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# 11. A synthesis of the country studies

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*Wuyi Omitoogun*

## I. Introduction

This study examines the processes of budgeting for the military sector in eight African countries—Ethiopia, Ghana, Kenya, Mali, Mozambique, Nigeria, Sierra Leone and South Africa—using an analytical framework that consists of principles of public expenditure management and integrated defence planning, programming and budgeting. The essence of the analytical framework is two-fold: (a) to enable the measurement of good practice in military budgetary processes in the selected countries; and (b) to serve as a conceptual foundation on which to base the analyses in the case studies and, by implication, provide the basis for a comparative analysis. In assessing the processes in the countries within the good practice framework, it must be kept in mind that these are high standards to which even advanced democracies do not fully measure up. The objective is to identify the gap between good practice in military budgeting and the existing practices depicted in the case studies, with a view to suggesting and promoting ways of raising standards in these countries.

In section II of this chapter the budgetary processes in the eight African countries are discussed in the context of the good practice framework adopted for this study (see chapter 2). The countries are categorized in section III on the basis of their adherence to the good practice principles, while section IV provides explanations for the countries' level of adherence to the principles. Section V summarizes the findings of the study and presents the conclusions.

It is important to note that, while all the countries have long histories of military budgeting, and this history is reflected in the case studies (although the South Africa case study covers only the post-apartheid period), for consistency and comparability the assessment in this chapter is based only on the period in which all eight countries were under democratic rule, that is, since 1999.

## II. The country studies in the context of the good practices framework

All the countries in this study have established procedures for budgeting generally, including budgeting for the military sector. These procedures are no different from the standard procedures for budgeting elsewhere, with recognizable and defined stages. The process is guided by norms, rules and laws which are intended to ensure a predictable pattern in the process and, presumably, positive outcomes. However, as seen in the country studies (chapters 3–10), the prac-

tices of the countries, and therefore the outcomes of their processes, differ. This section assesses and compares the state of established legal military budgetary processes in the eight countries within the framework of the good practice principles: principles of defence planning and programming and of public expenditure management. The assessment spans the four distinct but interrelated phases which any budgetary process must comprise: formulation, approval, implementation (including arms procurement) and auditing.

### **Defence planning and programming**

Defence planning and programming are fundamental to the making of a meaningful military budget whose output can be easily measured.<sup>1</sup> However, with the exceptions of South Africa and, since 2003, Sierra Leone, the countries in this study lack strategic defence plans developed from well-articulated risk assessments and detailed analysis of the security and economic environments in which they operate. These countries, including nations with relatively high levels of military spending, such as Ethiopia and Nigeria, also lack clearly defined defence policies from which well-developed strategic defence plans can develop.<sup>2</sup> Most of the states do not make adequate threat assessments. For instance, while internal security threats and peacekeeping operations are becoming a preoccupation of most of their militaries, the countries continue to plan and budget mainly for external defence.<sup>3</sup>

The absence of a well-articulated defence policy in five of the countries studied—Ethiopia, Ghana, Kenya, Mali and Nigeria—makes defence planning no more than a mechanical reaction to circumstances, with dire consequences for planning and budgeting. While it is often argued that ‘policy is what government does and not what it says it wants to do’, the lack of a formal defence policy prevents broad participation in any debate and review process, causing decision making in defence policy to be a narrow and exclusive business. This has a negative impact on the military budgetary process because it reinforces the myth of the military as a special part of the public sector. In addition, the challenges facing the military, and against which the budget will be targeted, are not clearly articulated or, if articulated, are known only to the small circle of people involved in the military decision-making process. The lack of a clearly articulated defence policy that spells out the tasks and functions of the armed forces also affects the scope of the military budget. This is a major problem in

<sup>1</sup> It should be noted that the existence of a formal plan does not guarantee that it will be followed. Nigeria has several development plans that were judged to be excellent on paper but were never used by the country’s various governments. The same applies to Kenya. Mwenda, A. K. and Gachocho, M. N., ‘Budget transparency: Kenyan perspective’, Institute for Economic Affairs (IEA) Research Paper Series no. 4, IEA, Nairobi, Oct. 2003.

<sup>2</sup> Mozambique is an exception to this; see chapter 7 in this volume.

<sup>3</sup> For an elaboration of the changing nature of tasks for African armed forces see Williams, R., ‘Defence and development: some thematic issues’, *Development Southern Africa*, vol. 18, no. 1 (Mar. 2001), pp. 57–77; and Williams, R., ‘African armed forces and the challenges of security sector reform’, *Journal of Security Sector Management*, vol. 3, no. 2 (Mar. 2005).

**Table 11.1.** Defence planning, programming and budgeting in Ethiopia, Ghana, Kenya, Mali, Mozambique, Nigeria, Sierra Leone and South Africa, 2003

Country	Strategic defence plan	Defence programmes	Defence budget
Ethiopia	No	No	Yes
Ghana	No	No	Yes
Kenya	No	No	Yes
Mali	No	No	Yes
Mozambique	No	No	Yes
Nigeria	No	No	Yes
Sierra Leone	Yes	No	Yes
South Africa	Yes	Yes	Yes

these five countries since the military are requested to undertake tasks that are unrelated to their traditional role, without there being any formal provision for such tasks in the budget. On the other hand, some military-related tasks that are becoming a regular feature of their activities, such as peacekeeping, are not considered as part of the military budget in countries such as Nigeria.<sup>4</sup>

The absence of strategic planning and a sectoral policy in countries such as Ghana, Kenya and Nigeria also affects how resources are allocated within the military sector itself. Thus, inter-service rivalry and the level of influence that each service can exert, rather than the strategic significance of their requirements, determine the resource-sharing formula in most of the countries. Examples of services exerting their influence include the Nigerian Navy in the 1980s (see chapter 8), the Ghanaian Army prior to the late 1980s (see chapter 4), and the army and navy in Kenya after the air force's abortive coup of August 1982 (see chapter 5).

Without formal policies and a strategy to carry them out it is also difficult to efficiently manage the resources of the military. Given the arbitrariness that has characterized the budgetary processes across Africa over time, formal policies should at least provide a guide as to what to budget for and how this should be done. This will also enable the general public to know the justification for the size and structure of the armed forces. Although Nigeria now has a draft defence policy, this has been a draft since 2001 and its contents are not widely known.<sup>5</sup> While Mali has a code of conduct for its armed forces in view of their history of repression and *coups d'état*, the aim of government policy in the sector is not defined. This also means that programming—the link between a defence plan and the budget—is lacking, thereby creating a missing link in the military budgetary process chain.

<sup>4</sup> It should be noted that, since peacekeeping operations are contingent by nature and unpredictable in terms of occurrence, length and intensity, budgeting for them is not straightforward. However, when operations are carried out over a fairly long period of time, as in the case of ECOMOG operations, then they should be budgeted for as part of the military budget.

<sup>5</sup> Extracts from Nigeria's draft defence policy are given in chapter 8 in this volume.

As shown in table 11.1, while all the countries studied except South Africa lack a strategic defence plan and defence programme, they all engage in the annual ritual of military budgeting. The absence of a strategic plan that should provide the basis for all military activities means that the budget does not reflect perceptions of threats to the state and may contain much overlap as the services make independent and often similar requests for equipment, resulting in duplication and waste.<sup>6</sup> One major advantage of defence planning and programming is that it encourages coordination among the services and eliminates waste resulting from duplication in addition to spreading the cost of major equipment over several annual budgets.

As mentioned above, the absence of a link between military budgets and military activities in most of these countries is traceable to a lack of definitive policies, plans and programmes to guide activities in the sector. The absence of this essential guide, which should provide direction for all activities, including budgeting, constitutes a fundamental weakness in the budgetary processes in all the countries in the study with the single exception of South Africa. Table 11.2 shows the current practices in the eight countries with regard to basic steps involved in managing military expenditure from the defence planning stage through budget formulation to the evaluation phase. These steps are a breakdown of the four crucial interrelated components of managing expenditure outlined in chapter 2.

### **The military budgetary process and the principles of public expenditure management**

All the sample countries possess or claim to possess a legal framework and a hierarchy of military and civilian authorities that make decisions on the country's external defence. However, when assessed against the good practice principles, the processes in all the countries, except South Africa, display many gaps, not only in adherence to basic principles but also in the institutional arrangements meant to facilitate the process. There is little noticeable planning in the military budgetary processes of any of the countries and in many there is a particular absence of a link between defence policy (where one exists) and the military budget. It does not appear that the macroeconomic framework has much bearing on the military budgetary process.

What follows below is an assessment of the military budgetary processes in the eight countries on the basis of seven of the principles of public expenditure management discussed in chapter 2: (a) comprehensiveness, (b) contestability, (c) predictability, (d) honesty, (e) discipline, (f) transparency and (g) accountability. Tables 11.3–11.6 below summarize the adherence to these and other

<sup>6</sup> This is what motivated the introduction of the planning, programming and budgeting system in the USA in the early 1960s. Meehan, R. P., *Plans, Programs and the Defense Budget* (National Defense University Press: Washington, DC, 1985), p. 5.

**Table 11.2.** Crucial steps in military expenditure management in Ethiopia, Ghana, Kenya, Mali, Mozambique, Nigeria, Sierra Leone and South Africa: a summary of the country reports

Crucial steps	Ethiopia	Ghana	Kenya	Mali	Mozambique	Nigeria	Sierra Leone	South Africa
<i>1. Strategic defence planning</i>								
Analyse the security environment	Yes	No	Yes	Yes	Yes	Yes	Yes (since 2003)	Yes
Consider the constitutional and legal frameworks for military decision making	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Identify the challenges before the military, usually in a defence White Paper	No White Paper	No White Paper	No White Paper	No White Paper	Yes <sup>d</sup>	No White Paper	Yes (in 2003)	Yes
Consider appropriate military capability	Yes, on an ad hoc basis only	Yes, on an ad hoc basis only	Yes, on an ad hoc basis only	Yes <sup>b</sup>	Yes	Yes, on an ad hoc basis only	Yes, on an ad hoc basis only	Yes
Define the size, shape and structure of the military	Yes	Yes <sup>c</sup>	Yes	Yes <sup>d</sup>	Yes	Yes <sup>e</sup>	Yes <sup>f</sup>	Yes
<i>2. Determining what is affordable</i>								
Authorities define the financial ceiling for the military sector within the overall national economic framework	Yes, but the ceiling is not firm <sup>g</sup>	Yes, but the ceiling is not firm	Yes, but the ceiling is not firm	Yes, but the ceiling is not firm	Yes <sup>h</sup>	Yes, but the ceiling is not firm	Yes	Yes <sup>i</sup>

### 3. Allocating resources

Allocate resources, prepare the military budget and defend it in parliament

Yes

Yes

Yes

Yes<sup>m</sup>Yes<sup>l</sup>Yes<sup>l</sup>Yes<sup>k</sup>Yes<sup>l</sup>

### 4. Using resources effectively and efficiently

Implement the planned activities

Yes

Yes<sup>n</sup>

Partial implementation

Yes<sup>n</sup>

Partial implementation

Partial implementation

Partial implementation

Partial implementation

Monitor the outputs

Highly monitored

Rarely

Occasionally

Occasionally

Rarely

Rarely

Occasionally

Account for expenditure

Yes

Rarely

Rarely

Rarely

Rarely

Rarely

Occasionally

Evaluate and audit outputs, report results to parliament and the executive

Yes, regularly since 1994

No

No; audit reports usually years late

Yes

No; audit reports usually years late

No; audit reports usually years late

Rarely

No; audit reports usually years late

<sup>a</sup> However, Mozambique has no strategic plans and programmes from which the annual budget would naturally evolve.

