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# 10. South Africa

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## I. Introduction and background

South Africa joined the community of democratic nations as recently as 1994. Since then it has undergone fundamental transformation from a closed and isolated apartheid regime to a democratic state that is playing an increasing role in international affairs. Internally, government has been transformed to ensure transparency and accountability in governance and to focus all spheres of government on service delivery.

Defence management in South Africa has also been vastly transformed. This transformation has focused on making the military sector accountable to civil authority, improving transparency in defence management, making the Department of Defence (DOD) representative of the people of South Africa, ensuring greater efficiency, and aligning the norms and standards of defence with the constitution, international law and national culture.

This chapter presents the challenges that faced the South African DOD in the early post-apartheid years and the way in which these challenges were met. It stresses the importance of placing the defence planning and budgetary process within the broader national financial process and of subjecting all departmental and sectoral budgetary processes to national legislation and control.

The chapter starts with a survey of the historical background of the political and economic development of South Africa and then, in section II, describes the structure of the DOD. Section III discusses the South African national financial, legislative and budgetary framework. Section IV examines the military planning and budgetary process, with particular attention to the details of the military budget. This is followed in section V by an assessment of the military budgetary process. Section VI provides conclusions and recommendations for improvement.

\* The author wishes to acknowledge the invaluable support of the South African Department of Defence. Much of this chapter is based on information provided by Jack Gründling (Chief Financial Officer of the department), Rear Admiral Rolf Hauter (Chief Director of Strategy and Planning at South African National Defence Force Headquarters) and Nick Sendall (Chief Director of Defence Policy of the Defence Secretariat). The professional assistance given by Cor Haak (Defence Programme Officer of the National Treasury) in commenting on a draft is also acknowledged with gratitude.

## History, politics and economy

After decades of ever-increasing unrest and the fully fledged armed freedom struggle of the 1970s and 1980s, in February 1990 President F. W. de Klerk lifted the ban on the liberation movements and released political prisoners, notably Nelson Mandela of the African National Congress (ANC). This was followed by a long, bumpy negotiation process to dismantle the system of apartheid. In April 1994 South Africa held its first democratic election under an interim constitution.<sup>1</sup>

The new ANC-led coalition government under President Mandela embarked on a programme to promote the reconstruction and development of the country and its institutions. This called for the simultaneous pursuit of democratization and socio-economic change, as well as reconciliation and consensus building founded on a commitment to improving the lives of all South Africans, in particular the poor. Converting democratic ideals into practice required a radical overhaul of the machinery of government at every level, oriented towards service delivery, openness and human rights. A significant milestone of democratization during the Mandela presidency was the delivery in 1996 of a new constitution that is regarded highly in the democratic world.<sup>2</sup>

South Africa entered the post-Mandela era under the presidency of Thabo Mbeki after the second democratic elections, held in June 1999. Among other aims, President Mbeki's administration is committed to the development of Africa based on democracy, good governance and a cooperative approach to resolving political and economic challenges common to African countries. This is clearly demonstrated by the leading role that South Africa has taken in the establishment and functioning of the African Union and in the New Partnership for Africa's Development (NEPAD). NEPAD forms the basis of South African foreign policy.

The 1996 constitution of South Africa entrenches the separation of powers, offers appropriate checks and balances, and includes a far-reaching bill of rights. Socio-economic rights such as housing, health care, access to food and water, social security and basic education are recognized. South Africa is a federal state, governed by a democratically elected government based on universal adult suffrage. The South African Government is composed of national, provincial and local spheres, which are distinct but interdependent and interrelated.

The Parliament of South Africa consists of the National Assembly and the National Council of Provinces. The National Assembly has 350–400 members elected through a system of proportional representation for a term of five years. The National Council of Provinces consists of 10 representatives from each of the nine provinces. The role of the council is to represent provincial interests in the national sphere of government: the members receive mandates from the provinces before making certain decisions. The council cannot, however, initi-

<sup>1</sup> Constitution of the Republic of South Africa (Act 200 of 1993), 31 Dec. 1993. Many of the acts referred to in this chapter are available at URL <<http://www.info.gov.za/documents/acts/index.htm>>.

<sup>2</sup> Constitution of the Republic of South Africa (Act 108 of 1996), 8 May 1996.

ate a bill concerning money; this is the prerogative of the Minister of Finance in the National Assembly.

South Africa has a wealth of natural resources and the largest and most advanced economy on the continent. However, like other developing economies, South Africa's economy is highly susceptible to trends in its major trading partners. Regional political instabilities sometimes negatively affect investor perceptions. South Africa has, however, been highly commended for its successful macroeconomic policies. South Africa is a leader among emerging markets worldwide and is a competitive producer of not just raw commodity exports but also value-added goods.

The challenge is to translate these positive factors into levels of investment that are high enough to promote sufficient economic growth to reduce the substantial unemployment and poverty in the country. At present there are still wide disparities of wealth, with obvious implications for broader socio-political policy directions. Given its history of inequality and its position as an African country whose fate is bound up with those of its neighbours and the continent, South Africa shares a large set of interests with the developing economies of the world.

## II. The Department of Defence

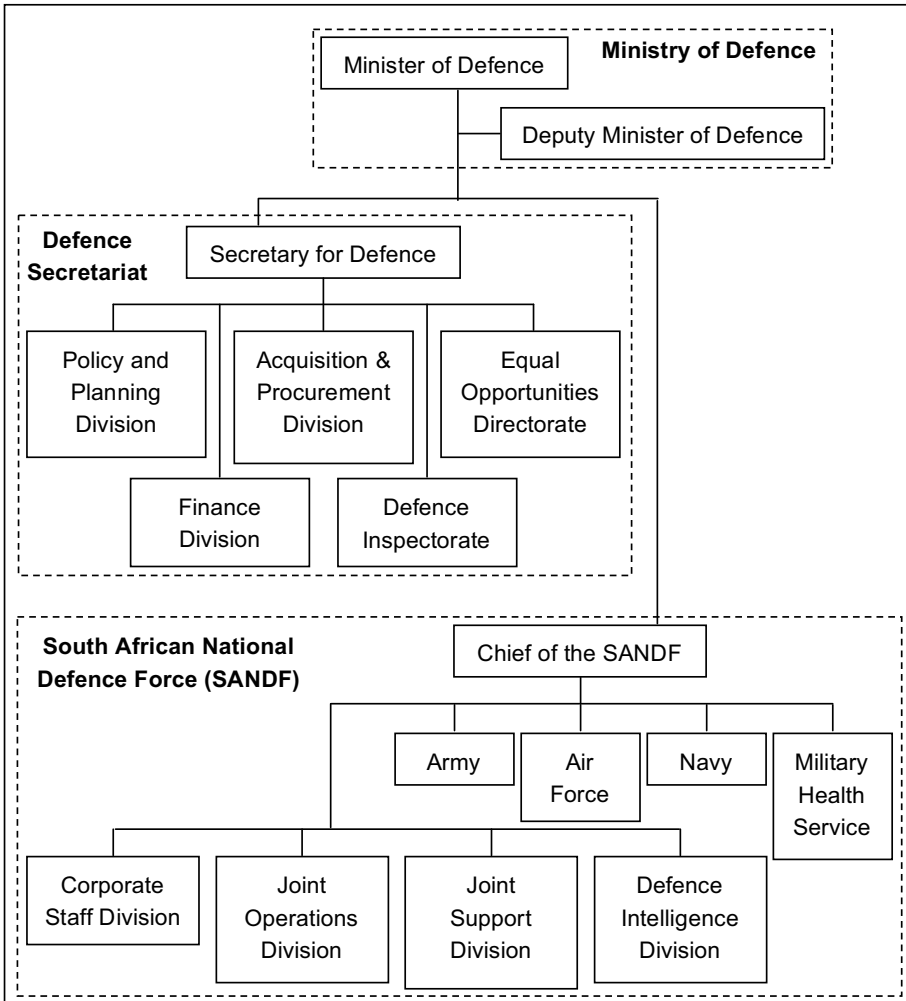
The 1996 constitution provides for the establishment of a defence force and states that the 'primary object of the defence force is to defend and protect the Republic, its territorial integrity and its people in accordance with the Constitution and the principles of international law regulating the use of force'.<sup>3</sup> It requires that a member of Cabinet be responsible for defence and determines the rules for the deployment of the defence force. The constitution also provides for the establishment of a civilian defence secretariat.

The Minister of Defence is the political head of the Department of Defence. The minister is designated as the 'executive authority' for the military budget by the 1999 Public Finance Management Act and, as such, has the primary responsibility for political oversight of the military budget.<sup>4</sup> The minister is responsible for ensuring that political priorities are linked to departmental spending plans and the delivery of service and for determining departmental priorities. As the executive authority, the minister is responsible for ensuring that the department performs its statutory functions within the limits of the allocated funds.

