

# The Transparency of National Defence Budgets



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# Preface

Transparency UK's International Defence and Security Programme is committed to increasing integrity and reducing corruption in defence establishments around the world. We work with governments, the defence industry, and other civil society organisations to develop practical measures to combat corruption.

Officials and senior officers tell us directly why they care so much about corruption risk in defence and security. In their own words, this is because:

- Corruption wastes scarce resources.
- Corruption reduces operational effectiveness.
- Corruption reduces public trust in the armed forces and the security services.
- International companies shun corrupt economies.

The security landscape today is fundamentally different from the way it was during the Cold War. Particularly at a time of economic crisis, governments are less ready to accept the waste that comes with corruption. Defence budgets, due to their secrecy, are particularly vulnerable to corrupt politicians seeking funds.

As corruption gains prominence as an important international issue, the subject of defence budget transparency deserves renewed attention. Defence continues to be one of the most opaque and corruption prone sectors, and defence budgets across the world continue to be an area in which unjustified secrecy often prevails, to the detriment of both national and international security. Budgets are the key documents that allow legislatures, civil society organisations, and the public to hold their leaders to account for their spending decisions.

Identifying the strengths and weaknesses of defence budget transparency, and creating a template for further study of the subject, is an important step in addressing opacity and corruption in the sector. This report by Mariya Gorbanova and Leah Wawro is a first step in that direction. The paper addresses the main aspects of defence budget transparency from the internationally available pool of information on the subject, and, most importantly, sets a baseline evaluation of levels of national defence budget transparency in 93 countries.

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We hope you find this report useful, and we welcome all feedback and discussion of our findings.



Mark Pyman

Director, International Defence and Security Program

Transparency International UK

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# Executive summary

**A transparent and detailed budget that is available to the public is key to holding governments accountable to their citizens; unfortunately, in many countries the defence budgeting process remains opaque and far removed from civilian oversight.**

This paper reviews the existing literature related to national defence budget transparency, and summarises the main initiatives and practices established to address fiscal transparency in defence budgeting. The project seeks to identify all public information available internationally for a diverse range of countries and, based on that information, to make a simple classification of each country into low to high degrees of defence budget transparency. The project has reviewed 93 countries across all continents in order to make an initial comparison of their extent of defence budget transparency on a 5-scale ranking: low, moderate to low, moderate, moderate to high, and high.

The results of the research indicate that approximately 14 per cent of the countries under review in this study score high; these are primarily developed countries with strong democratic systems in place. 21.5 per cent score moderate to high; these are a diverse range of countries from Africa, Asia, Europe and Latin America. The scale of the challenge, however, is clear – nearly 65 per cent of countries score moderate, moderate to low, or low. The table of results for all countries is shown in Figure 1.

Good and bad practices arise throughout the defence budgeting process, from the planning and execution of defence-related expenditure to the oversight and disclosure of final budgets. Around the world, governments must balance the need to maintain the security of confidential information with budget transparency and accountability to their people. In many countries, the lack of a clearly defined defence budgeting process and deficiencies in human capacity are key hurdles to the adoption and implementation of best practices.

This is an initial review of a deeply complex subject. The low to high measurement scale gives an indication of a country's defence budget transparency, but it has limitations, and the information it provides is not sufficient to draw definitive conclusions about countries' individual areas of strength and weakness. We have therefore developed a list of questions that can be used to construct a more robust understanding of defence budget transparency. The proposed questionnaire is designed to complement this initial study, and addresses key defence budget transparency indicators such as the planning, execution and oversight of the defence budget, and the degree of access permitted to citizens in both law and in practice.

The questions are designed to provide a tool for both government and civil society to evaluate defence budget integrity in their country, and to help identify areas of strength and weakness in their defence budget management systems. The questionnaire is based on lessons learned and general themes in the literature covering defence budget transparency, and is intended not only as a measurement to rank countries, but also as a tool for identifying countries' areas of strength and weakness. Each government faces unique challenges in budgeting for its defence sector and making the appropriate information available to its citizens; the questionnaire is a starting point for analysis and establishes broad guidance on the subject.

The present research targets a wide audience – both government officials and civil society – and gives insight into the types of practices and initiatives currently used in different countries around the world.