<sup>b</sup> Mali relies on the donation of military equipment.

<sup>c</sup> However, the Ghanaian military is smaller than the recommended size.

<sup>d</sup> Mali's paramilitary forces are included within these limits.

<sup>e</sup> There are conflicting reports of the size of the Nigerian armed forces

<sup>f</sup> A new army is being formed in Sierra Leone.

<sup>g</sup> This is the case even with the donor-imposed restrictions on military spending in Ethiopia.

<sup>h</sup> Mozambique has a donor-imposed limit on military spending of 2% of gross domestic product.

<sup>i</sup> South Africa's ceiling is set 18 months ahead and stays fairly constant.

<sup>j</sup> However, there is no proper scrutiny in the Ethiopian Parliament.

<sup>k</sup> The Ghanaian Parliament does not have the power to alter the budget.

<sup>l</sup> The parliaments of Kenya and Mali act merely as 'rubber stamps'.

<sup>m</sup> The Mozambican parliament's role is limited by donor restrictions on spending (see note *h*).

<sup>n</sup> There is significant donor presence in the implementation processes in Mozambique and Sierra Leone.

principles in each of the phases of military budgeting: formulation, approval, implementation and auditing.

### *Comprehensiveness*

Apart from a lack of well-articulated strategic defence plans to guide their budgetary processes, the military budgets in all the sample countries, with the exception of South Africa, also lack comprehensiveness in terms of their coverage and the level of resources expected to be available to the military during the year.

The main reasons for a lack of comprehensiveness in military budgets in the countries include a lack of comprehensive regulatory laws for government revenues and how they should be dispensed; the absence of a definition of the scope of the military budget; the creation of special accounts by the state to deal with special situations; the non-inclusion of external military assistance in budget preparation; deliberate attempts by the executive to divert state resources for specific purposes; a lack of honesty in revenue (and expenditure) estimation; and the regular resort to supplementary appropriations. The existence of sources of income for the military other than the annual budget reduces the level of accountability and impinges on the level of transparency.

Although the governments in the countries in this study set annual spending ceilings for the military, as for every other sector, at the beginning of the annual budgetary process, the large off-budget revenues and expenditure in the military sector show that these ceilings are not at all firm. In Ethiopia, Ghana, Kenya, Mali and Nigeria there are a number of income-generating businesses, establishments and agencies related to the military whose incomes are not included in the budget but which have expenditure heads in the military budget each year.

One reason for this lack of comprehensiveness is the lack of any definition of the scope of the military budget: what should it include and what should it exclude? Arms procurement, which is a major part of the military budget and the most capital-intensive part of the budget, is seldom included in the military budgets of the sample countries, apart from South Africa. Yet they all buy military hardware, however infrequently. With a comprehensive budget and defence plan and programme, the cost of major acquisitions can be divided between several annual budgets, depending on the type of system. A lack of prioritization denies the countries this opportunity. Instead, they rush to purchase weapons when there is a perception of an urgent security need for them. This often has a negative impact on their finances and represents the greatest inducement for either off-budget spending on defence or diversion of resources from other sectors to the military.<sup>7</sup> This has happened repeatedly in Ethiopia

<sup>7</sup> For a discussion of off-budget spending see 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/>>.

(and also in Rwanda and Uganda) since the late 1990s and in Nigeria since the early 1990s.<sup>8</sup>

Similarly, the cost of peacekeeping operations in West Africa—in which Nigeria has participated fairly regularly since the late 1980s and which consume a lot of its resources—has never been reflected in the military budget nor made explicitly clear in the national or overall budget. It has been estimated that the cost to Nigeria of its participation in the activities of the Economic Community of West African States (ECOWAS) Monitoring Group (ECOMOG) in Liberia and Sierra Leone in 1989–2000 was about \$12 billion.<sup>9</sup> This is well above the total Nigerian military budget for this period.

In Ghana the low level of comprehensiveness is demonstrated by the extra-budgetary income that accrues to the military and which has never been brought into the budget. This includes the income from peacekeeping operations, which although small in dollar terms is substantial in local currency and, viewed against the annual military budget, is a huge source of income. The fact that Ghana is one of the most readily available countries for peacekeeping duties means that this source of income has been fairly regular. Other sources of income, such as those from the public use of military hospitals in Accra, have also not been included in the budget as revenue for the military.

The military budget in Kenya does not appear to account for all the financial operations of the Department of Defence (DOD). The cost of military equipment seems not to be included in the budget.<sup>10</sup> The fact that the Kenyan DOD is under the Office of the President ensures that it stands to benefit from the extra-budgetary expenditure to which the authorities regularly resort once the available funds fall short of the usually over-optimistic budget projections made at the beginning of the year. Although appropriations-in-aid (the military's expected income outside the budget) are always indicated in Kenya's annual budget estimates, there is little to suggest that they ultimately count towards the total military budget.<sup>11</sup>

The income from the commercial activities in which the Malian armed forces engage does not appear in the budget. These activities include its engineering works, air transport business and the military assembly repair shops.

In Mozambique the fact that the military budget is not transparent obstructs assessment of the extent of its comprehensiveness. What is known is that the military budget is 2 per cent of gross domestic product (GDP). Although Mozambique receives military assistance in the form of military training, supply of non-lethal equipment and technical assistance from China, Portugal and the USA, it is not clear whether this is included in the military budget.

<sup>8</sup> Omitoogun, W., 'Nigeria', *Military Expenditure Data in Africa: A Survey of Cameroon, Ethiopia, Ghana, Kenya, Nigeria and Uganda*, SIPRI Research Report no. 17 (Oxford University Press: Oxford, 2003), pp. 76–94.

<sup>9</sup> Dawkins, W. and Holman, M., 'Obasanjo, leader on a mission for a nation in debt', *Financial Times*, 15 Sep. 2000, p. 6. See also Omitoogun (note 8) and note 4.

<sup>10</sup> Omitoogun, W., 'Kenya', *Military Expenditure Data in Africa* (note 8), pp. 63–75.

<sup>11</sup> Mwenda and Gachocho (note 1), p. 37.

**Box 11.1.** The medium-term expenditure framework

The medium-term expenditure framework (MTEF) is a tool for linking policy, planning and budgeting over the medium term (usually three years). It is a process of decision making that consists of the top-down imposition of a financial ceiling consistent with macro-economic stability and broad policy priorities together with a bottom-up estimation of the medium-term costs of existing policies. It involves rolling over the exercise each year to reflect shifts in policy.

The MTEF is the last stage in a three-stage process. The preceding stages are: the formation of a medium-term financial framework—which is a statement of financial policy objectives and medium-term macroeconomic and financial targets and projections—and the medium-term budget framework in which the medium-term budget estimates for spending ministries, departments and agencies are made. The MTEF is where the budget estimates are linked to specific activity and output.

Increasingly, African governments are being encouraged to adopt the MTEF in their public expenditure management in order to achieve improved budget outcomes. However, only South Africa and Uganda have succeeded in institutionalizing MTEF principles into their public expenditure management systems. Other countries, such as Ghana and Kenya, have lapsed into old habits after initial progress. Among the reasons for the relapse are a lack of honesty and realism in revenue forecasting at the budget formulation stage and a lack of discipline at the implementation stage. A lack of policy objectives against which output and outcome can be measured is also a problem. The failure to integrate a medium-term perspective in the national budgetary process invariably affects planning in the military sector, where long-term planning is needed.

*Sources:* World Bank, 'Medium-term expenditure framework debate', URL <<http://www1.worldbank.org/publicsector/pe/mtmf.htm>>; Oxford Policy Management (OPM), 'Medium term expenditure frameworks—panacea or dangerous distraction?', OPM Review Paper no. 2, Prepared for the World Bank, May 2000, URL <<http://www1.worldbank.org/publicsector/pe/mtmf.htm>>; and Holmes, M. with Evans, A., 'A review of experience in implementing medium term expenditure frameworks in a PRSP context: a synthesis of eight country studies', Overseas Development Institute, London, Nov. 2003, URL <<http://www.odi.org.uk/pppg/cape/>>.

In Nigeria the level of off-budget military expenditure is significant. There is a practice of providing for arms purchases outside the approved budget and without legislative approval. Although extra-budgetary spending in Nigeria does not apply to the military sector alone, military off-budget spending has been going on since the era of military rule and does not appear to have been mitigated by the return to democracy in 1999. Instead, new unbudgeted expenditure, which is not routed through the Nigerian Ministry of Defence (MOD), has been made by the executive on behalf of the military without consultation with the National Assembly.<sup>12</sup> Extra-budgetary spending and financial indiscipline were hallmarks of the democratic government in Nigeria during its first term in office, 1999–2003.<sup>13</sup>

<sup>12</sup> Olatuyi, J., 'Govt may go bankrupt by Dec. Kuta warns', *The Guardian* (Lagos), 1 Nov. 2002. See also chapter 8 in this volume.

<sup>13</sup> Okocha, C. and Umar, B., 'Financial indiscipline bane of govt—audit report', *ThisDay* (Lagos), 13 Jan. 2003, URL <<http://www.thisdayonline.com/archive/2003/01/13/>>. See also Eluemunor, T. and

Conversely, South Africa (and, to a lesser degree, Sierra Leone since 2000) has a comprehensive approach to military budgeting, with all the costs of its military activities included in the military budget. Box 11.1 describes the medium-term expenditure framework (MTEF), which has been used to good effect in South Africa. The strong involvement of external actors in the restructuring of Sierra Leone's military establishment, including its MOD, has had a great impact on the military budgetary process, and its budget is now more comprehensive.

### *Contestability*

The principle of contestability in public expenditure management requires that all parts of the public sector compete on an equal footing for funding during budget planning and formulation. In theory, all the countries examined in this study adhere to the principle, especially since their return to democracy. One significant sign of this apparent adherence to the principle of contestability is the dominance of the finance ministries in the budget process. Since all ministries, departments and agencies (MDAs) have to pass through the same process of defending their expenditure estimates at the finance ministry, the latter exercises considerable control over the process. In practice, however, the political authorities have great influence on the process as finance ministries are forced to favour certain MDAs, of which the defence ministry is invariably one. This influence is exercised principally by exempting military budget estimates from cabinet-level debate. Instead, debate on defence issues (and sometimes national security) is limited to the national security committee, whose membership is highly restricted. The committee's decision is not open to cabinet-level debate in most cases or to parliamentary scrutiny.<sup>14</sup> Subsequent allocations to the defence ministry in either a supplementary budget or extra-budgetary allocation are treated similarly.

Apart from the influence exerted by the political authorities, the finance ministry itself often lacks an objective basis for streamlining expenditure estimates submitted by MDAs at budget defence meetings. This is the case because competition for funding by MDAs is not driven by policy. In the absence of any overarching national financial policy framework to drive budgetary allocations, the control that the finance ministry exercises on MDAs is arbitrary, and certain MDAs (with powerful and well-connected heads) are favoured at the expense of others. As a result, the finance ministry is feared rather than respected as an arbiter in the allocation of state resources. In Ghana the extent of authority over the process held by the country's Ministry of Finance (MOF) is reflected in the attitude of MOD officials who have to defend the military budget at the MOF; they take the defence of their estimates more seriously than when they defend the same estimates in Parliament during budget hearings. According to officials

Ezea, K., 'Auditor-General exposes multi-billion naira fraud: Presidency, Assembly, ministries involved', *Daily Independent*, 29 Mar. 2003.

