a peaceful and secure climate at national, regional and international level; and (h) contributing to the construction and maintenance of a stable and peaceful international order.

The overall objectives of the defence policy are to guarantee the independence, sovereignty, integrity and inviolability of the national territory; to guarantee the defence and normal functioning of Mozambique's institutions; and to defend state property and the country's strategic interests. In addition, the policy aims to prevent or combat drug trafficking, organized crime and terrorism. Finally, it seeks to promote respect for the law, to maintain public order and security, and to protect the state by guaranteeing its economic and social development.

### III. The national budgetary process

From independence in 1975 until 1992 the national budgetary process, especially the military budget, was neither open nor participatory, given the poor security environment prevailing during the civil war. The volatile military situation also prompted the government's provision of huge financial resources to the security sector. However, accountability and transparency became core principles in the public sector and in the military budgetary process following the post-war reforms and the intrusive demands of major international donors

<sup>23</sup> Banze (note 22), p. 69.

<sup>24</sup> Lei do Política de Defesa e Segurança (note 18).

and development agencies, including the International Monetary Fund (IMF) and the World Bank. Yet internal commitment remains critical to transforming the process, as demonstrated by the 1997 budget framework act, which contains regulations for the preparation and implementation of the state budget.<sup>25</sup> Another internal factor is the desire to reduce the huge debt burden, which has also inspired greater attention to budget performance and the use of financial resources.

The budget framework act establishes the principles, rules and norms relating to the budget and general accounting procedures. Its key objective is to modernize the procedures for state budget management, enabling improved public sector management, accountability, the timely provision of quality information and the reduction of waste in the use of the allocated resources. The act represents a fundamental change in the management of public finances, given that it holds the executive authorities of state institutions (including ministries) accountable for the use of resources allocated to their institution. The act requires that the state budget itemizes all the revenue to be raised and all the expenditure planned in a specific financial year. Moreover, the act makes the budget an annual document that must be made public and provides for public entities responsible for the management and execution of the state budget to face disciplinary, civil and criminal sanctions for errors or omissions in budget execution. Finally, the Administrative Court is empowered to exercise jurisdictional control of public expenditures—that is, to act as the auditor-general of the state—and to prepare a report on state financial matters for parliament.

In conformity with the legal provisions set by parliament in addition to the budget framework act, the government is expected to present the state budget to a plenary session of parliament. Every three months parliament also receives account updates from the government, covering both revenue and expenditure outlays. The act also empowers the government to take the measures necessary to enable the timely execution of the state budget by the end of the financial year, on 31 December.

### **The Ministry of Planning and Finance and military funding**

Given the volatile security environment in the post-independence era, for a considerable period of time the major share of the state budget was channelled to the defence and security sector. Inevitably, the war economy was characterized by a high level of secrecy and an acute lack of transparency. In addition, the military budget was presented in an aggregated form. It was argued that ‘this budget is permanently exposed to frequent variations, which are sometimes abrupt, as this is the outcome of the development of military activity rather than the nature of the expenditure’.<sup>26</sup>

<sup>25</sup> Lei do Enquadramento do Orçamento e da Conta Geral do Estado [State budget and general account framework act], Act 15/97, *Boletim da República* (Maputo), 10 July 1997.

<sup>26</sup> Antunes, M. de Azevedo, *Lições de finanças públicas* [Lessons of public finances] (Instituto Comercial de Maputo: Maputo, 1979), p. 108 (author’s translation).

**Table 7.2.** Military expenditure of Mozambique, 1990–2004

Figures in US\$ are in constant 2003 prices and exchange rates.

Year	Military expenditure		
	\$ m.	b. meticaís	as a % of GDP
1990	107	136	10.1
1991	106	178	4.5
1992	106	259	5.1
1993	115	399	5.0
1994	134	762	5.7
1995	59	522	2.5
1996	54	704	2.2
1997	60	840	2.1
1998	71	1 013	2.2
1999	86	1 250	2.4
2000	85	1 400	2.5
2001	95	1 700	2.4
2002	95	2 000	2.4
2003	105	2 500	..
2004	59	1 585	..