FIGURE 1 COUNTRY RANKING | DEFENCE BUDGET TRANSPARENCY

<p><b>High transparency (13)</b></p>	<p>Bosnia and Herzegovina Costa Rica Croatia France</p>	<p>Germany New Zealand Norway Portugal</p>	<p>Slovakia South Africa Sweden United Kingdom USA</p>
<p><b>Moderate to high transparency (20)</b></p>	<p>Botswana Brazil Chile Czech Republic Ecuador Ghana Guatemala</p>	<p>Kazakhstan Kenya Mali Mongolia Mozambique Peru Philippines</p>	<p>Poland Russia Slovenia South Korea Spain Ukraine</p>
<p><b>Moderate transparency (14)</b></p>	<p>Argentina Bangladesh Bolivia Colombia</p>	<p>Indonesia Italy Liberia FYR Macedonia Namibia</p>	<p>Nepal Papua New Guinea Sri Lanka Uganda Zambia</p>
<p><b>Moderate to low transparency (21)</b></p>	<p>Afghanistan Albania Azerbaijan Bulgaria Dominican Republic El Salvador Georgia India</p>	<p>Jordan Malaysia Mexico Morocco Nicaragua Romania Rwanda</p>	<p>Tanzania Thailand Trinidad and Tobago Turkey Venezuela Vietnam</p>
<p><b>Low transparency (25)</b></p>	<p>Algeria Angola Burkina Faso Cambodia Cameroon Chad China Democratic Republic of Congo</p>	<p>Egypt Equatorial Guinea Fiji Honduras Iraq Kyrgyz Republic Lebanon Malawi</p>	<p>Niger Nigeria Pakistan São Tomé e Príncipe Saudia Arabia Senegal Serbia Timor-Leste Yemen</p>

# Introduction

The international community is increasingly focused on principles of good governance around the world. The devastating impact of poor governance and corruption on individuals and societies is clear. An effective and transparent process of allocating, managing, and overseeing resources dedicated to the defence and security sectors is a crucial ingredient in the creation of accountable governments, defence institutions, and armed forces.

While developed democracies have had the time to gradually build institutions and processes of public management, younger democracies around the world are now being pushed to develop these systems and institutions much more rapidly. Many armed forces and defence establishments today act outside the bounds of the rule of law and civilian control. Often, in part due to corruption, these establishments are inefficient and hampered by wasteful spending. The challenge of creating and maintaining transparent defence establishments and armed forces is not limited to young democracies, however, but is an issue that affects countries worldwide, including many Western democracies.

Despite strengthened levels of governance, civil society involvement, and international cooperation, many governments remain secretive when it comes to disclosing defence-related income and spending data. Levels of transparency vary between countries, with some states, such as the United States, Costa Rica, and New Zealand making significant defence budgetary information widely available to the public, and others, such as China, the Kyrgyz Republic, and Saudi Arabia, providing almost no information to judge how much public funding is spent on defence and security.

All countries maintain a certain level of secrecy about funds spent on intelligence, research and development (R&D), the protection of witnesses, and similar activities. Secrecy and the protection of highly sensitive information, however, can be compatible with transparency if governments use sound management principles and strong legal systems are in place. Countries manage secret information in a variety of ways, and with varying accountability. A number of countries maintain a well-justified level of secrecy while simultaneously ensuring that accountability is enforced.

Others, however, use secrecy and the protection of state assets as a veil for corrupt activity.

This paper offers an overview of the current literature on the subject of defence budget transparency, including budgeting and oversight principles, examples of best and worst practices, and current initiatives to address the subject. More importantly, the goal of the project is to provide an initial review of defence budget transparency, in order to analyse the degree to which countries make their defence spending information available to the public. 93 countries have been analysed and ranked on a five-level scale (low, moderate to low, moderate, moderate to high, and high). This ranking addresses budget transparency, though not necessarily levels of corruption and accountability. To supplement the ranking, in-depth research into individual countries is used to examine common features between scores and to provide examples of countries' practices. Based on this research, a questionnaire is included that can be used to more consistently and comprehensively measure defence budget transparency. This questionnaire may be used by governments and civil society organisations to identify weaknesses in their countries' defence budget processes, and as a starting point for analysing and rectifying specific problems they face.

