Improving military expenditure decisionmaking in sub-Saharan Africa

Geoff Harris

At its simplest, economics is about the allocation of scarce resources—be they human, physical, or financial—among the various productive activities which take place in an economy. Among these is the military. As John Kenneth Galbraith has argued, however, economists have paid little attention to the production of weapons, to the trade in these weapons, and to military expenditure. This is a matter of some distress to Galbraith because, in his opinion, “nothing has been universally so damaging as ... military power to a valid use of scarce resources ... [to] effective and compassionate government or to economic development itself.” This article is, in part, a response to Galbraith’s concern.

Traditional security, military expenditure, and human security

One of the unexpected facts concerning the extent and intensity of war is that both have fallen significantly since 1990. In 1990, the Stockholm International Peace Research Institute reported 30 major armed conflicts; in 2009, there were 17. For Africa, there were eight major armed conflicts in 1990 and eleven in each of 1998 and 1999, after which the number progressively fell to four in 2009 (Rwanda, Somalia, Sudan, and Uganda). These trends are reflected in all types of war: interstate (now rare) and three types of intra-state wars—those where the state is involved, those between nonstate actors, and one-sided violence by the state against civilians. Taken as a whole, these data show that sub-Saharan Africa (SSA) is “dramatically more secure than it was less than 10 years ago.”

What happened to military expenditure in SSA in the face of this vastly improved security situation? Data from the SIPRI Yearbook 2009 for the ten years 1999-2008 shows that the region’s military expenditure increased by 19 percent (in 2005 prices and exchange rates) over the decade. This was strongly influenced by the 70 percent increase of South Africa, which contributed 40 percent of the region’s total military expenditure in 2006.

Sub-Saharan Africa is the world’s poorest region. Table 1 illustrates this by comparing SSA and world figures for the components which make up the Human Development Index (HDI). A recent Human Development Report shows that of the 45 SSA countries, 22 are in the low human development category as measured by the HDI and 22 are in the medium category. The HDI of 11 of the 38 SSA countries for which HDI indices were available fell between 1990 and 2005. In addition, 24.7 million people were HIV positive at the end of 2006 and only 23 percent of the 4.6 million in need of anti-retrovirals were receiving them.

This should not be taken to mean that there has been no progress. The 2007 Human Development Report, for example, reported improvements between 1990 and 2004 in the proportion of the region’s population using improved sanitation (from 32 to 37 percent), the proportion using improved water sources (48 to 55 percent), and the proportion of the population which is undernourished (36 to 32 percent). Nonetheless, the magnitude of poverty remains huge and progress is patchy. Human insecurity, it is clear, poses a far greater challenge to SSA governments than traditional security.

Given this background of declining threats in terms of traditional security combined with huge and in some respects increasing threats to human security, the aim of this article is to answer two main questions. First, how can the budget of the security sector—including the military, police, prisons, courts, and the judiciary—be allocated so as to result in effective (achieving the desired results) and efficient (doing so at least cost) security outcomes? Second, how can an appropriate level of military expenditure for a country be determined?

An outline of the budgeting process

At its simplest, a budget is an estimate of expected income and expenditures over the next year or period of years. The typical annual budget process has four parts.

Formulating the budget

This concerns the proposed distribution of funds among ministries and also the allocation of funds within each. The former is made by some combination of the Ministry of Finance, the Cabinet, and the head of government. The latter is made by

Table 1: Sub-Saharan Africa and world figures on key development indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Year</th>
<th>SSA</th>
<th>World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life expectancy at birth (years)</td>
<td>1995-2005</td>
<td>49.6</td>
<td>68.1</td>
</tr>
<tr>
<td>Adult (15+ years) literacy rate (%)</td>
<td>2005</td>
<td>60.3</td>
<td>78.6</td>
</tr>
<tr>
<td>Combined gross enrollment ratio - primary, secondary, tertiary education</td>
<td>2005</td>
<td>50.6</td>
<td>67.8</td>
</tr>
<tr>
<td>GDP per capita (PPP, international dollars)</td>
<td>2005</td>
<td>1,998</td>
<td>9,543</td>
</tr>
</tbody>
</table>

the relevant ministry, guided by the government’s national objectives, the specific objectives of that ministry, and input from the different components which make up the ministry. Standing committees of parliament may also play a role in budget formulation.