<sup>14</sup> On Kenya, e.g., see 'Clays's feat', *Africa Confidential*, vol. 45, no. 15 (July 2004), p. 7.

**Table 11.3.** Adherence to principles of public expenditure management in the formulation phase of military budgeting by Ethiopia, Ghana, Kenya, Mali, Mozambique, Nigeria, Sierra Leone and South Africa

Principle of public expenditure management	Low	Medium	High
<i>Comprehensiveness</i> : the budget encompasses all financial operations of government; off-budget expenditure and revenue are prohibited	Ethiopia, Ghana, Kenya, Mali, Mozambique, Nigeria	Sierra Leone	South Africa
<i>Contestability</i> : all sectors compete on an equal footing for funding during budget planning and formulation	Ethiopia, Kenya	Ghana, Mali, Mozambique, Nigeria, Sierra Leone	South Africa
<i>Predictability</i> : there is stability in policy and therefore a sectoral policy that informs the level of expenditure for the sector	Ethiopia, Ghana, Kenya, Mali →, Nigeria	Mozambique, Sierra Leone	South Africa
<i>Honesty</i> : the budget is derived from unbiased projections of revenue and expenditure	Ethiopia, Ghana, Kenya, Mali, Nigeria	Mozambique, Sierra Leone	South Africa
<i>Discipline</i> : decision making is restrained by resource realities; the budget absorbs only those resources necessary to implement policies; budget allocations are adhered to	Ethiopia, Ghana, Kenya, Mali, Nigeria	Mozambique, Sierra Leone	South Africa
<i>Transparency</i> : decision makers are aware of all relevant issues and information when making decisions	Ethiopia, Ghana, Kenya, Mali, Mozambique, Nigeria, Sierra Leone →	South Africa →	
<i>Accountability</i> : decision makers are responsible for exercising the authority provided to them	Ethiopia, Ghana, Kenya, Mali, Mozambique, Nigeria	Sierra Leone	South Africa
<i>Legitimacy</i> : policy makers who can change policies during implementation must take part in the formulation of, and agree to, the original plan			All

Note: → indicates that the country's adherence to the principle is improving.

of the Ghanaian MOD, the MOF is where their estimates can easily be cut down, whereas Parliament will only discuss whatever the MOF approves.<sup>15</sup>

This power of finance ministries is undermined by the knowledge of the defence ministries, and of the military in particular, that through their direct access to the highest level of authority they could easily resort to extra-budgetary means. This allows them to fund what they consider to be priority projects or, as is the case in most of the eight countries studied, to receive a special allocation from special government accounts to buy major weapons that are not included in the budget. In Ghana this is financed through peacekeeping funds and income from military businesses; in Nigeria it is through special or oil windfall accounts; in Kenya it is under contingencies funds held by the Office of the President; and in Ethiopia, where the activity is more difficult to pinpoint, it could be from the income-generating businesses of the military or specific hidden allocations in the budget.

### *Predictability*

In addition to the general lack of comprehensiveness of the military budgets of the countries studied, there is also a lack of stability in the sector's policies and in the resources provided to achieve set goals, which creates problems for budgeting. The main reasons for this are: (a) inconsistent policies; (b) unstable and unreliable sources of income, including foreign assistance; (c) a lack of realism or honesty in revenue projection; and (d) irregular disbursement of approved funds at the implementation stage

The absence of any guiding defence policy in Ethiopia, Ghana, Kenya and Nigeria makes budgeting in the sector ad hoc, while long-term planning is what is required. In Ethiopia, for instance, while multi-year budget planning has been introduced in all other sectors based on sectoral policies, defence is excluded from the multi-year plan. Instead, military sector budgeting is based on 'zero budgeting', which means that budgets have to be prepared from scratch every year, driving out any medium-term perspective. Thus, there is little continuity and long-term planning. The situation is similar in both Ghana and Kenya. In Nigeria, on the other hand, while some of the long-term needs of the military are presented in the National Rolling Plan, these are rarely factored into the national budget. Moreover, the level of resources that is required in order to accomplish the goals of the plan is not made clear. However, the development of a new national defence policy is in progress; in the interim, budgeting in Nigeria remains ad hoc. These examples contrast sharply with the situation in South Africa, where there is a published and highly publicized defence policy as well as a defence review covering the details of the goals of the South African National Defence Force and the means for achieving them.<sup>16</sup>

<sup>15</sup> The Nigerian National Assembly is quite powerful and, as explained in chapter 8 in this volume, members of key committees have been bribed by ministers and heads of government agencies to increase their allocations during appropriations hearings.

<sup>16</sup> South African Department of Defence, 'Defence in a democracy: South African Defence Review 1998', Pretoria, 1998, URL <<http://www.info.gov.za/documents/subjectdocs/subject/defence.htm>>.

**Table 11.4.** Adherence to principles of public expenditure management in the approval phase of military budgeting by Ethiopia, Ghana, Kenya, Mali, Mozambique, Nigeria, Sierra Leone and South Africa

Principle of public expenditure management	Low	Medium	High
<i>Comprehensiveness</i> : the budget encompasses all financial operations of government; off-budget expenditure and revenue are prohibited	Ethiopia, Ghana, Kenya, Mali, Nigeria	Mozambique, Sierra Leone	South Africa
<i>Predictability</i> : there is stability in policy and therefore a sectoral policy that informs the level of expenditure for the sector	Ethiopia, Ghana, Kenya, Nigeria	Mozambique, Sierra Leone	South Africa
<i>Transparency</i> : decision makers are aware of all relevant issues and information when making decisions	Ethiopia, Ghana, Kenya, Mali, Mozambique→, Nigeria	Sierra Leone, South Africa	
<i>Accountability</i> : decision makers are responsible for exercising the authority provided to them	Ethiopia, Ghana→, Kenya, Mali	Nigeria, Mozambique, Sierra Leone	South Africa

*Note:* → indicates that the country's adherence to the principle is improving.

Even where a country has some form of policy and the elements of a medium-term planning system, as in Mali and Mozambique, instability in revenue makes planning difficult. Dependence on external assistance for budgetary support also makes funding of the programme over the medium-term problematic.<sup>17</sup>

The problem of unpredictable income is as much a reflection of the lack of reliable and regular sources of income as it is self-inflicted.<sup>18</sup> Many of the countries lack realism (or honesty) at the formulation stage of the budget, when revenues are estimated for the year. Certain countries, notably Kenya and sometimes Nigeria, have been known to make over-optimistic revenue forecasts at the beginning of the financial year only to announce midway during the year their inability to meet the revenue target and thus their need to cut back on certain approved activities.<sup>19</sup> This has a crippling effect on implementation as it makes it impossible to execute approved programmes. It is the principal reason

<sup>17</sup> Most external assistance for budget support usually excludes the military sector as a beneficiary. In fact, debate on aid fungibility always focuses on diversion of aid to the military.

<sup>18</sup> Holmes, M. with Evans, A., 'A review of experience in implementing medium term expenditure frameworks in a PRSP context: a synthesis of eight country studies', Overseas Development Institute, London, Nov. 2003, URL <<http://www.odi.org.uk/pppg/cape/>>.

<sup>19</sup> Mwenda and Gachocho (note 1).

(along with strong encouragement from donors) for the introduction of cash budgeting by some countries, in particular Ghana and Kenya. The main idea behind cash budgeting is that the country will spend only what it earns. This gives a lot of power to the finance ministry and the office of the president, which have to determine the manner in which revenues will be shared in case of any shortfall in projected income. This power has been used to favour certain ministries, of which the defence ministry is usually one. Indeed, it has been argued that under severe budgetary constraints African governments usually protect the defence allocation while cutting back on approved allocations to other sectors, especially the social sectors.<sup>20</sup> This is common practice in Kenya, as it was in Mali, Nigeria and Sierra Leone under military rule.<sup>21</sup>

In Nigeria in 2001–2003 a major feature of the budgetary process was the great deviation between the approved capital budget and the sum released; the latter was always less than the former. The main reason for this was not a shortfall in expected government revenue; rather, it was the government's own way of controlling graft among its civil servants. In most cases it was the funds allocated for development that were affected, either because they were not released at all or because they were reduced to a fraction of the original amount, about 5–20 per cent. In 2002 the Nigerian MOD received only 15 per cent of its approved capital votes and in 2003 only 20 per cent. This, of course, had a negative impact on budget implementation.

South Africa remains the only country with a clear and tested military sector policy, with goals set over the medium and long terms and with the resources to achieve them. Although some of the objectives set in terms of the ratios of the annual budget that go to certain expenditure heads, such as personnel costs, have not been met, the country has made considerable progress in its planned activities on the basis of its defence policy and defence review exercise.

### *Honesty*

While all the countries studied have tried to correct their lack of comprehensiveness and predictability with the introduction of multi-year planning systems, the new systems are severely weakened by a lack of realism and honesty in planning and revenue estimation. In spite of the annual shortfalls in projected revenues, the countries fail to face up to the realities of resource constraints. Instead, they persist in making high, unrealizable revenue projections and high expenditure plans which ultimately have to be scaled back.<sup>22</sup> In the specific case of the military sector, in order to boost income to the sector this

<sup>20</sup> Gyimah-Brempong, K., 'Do African governments favor defense in budgeting?', *Journal of Peace Research*, vol. 29, no. 2 (May 1992), pp. 191–206.

<sup>21</sup> On Kenya see Kenyan Ministry of Planning and National Development (MPND), *Public Expenditure Review 2003* (MPND: Nairobi, 2004), URL <<http://www.planning.go.ke/pdf/per.pdf>>, pp. 122–24. On Nigeria see chapter 8 in this volume. Other countries, such as Rwanda and Uganda, have also engaged in the practice.

<sup>22</sup> See Holmes with Evans (note 18).

**Table 11.5.** Adherence to principles of public expenditure management in the implementation phase of military budgeting by Ethiopia, Ghana, Kenya, Mali, Mozambique, Nigeria, Sierra Leone and South Africa

Principle of public expenditure management	Low	Medium	High
<i>Comprehensiveness</i> : the budget encompasses all financial operations of government; off-budget expenditure and revenue are prohibited	Ethiopia, Ghana, Kenya, Mali, Nigeria	Mozambique, Sierra Leone	South Africa
<i>Contestability</i> : all sectors compete on an equal footing for funding during budget planning and formulation	Ethiopia, Kenya, Ghana, Mali, Mozambique, Nigeria	Sierra Leone, South Africa→	
<i>Predictability</i> : there is stability in policy and therefore a sectoral policy that informs the level of expenditure for the sector	Ethiopia, Ghana, Kenya, Mali, Nigeria	Mozambique, Sierra Leone	South Africa
<i>Transparency</i> : decision makers are aware of all relevant issues and information when making decisions	Ethiopia, Ghana, Kenya, Mali, Mozambique, Nigeria	Sierra Leone, South Africa→	
<i>Accountability</i> : decision makers are responsible for exercising the authority provided to them	Ethiopia, Ghana, Kenya, Mali→, Nigeria	Mozambique, Sierra Leone, South Africa→	

*Note*: → indicates that the country's adherence to the principle is improving.

weakness manifests itself in underestimation of income (especially internally generated revenue) and overestimation of expenditure.