The DOD, consisting of the Defence Secretariat and the South African National Defence Force (SANDF), came into being on 27 April 1994 with the establishment of the new, democratic South Africa. The SANDF was formed by integrating the former South African Defence Force; the defence forces of the former, nominally independent homelands of Bophuthatswana, Ciskei, Transkei

<sup>3</sup> Constitution of the Republic of South Africa (note 2), Chapter 11, Security services, Section 200(2).

<sup>4</sup> Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999), 2 Mar. 1999.



**Figure 10.1.** Structure of the South African Department of Defence

and Venda; the guerrilla armies of the ANC and the Pan Africanist Congress, respectively Umkonto We Sizwe and the Azanian People’s Liberation Army; and the KwaZulu Self-Protection Forces of the Inkatha Freedom Party.

This integration of forces into a new defence force was preceded by negotiations for the interim constitution. The formulation of South Africa’s future defence policy was a crucial issue during the transition. The 1993 interim constitution established the SANDF as the only defence force for the republic and required that it be ‘a balanced, modern and technologically advanced military force’.<sup>5</sup> The interim constitution provided for the integration of forces into the

<sup>5</sup> Constitution of the Republic of South Africa (note 1), Chapter 14, Police and defence, Section 226.

**Table 10.1.** Military expenditure of South Africa, 1990–2004

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

Year <sup>a</sup>	Military expenditure		
	\$ m.	m. rand	as a % of GDP
1990	4 177	10 982	3.8
1991	3 528	10 699	3.2
1992	3 105	10 724	2.9
1993	2 827	10 713	2.5
1994	2 992	12 352	2.6
1995	2 662	11 942	2.2
1996	2 314	11 143	1.8
1997	2 128	11 131	1.6
1998	1 917	10 716	1.5
1999	1 816	10 678	1.3
2000	2 120	13 128	1.5
2001	2 371	15 516	1.6
2002	2 538	18 138	1.6
2003	2 596	19 638	1.6
2004	2 645	20 169	..

GDP = Gross domestic product.

<sup>a</sup> Years are calendar years, not financial years.

Source: SIPRI military expenditure database.

SANDF and determined the fundamental policy framework on which further developments were to be based.

In order to enhance the professionalism of the military and allow it to focus on the core business of the provision, development and deployment of military forces, the civilian Defence Secretariat was created. A Secretary for Defence was appointed as head of the department and as the DOD's accounting officer.<sup>6</sup> The Secretary for Defence is the principal adviser to the Minister of Defence on defence policy.

The other component of the DOD, the SANDF, is headed by the Chief of the SANDF, who executes military policy, directs the work of Defence Headquarters and manages the overall functioning and operations of the SANDF. The Chief of the SANDF is also the principal adviser to the Minister of Defence on military, operational and administrative matters within his or her competence.

The SANDF consists of four services—the South African Army, the South African Air Force, the South African Navy and the Military Health Service—as well as four staff divisions that report primarily to the Chief of the SANDF—the Corporate Staff Division, the Joint Operations Division, the Joint Support Division and the Defence Intelligence Division. Four divisions and one

<sup>6</sup> Defence Act (Act 42 of 2002), 31 Dec. 2002, Section 8(a).

directorates report primarily to the Secretary for Defence—the Policy and Planning Division, the Finance Division, the Acquisition and Procurement Division, the Defence Inspectorate and the Equal Opportunities Directorate. The structure of the DOD is illustrated in figure 10.1.

In 2004 the total personnel strength of the DOD (including all supporting services) was approximately 72 750, with an additional 60 000 in reserve. The personnel strength of the army was approximately 36 000, of the air force 9250, of the navy 4500 (plus 2000 civilians) and of the Military Health Service 6000.<sup>7</sup> There are no paramilitary forces in the DOD. Table 10.1 presents South African military expenditure for the period 1990–2004.

### III. The national financial framework

The 1996 constitution of South Africa lays down the framework for the division of responsibilities between national, provincial and local governments. It prescribes an equitable division of revenue between the spheres of government, taking into account their respective functions. The constitution also provides for a national treasury, an independent auditor-general and an independent central bank, and it sets out the principles governing financial accountability to Parliament and the annual budgetary process. The constitution establishes the following standards.

1. ‘National, provincial and municipal budgets and budgetary processes must promote transparency, accountability and the effective financial management of the economy, debt and the public sector.’

2. ‘National legislation must prescribe the form of national, provincial and municipal budgets; when national and provincial budgets must be tabled; and that budgets in each sphere of government must show the sources of revenue and the way in which proposed expenditure will comply with national legislation.’

3. ‘National legislation must establish a national treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government by introducing generally recognised accounting practice; uniform expenditure classifications; and uniform treasury norms and standards.’

4. ‘When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.’<sup>8</sup>

With these constitutional provisions, financial management in the South African Government has been substantially transformed since 1996. The changes in

<sup>7</sup> International Institute for Strategic Studies, *The Military Balance 2004/2005* (Oxford University Press: Oxford, 2004), pp. 244–45.

<sup>8</sup> Constitution of the Republic of South Africa (note 2), Chapter 13, Finance, Sections 215(1), 215(2), 216(1) and 217(1), respectively.

financial management include budget management. The new approach to financial management culminated in the 1999 Public Finance Management Act and related regulations and instructions, which came into operation on 1 April 2000.

The Public Finance Management Act represents a fundamental change in the government's approach to the handling of public finances, as it moves the emphasis away from a highly centralized system of expenditure control by the National Treasury. It holds the heads of departments accountable for the use of resources to deliver services to communities. The act emphasizes: (a) regular financial reporting, (b) independent audit and supervision of internal control systems, (c) improved accounting standards, (d) greater emphasis on output and performance, and (e) increasing accountability at all levels.

The act represents a fundamental break with the past regime of opaqueness, hierarchical management and weak accountability. The key objectives of the act are to modernize the system of financial management, to enable public sector managers to manage but at the same time be more accountable for the services delivered to the public, to ensure the timely provision of reliable information, and to eliminate waste and corruption in the use of public assets.<sup>9</sup>

The act empowers the National Treasury to develop the overall macro-economic and financial framework; coordinate financial relations and the budget preparation process with the provincial governments; manage the implementation of a budget; and promote and enforce revenue, asset and liability management. The act empowers the National Treasury to issue regulations and instructions. It also requires the appointment and specifies the composition of audit committees. It defines financial misconduct and deals with the procedure for disciplining public officials who are found guilty of such an offence, providing for criminal prosecution in extreme cases.

The Public Finance Management Act therefore empowers the National Treasury not only to implement the budget of the national government, but also to play a role in the financial oversight of other organs of state in all spheres of government. The act confers responsibilities on accounting officers to report on a monthly and an annual basis, including the submission of annual financial statements two months after the end of a financial year and to publish annual reports in the prescribed format, which includes reporting on output performance. It requires Parliament to vote by programme (the main division of government spending), rather than by department. This requires further information on outputs per programme and limits the powers of departmental accounting officers to move funds between programmes. Such movement is restricted to 8 per cent of the total allocation for a programme without the authorization of the National Treasury.

<sup>9</sup> Manuel, T. A., South African Minister of Finance, Foreword to the Explanatory Memorandum on the 1999 Public Finance Management Act (note 4).

### **The Medium-Term Expenditure Framework**

An outcome of these economic reforms and the new financial policy has been the implementation of medium-term planning and budgeting in South Africa. Medium-term spending plans of national departments are prepared annually within the context of the government's macroeconomic and financial framework as set out in the previous year's budget. This framework, the Medium-Term Expenditure Framework (MTEF), sets the limits within which national departments have to compile their business and spending plans. The Medium-Term Expenditure Allocation (MTEA) is an indication of the expenditure that can be afforded within the MTEF and that will be voted for a department for the following three financial years. It also gives an indication of how expenditure is to be allocated within the department.

The introduction of the MTEF has brought greater transparency, certainty and stability to the budgetary process, and has strengthened the links between policy priorities and the government's long-term spending plans. It is intended to provide a tool with which to assess priorities and to confront any trade-offs that must be made between affordability and the constitutional requirement for equitable division of revenue between the spheres of government.

The MTEA represents an important political choice. The budgetary process is therefore designed to empower government to make informed choices about spending priorities and to assess the trade-off between spending options. At the same time, the process aims to give national departments a degree of certainty about their future allocations, so that they can more securely plan for ways to deliver the maximum possible output at the lowest cost. In compiling their Budget Planning Submissions (also referred to as an estimate of expenditure), national departments are obliged to plan their programmes, objectives and activities within their MTEA, and policy proposals must always be measured in terms of what can be afforded. Changed policies, circumstances and priorities are to be accommodated within the MTEA.

Since the MTEAs are based on affordability, there is a risk that objectives will not be reached on schedule or that service provision will be inadequate. To enable government to make informed choices about allocation of funds and to cover risks, departments are allowed to submit options to indicate how a change in the proposed allocation of funds may minimize or avoid risk to service provision. The options chosen by departments must be linked to the budget priorities and other policy considerations approved by the Cabinet.