## WHY DOES IT MATTER?

States exist with the prime function of maintaining their territorial integrity and ensuring the protection of their citizens. States are expected to provide public services like infrastructure, health and education to their citizens; however, the provision of defence and security has implications for the survival of the state as a territorial and political entity. Hence, the public service of security and defence is part of the very concept of a state.<sup>1</sup>

States exist with the prime function of maintaining their territorial integrity and ensuring the protection of their citizens. Hence, the public service of security and defence is part of the very concept of a state.

<sup>1</sup> RESDAL, *The Defence Budget in Latin America: The Importance of Transparency and Tools for an Independent Monitoring*, 2004, retrieved September 2010, [http://www.resdal.org/ing/presupuestos/libro-guia-presu\\_i.html](http://www.resdal.org/ing/presupuestos/libro-guia-presu_i.html), p. 26.

There are several distinctions between defence and security, including both the concepts and the actors involved. This study focuses primarily on budgets dedicated to defence; however, there is naturally considerable overlap between the two sectors, and aspects of the defence budget often fall within the realm of security.

Defence and security in most states is provided by governments.<sup>2</sup> As taxpayers, citizens ultimately supply the financial means that enable their governments to provide public services such as defence, health and education, infrastructure and employment support. The defence and security budget is the critical document that allows citizens to understand how their funds are being spent in these sectors, and to hold their governments and militaries accountable for their actions.

While a state's primary obligation may be to protect its citizens from security threats, spending on defence and security requirements must be balanced with its other responsibilities.

There is another important and complex characteristic of defence budget and defence spending related to access to information: defence budgeting involves managing highly sensitive information. To maximize the benefits of security and defence services, authorities must protect confidential information pertaining to issues such as intelligence and capabilities development. As technology advances and the nature of security and warfare changes, the protection of intelligence is only increasing in importance.

Nevertheless, accountability can coexist with the protection of information.<sup>4</sup> Defence budget transparency is not limited to the disclosure of information, but also involves

## FIGURE 2: SOUTH KOREA'S DEFENCE BUDGET CATEGORIZATION

To raise the transparency of defence budgeting while mitigating the risk of exposing highly sensitive security-related information, the South Korean government separates the defence budget into three categories, depending on the degree of secrecy. Category A budget items are presented for discussion to the entire National Assembly in an aggregated form; Category B budget items are revealed to members of a designated National Assembly Committee of National Defence in a disaggregated and detailed form; and Category C items are further disaggregated and presented only to the Committee of National Defence. Previously, members of the legislature were only given a lump sum figure for debate. While most countries are reluctant to disclose financial information relating to national security or military intelligence expenditures, organizing information by degree of secrecy and designating special committees with the necessary level of security clearance allows for greater parliamentary control over the budget process.

**Source:** J Chul Choi, 'Chapter 6: South Korea', in Pal Singh R (ed.), *Arms Procurement Decision Making Volume I: China, India, Japan, South Korea and Thailand*, 1998, retrieved September 2010, [http://books.sipri.org/product\\_info?c\\_product\\_id=156#contents](http://books.sipri.org/product_info?c_product_id=156#contents).

Along with the internal trade-off of budgeting for the different agencies within the defence sector, there is also the widely discussed trade-off between defence spending

The defence budget is the critical document that allows citizens to understand how their funds are being spent and to hold their governments accountable for their actions.

and investment in alternative public services. Much of the literature on the subject focuses on the degree to which levels of defence spending affects other development priorities

where state intervention is needed. Dwight D. Eisenhower noted in 1953 that the cost of one bomber was equal to the cost of building 30 schools, two power plants, or 2 hospitals.<sup>3</sup> Budget planning must take into account not only the implications of spending decisions on defence and security, but also on the state's obligations to its citizens.

the establishment of an effective and robust system of legislative oversight and control of spending. In addition, there are effective ways in which governments can manage the scrutiny of even highly classified information. In South Korea, for example, there is a system for progressively disclosing secret information to specifically designated members of parliament (see Figure 2). The purpose of this research is not to define what budgetary information should be disclosed or should be classified. Recognising the need for a certain level of secrecy, this report calls for legislative oversight of the budgetary process, and clear guidelines that define the process of classifying budget material.