In Ethiopia, Ghana, Kenya and Mali the expected income of the military (outside the official budgetary allocations) is understated or is not factored into the military budget at all. This leaves more income at the disposal of the military. When there is any shortfall in income, several planned programmes suffer, but the military sector, owing to its perceived special nature, is almost always immune from any general cutback, making it better resourced than other parts of the public sector.<sup>23</sup>

Since most of the countries in this study have no serious guiding policy for military budgeting, projections of expenditure are often exaggerated. There are two ways in which this can be done: by inflating the number of personnel in the armed forces in order to receive additional allocations and by requesting

<sup>23</sup> Gyimah-Brempong (note 20). See also Mohammed, N. A. L., 'Militarization in Sudan: trends and determinants', *Armed Forces and Society*, vol. 19, no. 3 (1993), pp. 411–33.

unneeded expenditure items or military equipment.<sup>24</sup> This exaggeration ensures that a high estimate of the military budget is presented to the government. This is done for two reasons. The first is to guard against arbitrary cuts in the military budget by the finance ministry, which has responsibility for reining in the budget estimates of MDAs in the absence of any guiding policy. This is ostensibly in the corporate interest of the military.<sup>25</sup>

The second reason relates directly to the individuals in charge of the military: to ensure that enough funds are available to line private pockets. In Nigeria under the regime of Sani Abacha (1993–98), 500 million naira (c. \$62 million) was approved for the construction of the headquarters in Abuja of one of the intelligence agencies. Rather than being used for its intended purpose, however, the money simply disappeared into the pockets of those at the highest level of authority.<sup>26</sup> Similarly, conflicting figures have over the years been presented for the size of the Nigerian armed forces. While at the inception of civilian rule in 1999 the new Minister of Defence cited downsizing as a major goal of his administration, a year after taking over he backtracked and said that he had not done enough research before making his initial pronouncement on downsizing and that, after all, the size of the military was appropriate for a country of Nigeria's size and external commitments.<sup>27</sup> His volte-face was generally thought to be a result of the stiff opposition from vested interests in the military who benefit from the status quo.

In Ethiopia the size of the military may be a source of income to fund other aspects of the military budget through the earmarking of a larger than normal allocation for the cost of personnel. This would raise little suspicion from donors. In most of the eight countries studied, personnel costs take more than 70 per cent of the military budget.<sup>28</sup> However, the true strength of the military in most of the countries is not known as very few have conducted any staff audit of their armed forces. Even those parliaments that approve the budgets for the military do not know the exact strength of the armed forces for which they vote money annually.<sup>29</sup>

<sup>24</sup> E.g., at the inception of the new democratic government in Nigeria in 1999, the armed forces were asked to submit a list of their urgent needs. The list included hardware that was considered inappropriate for their level of training and for the security environment. See Goldman, A., 'Out of office but still in the picture', *Financial Times*, 30 Mar. 2000.

<sup>25</sup> However, military hierarchies have rarely defended the military as an institution, even under military regimes. For a discussion of African militaries and military coups see Luckham, R., 'The military, militarisation and democratisation in Africa: a survey of literature and issues', eds E. Hutchful and A. Bathily, *The Military and Militarism in Africa* (Codesria: Dakar, 1998), pp. 1–47.

<sup>26</sup> Personal communication with the author, Abuja, May 2002.

<sup>27</sup> Oloja, M., Eluemnuor, T. and Onuorah, M., 'Govt drops plan to trim military', *The Guardian* (Lagos), 24 Dec. 2000.

<sup>28</sup> Omitoogun (note 8). South Africa is an exception.

<sup>29</sup> E.g., Personal communications of a Nigerian parliamentarian with the author, Abuja, May 2002. Another Nigerian parliamentarian, Haruna Yerima, openly admitted the same shortcoming in the National Assembly's work on the military budget at the symposium on Parliamentary Oversight of the Security Sector in West Africa organized by the Geneva Center for Democratic Control of Armed Forces, Abuja, 20 Apr. 2004. Yerima later alleged in a television interview that a lot of bribery took place in the National

**Table 11.6.** Adherence to principles of public expenditure management in the auditing phase of military budgeting by Ethiopia, Ghana, Kenya, Mali, Mozambique, Nigeria, Sierra Leone and South Africa

Principle of public expenditure management	Low	Medium	High
<i>Comprehensiveness</i> : the budget encompasses all financial operations of government; off-budget expenditure and revenue are prohibited	Ghana, Kenya, Mali→, Nigeria	←Ethiopia, Mozambique, Sierra Leone	South Africa
<i>Predictability</i> : there is stability in policy and therefore a sectoral policy that informs the level of expenditure for the sector	Ethiopia, Ghana, Kenya, Nigeria	Mali, Mozambique, Sierra Leone	South Africa
<i>Transparency</i> : decision makers are aware of all relevant issues and information when making decisions	Ethiopia, Ghana, Kenya, Mali, Nigeria	←Mozambique, Sierra Leone	South Africa
<i>Accountability</i> : decision makers are responsible for exercising the authority provided to them	Ethiopia, Kenya, Nigeria	Ghana, Mali, Mozambique, Sierra Leone, South Africa	

*Note:* → and ← indicate the direction in which the country is moving on the principle.

In their dealings with the executive on military budgets, most parliaments across the sample countries have been known to engage in collusion to hide the true costs of military activities from the general public and donors of economic assistance. One reason for this is the perceived need to prevent public criticism about ‘excessive’ spending on defence. Another is the need to give the impression of relatively low spending on defence in order to satisfy donors of economic aid who make aid conditional on low military budgets. In countries such as Mozambique (and also Uganda), where donors have placed ceilings on military spending, the government struggles to fulfil donor conditions and at the same time meet urgent security needs; often, the two goals are incompatible. The result is that all sorts of techniques are used to hide military expenditure, including off-budget expenditure either with the collaboration of the parliament or through manipulation at the finance ministry. Most aid-dependent countries in this study do this, especially Ethiopia, Kenya and Mali and to some extent Mozambique.

South Africa, however, has been positive in its application of the principle of honesty in its budgetary process. Its programmes are based on the defence

Assembly, thus sparking the ‘bribe-for-budget’ scandal which led to the dismissal of the Minister of Education and the removal of the President of the Senate. For details see chapter 8 in this volume.

policy and the outcome of the defence review process, so there is a solid basis for budgeting. In addition, the MTEF ensures that the cost of major equipment is spread over a period of time. Since the military does not have any income other than what is allocated from the national budget, the principle of honesty is adhered to. The single exception is the payment for the rent and maintenance of state property used by the military, which appears in the budget of the Department of Public Works; this constitutes a subsidy for the military.

### *Discipline*

A common characteristic of most governments in Africa is the lack of financial discipline, especially in relation to security expenditure. Owing to a lack of policy, comprehensiveness and realism at the formulation stage of the budget, governments often find it difficult to adhere to budget allocations made at the beginning of the year. Since they want to protect the military budget, a shortfall in projected revenue or an urgent security crisis often results in either the raiding of the other sectors' budgets or resort to extra-budgetary expenditure for the military's benefit. In Nigeria under the regime of Ibrahim Babangida (1985–93), the use of supplementary budgets became a constant feature of the budgetary process, with the military sector almost always being the greatest beneficiary. Similarly, in Kenya, in spite of the fact that the military sector usually receives the second or third largest allocation, it is also one of the sectors that regularly overspends allocated budgets.<sup>30</sup> Until the introduction there of medium-term planning in the late 1990s, Mali also had a habit of overshooting the military budget at the expense of other ministries.

A particular feature of the lack of discipline in the budgetary process is that the decision to allocate extra funds to defence usually emanates from the highest political authorities, where the initial military spending decisions were made. This could simply be a result of the lack of policy to guide defence activities, including budgeting, which affects budget comprehensiveness at the formulation stage. More important than a lack of policy, however, is perhaps a lack of political will on the part of the authorities to take tough decisions, especially decisions that will streamline military sector activities in line with national economic realities. The disproportionate allocation to defence in Ethiopia (until 2003) at the expense of other parts of the public sector is an example of this.

### *Transparency*

The level of transparency in all the phases of the budget cycle is low in most of the sample countries, resulting in a huge accountability deficit. One reason for this is the highly restricted number of people involved in the decision-making process; this is a consequence of the entrenched belief that the military sector is a special case that requires a high level of confidentiality since it is central to

<sup>30</sup> MPND (note 21).

the defence of the state. Yet the issue of confidentiality is often overblown, not only in Africa but also in the developed world, in order to deny access to information to those expected to exercise oversight of the sector. As explained in chapter 2, confidentiality need not mean lack of transparency or lack of oversight. It simply requires agreement, through legislation, on what should and should not be kept secret and regulations for a classification and clearance system for those who will exercise oversight of the specifically confidential portion of the military budget or plans.<sup>31</sup> There is a need to explain why confidentiality is needed, what is being kept confidential and what arrangements for accountability are being put in place to check abuse.

In the meantime, the notion of defence as being a special case and requiring the utmost secrecy still prevails across the sample countries, resulting in a narrow decision-making process and the denial of access to information even to crucial actors in the process at the defence ministries, especially the civilian members. Sometimes even unit commanders are excluded from the decision-making process. Decision making is concentrated in a very small circle of people, consisting in some cases of only the service chiefs, the head of government and the defence minister. This is the case in many countries under military rule, and the situation has not changed much after a return to democracy in Ethiopia, Ghana, Kenya, Mali and Nigeria. The myth that secrecy is needed is given official sanction by laws which ensure that revealing information without permission may result in severe disciplinary measures.

The confidentiality issue has been the main reason for the lack of scrutiny of arms procurement in Africa. Recent revelations about security-related procurement in Kenya are further examples of this problem.<sup>32</sup>

The closed nature of the decision-making process prevents proper coordination with other sectors that are critical to state security, especially given the ever-changing nature of the threats faced by states. Increasingly, threats to states are internal rather than external, which makes proper coordination with the internal affairs ministry a logical way in which to frame an all-encompassing budget. Police-related activities in which military participation is required must be identified and costed through such coordination. In addition, the increasing involvement of most of the eight countries in peace operations requires coordination with the foreign affairs ministries. However, the closed nature of decision making makes this impossible, leading to defective planning and, ultimately, off-budget spending on, for example, peacekeeping missions.

During the legislative phase, when transparency is critical to facilitate parliamentary scrutiny and approval, the executives in the sample countries provide little information. Nor is there evidence of public participation in the process. While in all the countries in this study the executives submit information on the budget, it is either too scant to be useful for proper parliamentary scrutiny, as is

<sup>31</sup> See chapter 2 for full details; and Ball, N., Bouta, T. and Goor, L. van de, *Enhancing Democratic Governance of the Security Sector: An Institutional Assessment Framework* (Ministry of Foreign Affairs: The Hague, 2003), URL <<http://www.clingendael.nl/cru/>>, p. 35.

<sup>32</sup> 'Clay's feat' (note 14).

the case in Ethiopia, Ghana and Nigeria, or much too detailed but containing little useful information, as is the case in Kenya.

South Africa is the only country which has enshrined the principle of transparency in its constitution and which has legislation to give practical meaning to this principle. This legislation strictly regulates the process and is adhered to by all those involved.<sup>33</sup> However, the arguments used to justify the country's Strategic Defence Procurement Package show that even here the level of transparency is insufficient. In retrospect, it appears that the implications of the built-in payback mechanisms, such as the offset scheme that made the programme attractive to the legislators who approved the scheme, were not fully understood. This shows that the information provided was not clear enough for its purpose. The corruption allegations that have dogged some of the principal actors in the deal also show a lack of sufficient transparency.<sup>34</sup> Notwithstanding these shortcomings, South Africa's transparency level still stands well above that of the other countries examined in this study.