GDP = Gross domestic product.

Source: SIPRI military expenditure database.

However, Mozambique's joining of the IMF and the World Bank in 1984, the end of the armed conflict in 1992, and the subsequent commitment to a 'peace dividend' approach affected economic planning, resource allocation and budget practices.<sup>27</sup> In 1995, for instance, the government pledged to reduce military expenditure to 2.4 per cent of GDP (see table 7.2, which presents Mozambique's military expenditure since 1990).<sup>28</sup> A significant feature of the new budgeting framework is the oversight role of the Administrative Court.

The year 1997 marked the actual turning point in the development of the budgetary process with parliament's approval of the budget framework act. This was augmented in 1998 by the approval by the Council of Ministers of a decree that empowers the Ministry of Planning and Finance (MOPF) to analyse and review the budget proposals from all state institutions, especially the ministries.<sup>29</sup> Accordingly, the MOPF compiles and harmonizes the draft budgets of all government departments, forwards the consolidated budget to the Council of Ministers for debate, and controls the use of resources by all government ministries by undertaking monthly and annual accounting and auditing. When

<sup>27</sup> A 'peace dividend' approach indicates a government's intention to divert resources used for war to social development, especially health and education.

<sup>28</sup> United Nations Development Programme (UNDP), *Moçambique, paz e crescimento económico: oportunidades para o desenvolvimento humano* [Mozambique, peace and economic growth: opportunities for human development] (UNDP: Maputo, 1998), p. 35.

<sup>29</sup> Decree 07/98, *Boletim da República* (Maputo), 10 Mar. 1998.

**Table 7.3.** Military assistance received by Mozambique from select donors, 1999–2002

Year	Donor	Value (\$)	Assistance
1999	Portugal	..	Rehabilitation and equipping of the Laboratory for Clinical Analyses, Military Hospital, Maputo
2000	USA	..	Language laboratory for training in English at the Logistics Training Centre, Maputo
2002	USA	600 000	Rehabilitation of the Engineering School, Boquissos
2002	China	1 800 000	Non-lethal military equipment: 8 trucks, health equipment, diving equipment, boots and uniforms
2002	China	700 000	Surgical equipment and de-mining equipment
2002	China	7 000 000	New military premises and training facilities

.. = Not known.

Source: Ministry of National Defence, Maputo.

appropriate, the MOPF can request the intervention of the Finance Inspectorate and take other necessary measures.

It is assumed that the FADM is not eligible for foreign funding or aid, given that it is not at the top of the government's list of priorities. However, the FADM benefits from other, non-financial contributions from donor countries in the form of training programmes, regional courses in defence and disaster management, and through its participation in peacekeeping operations. The MOND's major partners for military and technical cooperation are China, Portugal, the UK and the USA, although these partnerships are not based on any formal agreement. The areas of cooperation are training, technical assistance, health and the supply of non-lethal equipment. Table 7.3 details some of the assistance from donors to the Mozambican Government.

#### IV. The military planning and budgetary process

The decree defining the military budgetary process divided the process into four phases: planning and formulation, approval, implementation and audit.<sup>30</sup>

##### The planning and formulation phase

The planning stage takes place between March and May of each year, with the Ministry of National Defence drafting a budget concept paper in accordance with guidelines provided by the Ministry of Planning and Finance.<sup>31</sup> This

<sup>30</sup> Decree 07/98 (note 29).

<sup>31</sup> When initiating the state budgetary process for the forthcoming financial year, the MOPF is expected to send to all state institutions preliminary or definitive budget limits, the methodology for collecting information and any other instructions to be taken into consideration in the preparation of the budget proposals. Decree 07/98 (note 29), Article 2.

internal process involves senior officers attached to the Finance and Logistics Directorate of the MOND. As the military establishment lacks a strategic development plan, this process is not preceded by any open internal discussion on what should be reflected in the paper.