Annually, the National Treasury issues guidelines to all departments for the preparation of their budgets for the next MTEF cycle.<sup>10</sup> These guidelines detail the process, timescales and format that departments are to follow when preparing their budgets and include information on budget reform and best practice

<sup>10</sup> 'Budget 2002, Medium term expenditure framework guidelines: preparing budget submissions', National Treasury, Pretoria, 2002, URL <[http://www.finance.gov.za/documents/budget/2002/guidelines\\_02/](http://www.finance.gov.za/documents/budget/2002/guidelines_02/)>.

to enhance the management of public finances. These Treasury instructions and guidelines drive departmental budgetary processes.

To illustrate current practice, the budgetary process for financial year (FY) 2003/2004 (1 April 2003–31 March 2004) is shown in figure 10.2 and can be briefly summarized as follows.

1. *Prioritization stage.* The process commenced with the Ministers' Committee on the Budget (MinComBud), the Budget Council and the Cabinet giving consideration to policy priorities for the new medium-term expenditure period.<sup>11</sup> This stage ensures political oversight of the budgetary process by allowing government to manage the tensions between competing policy priorities and budget realities.

2. *Preparation of new MTEF submissions.* Departments reviewed their strategic plans for 2002–2004 and prepared their new MTEF submissions. The submissions include the departmental accounting officer's covering letter, details of reprioritization (within existing resources), policy options, departmental receipts and expenditure schedules.

3. *Macroeconomic and financial framework and division of revenue.* A review of the macroeconomic and financial framework and the division of revenue took place in the National Treasury, the MinComBud, the Budget Council and the Budget Forum for final decision by the Extended Cabinet.<sup>12</sup> This led to the preparation of the medium-term budget policy statement.

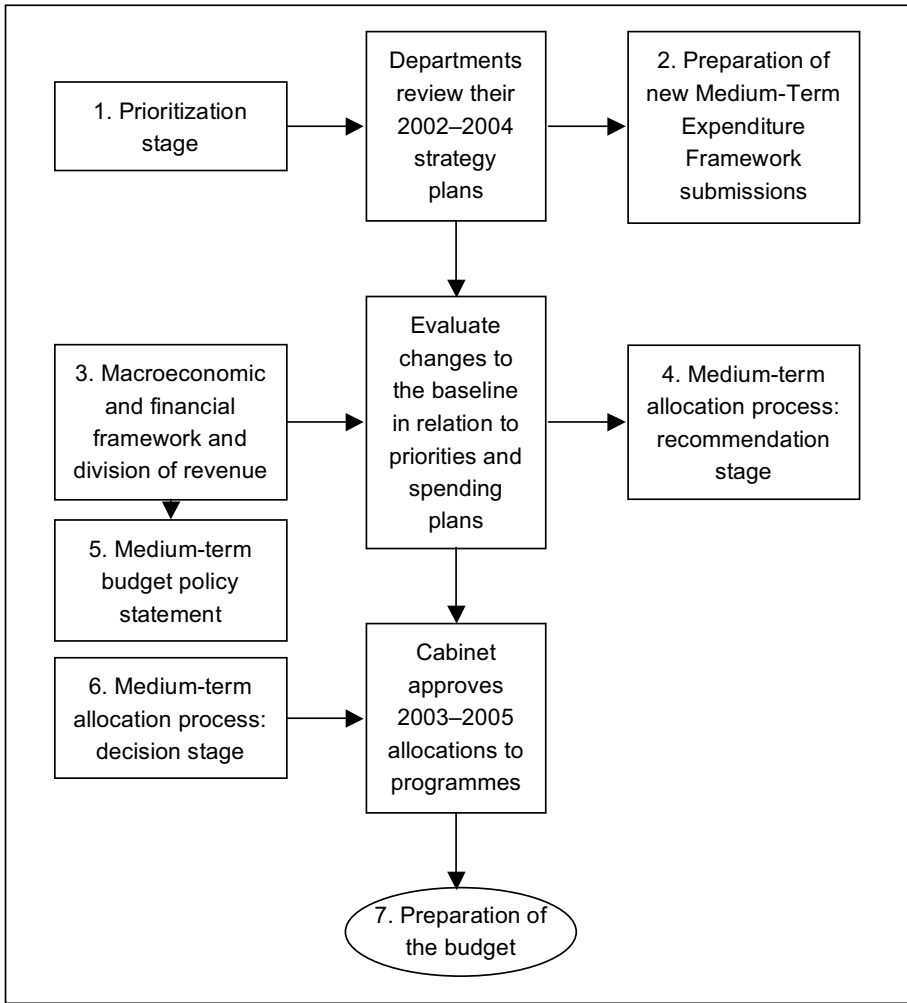
4. *Medium-term allocation process: recommendation stage.* During this first stage of the medium-term allocation process, discussions between departments and the National Treasury took place in hearings of the Medium-Term Expenditure Committee (MTEC). These discussions were guided by the outcomes of the prioritization stage, the review of the macroeconomic and financial framework, and the division of revenue.

5. *Medium-term budget policy statement.* The Minister of Finance tabled the medium-term budget policy statement before Parliament. This statement promotes transparency and accountability as it sets out the government's medium-term macroeconomic and financial position and its broad policy and spending priorities for the next three-year period three months before the detailed budget is presented to Parliament. Parliament and the public are therefore able to actively engage with the government's medium-term priorities and spending plans.

6. *Medium-term allocation process: decision stage.* The Minister of Finance reviewed the recommendations of the MTEC and tabled these before the MinComBud, the Budget Council and the Budget Forum. The recommendations of

<sup>11</sup> The MinComBud is a formal Cabinet committee of ministers that evaluates MTEA recommendations. The Budget Council consists of the Minister of Finance and the finance members of the 9 provincial executive committees. The council is consulted on any financial matter affecting the provincial governments.

<sup>12</sup> The Budget Forum consists of the members of the Budget Council plus 5 members nominated by the South African Local Government Association and 1 member from each of the provincial local government associations. The Extended Cabinet consists of the national Cabinet and the 9 provincial premiers.



**Figure 10.2.** The South African budgetary process for financial year 2003/2004

these bodies were submitted to the Cabinet. The decisions of the Cabinet were set out in Treasury allocation letters sent to departments, which detailed the final allocation, the underlying rationale and any conditions.

*7. Preparation of the budget.* Following Cabinet approval, the final stage was the preparation of the budget documentation tabled before Parliament by the Minister of Finance on budget day. The details of this process within the Department of Defence are discussed in the next section.

## IV. The military planning and budgetary process

Before discussing the military planning and budgetary process, it is important to describe the composition of the budget itself.

### The military budget

The Department of Defence annually produces a strategic plan, which forms the basis of its budgetary process.<sup>13</sup> At the end of the process the budget is included in the strategic plan and is also published by the National Treasury as the Defence Vote.<sup>14</sup>

The DOD strategic plan for FYs 2002/2003–2004/2005 defines the core objectives of the DOD as: the preparation of the SANDF to enable it to respond to contingencies, the command and control of SANDF forces during deployments, and administration and support.<sup>15</sup> The programme structure of the Defence Vote, through which the DOD pursues these objectives, provides for nine defence programmes: (a) defence administration ('To conduct the overall management of the Department by formulating policy, providing strategic direction and organising the department in terms of its force design and structure'), (b) landward defence, (c) air defence, (d) maritime defence, (e) the Military Health Service, (f) defence intelligence, (g) joint support, (h) command and control, and (i) the Special Defence Account ('for financing special defence activities and purchases').<sup>16</sup> The Defence Vote for FYs 2002/2003–2004/2005 provides detailed financial figures for all programmes as well as the required outputs, performance indicators and targets.<sup>17</sup>

The expenditure estimates for the MTEF period 2003/2004–2005/2006 for each programme are presented in table 10.2. Table 10.3 presents the estimates for the same period in terms of standard items of expenditure.

The programme and item structures of the budget and the extensive amount of detail provided in the Defence Vote show that the South African DOD budget is both comprehensive and transparent. Nearly all expenditure on the military is reflected in the budget; the only exception is expenditure on rent and maintenance of state property used by the military, which is instead detailed in the budget of the Department of Public Works. This arises from an arrangement whereby the Department of Public Works is the 'owner' of all state property.

The South African military is funded largely through the national budget. However, in recent years the SANDF has received foreign financial aid for the rescue work done in Mozambique during the floods of 2000 and 2001, the

<sup>13</sup> Department of Defence (DOD), *Defence in a Democracy: Strategic Business Plan FY2004/05 to FY2006/07* (DOD: Pretoria, 2004).

<sup>14</sup> National Treasury, 'Vote 22: defence', *Medium Term Budget Policy Statement 2004* (National Treasury: Pretoria, Oct. 2004), URL <<http://www.finance.gov.za/documents/mtbps/>>, pp. 159–66.

<sup>15</sup> Department of Defence (DOD), *Strategic Plan for Financial Years 2002/03 to 2004/05* (DOD: Pretoria, 2002), p. 7.

<sup>16</sup> DOD (note 15), pp. 7–8.