Opaque or corrupt defence spending decisions can hinder the effectiveness and efficiency of armed forces. An example of this was the experience of Bosnia and Herzegovina (BiH) in 2002.

<sup>2</sup> *ibid.*  
<sup>3</sup> *ibid.*, p. 30

<sup>4</sup> *ibid.*

As part of the international community's post-conflict reconstruction efforts, a comprehensive defence budget audit by the Office of the High Representative (OHR) was undertaken. It indicated that the budget proposed by the government in 2002 would only pay for approximately one third of all active soldiers, despite the fact that personnel expenditures amounted to nearly 90% of the entire defence budget.<sup>5</sup> Excessive personnel costs mean that there are fewer resources available for equipment, training, maintenance, and other operational needs. Accurate and transparent defence budgeting is needed in order to allocate resources between the different functions performed within the defence and security sectors to maximise operational performance.

Along with these domestic reasons, a transparent defence budgeting process can have regional and international benefits. Excessive secrecy can lead to higher levels of uncertainty and suspicion on a regional and global level. There is a growing awareness among members of regional organisations that stability and security can be enhanced through increased disclosure of defence-related information. NATO members and partner countries, for example, are required to submit defence spending information on an annual basis. The merit of such practices is now pushing other regions to create similar initiatives. In South America, higher degrees of defence budget transparency have come to be seen as a significant boost to regional cooperation and stability (see Figure 3).

### FIGURE 3: SOUTH AMERICA'S REGIONAL COOPERATION ON DEFENCE BUDGET TRANSPARENCY

A March 2009 meeting of the South American Defence Council (SADC, a twelve member regional cooperation body founded in 2008) resulted in the signing of the Santiago de Chile Declaration. Part of the document relates to raising the region's transparency measures in defence budget disclosures. The 2009-2010 Action Plan incorporated in the declaration calls for a greater exchange of information on military expenditures. The twelve South American defence leaders commit themselves 'to share and to give transparency to the information on defence expenditures and economic indicators.'

The initiative was followed by the May 2010 Declaration of Guayaquil, in which members, led by Argentina, Chile and Peru, agree to set a common methodology for measuring defence spending in order to encourage higher transparency of defence expenditures. This regional agreement not only provides members with a platform for defence-related discussions, but it also indicates that increasing levels of defence budget transparency on a cooperative basis can strengthen regional security and stability.

**Source:** Just the Facts, *What is the South American Defense Council?*, 2010, retrieved August 2010, <http://justf.org/blog/2010/06/09/what-south-american-defense-council>.

**Note:** The SADC member countries are Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela.

<sup>5</sup> G Herd & T Tracy, 'Democratic Civil-Military Relations in Bosnia and Herzegovina: A New Paradigm for Protectorates?', *Armed Forces and Society*, Vol. 32, no. 4, 2006, pp. 549-565.

# Literature review & current practices

This project draws on a wide range of sources from academia, international organisations, the media and think tanks that address the issue of defence budgeting and defence budget transparency.<sup>6</sup> Transparency is not a ‘tick-off’ box that authorities can check by simply disclosing how much is being planned for spending on defence overall on an annual basis. The complexity of ensuring that information is both available and reliable requires that effective principles of accountability are applied from the planning of a budget through to its enforcement and monitoring. In the strongest budgeting procedures, additional requirements, such as value-for-money auditing, ensure that the costs incurred in running the security sector are justified.

The available data pertaining to defence budget and budgeting processes is severely limited and often unreliable. This can be explained by a number of factors. First, defence and security have traditionally been shrouded in secrecy, particularly during the Cold War era. Public and media pressure on governments to disclose information has generally been limited. Leaders have often withheld defence-related information on the grounds that too much available information is a threat to state security. This rhetoric is now widely used in some countries around the world, such as China, where authorities do not publish even the approved state budget.<sup>7</sup> The lack of a skilled workforce and capacity has impeded many governments’ ability to make defence budget information publicly available. This lack of capability may be due, in part, to the technical knowledge and military insight required to analyse a defence budget and understand it within a broad strategic context. Added to these challenges is the lack of a universally accepted definition of military spending, which complicates the process of deciding an appropriate composition of defence budget items to be made publicly known.