The head of the MOND Finance and Logistics Directorate sends the resulting concept paper to the Minister of National Defence, who formally approves the draft budget in a process that runs from May to the end of June. Following ministerial approval, the MOND, like any other ministry, is expected to send its draft budget to the MOPF by 31 July.<sup>32</sup> The MOPF then reviews all the ministerial budget proposals and integrates them into the government's overall socio-economic macroeconomic policy. Once this is done, the Minister of Planning and Finance submits the draft finance bill to the Council of Ministers, where it is discussed and approved before being sent to parliament for its approval.

### **The approval phase**

In parliament, the finance bill is first reviewed by the portfolio budget committees, including the Defence Portfolio Committee, and thereafter at a plenary session. The plenary debate is followed by the mandatory vote of approval or disapproval, which is required to take place by 31 December of each year.<sup>33</sup> It is during the parliamentary debate that the opportunity for civil society involvement exists. However, there is currently minimal participation of civil society groups, except for campaigns for debt forgiveness. Upon approval of the bill, the President is expected to formally announce the state budget and subsequently make it public for implementation.

Parliament exercises oversight of the military budget through the periodic reports from the executive on the revenue and expenditure of all ministries (including the MOND), in accordance with the 1997 budget framework act.

### **The implementation phase**

Once the state budget is made public, the government, in accordance with existing legal provisions, takes the necessary measures to achieve budget goals over the course of the financial year. In the implementation process, the government is expected to take into account the principles of cost-effectiveness and prudent management of approved finances.<sup>34</sup>

The important issue of defence acquisition and procurement follows the sub-contracting format used by all government departments and overseen by the MOPF. This formal process involves open bidding by interested private commercial firms. In case of acquisition through an existing agreement with a company or technical partner, the military establishment must seek prior author-

<sup>32</sup> Decree 07/98 (note 29), Article 3.

<sup>33</sup> Lei do Enquadramento do Orçamento e da Conta Geral do Estado (note 25), Article 18.

<sup>34</sup> Lei do Enquadramento do Orçamento e da Conta Geral do Estado (note 25), Article 20.

ization from the Minister of Planning and Finance.<sup>35</sup> Legally, each government body or ministry is empowered to oversee the implementation of the budget, according to its internal hierarchy.<sup>36</sup> Hence, each month the Finance and Logistics Directorate of the MOND provides an updated account of the implementation of the resources allocated to the MOPF following a prescribed format.

The extent to which the formal procedure is followed remains unclear. Gaps remain between the process established by legislation and day-to-day practice.

### **The audit phase**

The MOND has internal auditors who report to the Inspector-General, who in turn reports to the Minister of National Defence on financial and accounting processes connected with the implementation of the budget. The Administrative Court undertakes external auditing functions in an independent and impartial manner and reports directly to parliament under the general state account process. For this purpose, at the end of each financial year (31 December) the MOND initiates an accounting process that presents the ministry's use of allocated resources to the Administrative Court (acting as auditor-general). Usually, this process ends by June, when a dossier is delivered to the court.

## **V. Assessment of the military budgetary process**

### **Institutional capacity and derogation from formal rules**

To qualitatively evaluate Mozambique's military budgetary process, it is important to highlight the facts that: (a) the state budget for the defence and security sector cannot exceed the donor-imposed ceiling of 2 per cent of GDP and the sector must be funded only by the state budget; (b) knowledge about the detail of the military budget remains limited to a small group of people, and the process of drafting is not as open and transparent as it could be; and (c) the existing legal basis for military budgeting does not give sufficient support for budgeting on a long-term, strategic basis.

A critical overview reveals huge gaps between the established formal rules provided by the 1997 budget framework act and the actual budgetary practices. Two limitations particularly apply to the military sector. First, the presentation of military estimates in aggregated form compromises reliability and obscures the basis for budgetary allocation to the defence and security sector as a whole and within the sector.

The second limitation is not peculiar to the defence and security sector: there is a serious shortfall in the capacity, especially skilled manpower, required to

<sup>35</sup> The signing of contracts or agreements with any entity requires prior authorization of the Minister of Planning and Finance if it imposes any responsibility on the state treasury, even if the expenditure is already covered by the state budget. Lei do Enquadramento do Orçamento e da Conta Geral do Estado (note 25), Article 23.