### *Accountability*

In most of the countries in this study, the level of accountability in the military budgetary process is affected by a lack of transparency and the existence of strong informal networks—within the defence ministry in particular and in the public sector generally. The decisions leading to the final military budget are not necessarily made in the offices created to formulate the budgets; at best they perform only peripheral roles in the process. Hence, it is difficult to identify those to hold accountable in cases of policy failure or an inability to deliver on promises made in the budget. For example, while the Chief Director of the Ghanaian MOD and the Deputy Secretary in the Kenyan DOD are the chief accounting officers for their respective departments, the main power for making the budget in these two countries lies with members of the military: the Defence Financial Comptroller in Ghana and the Chief of General Staff in Kenya. The chief accounting officers are thus subordinated to the military, yet it is the former who are held accountable while defending the budget estimates and during the audit process. Such lack of clarity in roles and responsibilities or lack of adherence to rules makes accountability difficult, not least at the formulation stage.

Even in countries where the rules are clear and an officeholder is held responsible for mismanagement of funds in his or her care, the law is not allowed to run its full course. For example, a former Permanent Secretary of the Nigerian MOD was apprehended for corruption when he allegedly sold the ministry's property. He was charged in court but, before the law could take its full course, the government decided to withdraw from the case, thus allowing him to go

<sup>33</sup> Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999), 2 Mar. 1999, URL <<http://www.info.gov.za/documents/acts/index.htm>>.

<sup>34</sup> See chapter 10 in this volume.

unpunished; he was merely relieved of his duties and suspended from service.<sup>35</sup> This contrasts sharply with the jailing of a former head of the South African Parliament's defence committee who was found guilty of taking bribes in the course of negotiating the country's Strategic Defence Procurement Package.

A legislature that wants to carry out its oversight functions can still be hamstrung by the ambiguity of the law in relation to the extent of its powers or by the limited power conferred on it by the constitution. In either case, it becomes difficult to hold the legislature accountable for lapses in the budgetary process. In Ghana, legislative power over the budgetary process is very limited: Parliament can review the revenue projections but cannot change the estimates provided by the executive, which makes it a mere talking shop. It is no surprise therefore that the MOD officials in Ghana take the annual defence of their budget estimates at the MOF more seriously than that in Parliament. Some have argued, however, that the seeming impotence of the Ghanaian Parliament is due more to its failure to exercise the parliamentary right to scrutiny than any lack of constitutional provision for it to effectively discharge its duties.<sup>36</sup>

In other instances the law is even less clear on the extent of the legislature's power. While the Nigerian National Assembly assumes that it has powers to amend both projected revenues and expenditure upwards or downwards and even to adjust the internal composition of budget heads, the executive claims that the Assembly's power is limited to an adjustment of total expenditure or a downward adjustment of revenue since, according to the executive, it cannot adjust what it does not earn. Thus, in Nigeria it is difficult to identify whom to hold accountable when the budgetary process is poor. In other countries where the powers are very clear and the legislators have the authority to adjust the budget, they have been reluctant to demand details. Thus, in Ethiopia, Kenya and Mali they have not been as effective as might be expected. The negative impact of long years of one-party dictatorships that brooked no opposition and the overbearing presence of the executive in the budgetary process are still evident.

Overall legislative oversight of the military budget across the case studies, apart from South Africa, is weak. The dominance of the parliaments in most of the countries by a single party does not appear to aid positive development of the oversight functions of the legislature. The ruling party often demands acquiescence from its legislators when the executive requires approval of initiatives, including budget proposals. The parliament therefore becomes a tool of the executive rather than a check on the executive's powers. As a result the public perception across the countries studied is that the parliament is a lackey of the executive. Legislative oversight is discussed further in section IV.

<sup>35</sup> Reference is often made to this case by those who believe that the current anti-corruption crusade of President Obasanjo is selective. See, e.g., 'Graft: Obasanjo has drawn the dagger', *ThisDay* (Lagos), 6 Apr. 2005, URL <<http://www.thisdayonline.com/nview.php?id=13762>>.

<sup>36</sup> Fölscher, A., 'Transparency and participation in the budget process: a cross-country synthesis', ed. A. Fölscher, *Budget Transparency and Participation: Five Africa Case Studies* (Idasa: Cape Town, 2003), URL <<http://www.idasa.org.za/>>, p. 23.

In the implementation phase, in spite of official regulations clearly designating chief accounting officers and other responsible officers within the defence ministry, excessive centralization of authority (sometimes in contravention of rules), unclear roles and responsibilities, and informal networks within the ministry often create a dysfunctional system with no one to hold accountable for poor implementation of approved programmes. While the informal channels may not always work to the detriment of the formal decision-making process, they may easily be abused. The implementation of projects is also hampered by a lack of regard for established rules for the disbursement of funds.

In Ethiopia, Ghana, Kenya and Mali there is an over-concentration of power in bodies other than the respective defence ministries and a lack of effective punitive measures for offending officials. For instance, in Ethiopia the apparent over-concentration of power and responsibilities in both the Ministry of Finance and Economic Development and the Office of the Prime Minister does not allow for proper accountability as they are not directly involved in the day-to-day running of the armed forces. Major decisions affecting the spending level of the Ministry of National Defence are taken elsewhere and there is evidence of a lack of proper coordination between those making decisions for the military and the (civilian) head of the Budget Department in the Ministry of National Defence.

In Ghana the over-concentration of authority—including spending powers—in General Headquarters denies commanders the benefit of being responsible for the services and units they control and diminishes accountability in the military sector in general. The Ghana Armed Forces has arrears for basic utilities of billions of cedis (tens of millions of dollars) and no one takes responsibility for this backlog when these services are budgeted for annually.

In Mali accountability in the budget implementation process is limited. Although the chief accounting officer is the Minister of Defence and Veterans, he delegates the power to the ministry's Director of Administration and Finance. Unlike the other sectors in Mali, where internal accountants are employed to see to the effective management of resources, in the armed forces this is done through the appointment of an external accountant, ostensibly to ensure the prudent management of resources. However, in practice the Ministry of Defence and Veterans is not accountable to the accounting section of the Supreme Court, which should audit the final accounts of all ministries and whose approval is needed before payments can be authorized in the following year. The ministry can thus act with impunity in financial matters as there is limited control over its activities.

The situation in South Africa is much better than in the other countries in the study. The level of accountability is high as there are rules guiding the process. More important than the rules, however, is the willingness on the part of the

authorities to prosecute anyone who violates them in the process of budgeting.<sup>37</sup> The level of compliance with the rules and regulations guiding the process has been high and this has had a corresponding effect on the level of accountability. The principle of delegation is followed strictly and all portions of the budget are the responsibility of those to whom they are allotted. Sierra Leone has also been following this pattern since 2000, although the influence of donors on the process is considerable. The new system of delegating the powers of the MOD Director-General to implement the budget to those directly under this post in the chain of command and then down to the lowest officers means that anyone can be held responsible for the part of the budget that is placed in his or her trust.

### Arms procurement

Arms procurement is a significant, strategic component of the military budget. However, with the exception of South Africa, it is often excluded from the budgets of the countries in this study. One argument employed by many of these countries is that they buy little military equipment. That is true, but they do nonetheless occasionally buy hardware or renovate existing equipment. The military budget that passes through the legislature rarely contains provision for this expenditure or, where it does, the funds assigned are not indicated as being for military equipment. Ethiopian military procurement is rarely reflected in the military budget, yet the country regularly purchases military hardware.<sup>38</sup> Similarly, the military in Nigeria has purchased military equipment without parliamentary approval or the knowledge of the MOD.<sup>39</sup>

All the countries studied have formal rules for military procurement that are not very different from the procurement procedures in the other ministries: the use of tender boards for goods (including military equipment) of more than a certain value and the encouragement of open, competitive bids from contractors. This tendering takes place after the military procurement committee has requested the items, having judged that they are in line with the country's strategic needs. The procurement committee then considers the bids, evaluates them and draws up the contract that is then signed by the minister.

In practice, procurement for both major and minor purchases represents the least transparent component of the military budget and is the most susceptible to corruption.<sup>40</sup> At one point in the 1980s virtually every top military officer in

<sup>37</sup> See chapter 10 in this volume; and, e.g., Philips, B., 'Jail term for ANC man', BBC News Online, 19 Mar. 2003, URL <<http://news.bbc.co.uk/2/2863531.stm>>.

<sup>38</sup> Military spending in Ethiopia is classified as recurrent expenditure following the UN's classification system. The system permits the reporting of spending on military hardware under recurrent expenditure, but it should be indicated as such for clarity.

<sup>39</sup> Olatuyi (note 12).

<sup>40</sup> Gupta, S., Mello, L. and Sharan, R., 'Corruption and military spending', eds T. G. Abed and S. Gupta, *Governance, Corruption and Economic Performance* (International Monetary Fund: Washington, DC, 2002), p. 316.

the Nigerian military was soliciting for contracts for his foreign agents.<sup>41</sup> This situation led to misleading advice on what to buy for the military as each top officer was a front for the overseas contractors who were his paymasters. Ghana had a similar experience with military procurement.

One implication of the poor arms procurement procedures is the overpricing of military hardware because of kickbacks and, of course, the purchase of inappropriate weapons. The purchase of a frigate for the Nigerian Navy in the 1980s was due as much to inter-service rivalry as to the hefty cheques for those who brokered the deal. The purchase of helicopters for the Uganda Peoples' Defence Force in 1998 was similarly motivated by the corrupt deal made by those who negotiated the purchase.<sup>42</sup> The botched 2003 deal for military aircraft involving Kenya and the Czech Republic was also motivated by graft as the Kenya Air Force, for which the planes were meant, had rejected them before the defence minister secretly renegotiated the deal without the air force's knowledge and without parliamentary approval. Tanzania's failed attempt to purchase a radar system from BAE Systems was also done secretly, outside the budget and without the knowledge of the National Assembly. It was only made public by the World Bank, which refused to sanction the deal.<sup>43</sup>

When such a huge part of military spending is not included in the military budget, not only is it difficult to exercise control over resources used for that purpose, but it is also open to corruption. Even in South Africa, which includes the details of procurement for its armed forces in the budget document and makes information on the ongoing Special Defence Procurement Package available to the general public, allegations of corruption have dogged these programmes.<sup>44</sup>

### **The role of the auditor-general in the budgetary process**

The auditing phase of the budgetary process should involve an assessment of the extent to which the approved money was spent for the stated purposes. The auditor-general's annual report is the main instrument for doing this.

The auditing phase is the responsibility of both the auditor-general's office and the legislature, which is supposed to act on the report of the auditor-general. There is no doubt, however, that the primary responsibility here rests with the auditor-general and his or her staff. As a result, the most important question about this phase is the extent of any constitutionally guaranteed power of the auditor-general. Other relevant questions concern the timeliness of the

<sup>41</sup> Adekanye, J. B., *The Retired Military as Emergent Power Factor in Nigeria* (Heinemann Educational Books: Ibadan, 1999), in particular chapter 3, 'The military-business complex'; and Adekanye, J. B., Personal communications with the author, Ibadan, June 2003.

<sup>42</sup> Omitoogun, W., 'Uganda', *Military Expenditure Data in Africa* (note 8), pp. 95–108. See especially p. 103, fn. 27.

<sup>43</sup> Hencke, D., Denny, C. and Elliot, L., 'Tanzania aviation deal "a waste of money"', *The Guardian*, 14 June 2002, URL <<http://www.guardian.co.uk/>>.