Both involve backward and forward adjustments of what the components of the ministry say they need, what the ministry therefore says it needs, and what the Ministry of Finance says it has available until a final draft budget is reached. An important factor in budget formulation, particularly in respect of the allocation to any ministry, is the relative strength of the Ministry of Finance compared with the spending ministries. A key question is whether the proposed budget is consistent with the government’s national objectives and the specific objectives of the relevant ministry.

A program budgeting approach may be used to aid this process, which would require the following from any ministry: (1) statement of the ministry’s objectives; (2) a set of programs to meet each objective for the budgetary year in question. These will be listed on a priority basis, because there is likely to be budgetary constraints; (3) an estimate of the resources required—personnel, equipment, and so on—for each program; (4) an estimate of the cost of these resources; and (5) a procedure to evaluate performance in carrying out the programs.

A program budget for the Ministry of Defense would include a number of clearly specified objectives, with a number of programs designed to meet each objective. Each program would require a certain number of personnel and items of equipment and would incur operating costs, each of which would be estimated. The overall budget request would be the sum total of the costs of operating each program.

A major benefit of the use of program budgeting is that the Ministry’s objectives, and the means they use to achieve them, are transparent and can become a topic of discussion. Setting clear objectives does not mean that they should not change. For example, the South African National Defense Force’s primary function in the late 1990s was territorial security but now seems to be involvement in peacemaking, peacekeeping, and conflict prevention across the African continent.

Implementing the budget and disbursing the funds

This is generally straightforward but there can be additional sources of funds, known as off-budget incomes, which are more likely to come to the Ministry of Defense than to other ministries.

Auditing the expenditure

This is carried out by the national audit office and involves checking the individual transactions carried out during the year and also the financial procedures used by the ministry to determine the extent of efficiency and the presence of corruption.

Assessing outcomes

Outcome assessment is a fifth possible part to the budget process but is likely to be carried out infrequently, perhaps when the defense sector is subject to a review. Outcome assessment examines the extent to which the financial resources used by the military, for example, have contributed to national security. This has two aspects: first, what has been the outcome in terms of security and, second, could the same outcome in terms of security been achieved in a less costly way?

We now turn to briefly discuss whether the military should be subject to the same budgeting requirements as other government departments.

Is the military a special case?

Military expenditure differs from some other forms of government expenditure in that it has no measurable output. This can be illustrated by considering government expenditure on education, which results in a stream of returns to society as a result of enhanced productivity over the subsequent working life of the learners. Such expenditure has consequences that, measured in monetary terms, can be used to calculate a social rate of return to that expenditure, akin to the rate of return to a business project in the private sector. Government expenditure projects and programs could, in theory, be ranked by their rates of return so as to help government to decide what to spend on. Normally, governments do not actually calculate social rates of return for all possible projects and programs, partly because the benefits of some government activity, including military activity, is not easily measurable in monetary terms.
terms.

One way forward is to examine the effectiveness of government expenditure, which means consideration of outcomes or results. For the Ministry of Education, for example, one outcome is the proportion of students who achieve a certain level of competency in a particular field. For the Ministry of Health, it could be the number of people vaccinated against a particular disease. However, it is very difficult to think of the outcomes of military expenditure, apart from not being invaded or attacked, and the problem with using this as a measure of effectiveness is that high military expenditure or a strong military may not have been responsible. If a country is not invaded, it may simply be because there was no enemy with sufficient motivation and the capacity to invade. We can never know what might have occurred if military expenditure or military strength had been different but unless there is a credible threat—a potential invader with both the intention and the capacity to invade—it is wasteful to have high levels of military expenditure because it produces no outcome.