<sup>36</sup> Lei do Enquadramento do Orçamento e da Conta Geral do Estado (note 25), Article 18.

achieve the established goals of prudent financial management and the observance of existing legal provisions in budget implementation across the public sector. This problem is further accentuated by acute structural weaknesses related to the lack of institutional coordination to ensure maximal use of the available skilled people; a lack of morale among the civil servants who perform these tasks; and the relative lack of sanctions for civil servants who do not follow formal processes. All this demonstrates that, in spite of the existence of a formal, legal framework and an apparent political will for continuous reform, the institutional context cannot be overlooked.

### **Lack of a strategic plan**

The defence policy of 1997 urgently requires a review in order for it to meet current exigencies. The need for a review was harshly brought home to government during the floods of 2000 and 2001 when, despite the huge patriotic and professional zeal of the FADM in undertaking search-and-rescue operations, they were severely handicapped by the lack of operational readiness and capacity for such a role.

In addition, although it has a defence policy, the country lacks a strategic defence plan which would allow for medium- to long-term planning for the armed forces. In particular, there is no Lei de Programação Militar (military planning act), a legal instrument that commits the government to supply equipment to the military. Yet, given the imposed spending limit, the government needs to prioritize and make long-term plans more than ever, so that the needs of the forces can be spread over several annual budgets.

### **Off-budget expenditure and revenue**

Off-budget spending arises when 'There is a large, autonomous military sector; The military are directly represented in political institutions; . . . There are significant security problems, including armed conflict; [and] A period of protracted war is coming to an end'.<sup>37</sup> It is not an established practice in Mozambique.

Three factors account for the low incidence of off-budget spending in Mozambique. First, the country is not facing problems of political governance that require the direct intervention of the military establishment. Second, there have been progressive economic and security reforms in the post-war era. Third, the country's monetary and fiscal policy was designed and is closely scrutinized by the IMF and the World Bank, whose anti-military spending posture ostensibly reduces the potential for off-budget activity. In addition, the government's preoccupation with increasing its credibility in donor circles has

<sup>37</sup> Hendrickson, D. and Ball, N., 'Off-budget military expenditure and revenue: issues and policy perspectives for donors', Conflict, Security and Development Group Occasional Papers no. 1, Department for International Development and King's College London, Jan. 2002, URL <<http://csdg.kcl.ac.uk/>>, p. i.

translated into a commitment to tackle off-budget spending and the lack of accountability and transparency.

However, despite legal provisions,<sup>38</sup> the official budget does not always include all revenue, the figures related to aggregated borrowing, the provisional endowment for expenditure and investments or the provisional endowment under the management of the MOPF intended to cover unexpected expenditure. Moreover, given the country's vulnerabilities and the perceived threats to its security, it is difficult to imagine that Mozambique will strictly adhere to the imposed spending limit. The general lack of transparency in the defence and security sector makes an objective assessment difficult.

A corollary of off-budget spending is the appearance of non-military expenditure in the military budget estimate. This is partly owing to the improved political and security environment, which has increasingly diverted the FADM towards humanitarian search-and-rescue operations and the rehabilitation of some economic infrastructure, as demonstrated in the aftermath of the floods of 2000 and 2001. Disturbingly, the defence establishment does not provide for any contingency funds in its budget; thus, during emergencies the FADM either diverts resources from other pre-planned activities or resorts to extra-budgetary allocation from the MOPF's national contingency fund. Finally, given Mozambique's peace dividend approach to defence funding—which limits military activities to basic training and the minimum capacity building required for undertaking external missions arising from international and sub-regional obligations—it is unclear how reimbursements and revenue accruing from the FADM's involvement in peacekeeping operations are managed.

### **The role of the political system**

The decision by each country on whether to have a particular military institution is not just a matter of convenience but is mainly the outcome of a number of perceptions influenced by history, the security environment, geopolitical position, and strategic, economic and political factors.