<sup>44</sup> See section V of chapter 10 in this volume for more details of the corruption allegations and the subsequent investigative report.

report and the extent to which the parliament acts on it, and the access of the auditor-general to the necessary information.

### *The power of the auditor-general*

The power of the auditor-general is guaranteed in the constitutions of all eight countries studied, but the extent of that power varies from country to country, especially in relation to the processes of appointment and dismissal and the manner in which the annual report is submitted.

The auditor-general's powers are weakest in Kenya, owing to the manner in which the audit report is submitted. The Controller and Auditor-General has no power to protest about the content of the report submitted to Parliament on his behalf if the Minister of Finance alters the content. The Kenyan DOD, which is situated within the Office of the President, certainly receives good cover in this respect. Several allegations of impropriety in arms deals, for both the police and the armed forces, have never been pursued in the audit reports, nor has the purchase of unbudgeted sophisticated military equipment purportedly bought for the police ever been investigated.

In all the other countries in the study the role of the auditor-general is fairly clear and his or her independence is guaranteed. However, in certain cases the executive has sacked uncompromising auditors-general. In 2001 the first audit of the accounts of the federal government of Nigeria under civilian administration was carried out.<sup>45</sup> The Auditor-General's report was critical of the government in many areas, including revenue collection. The government condemned the report for being too harsh and 'political' since the Auditor-General undertook a value-for-money audit instead of the traditional ordinary audit. The Auditor-General was then fired on the grounds that he was only there in an acting capacity. This raises a fundamental question about how the Auditor-General in Nigeria (and elsewhere) is appointed and dismissed.

### *Parliament as oversight institution*

The parliament is also crucial as an oversight body. In the case of South Africa, where the powers of Parliament are quite strong, parliamentarians' understanding of the several aspects of the military budget enables them to ask relevant questions, which DOD staff have to consider when making the budget. The only factor limiting the effectiveness of the South African Parliament is the fact that a large majority of its members belong to the ruling party.

In other legislatures, however, there have been two main problems. First is the lateness in the presentation of the auditor-general's report, which can be up to five years, as in Ethiopia and Nigeria, or, more commonly, two to three years, as in Ghana and Kenya. It is only in South Africa that the report is

<sup>45</sup> Federal Republic of Nigeria, *Auditor-General's Report on the Accounts of Government of the Federation of Nigeria for the Year Ended 31st December, 2000*, part 1 (Office of the Auditor-General for the Federation: Abuja, Dec. 2001).

released on schedule. Second, when the report is eventually submitted to the parliament, it is usually too late for remedial action to be taken for the next financial year and, more importantly, those found negligent are not punished.

### *Access to information*

The amount of available information and the access of the auditor-general to that information also varies from country to country. In most cases the auditor-general is given only partial access to information on the military. The more capital-intensive part of the budget involving military hardware is excluded on grounds of confidentiality.

In Ghana the auditors have been prevented on grounds of security from undertaking a physical inspection of military hardware that is purported to have been purchased. In Mali, while the formal powers of the auditors are broad, in reality they are usually prevented from properly inspecting the accounts of the military. In Ethiopia the auditors have no powers with regard to military accounts on the grounds of national security, although it is claimed in a World Bank report that the Office of the Federal Auditor-General focuses on the accounts of ‘those institutions with high budget allocations’;<sup>46</sup> the Ministry of National Defence is presumably one such institution.

In South Africa the evaluation and control mechanisms available to monitor output and require value-for-money services from the military sector are perhaps the most effective elements of the military budgetary process. The Office of the Auditor-General is well staffed and an annual audit of the DOD is carried out. The result of the audit is promptly released and is made available both in the annual report of the DOD and on its website. The present Auditor-General has been quite critical of the government or the DOD when waste or deficiency has been noticed in the delivery of its services. He was the first to draw attention to the hidden costs in the Strategic Defence Procurement Package, as he argued that several uncoded expenses would eventually make the bill for the package several billion rand higher than originally planned.<sup>47</sup>

### III. Categorizing the case studies

On the basis of certain observable characteristics, the eight countries in this study can be classified according to whether their level of adherence to the principles of public expenditure management is low, medium or high. The performance of the countries is summarized in tables 11.3–11.6.

<sup>46</sup> World Bank, *Ethiopia: Country Financial Accountability Assessment*, vol. 1, *Main Report*, World Bank Report no. 26092-ET (World Bank: Washington, DC, 17 June 2003), URL <<http://www.worldbank.org/et/>>, p. 32.

<sup>47</sup> Engelrecht, 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)>.

**Table 11.7.** The deviation between the approved budget and actual expenditure on the military sector in Ethiopia, Ghana, Kenya, Mali, Mozambique, Nigeria, Sierra Leone and South Africa, 1999–2003

Country (currency)	Year <sup>a</sup>	Approved budget	Actual expenditure <sup>b</sup>	Deviation (%)
Ethiopia (m. birr)	1999	2 400	5 589	133
	2000	5 500	5 075	-8
	2001	3 000	3 154	5
	2002	3 000	3 000	0
	2003	2 130	2 565	20
Ghana (m. cedis)	1999	158 000	158 060	0
	2000	219 330	277 269	26
	2001	231 740	..	..
	2002	297 800	..	..
	2003	439 200	..	..
Kenya (m. shillings)	1999	10 503	10 788	3
	2000	12 347	14 439	17
	2001	14 948	16 258	9
	2002	15 835	17 430	10
	2003	18 726	19 921	6
Mali (b. CFA francs)	1999	33.3	35.9	8
	2000	34.3	41.4	21
	2001	34.1	43.8	28
	2002	35.5	44.7	26
	2003	40.6	47.3	17
Mozambique (b. meticaís)	1999	1 246	1 246	0
	2000	1 414	1 423	1
	2001	1 718	1 778	3
	2002	2 095	1 960	-6
	2003	2 466	..	..
Nigeria (m. naira)	1999	37 189	45 400	22
	2000	37 692	37 490	-1
	2001	50 628	63 472	25
	2002	59 339	64 908	9
	2003	76 890	..	..
Sierra Leone (m. leones)	1999	..	..	..
	2000	55 000	..	..
	2001	37 868	..	..
	2002	33 371	..	..
	2003	39 000	..	..
South Africa (m. rand)	1999	10 717	10 717	0
	2000	13 802	13 932	1
	2001	15 803	16 045	2
	2002	18 414	18 835	2
	2003	20 286	19 905	-2

<sup>a</sup> Years are financial years, except for the case of Ethiopia, where they are calendar years.

<sup>b</sup> Actual expenditure here refers to official statistics (including International Monetary Fund figures in the case of Mozambique) on what government officially spent, as opposed to the approved budget. It may not reflect real government expenditure.

*Sources:* **Ethiopia:** Central Statistical Authority, *Statistical Abstract* (Central Statistical Authority: Addis Ababa, various years); and SIPRI military expenditure database. **Ghana:** Republic of Ghana, *Budget Statement and Economic Policy of the Government of Ghana* (Ghana Publishing Cooperation: Accra, various years); and Ghanaian Parliament, *Parliamentary Debates* (Accra), 2000, 2001 and 2002. **Kenya:** Central Bureau of Statistics, *Statistical Abstract* (Central Bureau of Statistics: Nairobi, various years); Central Bureau of Statistics, *Economic Survey* (Central Bureau of Statistics: Nairobi, various years); and Kenyan Ministry of Planning and National Development (MPND), *Public Expenditure Review 2003* (MPND: Nairobi, 2004), URL <<http://www.planning.go.ke/pdf/per.pdf>>. **Mali:** Lois de finances [Finance acts], *Journal Officiel* (Bamako), 1999–2003; and International Monetary Fund, ‘Mali: poverty reduction strategy paper’, Country Report no. 03/39, 27 Feb. 2003, URL <<http://www.imf.org/>>. **Mozambique:** International Monetary Fund, ‘Republic of Mozambique: 2002 Article IV consultation, fourth review under the Poverty Reduction and Growth Facility and request for an extension of the Poverty Reduction and Growth Facility arrangement’, Country Report no. 02/140, 3 June 2002, URL <<http://www.imf.org/>>; and International Monetary Fund, ‘Republic of Mozambique: fifth review under the poverty reduction and growth facility and request for waiver of performance criterion’, Country Report no. 03/288, 5 June 2003, URL <<http://www.imf.org/>>. **Nigeria:** Federal Republic of Nigeria, *Government of the Federal Republic of Nigeria Approved Budget* (Budget Office: Abuja, various years); Central Bank of Nigeria, *Annual Report and Statement of Accounts* (Central Bank of Nigeria: Abuja, 2001 and 2002), URL <<http://www.cenbank.org/documents/>>; and SIPRI military expenditure database. **Sierra Leone:** International Monetary Fund, ‘Sierra Leone: fourth review under the three-year arrangement under the Poverty Reduction and Growth Facility and requests for waiver of performance criteria and extension of arrangement, and additional interim assistance under the Enhanced Initiative for Heavily Indebted Poor Countries’, Country Report no. 04/49, 3 Mar. 2004, URL <<http://www.imf.org/>>. **South Africa:** National Treasury, *Estimates of National Expenditure* (National Treasury: Pretoria, various years), URL <<http://www.finance.gov.za/>>.

According to the World Bank, one standard measure of the degree of adherence to the principles of public expenditure management is the extent of deviation between approved budget and actual expenditure. Table 11.7 shows the degree of this deviation in the military expenditure of the sample countries. The deviations are highest in Ethiopia, Ghana, Kenya, Mali and Nigeria. Deviation is lowest in South Africa, where at no point in the five-year period 1999–2003 was it more than 2 per cent. Mozambique also performs well, deviating by more than 3.5 per cent only once during the period under study. One significant point about deviation is the disruptive effect it has on the rest of the budget, especially in relation to service delivery.<sup>48</sup> The case studies show that a lack of realism or honesty at the budget formulation stage and of discipline at the implementation stage are responsible for frequent deviations, rather than factors outside the control of the state. A lack of sectoral policy is also a factor in this regard.

<sup>48</sup> This point is made in Ball, N. and Holmes, M., ‘Integrating defense into public expenditure work’, Department for International Development, London, Jan. 2001, URL <<http://www.grc-exchange.org/>>, p. 13.

### Low adherence

This first group consists of Ethiopia, Ghana, Kenya, Mali and Nigeria. These countries performed poorly on all or most of the principles of public expenditure management. The level of transparency and accountability in these countries is very low because secrecy laws inhibit information flow, even to those responsible for making important decisions in the state, such as legislators. Military budgets in these countries are not comprehensive enough, as evidenced by off-budget expenditure, which is common to all of them. While their parliaments have varying degrees of power over the budget, a lack of adequate information and, in some cases, the parliament's own collaboration with the executive prevent proper exercise of authority over the budget. These countries, with the exception of Mali, also lack a well-articulated sectoral policy for defence, which makes planning in the sector ad hoc and budgeting at best incremental. Again, while all of these countries claim that their military strategies and postures are derivatives of domestic and foreign policies, there is an apparent lack of coordination between what passes for a defence policy and the policies of the interior and foreign affairs ministries.

An important characteristic of the countries in this group is their long periods of military or one-party dictatorships, which left a mark on the manner in which state affairs are conducted. These states also have a history of providing special privileges for the military. Although Kenya has never been under military rule, during the four decades of rule by KANU the government provided special privileges to the military that other sectors did not enjoy.<sup>49</sup> In fact, those special privileges are at the heart of the avowedly apolitical nature of the Kenyan military.