<sup>17</sup> National Treasury (note 14).

**Table 10.2.** Estimated South African military expenditure by programme for the Medium-Term Expenditure Framework period of financial years 2003/2004–2005/2006

Figures are in millions of rand. Figures may not add up to totals due to the conventions of rounding.

Programme	2003/2004	2004/2005	2005/2006
Defence administration	660.3	688.5	723.3
Landward defence	3 188.4	3 300.7	3 548.0
Air defence	2 138.0	2 204.6	2 303.9
Maritime defence	1 050.9	1 084.1	1 091.6
Military Health Service	1 254.2	1 304.4	1 376.9
Defence intelligence	153.5	165.1	176.2
Joint support	2 039.2	2 089.1	2 203.5
Command and control	722.0	716.9	722.4
Special Defence Account	8 843.7	8 935.8	10 386.6
<b>Total</b>	<b>20 050.1</b>	<b>20 489.3</b>	<b>22 532.4</b>

Source: National Treasury, 'Vote 22: defence', *Estimates of National Expenditure 2003* (National Treasury: Pretoria, Feb. 2003), URL <<http://www.finance.gov.za/documents/budget/>>, pp. 488–518.

deployment of protection forces in Burundi, an AIDS awareness programme, the destruction of small arms, the retraining of soldiers for demobilization and peacekeeping exercises. Foreign aid has also been received in the form of direct donations of medical equipment and aircraft.<sup>18</sup>

Clear procedures exist for the receipt of such aid. Any offer of aid from a donor country must be made to the Secretary for Defence acting as head of department and accounting officer. Once the Secretary has accepted such an offer in principle, an agreement is drafted and the National Treasury is consulted. Once the agreement is signed, the donor deposits the funds in the Reconstruction and Development Programme Fund in the South African Reserve Bank. The DOD requests the funds when required and deposits them in its Paymaster-General Account. The funds then appear in the Financial Management System, permitting the relevant agency to spend the funds for the purpose for which they were intended. Income and expenditure statements are prepared for all foreign aid received and are forwarded to the particular donor. Donations are also disclosed in annual financial statements and annual reports of the DOD as prescribed by the National Treasury.<sup>19</sup>

The DOD also benefits from other non-financial contributions from donors, such as the US International Military Education and Training programme and the Ashridge courses on defence management held in the United Kingdom. The

<sup>18</sup> Gründling, J., DOD Chief Financial Officer, Interview with the author, Defence Secretariat, DOD, Pretoria, 20 June 2002.

<sup>19</sup> Gründling (note 18).

**Table 10.3.** Estimated South African military expenditure by standard expenditure item for the Medium-Term Expenditure Framework period of financial years 2003/2004–2005/2006

Figures are in millions of rand. Figures may not add up to totals due to the conventions of rounding.

Expenditure item	2003/2004	2004/2005	2005/2006
Personnel	7 093.4	7 251.9	7 556.8
Administrative	576.2	618.5	627.3
Inventories	959.4	985.0	1 041.0
Equipment	407.8	435.7	489.9
Land and buildings	12.3	11.2	11.7
Professional and special services	1 915.1	2 003.9	2 161.6
Transfer payments	9 075.3	9 172.7	10 633.6
Miscellaneous	10.5	10.5	10.5
<b>Total</b>	<b>20 050.1</b>	<b>20 489.3</b>	<b>22 532.4</b>

*Source:* National Treasury, 'Vote 22: defence', *Estimates of National Expenditure 2003* (National Treasury: Pretoria, Feb. 2003), URL <<http://www.finance.gov.za/documents/budget/>>, pp. 485–518.

DOD is not charged for these courses and costs do not appear in financial statements.

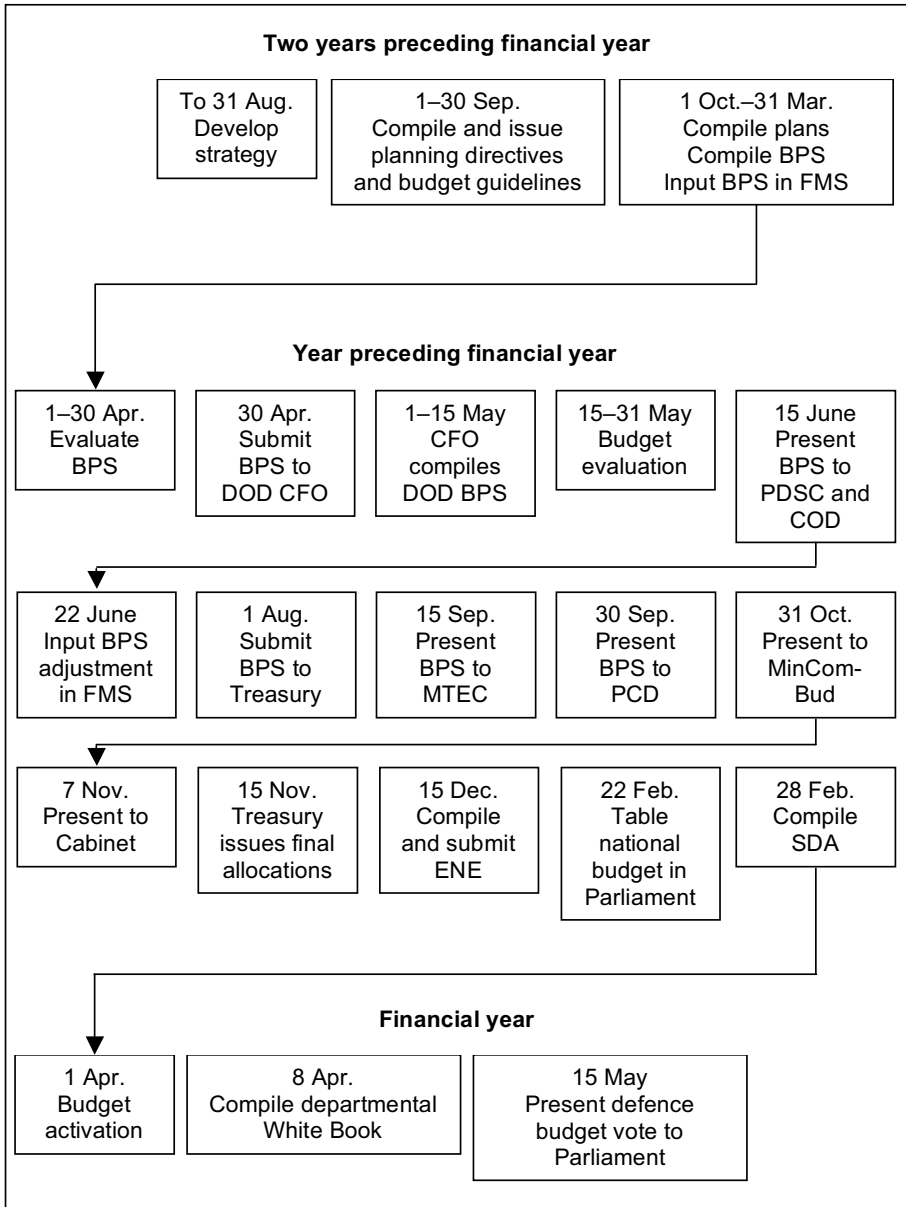
The DOD has recently become involved in United Nations (UN) peace-support operations. It has been partially reimbursed for South African forces deployed with MONUC, the UN Mission in the Democratic Republic of Congo.

South Africa does not provide direct military aid to any other country.

Other departmental receipts include the sale of old and surplus equipment (other than major armaments managed through the Special Defence Account, as described below), the rental of state quarters to married personnel, and the board and lodging of single personnel. The principle involved is that the DOD retains all income related to items for which the DOD originally budgeted. Other income is paid over to the National Revenue Fund.

The DOD does not hold any contingency funds in its budget; instead, a contingency fund is managed by the Minister of Finance. Should unforeseen events arise that require the deployment of the SANDF, the DOD can make representations to the National Treasury for extra funds. This money is transferred to the DOD budget at the end of the financial year, but only if the DOD has been unable to fund other approved activities as a consequence of the extra expense.

For a number of years, the SANDF has been deployed in support of the South African Police Service for the maintenance of internal law and order. Such deployments consist principally of infantry companies on border patrols and in direct support of other police operations; air support in the form of surveillance and tactical transport by light aircraft and helicopters; and maritime anti-crime coastal patrols. Although such support to the police uses forces from the



**Figure 10.3.** The South African Department of Defence budgetary process for a financial year (1 April–31 March)

BPS = Budget Planning Submissions; CFO = Chief Financial Officer; COD = Council on Defence; DOD = Department of Defence; ENE = Estimate of national expenditure; FMS = Financial Management System; MinComBud = Ministers’ Committee on the Budget; MTEC = Medium-Term Expenditure Committee; PCD = (National Assembly’s) Portfolio Committee on Defence; PDSC = Plenary Defence Staff Council; SDA = Special Defence Account.