In many countries the military has been allowed to operate as a special case, with much less need to provide a detailed budget, justify its expenditures, and evaluate its performance than other ministries. Four justifications are commonly used to support this.

First, it may be asserted that detailed military budgets will provide information of use to a potential enemy. A number of responses can be made to this concern. Military expenditure is an input measure and is not useful for assessments of security or military strength; a budget would never include strategic information such as the location and strength of military units, or its plans of attack or defense, which might be of use to an internal or external enemy; much information relevant to assessing military strength is already readily available in a number of annual publications which are widely distributed; and, finally, if a country was relying on its military strength to deter potential aggressors, it is in fact desirable for potential enemies to be aware of its military strength.

Overall, the need for a secrecy argument seems to be out of date. It is also out of line with moves for greater parliamentary power over the military. For example, the Geneva-based Center for the Democratic Control of Armed Forces has produced a Model Law on the Parliamentary Oversight of the State Military Organization with the goal of maximizing the transparency of the military. Article 6, paragraph 2, of the law requires Parliament to “legislatively establish a list of information relating to the state military organization that is subject to compulsory disclosure ...”. Scilla Elworthy provides a useful discussion of the need to balance secrecy and accountability.9

A second justification for treating the military as a special case is that the very survival of the state and its territorial integrity depends (assuming the existence of willing and able invaders) on the military. This belief, which is linked strongly to the idea of deterrence, may be out of date as well. Almost all armed conflicts now occur within countries rather than between them, typically between government forces and groups wishing to secede or take over government. Collier and Hoefller’s comprehensive study found that high military expenditure on the part of developing countries did not deter internal rebellion and that low military expenditure did not encourage it; internal rebellions occur, or do not occur, for other reasons.10 Given the changed security context, countries can in fact increase their security via various confidence-building measures.

A third justification stems from the notion that if the military does not get is budgetary way, it may stage a coup. Perhaps more common is a situation where the government depends on the military in order to remain in power and so is willing to grant budgetary and other concessions. A fourth justification is that the military may have more opportunities than other ministries to earn off-budget income and so is less dependent on government budget allocations.

None of these seem compelling reasons for special treatment except, perhaps, during wartime. While it is understandable that the military would prefer to be treated as a special case, this has the potential to result in excessive budget allocations, off-budget income and expenditures, inefficiency, and corruption. For such reasons, a major review of transparency issues concluded that

[f]rom a governance perspective, what matters is that the same principles of accountability, transparency, comprehensiveness and discipline which apply to other portions of the public sector should also apply to the security sector, in particular the military ... Requests from the armed forces [for budget funding] need to compete for funding within the budget process on an equal footing with requests for other purposes.11

This perspective fits well with the principles of security sector reform (SSR), a concept introduced in 1997 by Clare Short, then Britain’s Secretary of State for International Development. The distinctive emphases of SSR are (1) an expansion of the security sector to include a number of government bodies (police, intelligence services, judiciary) rather than just the military; (2) a more clearly defined relationship between these different security sector bodies; (3) a more clearly defined relationship between the security sector and the various institutions of a democratic state—the government, parliament, judiciary, and civil society; and (4) a more clearly defined relationship between national security objectives and budget allocations to the security sector.

These mean that the various tasks of national security need to be assigned to specific security sector bodies, that each body has known and unique objectives, and that each body is accountable for meeting those objectives. A high degree of transparency is therefore necessary. In the absence of a rational approach to the security sector, there will be, at best, inefficiency and ineffectiveness, that is, more resources will be used than are necessary and a lower level of security will be achieved. At the other extreme, the military may wield excessive power:
Effective parliamentary oversight has become all the more crucial to ensure that these new responses are devised and implemented with full transparency and accountability. In its absence, there is a danger of security services misinterpreting their mission and acting like a state within a state, either placing heavy strains on scarce resources, or exerting excessive political and economic influence. They may hamper democratisation and even increase the likelihood of [armed] conflict.12

Security sector reform, then, involves the establishment of a transparent process under the control of parliament by which government financial resources are allocated to the different sectors in accordance with the security functions they have been allocated and for which they are accountable.