While all five states are now multiparty democracies, their transitions from authoritarian to civil, multiparty rule were peaceful and without any major transformation of state apparatuses. Although Ethiopia experienced long years of civil war before the EPRDF defeated the Dergue regime in 1991, the actual change to multiparty democracy in 1994 passed without incident.

### Medium adherence

The second group of countries consists of Mozambique and Sierra Leone, both of which have instituted various reforms or transformation programmes that, for various reasons, have not yet taken root. The level of transparency is still low here, too, although efforts are being made to improve the situation through enabling laws and improved capacity. Accountability is improving but is still questionable, especially in the case of Mozambique, where the low level of

<sup>49</sup> E.g., in 2001–2003 the salaries of officers of the Kenyan armed forces were raised twice, by as much as 400%. The other ranks reportedly received only a 21% increase and there were no corresponding salary reviews for the other sectors of government. 'Soldiers quizzed over pay protest leaflets', *Daily Nation*, 29 July 2003, URL <<http://www.nationmedia.com/dailynation/>>. See also Luckham (note 25).

transparency has been attributed to corruption in the system.<sup>50</sup> In Sierra Leone the domination of the political system by corrupt politicians who were active participants in the events leading to civil war in the 1990s is also a source of concern.<sup>51</sup>

The level of parliamentary involvement in the process is increasing in both countries and the budgets are becoming increasingly comprehensive as donors make this a condition for aid. The fact that donors are very involved in the budgetary process in both countries also guarantees some degree of honesty in the process. Mozambique has a limit on spending on defence of 2 per cent of GDP, while the military sector of Sierra Leone is being overseen by the United Kingdom, which has already helped the country develop a defence policy within an overall national policy framework. Mozambique's defence policy is far from ideal, given the process of its development and its incoherent nature: it is also overdue for review.

Mozambique and Sierra Leone are both post-conflict states and their reform processes are being driven by donors. These two cases draw attention to the window of opportunity available to states emerging from conflict. The chance to start from scratch or to initiate a substantial overhauling of existing systems could, when seized upon, provide the opportunity to instil new ways of doing things, including new attitudes and values, and to build new infrastructure and new policies. Since the influence of donors in the two countries is considerable, it is not unlikely that it is responsible for the level of adherence to the good practice principles in these states.

### **High adherence**

South Africa is the only country in the third group; it does well on all the principles of public expenditure management. In fact, its structures are a model for the rest of the continent. Like the post-conflict states, South Africa seized the opportunity provided by the end of apartheid to effect a complete transformation of its legal and political systems to meet democratic standards. Its public institutions, including the armed forces, were also transformed in line with the principles and norms of democratic societies. Proper legislation was enacted that provided for access to information, and high standards of accountability were established.

In addition, appropriate policies were developed for each sector, including the military sector, and now guide South African government activities. Unlike all other countries on the continent, these policies were clearly documented and publicly debated by members of civil society, and a national consensus was reached before they were approved as sector policies. The example of South

<sup>50</sup> Lala, A., 'Democratic governance and common security in Southern Africa: Mozambique in focus', *Journal of Security Sector Management*, vol. 2, no. 1 (Mar. 2004), URL <<http://www.jofssm.org/>>, p. 5.

<sup>51</sup> Ero, C., 'Sierra Leone: the legacies of authoritarianism and political violence', eds G. Cawthra and R. Luckham, *Governing Insecurity in Africa: Democratic Control of Military and Security Establishments in Transitional Democracies* (Zed Books: London, 2003), p. 246.

Africa shows that leadership and political commitment plus participatory policy review and development processes are more important than donor influence for sustainable reform.

#### IV. Explaining the level of adherence to good practice principles

As shown in the preceding sections, the good practice principles are not uniformly adhered to by the countries examined in this study. This is particularly so in the military sector, where limited information is available on both the level of and the rationale for military allocation in the budget. This section advances some explanations for the inability of the countries to adhere to the good practice principles. These are: (a) long years of military and one-party rule, (b) confidentiality in the military sector, (c) the attitudes of the elite and bureaucratic inertia, (d) strong informal processes, (e) limited capacity and lack of political will, (f) limited democratic experience and strong executives, (g) weak oversight bodies, and (h) inadequate regulatory frameworks.

##### **Long years of military and one-party rule**

Owing to the long years of military dictatorship or one-party rule in most of the countries in the case studies, and in most of Africa until the early 1990s, military influence on national decision-making processes generally, and on security decision making in particular, has become virtually entrenched. Rule by decree, which usually followed the suspension of the constitution when the military took power, not only created an air of superiority around the ruling military elite, but also made the military an institution that was virtually autonomous from society at large.<sup>52</sup> Similarly, the excessive reliance on the military for support by several one-party states in Africa gave the military special privileges, such as the allocation of a high level of state resources for their maintenance and special remunerations that were not available to other sectors of government. These special privileges have survived to date in countries such as Kenya and are at the heart of the problems of reform in some of the states.

With the return to democracy of most African countries from the early 1990s, efforts to rein in military autonomy and some of these special privileges by applying good practice principles—especially adherence to the law and the twin principles of transparency and accountability—to the budgetary process have, as could be expected, met with only qualified success. Years of autonomous action in budgetary matters by the military and the loss of the power to control and vet military expenditure by both the finance ministry and the auditor-general's office are difficult to overcome with only a few years of democracy.

<sup>52</sup> On the issue of military autonomy see Finer, S. E., *The Man on Horseback: The Role of the Military in Politics*, 2nd edn (Pinter: London, 1988). See also Luckham (note 25).

South Africa, with the almost revolutionary transformation of its state institutions, including the armed forces, is the only country that has succeeded in making a quick transition from years of impunity to a democratic and accountable system where good practice principles are applied.

### **Confidentiality in the military sector**

Over the years African countries, and many other developing countries, have developed a culture of secrecy on military matters generally and military spending in particular.<sup>53</sup> This culture is backed by laws in many African countries, which are explicit on the consequences of revealing state ‘secrets’ without prior approval by a responsible officer. While these secrecy laws were not made specifically for the military sector, it is one of the sectors where utmost confidentiality is perceived to be needed. The basis for this culture is the general belief that, given the military’s primary responsibility for defending the country from external attacks, their activities, especially their capabilities and the resources made available for maintaining them, should be kept from the public and, by implication, from enemies. By the same logic, military decision making was restricted to a circle of military officers and a few civilians who were thought to be knowledgeable in military matters or who had to be informed by virtue of their positions (for example, the defence minister) since the prevailing notion was that very few people outside the military circle understood the armed forces and so had little need for information on the sector. Moreover, very few people were trusted to keep confidential the information that military decision making required.

The entrenchment of the culture of secrecy was aided by both the international security environment into which most African states were born in the 1960s and the military and one-party governments that became dominant shortly after independence. A major characteristic of these regimes was their repressive nature. The armed forces were their special instrument for this task.

To a varying degree this culture of secrecy and the claimed need for confidentiality in the military sector is one of the main reasons for the lack of transparency in Ethiopia, Ghana, Kenya, Mali, Mozambique and Nigeria. For instance, in Ethiopia the long years of military dictatorship under the Dergue regime, which ended in 1991, were characterized by secrecy and official privileges for members of the armed forces in terms of housing and salaries. The post-1991 government of Meles Zenawi has not moved far away from the culture of secrecy of the previous regime, nor has it abandoned the special privileges for the armed forces. Military decision making and, indeed, general decision making in Ethiopia are still highly restricted with only limited, highly

<sup>53</sup> Singh, R. P., ‘Comparative analysis’, ed. R. P. Singh, SIPRI, *Arms Procurement Decision Making*, vol. 1, *China, India, Israel, South Korea and Thailand* (Oxford University Press: Oxford, 1998), pp. 250–51.

aggregated information provided on military spending and the sources of financing for the armed forces.

In Sierra Leone the transformation of the security sector with the assistance of the UK is making this sector generally, and the military sector in particular, more transparent. This is now leading to availability of information on the sector, even if on a limited scale.

South Africa remains the most transparent in terms of the level of information made available on the military budgetary process. This is backed by an enabling law which makes mandatory the provision of such information to the general public on request.

### **The attitudes of the elite and bureaucratic inertia**

Closely linked to the culture of secrecy is the attitude of the country's elite towards the military as an institution and to military affairs generally. The overwhelming majority of the people, including high-placed individuals and groups, regard the military as a special institution whose inner working systems are known to only a few civilians directly associated with it. This attitude emanates from the perceived special nature of the military's task (national defence) and is reinforced by the years of military and one-party dictatorships when the military was the main agent of repression. A major consequence of this attitude was an indirect concession to the military of the right to know, even by the agencies that were supposed to oversee the activities of the military, including the defence and finance ministries, the auditor-general's office and, recently, parliaments. The military became an authority unto itself and, in most cases, special rules were applied to it that differed from those of the other sectors of the economy.

In Ghana, Mali and Nigeria, where the military ruled for a considerable period of time, officials at the finance ministries have become accustomed to approving the annual defence ministry estimates without satisfactory justification of the estimates being given. The grounds cited for this are national security, an excuse not available to the other ministries. Although the finance ministries have the power to cut the military budget estimates, just as they do for other ministries, officials know that the defence ministries could always obtain the full requested budget via an executive order. This practice has become virtually entrenched in these countries even after the advent of democracy.

While some individuals and organizations have campaigned for the right to know what was going on in the military, this did little to change the public perception of the military as a 'special' institution. This entrenched attitude has not disappeared in most of these countries in spite of the introduction of democracy. In fact, since the introduction of democracy most legislators have carried over their entrenched attitudes and notions about the military into the parliaments, and this has affected their role of exercising legislative oversight.

Ghanaian and Nigerian legislators have frequently called for more funding for the military without a corresponding demand for an evaluation of how previous funds were used.<sup>54</sup>

The lack of knowledge of the military engendered by the long absence of any involvement of legislators in the military decision-making process, coupled with subsisting perceptions of the military as a special institution, is preventing a proper exercise of parliamentary oversight of the military.

### **Strong informal processes**

There are strong informal networks of relationships among the various elite groups in the bureaucracies and governments of all of the countries studied. These relationships and their networks exist in virtually every part of the bureaucracy and range from former military officers and guerrilla soldiers now in government to 'old boy networks', township associations and ethnic associations. In several of the case studies, working relationships revolve around these networks of personal relationships rather than operating through legally established institutions of the state. As a result, individuals and groups exercise considerable influence on matters of interest to them, using their contacts in the system rather than established channels.

In some countries this has been put to positive use in the administration of the state. This is the case with the African National Congress in South Africa, where former guerrilla soldiers are now in government and still rely on the former contacts and the trust built up in the bush to foster understanding and to push through government policies. The same also applied in Nigeria after the restoration of democracy in 1999. The new president, Olusegun Obasanjo, a former military leader, appointed a former colleague (and friend) from the military, General Theophilus Danjuma, as Minister of Defence to help in rebuilding the military and the MOD for the new democratic dispensation. The appointment of a former colleague to the highly sensitive position (given the Nigerian armed forces' habit of staging military coups) underscored the significance that Obasanjo attached to choosing a person with whom he shared a vision for the military. The minister helped in maintaining some stability in the military in the period immediately after military rule ended and in repositioning the MOD as the main decision-making centre for the ministry itself and for the military, replacing Defence Headquarters. On the other hand, the old networks have had a negative influence in some other states. In both Rwanda and Uganda, former guerrilla colleagues have used their contacts for corrupt purposes, especially in their activities in the war in the Democratic Republic of the Congo.