SANDF, the marginal cost is around 2 per cent of the annual military budget.<sup>20</sup> This is the principal element of military expenditure that is not for military purposes. Examples of smaller and less regular military expenditure for non-military purposes are support to civil authorities in emergency situations, the maintenance of essential services and search-and-rescue operations. Where possible, such expenses are reimbursed to the DOD, but often they are funded from the military budget.

### **The budgetary process**

The military budgetary process in the South African Department of Defence is formalized and governed by a departmental policy jointly promulgated by the Secretary for Defence and the Chief of the SANDF in 2000.<sup>21</sup> This new policy is based on the 1999 Public Finance Management Act, Treasury regulations and Treasury guidelines on preparing budget submissions.

The DOD budgeting policy aims to ensure that the procedures, principles and techniques prescribed by government are properly followed and applied within the department in order to ensure an effective, efficient, transparent and affordable military budget. The principles underpinning this policy strive to ensure that: (a) the budget is based on a strategic plan which specifies objectives, activities, outputs and measurable performance indicators for each objective; (b) the budget is based on output rather than input; (c) the budget is based on the activities to be executed; (d) the budget is based on the costing and prioritization of activities that need to be executed; (e) the budget is within the bounds of affordability; and (f) there is a consistent link between the budget, the strategic plan, the output to be delivered and the outcome to be achieved.

The different phases in the process which transforms the departmental strategy into an approved and implemented military budget are discussed below. Figure 10.3 gives a schematic representation of this process.

#### *The strategic phase*

The strategic phase is a continuous process in which departmental and military policies and strategies are developed, formalized and approved by the Military Command Council, chaired by the Chief of the SANDF, and the Plenary Defence Staff Council (PDSC), chaired by the Secretary for Defence. During this phase future opportunities and threats are identified and evaluated, and internal strengths and weaknesses are assessed in order to define defence strategies and requirements as well as implementation plans. To ensure that planning is realistic, account is taken of the Medium-Term Expenditure Allocation to the military sector. One of the major results of this phase is a clear indication

<sup>20</sup> Hauter, R. (Rear Admiral), Chief Director of Strategy and Planning, Interview with the author, SANDF Headquarters, DOD, Pretoria, 18 June 2002.

<sup>21</sup> Department of Defence, 'Budgeting policy within the Department of Defence', DOD Instruction FIN/00011/2000, DOD, Pretoria, 2000.

of the future size and shape of the DOD, as this defines force development and force preparation activities.<sup>22</sup>

During this phase the strategic profile of the department (its vision, mission and main functions), departmental policy and strategy, defence objectives and outputs, and the service delivery improvement programme for the next three years are formulated and approved by the Minister of Defence. This is published as the DOD strategic plan, which is printed and distributed internally and externally.<sup>23</sup>

In September of each year the detailed annual DOD planning and budgetary process is initiated by the distribution of planning directives and budget guidelines. These instructions set the schedule for developing the plan and budget. The details are refined when the Treasury guidelines on the preparing of budget submissions are issued in May of the following year. The process started in September 2002 therefore developed the plan, programmes and budget for the MTEF period 2004/2005–2006/2007; that is, for the period that commenced 19 months in the future.

The detailed planning and budgetary process continues with a planning conference at which the Minister of Defence and the Secretary for Defence provide guidelines and identify priorities. The Joint Operations Division of the SANDF provides anticipated requirements for joint force preparation and employment within the planning period. The financial guidelines are taken from the previous MTEF.

After this conference, planning directives and budgeting guidelines are compiled and issued to the top-level budget holders (TLBHs). These TLBHs are the chiefs of the four services and certain chiefs of staff, such as the chiefs of the Policy and Planning, Joint Operations, Joint Support, Defence Intelligence, and Acquisition and Procurement divisions.

Top-level budget holders and their subordinate budget holders undertake planning for about six months. Budget holders at all organizational levels compile their respective operational and business plans and submit these to their next higher authority for evaluation and approval.

### *The formulation phase*

During the formulation phase (which overlaps with the strategic phase) all budget holders compile Budget Planning Submissions according to the prescribed format. Care is taken to ensure that the Budget Planning Submissions are based on reliable information in order to support informed decision making. All activities (outputs) and items (inputs) which can be afforded are costed and balanced according to the chosen strategy, policies, priorities and guidelines, and the Medium-Term Expenditure Allocation. The risks arising from activities that cannot be executed owing to an insufficient MTEA are clearly indicated.

<sup>22</sup> Hauter (note 20).

<sup>23</sup> DOD (note 13).

The Budget Planning Submissions are included in the Financial Management System by the end of March of the following year. Each budget manager coordinates the opening and closing of the applicable budget cycle on the Financial Management System for his or her area of responsibility.

During April TLBHs evaluate the Budget Planning Submissions of their lower-level budget holders and approve the submissions, adapt them or refer them back for revision. Top-level budget holders decide on the formats and dates of evaluations within their own areas of responsibility. At the end of April the TLBHs submit their consolidated Budget Planning Submissions to the Chief Financial Officer of the DOD according to a prescribed format.

The Chief Financial Officer compiles a departmental Budget Planning Submission for the DOD based on the Budget Planning Submissions of the TLBHs, the information captured on the Financial Management System and the operational plans of the TLBH. This is normally completed by the middle of May.

From the middle to the end of May the Budget Planning Submissions of the TLBHs are evaluated by the Departmental Planning and Budgeting Evaluation Committee (DPBEC). This committee is co-chaired by the Chief Financial Officer and the Chief of Corporate Staff and consists of members from the policy and planning, strategy, budgeting, joint operations, personnel planning and logistical planning environments. The chairpersons may co-opt others to serve on the DPBEC for a specific purpose or period from the National Treasury or the National Assembly's Portfolio Committee on Defence. Plans are interrogated, risks determined and options developed. Based on its evaluation, the committee prepares recommendations for the approval or adjustment of the Budget Planning Submissions of the TLBHs.

The next phase in the process is the departmental approval phase, which involves the formal approval of the draft budget by the Secretary for Defence and the Minister of Defence; this runs from May to the end of June. The evaluation of the submissions and the recommendations on the budget by the DPBEC are presented to the PDSC and the Council on Defence, chaired by the Minister of Defence. This presentation includes the recommended allocation to each TLBH, risks that need to be managed because of insufficient funds, unfunded mandates and any other recommendations that the committee feels it needs to make. Based on the recommendations from the evaluation committee and the instructions of the PDSC and the Council on Defence, final adjustments are made to the Budget Planning Submission on the Financial Management System and the system is closed. Finally, the DOD presents its Budget Planning Submission to the National Treasury's Defence Programme Officer in the prescribed format by the beginning of August. The prescribed format includes a comparison of expenditure during the previous three financial years, projected expenditure during the current financial year and the estimates for the following three financial years for each programme and sub-programme.

The last stage within the executive arm of government is governmental approval, which is an interdepartmental process of revision followed by formal approval of the budget by the Cabinet. In September the accounting officer (the

Secretary for Defence) and the Chief Financial Officer present the DOD Budget Planning Submission to the Medium-Term Expenditure Committee for detailed discussion. The Budget Planning Submission is also presented to the Portfolio Committee on Defence for approval and to give it the opportunity to formulate resolutions for presentation to the MinComBud or the Cabinet.

By the end of October the recommendations of the MTEC are presented to the MinComBud, which then formulates its own recommendations and submits them to the Cabinet in November. The Cabinet then approves the MTEA. Final adjustments are then made on the Financial Management System, based on the approved main programmes, sub-programmes and main items. These data are input in the form in which they will be presented to Parliament and are then submitted to the National Treasury.

### *The approval phase*

After approval by the Cabinet, the Minister of Finance tables the national budget before the National Assembly in February. Cabinet ministers also present their respective budget votes for approval by Parliament. In addition to approving the respective budgets, Parliament also has the opportunity to compare the budget objectives with the policies and priorities of government. The Portfolio Committee on Defence undertakes parliamentary oversight of the military budget. This committee is currently the only parliamentary committee on defence and is responsible for: (a) evaluating and confirming the programmes and sub-programmes of the department, (b) evaluating and confirming the policy choices and priorities of the department, (c) evaluating the department's chapter in the estimate of national expenditure, (d) confirming the explanatory memorandum of the department, and (e) making resolutions on the military budget allocation for submission to the MinComBud or the Cabinet.

Once Parliament has approved the budget, it is ready for implementation by the various ministries and departments.

### *The implementation phase*

One of the first actions of the implementation phase is the compilation of the Special Defence Account for submission to the ministers of Defence and Finance for approval. On 1 April of each financial year the Director of Budgeting, in conjunction with a representative of the State Information Technology Agency, activates the budget as contained in the Financial Management System. The departmental estimate of expenditure, the departmental 'White Book', is then printed and issued to all TLBHs. Finally, the Minister of Defence presents the military budget vote to Parliament in May.