We now turn to the second of our major questions, what is an appropriate level of military expenditure for a country?

Determining an appropriate level of military expenditure

Given the common practice of incrementalism in budget decisionmaking, the level of military expenditure (in current or constant prices, or as a proportion of gross domestic product, GDP, or central government expenditure, CGE) for any year is strongly determined by its level in previous year. Inertia rules. In addition, there are several common rules of thumb: adopt a level which equates the country’s military expenditure to GDP (or CGE) ratio to those of neighboring countries, the world average, or some recommended level; or adopt a level not greater than government expenditure on health plus education.

Each of these approaches suffers from the lack of connection of military expenditure with the country’s security needs and may result in too little—or, more probably, too much—being allocated to the military. The appropriate level of military capability/strength, and thereby military expenditure, depends on an objective assessment of the country’s security environment (perceived threats), both present and future. Given the security assessment, the appropriate level of military expenditure is the minimum amount necessary to provide the military capability needed to achieve an acceptable level of security, with the awareness that perfect security cannot be achieved. Any more is a waste and any less is excessively risky. This is illustrated by the following schema:

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\text{Perceived threats plus an acceptable level of security} \Rightarrow \text{a required level of military strength} \Rightarrow \text{required military expenditure}
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Past military expenditure is only useful as a guide to the present if it was appropriate to the security environment at the time and if that security environment has not altered. Rules of thumb such as the three listed at the start of this section are based on one-size-fits-all thinking and do not recognize that, for a range of reasons, each country faces a unique security environment. The inappropriateness of the second rule is illustrated by Japan, which has a constitutional limit restricting its military expenditure to one percent of its GDP. The size of its GDP, however, means that in 2006 it was the world’s fifth biggest military spender in market-exchange rate terms and eighth in purchasing-power parity terms.

If threats are nonexistent, the appropriate level of military capability (and therefore of military expenditure) would be zero, whereas being located next to a large and aggressive neighbor might justify high capability and high military expenditure. (The same principle should be applied to any ministry. There would be no sense, for example, in building and equipping a number of hospitals to cope with a possible outbreak of smallpox if the possibility of such an outbreak was close to zero). A number of countries exist without a military, although most have some paramilitary units such as national guards and border guards. The most celebrated case is that of Costa Rica, which did away with its military over 50 years ago and enjoys levels of social and economic development well in advance of its Central American neighbors.13

We now turn to examine issues of budgetary transparency with particular respect to off-budget income and hidden expenditure.

How military budgets can fail the transparency test

We have considered the two main questions concerning military expenditure—what level is appropriate for a country, and how can this allocation be used most efficiently and effectively? We have discussed the role of the budget process and program budgeting in helping answer these questions. The major conclusion we have reached is that for a budget to be an effective instrument of democratic governance, it needs to be transparent and subject to accountability. This will help ensure that the outcomes of military expenditure are consistent with public intentions and policy objectives.

Transparency in military budgeting is highly desirable for several reasons. First, it can help ensure that the answers reached to the two major questions for a country are those which provide maximum social benefit, that is, so that enough is allocated to the military to provide an acceptable level of security, but not more than this; and that the budgetary allocation to the military is used in accordance with the budget plans, which reflect national and Ministry of Defense objectives. Second, transparency will help the military to focus on its objectives and not be distracted by temptations to earn off-budget income or to hide expenditures. Third, there will be greater public confidence in the military as an institution.

Opaqueness can occur in two broad ways.14 The military can receive income from other sources and these may not be listed in the budget or taken into account when formulating the budget; and there may be expenditure on items which are not revealed
in the budget, perhaps funded by other sources of income.