Both types of example, however, confirm the general impression about Africa that many activities of the state are carried out at the informal level. This factor

<sup>54</sup> See, e.g., *Parliamentary Debates* (Accra), 19 Mar. 1999, columns 4046–49; and Nigerian Senate, Appropriation Act 2002, Abuja, Mar. 2002.

has been a major reason for the failure of attempts to institutionalize the decision-making process in a number of African states.

### **Limited capacity and lack of political will**

There is an apparent lack of capacity in key areas of the military budgetary process in many African states that makes it difficult to follow due process. Three critical areas in which capacity is either completely lacking or barely exists are: (a) policy development, (b) military budget making and (c) military budget oversight.

The starting point for drawing up a comprehensive and integrated military budget, which considers both the nation's security needs and the economic resources available to achieve them, is the development of a sectoral policy. The sectoral policy itself will take its cue from the overall national policy framework. Many countries in Africa not only lack sector policies for defence but also lack the capacity to develop one. Although they all claim to have defence policies, the lack of a written or well-codified defence policy obstructs long-term planning and prevents effective annual budgeting. This also prevents proper scrutiny of the budget by the oversight bodies as there is no known objective or target against which success could be measured. This problem is further compounded by the general lack of personnel who are competent to draw up budgets and by weak oversight bodies, especially the auditor-general's office. While all the states have statutory audit bodies, the military sector is only lightly scrutinized owing to the vested interests of high-ranking political leaders such as the president or prime minister.

The countries in the case studies can be categorized in three groups according to the problems of capacity that they face: (a) countries that lack capacity at the levels discussed above; (b) those that lack the political will to carry through the reform needed (although they may have the required capacity); and (c) those whose problem is a combination of the first two. In the first category are Mali, Mozambique and Sierra Leone; in the second are Ghana, Kenya and Nigeria; and in the third is Ethiopia. One fundamental problem common to the three groups, however, is the institutional weakness of their defence ministries, which are supposed to lead the policy development processes.

The countries in the first category—Mali, Mozambique and Sierra Leone—appear to be willing to implement a defence policy but lack personnel with the requisite expertise to develop the policy, manage the sector and prepare the military budget. In Mozambique, for example, the Ministry of National Defence has two people with the expertise to deal with policy development. There is also a general lack of budget specialists in these three countries.

In the second category, Ghana, Kenya and Nigeria do not currently have well-articulated defence policies that can form the basis for integrated budgeting and long-term strategic planning. Yet these countries are not really lacking in the requisite manpower to develop a sector policy, as highly qualified

personnel do exist in their various ministries and even in the military, especially in Ghana and Nigeria.<sup>55</sup> What they lack is the necessary will on the part of the political leadership (in the executive and the legislature), especially in terms of creating an environment that allows for policy development. The absence of political will itself could be a reflection of the leaders not wanting reforms to be carried out, since the status quo enables them to use the military to maintain themselves in power. The use of the military for political purposes has been a common practice in these countries, especially in Ghana and Nigeria before their return to multiparty democracy. The Kenyan armed forces were also accused of having been a willing tool in the hands of President Daniel arap Moi during the campaign for the elections of December 2002. In particular, the military were accused of supporting a violent pro-KANU group that terrorized opposition strongholds in the run-up to the elections.<sup>56</sup>

In the third category is Ethiopia, which lacks both the requisite expertise and the political will. One of the main ingredients of integrated policy development that is lacking in Ethiopia is the overarching national policy framework into which a defence policy will feed, as well as the necessary dialogue and interaction among the other sectors with which the military sector naturally interacts: the internal affairs, foreign affairs and finance sectors. The legislature in Ethiopia also seems reluctant to demand from the executive a sectoral policy as the basis for the annual budget considerations. A combination of these two factors has thus prevented the general application of the good practice principles

South Africa is the only country that has developed an integrated military budgeting system encompassing both a well-developed policy for the sector and a planned programme over an extended period of time.

The lack of comprehensiveness in military budgets shown in the case studies can be attributed to the lack of expertise in preparing a comprehensive military budget in some of the countries, especially those with limited capacity to prepare such a document. This has been a major reason for either contingency allocations or off-budget spending when an unforeseen security crisis has occurred or another situation has arisen that could have been taken care of by a more inclusive military budget. This is the hallmark of budgeting in Ethiopia and Kenya. On the other hand, the lack of comprehensiveness in the military budget in countries with more expertise, such as Ghana and Nigeria, would appear to be more deliberate, allowing for misappropriation of funds as off-budget allocations are made to the military. In Nigeria the access of the military to special funds for other activities, such as peacekeeping operations, not budgeted for in the annual budget is a clear example.

<sup>55</sup> The Nigerian Army has a well-established financial management training school for its personnel (and those of the other services) in its Finance Department. To that extent, it has the requisite personnel in both the MOD and the services.

<sup>56</sup> 'Kenya police probes army', BBC News Online, 31 Jan. 2003, URL <<http://news.bbc.co.uk/2/2714371.stm>>.

### **Limited democratic experience and strong executives**

Although all countries in this study are now formally democracies, democratic values and practices have not yet taken root everywhere. This is to be expected given the relatively recent return to multiparty democracy after several years of authoritarian or one-party rule. The lack of transparency of the authoritarian period persists in most of the countries. This is compounded by the emerging trend for the parliament to be dominated by the parties of government. In most cases the head of government is also the leader of his party, and other members of the party, including parliamentarians, are expected to defer to him. This does not make for the effective working of the checks and balances that are a hallmark of democracy. In most of the eight countries the constitution has already made the executive very powerful compared with the other arms of government, especially the legislature. The deference of the legislature to the executive as a result of party loyalty, respect for the office of president or pecuniary gain only makes the executive stronger at the expense of the legislature.<sup>57</sup>

One of the main reasons why good practice principles do not apply in many of the case studies is the excessive strength of the executive, especially the office of the president or prime minister, which wields enormous influence in resource allocation, with few or no checks by the legislature. The power of the executive to dispense resources with little control by other arms of government allows the culture of impunity that was prevalent in the authoritarian era to continue under the new dispensation as due process is only given lip service, not practised. Indeed, until as recently as the early 1990s, most African leaders regarded the notion of public participation in governance as anathema to efficiency. Nigeria is a good illustration in this regard: the dominance of the executive in the whole budgetary process is palpable, just as the lack of proper checks on the powers of the executive by the legislature is glaring. Ethiopia, Ghana and Kenya are other examples of African countries with very strong executives and weak legislatures.

### **Weak oversight bodies**

The ability of a country to institute good practice principles is contingent on its having good oversight bodies. These bodies are very weak in most of the countries in this study. The parliaments, especially their committees on defence, are usually ineffective in the exercise of their constitutional role of oversight of the budget, owing either to deference to the executive, as explained above, or to a lack of capacity to oversee the military budget. The lack of capacity emanates from the legislators' lack of any knowledge of what a military budget should contain and, as explained above, of any previous contact with military decision-making processes. In addition, the parliaments lack the means to employ

<sup>57</sup> National Democratic Institute, 'The role of the legislature in defense and national security issues', Seminar report, Dakar, 19–22 Apr. 1999, URL <<http://www.pdgs.org/dakar.htm>>, p. 14.

experts in order to improve their capacity. At another level, they collaborate with the executive to prevent transparency in the military budget on grounds of national security, or to prevent a true disclosure of total spending on military activities to donors of economic aid who insist on a certain maximum level of military expenditure. This is clearly the case in many aid-dependent countries, such as Ethiopia.

Other statutory oversight bodies, such as the auditor-general and the finance ministry, are also either not properly equipped to do the oversight work or constrained by institutional weaknesses from carrying out their tasks, thus preventing proper monitoring of allocated resources. Mozambique lacks personnel who are qualified to work in this area. Countries such as Ghana, Kenya and Nigeria, which have the advantage of qualified personnel, prevent the proper conduct of a value-for-money audit, fail to act on audit reports or attempt to discredit critical reports as being ‘political’. The cumulative effect of this is the absence of proper monitoring and evaluation of government expenditure.

### **Inadequate regulatory frameworks**

Many of the countries studied have obsolete, inadequate or completely absent laws to guide the military budgetary process. In some states the laws guiding the process were made under colonial rule or in the immediate post-independence period and have not been reviewed since then. They thus have little relevance to the modern budget-making process. In others, where the laws have been reviewed, they are not regularly updated to meet modern exigencies, especially the restoration of democracy: those laws that were made under one-party rule or military dictatorships reflected the needs of the time. In a number of other states there is a complete absence of regulatory laws for the process, thereby leaving it subject to the whims of the officers in charge. In such countries, the laxity in the regulatory laws is then exploited for corrupt practices.

## **V. Summary and conclusions**

This chapter shows that there are many gaps between good practice in military budgeting and what takes place in most of the sample countries. These gaps are caused by a number of factors of which the main one is the prevalent political culture—engendered especially by long periods of military and one-party rule—of deference to the military and a belief in its need for special treatment. This is a common characteristic of all the sample countries with low adherence to the principles. While all the countries under study have become democracies, the culture of secrecy associated with military and one-party rule persists and the official secrecy legislation has not been repealed in some countries. This hinders transparency and limits wider participation in the budgetary process. Moreover, it prevents accountability by offering protection to state officials who would otherwise be exposed. The opaque and inadequate or outdated laws

that guide the processes in many of the countries also affect the extent of adherence to the principles of good practice as some of their provisions fall short of standards that can guarantee adherence.

However, more important than both the secrecy legislation and the inadequate regulatory framework is the key question of commitment on the part of the political leadership to institutionalizing the military budgetary process. The positive example of South Africa shows that commitment by the highest segment of the political leadership matters for the successful application of good practice principles to the military budgetary process. While sound, adequate and up-to-date legislation is important for the efficient functioning of the process, laws in themselves cannot translate into an efficient, rules-based or institutionalized process unless there is a measure of goodwill and commitment on the part of those who apply those laws. The jailing of a senior member of the ruling party in South Africa shows that that country is committed to combating abuse of the system. Other countries need to follow in its footsteps to be able to establish military budgetary processes that adhere to good practice principles.

Nonetheless, the significance of political commitment as a major ingredient in the success of the system is tempered by what some of the case studies have shown: that the extent of available capacity to manage the process is equally important. The gaps between good and existing practices in the post-conflict countries of Mozambique and Sierra Leone show that a major problem in these countries is the lack of the requisite capacity to manage the process, in both the managing ministry (the defence ministry) and the military, with an even more limited capacity among members of the public to contribute to debates on defence-related issues. This lack of capacity constitutes a major handicap even when the level of political commitment is high. It is therefore important for these countries to correct the deficits in capacity before political commitment can be translated into rules-based budgetary processes. At present international donors are assisting Sierra Leone to fill this capacity gap through direct participation in the process and the training of the Sierra Leoneans who will manage the process. In Mozambique the presence of donors in the military sector is felt both through donations and in the imposition of a spending limit on the sector. What is not clear is the extent to which these countries' fledgling processes would survive the exit of donors. That will of course depend on the amount of local capacity that donors succeed in helping to build and the extent to which they are able to institutionalize the processes in the countries before their exit. Above all, this will depend on the continued existence of high-level political commitment on the part of the leaderships in these countries.

Overall, therefore, for the processes of military budgeting in Africa to reach the ideal level envisaged in chapter 2, the countries will need not only to overhaul the legislation guiding the processes, but also to show at the highest levels of the state a greater commitment to the rules once established, while constantly working with recognized partners to increase the capacity of the state for adequate management and implementation.