The approved budget serves as a plan of action by which expenditure can be controlled. Managing expenditure in order to deliver the planned and approved results is the responsibility of all actors in the process, from the unit commanders and commodity managers up to programme managers, the Chief Financial Officer and the accounting officer. In this process, the programme

managers, the Chief Financial Officer and the accounting officer exercise control and supervision in order to evaluate the effectiveness and efficiency with which objectives are being met. The DPBEC and the PDSC play important roles in the control of expenditure according to the plans.

Internal auditing of the military budget and expenditure is undertaken by internal auditors who report to the Inspector-General of the Defence Inspectorate, who in turn reports to the Secretary for Defence. In order to increase objectivity and impartiality, in March 2000 the Secretary for Defence appointed an independent audit committee, consisting mostly of people from outside the DOD, which is empowered to direct the work of the internal auditors.

The South African DOD makes a distinction between 'procurement' and 'acquisition' processes. The procurement process is the means by which commercial goods and services are obtained using the General Defence Account and involves contracting for a requirement on the basis of an existing commercial specification.<sup>24</sup> Procurement of goods and services is done through the State Tender Board and by delegation of duties from the board to departments. This process is sufficiently transparent.

The acquisition process is the means by which major armaments are obtained using funds from the Special Defence Account, described more fully below. This process may involve requirement planning, operational research, technology acquisition, design and development, operational qualification, quality assurance, industrialization, production, commissioning, maintenance and disposal.

The budgetary process for armament acquisition, although subject to different authorization levels and bodies, is not an independent activity. It is executed within the same framework, process and timescales as the DOD operating budget. Budgeting for capital projects begins with force development planning, which is controlled by the Director of Planning. The primary input for the budgeting cycle is the SANDF capital acquisition master plan.

Money from the Special Defence Account is spent according to a schedule (spending plan) recommended by the Secretary for Defence and approved on an annual basis by the ministers of Defence and Finance. These requirements must be in accordance with the DOD strategic plan and the defence budget as voted in Parliament.

### *The Special Defence Account*

Currently, the largest programme in the military budget is the Special Defence Account. This account was created by the 1974 Defence Special Account Act to cover costs incurred for any special defence activities approved by the ministers of Defence and Finance.<sup>25</sup> The programme is intended to provide for the acqui-

<sup>24</sup> The General Defence Account is used for defraying expenditure needed for operating purposes limited to a single financial year. Flexibility in its use is provided by the ability to pre-commit 50% of current budget allocation to the 3 following financial years.

<sup>25</sup> Defence Special Account Act (Act 6 of 1974), Section 1.

sition of military equipment and strategic armaments, the maintenance of required military capabilities and the financing of sensitive military activities.

The Defence Special Account Act recognizes that the DOD has certain responsibilities that need to be dealt with in a special way. The act is not unique: similar acts for the police and intelligence services are identified in the 1995 Auditor-General Act.<sup>26</sup> Parliament appropriates funds for the Special Defence Account during the debate on the Defence Vote on the recommendation of the ministers of Defence and Finance. An additional source of income for the account is proceeds from the sale of armaments that were purchased with funds from the account and that are no longer required.

The Special Defence Account is divided into four sub-programmes: 'procurement services', 'strategic defence procurement', 'operating' and 'intelligence related'. In FY 2003/2004, 91 per cent of the funds in the Special Defence Account went to the procurement services and strategic defence procurement sub-programmes, which are for the procurement of military equipment over the long term.<sup>27</sup> The operating sub-programme covers the maintenance of equipment. No outputs or targets are indicated for the intelligence-related sub-programme, which amounts to about 0.6 per cent of the Special Defence Account or 0.3 per cent of the defence budget.

The second of these sub-programmes accounts for the Strategic Defence Procurement Package, which was approved by the South African Government in 1998 and initiated in 1999 after much publicity and debate. This package involves the acquisition of 3 submarines and 4 corvettes from Germany, 30 light utility helicopters from Italy, 28 fighter aircraft from Sweden and 24 fighter-trainer aircraft from the UK. These systems were acquired to replace obsolete SANDF equipment and were all provided for in the Defence Review.<sup>28</sup> It also aims to increase industrial participation by South African companies in the military and other sectors. The total value of the package amounted to \$4.8 billion in 1999 (30.3 billion rand at the time), to be paid over a period of 12 years.

The scale of this procurement programme means that it is overseen by a ministerial committee consisting of the ministers of Defence, Finance, and Trade and Industry. The ministerial committee in turn reports to the Cabinet.

### *The auditing phase*

External auditing of the Department of Defence is done by the Auditor-General. The 1996 constitution designates the Auditor-General as one of the state institutions that support constitutional democracy and it guarantees the independence and impartiality of the office holder. The Auditor-General is appointed by the President as the statutory independent auditor of the executive authority.

<sup>26</sup> Auditor-General Act (Act 12 of 1995), 14 June 1995, Section 4.

<sup>27</sup> Department of Defence (DOD), *Annual Report 2003/2004* (DOD: Pretoria, 2004), URL <<http://www.dod.mil.za/documents/annualreports/annualreports.htm>>, p. 173.

<sup>28</sup> Department of Defence (DOD), 'Defence in a democracy: South African Defence Review 1998', Pretoria, 1998, URL <<http://www.info.gov.za/documents/subjectdocs/subject/defence.htm>>.

This appointment and the conditions of service, powers, duties and related matters are covered by the constitution and the 1995 Auditor-General Act. The Auditor-General reports to the National Assembly's Standing Committee on Public Accounts.

Government auditing involves the investigation and evaluation of financial management practices, financial statements, performance and compliance with requirements by government and related institutions. The aim of an audit is to form an opinion on whether the institution under review has fairly presented its operations in the financial statements and whether it has complied with all relevant laws and regulations. The audit also investigates the control mechanisms of the institution in order to ensure that public funds and assets are safeguarded, accounting systems function properly and public funds are spent effectively.

The annual DOD budget for external auditors appointed by the Auditor-General is approximately 25 million rand (\$4 million). All DOD financial statements are audited and the auditor's reports are included in the DOD's annual report.<sup>29</sup>

## V. Assessment of the military budgetary process

The South African national and military budgetary processes are formalized and structured. The major strengths of the military budgetary process are the legislative framework, which governs all national departments; the degree of political control and oversight; and the high degree of transparency. The formal departmental processes, structures and procedures are also positive characteristics of the process.

Perhaps the greatest strength of the budgetary processes in South Africa is the strict adherence to the legislative framework. The adherence to rules and the willingness of the political authorities to permit the system to function as designed ensures the institutionalization of the processes and, ultimately, the realization of policy goals through the efficient application of allocated resources. The willingness of the executive to apply the necessary control mechanisms in order to check abuse is an important factor in the process.

The robust oversight of the process by the legislature is also a strength of the process. Cooperation between the government and the legislature through regular consultations in the budget formulation process ensures the early participation of Parliament in the budgetary process and thus facilitates scrutiny when a detailed budget is later submitted to Parliament.

The subsequent parliamentary oversight is extensive, as the Portfolio Committee on Defence consists of capable people who are well informed about military issues in general and the military budget in particular. In spite of the fact that the majority of the committee members come from the ruling ANC, they still scrutinize the budget with the utmost seriousness and objectivity.<sup>30</sup>

<sup>29</sup> Gründling (note 18); and DOD (note 27).

<sup>30</sup> E.g., when in 1994 President Mandela attempted to influence the committee's decision on the choice of language to be used for command and control by the SANDF, the members resisted, insisting that

The committee's active involvement in the development of South Africa's defence policy has also increased members' understanding of the issues at stake and made them active participants in the management of the SANDF, but without their interfering in the micromanagement of the DOD. The approval granted in 1998 for the multi-billion dollar Strategic Defence Procurement Package was facilitated by the knowledge of most committee members of the basis for such arms acquisition, since they participated actively in both the making of the defence policy and the Defence Review, in which the need for such extensive arms procurement was articulated.

There is also a high level of transparency in legislative activities. Parliamentary sittings are open to the public and, since 1994, a number of steps have been taken to make Parliament more accessible. The aim has been to make it more accountable, as well as to motivate and facilitate public participation in the legislative processes. Two such steps are the establishment of an Internet site, which encourages comments and feedback from the public,<sup>31</sup> and the parliamentary television channel, which broadcasts live coverage of sittings of Parliament and committees.

### Transparency

There is substantial transparency in the South African DOD policy, planning and budgeting processes. This has been assured primarily by the clear constitutional commitment to transparency, by the national financial legislative framework and by the unequivocal role that was played by the parliamentary defence committees during the development of military policy after 1994. Transparency in military and financial management is demonstrated by the manner in which the 1996–98 Defence Review and the 1996 White Paper on defence were developed and approved.