## THE DEFENCE BUDGET TRANSPARENCY LITERATURE

The literature on the subject of defence budget transparency can be categorized into two broad groups. The first group deals primarily with the levels of military spending, and attempts to correlate these to the general level of socio-economic development in a country. The first organisations to raise the issue of excessive military spending as a problem in developing countries were the World Bank and the International Monetary Fund (IMF).<sup>8</sup> High levels of defence-related spending have been seen as a hurdle to development because they attract resources away from investment in other public services such as infrastructure, health, and education.

The literature has also explored the potential relationship between levels of spending and political and institutional stability.<sup>9</sup> In the donor community, the reaction to this analysis has been a push to cap military spending to a certain level of gross domestic product (GDP), ranging from 1.5% to approximately 4%, to allow for enough resources to be directed to other public services.<sup>10</sup> The problem with this approach, however, is that it generally overlooks domestic factors taken into account when defence budgets are devised, and ignores the wide-ranging and unique challenges each country faces. Furthermore, it may raise the risk off-budget military expenditure by encouraging governments, particularly those receiving international aid, to hide defence spending off the budget in order to maintain aid flows. It may also create the misleading picture that high spending is necessarily bad spending, when in reality, if security needs justify the resources spent and budgeting processes are conducted in a transparent manner, this is not true in every case. The United States is an example of a country with high defence and security expenditures but also strong budget transparency.

6 For a detailed list of organisations that have studied the issue as well as link to important resources on the subject, refer to **Appendix II** at the end of the report.

7 P Raman, *Chinese Defence Budget: Suspicions of Fudging Persist*, C3S Paper no. 463, 2010, retrieved September 2010, <http://www.c3sindia.org/military/1257>.

8 W Omitoogun, *The Process of Budgeting for the Military Sector in Africa*, SIPRI Yearbook 2003: Armaments, Disarmament and International Security, 2003, retrieved September 2010, <http://www.sipri.org/yearbook/2003/files/SIPRIYB0308.pdf>, p. 263.

9 *ibid.*

10 *ibid.*, p.264

With a total of USD 661 billion spent on defence in 2009,<sup>11</sup> it is the largest spender in the world, accounting for more than 40 per cent of global total defence expenditure. Yet the United States also provides its citizens with access to much of the defence budget, which is debated and subject to change by Congress, and scrutinised by the media.

The second group of studies examines the direction of these funds and the underlying policy that determines their allocation. In this body of literature, primarily from international non-governmental organisations (NGOs) such as the Geneva Centre for the Democratic Control of Armed Forces (DCAF) and the Security and Defense Network of Latin America (RESDAL), the emphasis is on identifying problems in defence planning, budgeting and oversight, and devising appropriate solutions to address them. This emerges primarily from a willingness to promote democratic institution-building and civilian control over military forces, as well as from the recognition that for much of the developing world, the underlying legislative requirements greatly diverge from practical implementation. The end result of the work emerging from practitioners and the non-governmental sector is a strong advocacy-oriented set of publications that emphasise the need to involve parliament and civil society organisations (CSOs) in the defence budgeting process. A shortcoming of many of the publications from this group of literature is the over-emphasis on generic policy prescriptions for how to address defence budget transparency, without recognising the case-specific problems experienced in individual environments.

The literature review did not find any studies that address defence transparency on a global scale. Furthermore, no study was found that attempts to measure and categorize exactly how transparent governments are in their defence spending and budgeting. Articles do exist, particularly in the academic literature on security sector reform (SSR), that describe and evaluate processes and practices of defence budget planning, implementation and oversight.<sup>12</sup> Regional overviews remain limited as well. In his 2003 report on the process of military budgeting in Africa, Wuyi Omitoogun provides an excellent overview of de jure and de facto practices in eight African countries,<sup>13</sup> and concludes that data available for analytical studies of defence budget transparency remains very limited.<sup>14</sup>

11 SIPRI, *The SIPRI Military Expenditure Database*, retrieved September 2010, <http://milexdata.sipri.org/result.php4>.

12 See G Herd & T Tracy, op.cit.; J Uddin, 'Security Sector Reform in Bangladesh', *South Asian Survey*, vol. 16, 2009, p. 209.; S Malik, 'Security Sector Reform in Pakistan: Challenges, Remedies and Future Prospects', *South Asian Survey*, 2009, vol. 16, p. 273.