**Off-budget income**

There are two main issues concerning off-budget income. The first is where there is some information in the budget or elsewhere but the information is limited and unclear. The main examples include (1) supplementary budgets, where the Ministry of Defense may receive additional funding for purposes which did not exist or were not raised at the time the budget was formulated; (2) contingency funds, which are designed to help the Ministry of Defense in the event of some unforeseen expenditure need during the year, possibly including overspending by the military as a result of lack of fiscal discipline; (3) nontransparent or highly aggregated budget categories, e.g., personnel costs, capital equipment; (4) diversion of civilian budget allocations to the military, e.g., if funds are unused by the end of the budgetary period, or to pay the military for development work; and (5) procurement of military material through the budgets of other ministries.

Second, there may be sources of revenue which are not mentioned in the budget: (1) the military may engage in business activities which provide additional sources of income; (2) the military may not formally own a business but may engage in natural resource extraction, e.g., Rwandan and Zimbabwean army units in the Democratic Republic of Congo; (3) it may receive funds directly from state-owned enterprises which are not military-owned; (4) it may receive funds by engaging in criminal activities, e.g., the illegal drug trade; (5) it may engage in barter trade, e.g., agricultural products for weapons; (6) it may receive foreign military assistance of various kinds, e.g., training, weapons as a gift or at discounted prices; and (7) it may receive funding from foreign donors, e.g., for demobilizing military personnel.

It also seems that sizeable amounts of revenue from budgetary and nonbudgetary sources in some countries are diverted to military groups or individuals for their private use; this falls under the heading of corruption.

**Off-budget expenditures**

Off-budget expenditure either does not appear in the budget, particularly when it is financed by off-budget income, or it appears in disguised form in a nonmilitary budget category. This is very difficult to detect but its presence sometimes becomes clear when new military equipment appears which was not included in any recent budget.

Off-budget income and expenditure may occur because the military finds the budget allocation to be inadequate and/or because it wants to engage in secret activities, possibly in defiance of government policy. They are more likely to occur in a political environment where the military is not sufficiently accountable to the civil authorities. In many countries, the military has a tradition of independence from the elected government and no tradition of accountability. This is particularly likely where there is also a tradition of strong executive decisionmaking which generally limits transparency and debate, when the government depends on the military to remain in power, or when there are opportunities to earn off-budget income.

The lack of reliable data resulting from off-budget income and expenditure means that security sector reform cannot be undertaken with any great rationality or confidence in the likely result. Rational security sector reform requires transparent military budgets and accountability of the military to the government.

**Some policy options**

In his overview of the only study of military budgeting in Africa, Omitoogun compares the performance of eight countries using eight principles: comprehensiveness, contestability, predictability, honesty, discipline, transparency, accountability, and legitimacy. He concludes:

... 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 ... of deference to the military and a belief in its need for special treatment.

The foregoing suggests that it is time for the security sectors of African countries to undertake the following as a minimum response to the changed security environment and the need to adhere to public expenditure principles. First, the security sector should adopt a policy of complete transparency with respect to actual and budgeted expenditure. This should be no more but also no less than that required of other ministries, and the information should be provided to parliament and the auditor general and subsequently be made available to the public.

Second, parliaments, civil society, and militaries should engage in wide-ranging reviews of security needs and functions with a view to security sector reform. This would include consideration of the allocations made to different components of the security sector; the development of systems and procedures to oversee the security sector; and the establishment of cooperative procedures with neighboring countries so as to reduce the need for high levels of military expenditure for traditional security purposes.

More widely, there are cost effective alternative ways of building security which could be considered in particular contexts and which may suggest different budgetary allocations, and a concept which is being seriously considered by a number of countries and adopted by several—a Ministry of Peace to implement and coordinate various peacebuilding efforts.
Notes

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8. IPU and DCAF (2003, p. 29).


14. This section draws on Hendrikson and Ball (2002).


17. Alternatives: see Harris (2004); Ministries of Peace: see Suter (2004); Mwanza and Harris (2009). Three countries—Nepal, the Solomon Islands, and Costa Rica—and one territorial government—that of the Government of Southern Sudan—now have government Ministries or Departments whose main mandate is to build peace, although the means they use vary widely, as does their resourcing and the status they are accorded by their governments.

References


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