### *Defence policy*

Great effort was put into the establishment of the new defence policy through the elaboration of a White Paper on defence and the Defence Review.<sup>32</sup> This policy includes a redefinition of South Africa's defence posture and strategy, the roles and tasks of the SANDF, the required military capabilities, human resources policies, the management of military land and the environment, the military acquisition process, and the military legal system. During the development of policy governing the tasks, operational concepts and required capabil-

English be chosen. Modise, T., 'Parliamentary oversight of the South African Department of Defence: 1994 to 2003', eds L. le Roux, M. Rupiya and N. Ngoma, *Guarding the Guardians, Parliamentary Oversight and Civil–Military Relations: The Challenges for SADC* (Institute for Security Studies: Pretoria, 2004), pp. 45–53.

<sup>31</sup> Parliament of South Africa, URL <<http://www.parliament.gov.za/>>.

<sup>32</sup> Department of Defence (DOD), 'White Paper on National Defence for the Republic of South Africa: Defence in a Democracy', Pretoria, May 1996, URL <<http://www.info.gov.za/documents/whitepapers/index.htm>>; and DOD (note 28).

ities of the SANDF, a needs-driven but cost-constrained approach was used. This entailed an analysis of the present and future security environments relevant to South Africa, the identification of probable future defence contingencies and associated risks, and an evaluation of the capabilities required to confront these contingencies. This was then accurately costed and debated within the parliamentary defence committees and by civil society. After nine regional and three national consultative conferences, Parliament decided on what was considered to be an affordable core force: a balanced and sustainable nucleus maintaining capabilities and expertise for immediate requirements and the ability to expand if required. Parliament also accepted the risks that this entails. Defence policy is therefore based on an appreciation of the security environment and the consequent risks as well as the economic realities and priorities of South Africa. The processes used in the development of the new defence policy were open and consultative and have been internationally acclaimed for the manner in which they were conducted. Unfortunately, the development of defence policy occurred in the absence of a broader national security policy and this remains a shortcoming of the process to the present day.

According to Gavin Cawthra, Director of the Centre for Defence and Security Management at the University of the Witwatersrand, non-governmental organizations 'played a crucial role in drawing [up] the White Paper, but . . . although public consultations took place, the process was in fact the preserve of a small elite of defence experts. The parliamentary defence committees . . . drove this process, while the role of civil servants in the Ministry of Defence was minimal.'<sup>33</sup> Cawthra goes on to say that the Defence Review 'was largely driven by civil servants in the newly established Secretariat for Defence. However, this process was more consultative than that of the White Paper and a far wider spectrum of role-players [was] involved. The Secretariat consulted very widely with government and non-government stakeholders and interest groups and a series of well-attended meetings, workshops and conferences [was] held around the country.'<sup>34</sup>

Since the completion of the Defence Review in 1998, it has become clear that other social and developmental priorities of government as well as developments in the exchange rate of the South African rand will continue to place restrictions on the attainment of the envisaged force design and that some adaptation will be required. A revision of the Defence Review is currently in progress and the Portfolio Committee on Defence called for submissions and held public hearings in October 2004. The DOD is currently in consultation with the committee, but no final report has yet been produced or opened for consultation with civil society.

Following the writing of the White Paper and the completion of the Defence Review, parliamentary defence committees have continued to be involved in

<sup>33</sup> Cawthra, G., 'From "total strategy" to "human security": the making of South Africa's defence policy, 1990–99', *Journal of Peace, Conflict and Military Studies*, vol. 1, no. 1 (Mar. 2000), URL <<http://www.uz.ac.zw/units/cds/archive.html>>, pp. 51–67.

<sup>34</sup> Cawthra (note 33), p. 53.

further defence policy development and the drafting of defence legislation. They have contributed to the development of the 2002 National Conventional Arms Control Act, the 2002 Defence Act, the 2003 Anti-Personnel Mines Prohibition Act, the 2003 Armaments Corporation of South Africa Limited Act and the DOD's Human Resource Strategy 2010.<sup>35</sup>

Policy development and approval processes are currently well coordinated both within the DOD and between departments. Before the PDSC can approve a policy it must be satisfied that all stakeholders have been consulted and that the policy complies with other policies. Before the Cabinet approves policy it must have been approved by the appropriate sectoral clusters at director-general and ministerial levels in order to ensure coordination.<sup>36</sup>

Since 1994 real advances have also been made in ensuring democratic control over the military and good civil–military relations. This is evident in: (a) the clear constitutional principles governing the security services and the SANDF,<sup>37</sup> (b) the constitutional provisions regarding the authority of the President as commander-in-chief of the SANDF and his authority to order the SANDF into service,<sup>38</sup> (c) the constitutional provision that a member of the Cabinet must be responsible for defence,<sup>39</sup> (d) the constitutional provision for multiparty parliamentary committees on defence with oversight powers,<sup>40</sup> and (e) the constitutionally determined functions of the SANDF.<sup>41</sup>

### *The DOD strategic plan and budget*

The DOD strategic plan and the detailed budget are developed within the DOD as described above. These processes are based on approved defence policy and guidelines received from the Cabinet and the sectoral clusters at ministerial level. During these processes there is considerable interaction with the National Treasury, the Minister of Defence and the other state mechanisms designed to ensure the alignment of departmental budgets with national objectives and priorities. There is, however, no direct involvement of or consultation with

<sup>35</sup> National Conventional Arms Control Act (Act 41 of 2002), 31 Dec. 2002; Defence Act (Act 42 of 2002), 31 Dec. 2002; Anti-Personnel Mines Prohibition Act (Act 36 of 2003), 2 Dec. 2003; Armaments Corporation of South Africa Limited Act (Act 51 of 2003), 31 Dec. 2003; and DOD (note 13), p. 7.

<sup>36</sup> Sendall, N., DOD Chief Director of Defence Policy, Interview with the author, Defence Secretariat, DOD, Pretoria, 20 June 2002. The South African Government operates in so-called sectoral clusters. Both Cabinet members and department heads meet in these clusters in order to coordinate plans and actions. These clusters are: the Economy, Investment and Employment Cluster; the Government and Administration Cluster; the Social Cluster; the Justice, Crime Prevention and Security Cluster; and the International Relations, Peace and Security Cluster. All matters that are referred to Cabinet must first pass through the relevant cluster.

<sup>37</sup> Constitution of the Republic of South Africa (note 2), Chapter 11, Security services.

<sup>38</sup> Constitution of the Republic of South Africa (note 2), Chapter 11, Security services, Sections 201(2) and 202(1).

<sup>39</sup> Constitution of the Republic of South Africa (note 2), Chapter 11, Security services, Section 201(1).

<sup>40</sup> Constitution of the Republic of South Africa (note 2), Chapter 11, Security services, Section 199(8).

<sup>41</sup> Constitution of the Republic of South Africa (note 1), Chapter 14, Police and defence, Section 224. Section 24(1) of Schedule 6 of the 1996 constitution (note 2) states that *inter alia* Sections 224–28 of the 1993 interim constitution continue in force.

broader civil society. Annually, on the completion of the DOD strategic plan and the military budget, these are published and openly distributed.<sup>42</sup>

The South African DOD does not report its defence budget to the UN Department for Disarmament Affairs using the standardized Instrument for Reporting Military Expenditures.<sup>43</sup> This appears to contradict the defence White Paper, which states that South Africa should pursue the implementation of confidence- and security-building measures such as the ‘Annual consultation and exchange of information on defence budgets, force structure, modernisation plans and troop deployment’.<sup>44</sup>

### Accuracy of the military budget

The positive factors of political oversight, control measures and transparency as well as strict internal control mean that the military budget and expenditure data can be assessed as being valid and reliable. The military budget covers nearly all military expenditure, excluding the rent and maintenance of state property used by the military, which appears instead in the budget of the Department of Public Works. The programme and item structures of the budget, as well as the detail contained in the DOD strategic plan and the Defence Vote, ensure that figures are reliable and accurately reflect the real cost of military activities.

Tables 10.4 and 10.5 provide figures for budgeted and actual military expenditure for FY 2003/2004 by programme and by standard expenditure item. These tables indicate that, although there is some significant deviation from the budget, in particular under the ‘administrative’ expenditure item, deviation within the main programmes is negligible. This gives a good indication of the large degree to which military funds are in fact spent on the outputs and objectives approved in the budget vote.<sup>45</sup>

### Weaknesses

There are few weaknesses to be found in the South African military budgetary process. At present there is some misalignment between the approved force design and structure and the funds made available in the MTEF. This leads to difficulties in prioritizing military activities and in long-term planning. This problem is being addressed by a strategy that is being debated by the Portfolio

<sup>42</sup> DOD (note 13); and National Treasury (note 14).

<sup>43</sup> The Instrument was established in 1981. United Nations, *Transparency in Armaments: United Nations Instrument for Reporting Military Expenditures, Global and Regional Participation 1981–2002* (United Nations: New York, 2003), table 3; this book and information on more recent reporting are available from the Internet site of the UN Department for Disarmament Affairs, ‘Transparency in armaments’, URL <<http://disarmament2.un.org/cab/milex.html>>.

<sup>44</sup> DOD (note 32), chapter 3, p. 14.