However, in a country such as Mozambique, where the government's priority is fighting absolute poverty, amortizing public debt and laying the foundation for sustainable economic growth, the existence of the military and the associated military expenditure is sometimes seen to be antithetical to broader socio-economic goals. This viewpoint is often backed by donors, expressed in the stringent conditions that accompany development assistance packages. The huge foreign aid component of Mozambique's national budget leaves it susceptible to this tendency. Not surprisingly, the absence of a strategic military plan only serves to confirm this tendency. There does seem to be a superficial commitment by political elites to this viewpoint, especially in parliament as

<sup>38</sup> The government is expected to make public the resources necessary to cover all expenditure and ought to give details of the expected minimum revenues and the maximum limits on expenditure. Lei do Enquadramento do Orçamento e da Conta Geral do Estado (note 25), Articles 9 and 10.

demonstrated by the existence of the specialized Defence Portfolio Committee and by the debate over the ceiling on military expenditure of 2 per cent of GDP. This ceiling, admittedly an imposition, favours the current priority of the Mozambican Government as approved by the donors: to concentrate efforts on fighting absolute poverty. It also favours the national political elite's argument concerning the defence and security sector: that reliance on external financing should be avoided in order to prevent Mozambique's geopolitical, economic and military interests from being compromised.

The challenge lies in balancing the government's neo-liberal orientation with sustaining a secure environment, which has proved central to developmental aspirations in much of the developing world. There is little doubt that a professional, well-equipped, adequately funded, less-politicized, accountable and transparent military is central to the environment needed for economic growth.

### **Parliamentary oversight**

Parliamentary oversight of the budget is weak, as FADM personnel are, in general, members of one or other of the two main political parties. In addition, the part of the state budget allocated to the military sector is only for basic military training and the minimum requirements of external humanitarian and peacekeeping missions. The nature of defence planning and budgeting predisposes parliament to symbolic, elementary oversight of the military sector. Further factors are the absence of a strategic plan and of a policy for the development and acquisition of major weapon systems, which could empower the military sector to request funds in excess of the spending ceiling.

The lack of parliamentary oversight is also connected to the lack of technical knowledge and expertise on the part of members of the Defence Portfolio Committee. Even parliament recognizes that accountability and transparency in military establishments are a long-term project requiring allocation of funds for capacity building. Yet, the same parliament is remarkably reluctant to acknowledge, let alone discuss dealing with, its own institutional limitations.

## **VI. Conclusions and recommendations**

Over the past decade there have been some improvements in the availability to the public of budget information. There has also been a conscious effort to build a framework for accountability and greater transparency in the use of public resources and the delivery of public goods. However, the overall budgetary process for the military, as for much of the wider public sector, is hampered by serious institutional weakness and an acute shortage of skilled personnel, factors that increasingly make the process weak and less formalized. Moreover, the relative lack of information and the restricted participation by the public in the military budgetary process are compounded by the absence of an effective legal framework and weak civil society involvement. Recently, however, there

has been increased public engagement with the legislature. The greatest limitation facing military planning, budgeting and financing lies in the absence of a long-term, strategic defence plan.

Overall, military planning and budgeting face challenges in introducing modern management practices and accurate research, analysis and strategic assumptions. It will be an enormous challenge to use the existing structures to satisfy future requirements for effective and efficient budgetary processes. To effect all the necessary changes in the budgetary process, and still remain cost-effective and efficient, will require careful planning and decision making based on reliable information. In addition, further reform initiatives are required in the conduct of the budgetary process itself, especially in the areas of capacity building for budget personnel and inter-institutional linkages and collaboration. For this purpose, the training and retraining of civil servants need to be addressed.

Other crucial recommendations include: (a) the improvement of budget documentation to better explain the policy basis for budgetary allocation to all sectors, including defence; (b) the strengthening of the process of drafting the state budget and all the documents that contribute to it, in order to be in accordance with the provisions of the 1997 budget framework act; and (c) the promotion of greater openness and transparency concerning military expenditure in order to strengthen domestic civil–military relations and improve mutual trust among the countries of the region. Moreover, it is imperative for military leaders to be educated in the principles of budget management, transparency and accountability, including administrative practices. Finally, there is a need to support the efforts of civil society groups to improve their capacity to contribute meaningfully to public debates on military matters.