<sup>45</sup> This is further demonstrated by the fact that the Auditor-General approved the DOD’s accounts for 2000/01 and 2001/02 without qualification, although certain qualifications were attached to the audit opinion in 2002/03 and 2003/04. Department of Defence (DOD), *Annual Report 2000/2001; 2001/2002; 2002/2003; and 2003/2004* (DOD: Pretoria, 2001, 2002, 2003 and 2004), URL <<http://www.dod.mil.za/documents/annualreports/annualreports.htm>>.

**Table 10.4.** Budgeted and actual South African military expenditure by programme for financial year 2003/2004

Figures are in millions of rand. Figures may not add up to totals due to the conventions of rounding.

Programme	Revised allocation	Actual expenditure	Under- or overspend (%)
Defence administration	658.1	658.1	—
Landward defence	3 111.9	3 111.9	—
Air defence	2 151.2	2 151.2	—
Maritime defence	1 013.6	1 013.6	—
Military Health Service	1 337.6	1 337.6	—
Defence intelligence	134.3	132.9	-1.05
Joint support	2 105.9	2 091.6	-0.68
Command and control	1 246.4	1 288.1	3.35
Special Defence Account	8 015.8	8 015.8	—
Special functions	25.1	25.2	—
<b>Total</b>	<b>19 800.0</b>	<b>19 826.0</b>	<b>0.13</b>

Source: Department of Defence, *Annual Report 2003/2004* (Department of Defence: Pretoria, 2004), URL <<http://www.dod.mil.za/documents/annualreports/annualreports.htm>>, p. 155.

Committee on Defence and the Cabinet. In terms of classification, the only expenditure directly in support of the military which is not reflected in the military budget is that spent on military property by the Department of Public Works.

The other major weakness is the extent of oversight of the Special Defence Account, as allegations of irregularities and corruption have dogged the Strategic Defence Procurement Package. First, in 2000 the Auditor-General revealed that, because of hidden costs, the programme was going to cost much more than the amount approved by Parliament, which shows that the legislators did not consider the overall cost (including the likely effect of inflation) of the programme to the country.<sup>46</sup> Second, corruption charges have been levelled against high-ranking officials of the state involved in the negotiation of the arms deals. A senior parliamentarian and an advisor to the Deputy President have been found guilty of corruption.<sup>47</sup> Deputy President Jacob Zuma himself is now facing charges of corruption and has been 'release[d] ... from his

<sup>46</sup> Engelbrecht, L., 'South African MPs left cold by arms deal', *Defence Systems Daily*, 16 Oct. 2000, URL <<http://defence-data.com/>>, also available at URL <[http://www.armsdeal-vpo.co.za/articles00/mps\\_left\\_cold.html](http://www.armsdeal-vpo.co.za/articles00/mps_left_cold.html)>.

<sup>47</sup> Tony Yengeni, chairman of the parliamentary defence committee during the negotiation of the Strategic Defence Procurement Package, was sentenced in Mar. 2003 to 4 years in jail for receiving a bribe—a substantial discount on a luxury Mercedes-Benz car—from one of the companies involved. Phillips, B., 'Jail term for ANC man', *BBC News Online*, 19 Mar. 2003, URL <<http://news.bbc.co.uk/2/2863531.stm>>. Schabir Shaik, the former financial adviser to Deputy President Jacob Zuma, was sentenced to 15 years in jail for soliciting bribes from a French arms firm between 1995 and 2002. 'Guilty verdict in SA graft case', *BBC News Online*, 2 June 2005, URL <<http://news.bbc.co.uk/2/4603009.stm>>. Shaik's conviction is currently awaiting appeal.

**Table 10.5.** Budgeted and actual South African military expenditure by standard expenditure item for financial year 2003/2004

Figures are in millions of rand. Figures may not add up to totals due to the conventions of rounding.

Expenditure item	Revised allocation	Actual expenditure	Under- or overspend (%)
Personnel	7 209.3	7 209.3	–
Administrative	764.3	804.6	5.27
Inventories	983.1	983.1	–
Equipment	413.9	413.9	–
Land and buildings	11.9	11.9	–
Professional and special services	2 112.5	2 098.6	–0.66
Transfer payments	8 277.4	8 277.0	–0.00
Miscellaneous	2.3	2.3	–
Special functions	25.1	25.1	–
<b>Total</b>	<b>19 800.0</b>	<b>19 826.0</b>	<b>0.13</b>

Source: Department of Defence, *Annual Report 2003/2004* (Department of Defence: Pretoria, 2004), URL <<http://www.dod.mil.za/documents/annualreports/annualreports.htm>>, p. 156.

responsibilities as Deputy President of the Republic and Member of the Cabinet'.<sup>48</sup> However, a government investigation team, consisting of the Auditor-General, the Public Protector and the National Director of Public Prosecutions, looked into the allegations surrounding the Strategic Defence Procurement Package. The investigation team reported to Parliament in November 2001 that, although there had been irregularities and improprieties in the conduct of certain officials in government departments, they had found no evidence of improper or unlawful conduct by the government itself.<sup>49</sup>

A potential weakness arises from the increasing power of the ANC over its members in Parliament. Since any ANC legislator who bucks the party line may be expelled from the party, there is reason to suspect the extent of Parliament's independence in matters that are of importance to both the executive and the party.<sup>50</sup>

<sup>48</sup> South African Government, 'Statement of the President of South Africa, Thabo Mbeki, at the joint sitting of Parliament on the release of Hon Jacob Zuma from his responsibilities as Deputy President, National Assembly', Cape Town, 14 June 2005, URL <<http://www.info.gov.za/speeches/year/>>; 'SA's Zuma welcomes day in court', BBC News Online, 21 June 2005, URL <<http://news.bbc.co.uk/2/4114008.stm>>.

<sup>49</sup> Baqwa, S., Fakie, S. A. and Ngcuka, B. T., 'Joint investigation report into the Strategic Defence Procurement Packages', Cape Town, 15 Nov. 2001, URL <<http://www.info.gov.za/projects/procurement/>>; and Engelbrecht, L., 'Arms report clears South African government', *Defence Systems Daily*, 16 Sep. 2001, URL <<http://defence-data.com/>>, also available at URL <[http://www.armsdeal-vpo.co.za/articles02/clear\\_government.html](http://www.armsdeal-vpo.co.za/articles02/clear_government.html)>.

<sup>50</sup> Johnson, R. W., *South Africa: The First Man, The Last Nation* (Weidenfeld and Nicolson: London, 2004).

## VI. Conclusions and recommendations

It can be stated that the South African defence policy, planning and budgeting processes are substantially transparent and in line with the principles of democratic civil–military relations. Good executive and parliamentary approval and oversight procedures exist and ensure the alignment of defence policy with political priorities. This alignment is also ensured by the good interdepartmental cooperation that exists in the national budgetary process. Oversight and control of military expenditure ensure that resources are spent on the activities for which they were planned. The South African DOD is therefore clearly accountable to the Minister of Defence, Parliament and the public. The military budget fairly reflects the true economic resources devoted to military activities in South Africa. It is, however, unfortunate that the DOD does not report its annual budget to the UN Department for Disarmament Affairs according to the standardized Instrument for Reporting Military Expenditures.

Financial policy and economic reform in South Africa have led to the introduction and implementation of medium-term planning and budgeting in the form of a three-year Medium-Term Expenditure Framework. The MTEF has brought greater transparency, certainty and stability to the budgetary process, and has strengthened the links between policy priorities and government's medium-term spending plans. Military planning, programming and budgeting take place within these financial and defence policy frameworks: there is a clear formal planning and budgeting process in the South African DOD and this process is aligned with the national MTEF.

Implementation of the following five recommendations would improve the military budgetary process in South Africa.

1. South Africa should develop a comprehensive national security policy to guide defence policy. The South African DOD, in conjunction with the Portfolio Committee on Defence, should then revisit the assumptions on which the force design described in the Defence Review is based. The main assumptions that need to be reconsidered are the internal role of the SANDF, the future role of the SANDF in peace missions and the sustainable level of the military budget. This will assist in aligning military planning and the MTEF.

2. Expenditure on the rent and maintenance of state property used by the military, which currently appears in the budget of the Department of Public Works, should appear in the military budget. This would ensure the full visibility of military expenditure and the full costing of all military activities.

3. The process for reimbursing the DOD for non-military expenditure, such as support for the South African Police Service in maintaining internal law and order, should be streamlined in order to ensure that these expenses are clearly identifiable.

4. The DOD should continue to develop its relationship with civil society through direct interaction and develop its Internet site in order to further enhance transparency and increase public understanding of the role of the mili-

tary. Furthermore, to maintain the consultative approach that the DOD adopted during the development of the defence White Paper and the Defence Review, the DOD should proactively involve civil society in the development of the annual strategic plan. This could be done by *inter alia* the provision of a public discussion forum on the DOD Internet site.

5. In the interest of improved confidence- and security-building measures, both regional and international, the DOD should report its annual budget to the UN Department for Disarmament Affairs using the standardized Instrument for Reporting Military Expenditures.