13 These countries are: Ethiopia, Ghana, Kenya, Mali, Mozambique, Nigeria, Sierra Leone and South Africa. W Omitoogun, op.cit.

14 Omitoogun, op.cit.

This paper therefore complements the existing literature, which lacks a global overview of defence budget transparency. The purpose of the present study is to open discussion on how to effectively measure national defence budget transparency by offering an initial preliminary analysis and background, and suggesting a methodology or more in-depth examination.

## THE BUDGET PROCESS

Prior to the late 1990s, major donors tended to focus on the level of defence budget expenditure in recipient countries, setting military spending caps to ensure that they were not overspending on defence and security to the detriment of other services. Since the late 1990s, under the auspices of major donors such as the UK's Department for International Development (DFID), the donor community has shifted its focus significantly towards the process of developing the defence budget, rather than simply capping the amount. There is a trend towards stronger advocacy and support being provided for institutional capacity building and for the creation of effective systems for financial management of the security sector.<sup>15</sup> An ingredient that significantly advances such reform is a clearly delineated defence budget process.

Ensuring that defence budgets are transparent and appropriately managed involves a general evaluation of the entire process by which defence spending is planned, executed and monitored. A comprehensive approach to the analysis of defence budgets which involves such process evaluation allows for a more informed conclusion about where governments are performing well and where they are failing. While some variations exist, the typical budget cycle involves four main steps: 1) formulation; 2) approval; 3) implementation; and 4) oversight and control.

### a) Formulation

The formulation stage generally falls under the domain of the executive branch, which formulates defence and security principles and establishes the priorities that guide how resources are allocated to agencies and functions in the sector.<sup>16</sup> The defence budget proposal should ensure that each agency and function obtains the appropriate amount of funds to allow it to maximize its capability, while taking into account resource limitations and the need to address other public services.

15 *ibid.*

16 RESDAL, op.cit., p. 45

For this to succeed, those responsible for formulation must be clearly designated and possess the necessary knowledge of the defence sector and its particular characteristics and needs, as well as of public budget work in general.

In addition, annual defence budget planning should focus on three criteria: 1) the adoption of an over-arching defence policy that clearly presents a threat assessment of the environment in which the country operates, 2) strategic priorities for ensuring public safety and security from both domestic and foreign threat, and 3) the availability of resources aligned with these strategic considerations.

## b) Approval

At the approval stage, the formulated defence budget is typically presented to the legislature for discussion, approval and in certain cases amendments.<sup>18</sup> In countries with a parliamentary system, bills proposed by the executive can typically either be passed or rejected, whereas in presidential systems, there are usually provisions made for the amendment of proposed bills.<sup>19</sup> In China, the National People's Congress only approves a proposed lump sum every year; it can neither receive detail on individual budget line items nor propose any amendments.<sup>20</sup> In Pakistan, a breakdown of the defence

### FIGURE 4 | BANGLADESH: DEVISING A BUDGET WITH NO DEFENCE POLICY IN PLACE

Budgeting for the defence sector must be a reflection of both the long term strategic objectives of a government and the short term resource limitations it faces. In order to allocate the appropriate amount for any defence establishment to function effectively, a government should have a clearly defined security and defence policy it is striving to achieve.

In Bangladesh, as in many other countries, no over-arching defence policy exists in writing. Defence budgeting is done on an annual basis without well-defined long term goals. Furthermore, while the budget serves as a blueprint for the government's plan to protect the country, the Bangladeshi authorities do not make this document available to their public. In the midst of such non-transparent practices, there have been a number of corruption allegations made against military and political officials allegedly involved in significant arms procurement scandals.

A second challenge experienced in Bangladesh refers to the role of parliament. Debates and hearings in the parliament often take place with no opposition party present in the house to question proposals. Those parliamentarians that do sit in session often lack the knowledge and skills to exercise defence budget oversight effectively. One suggestion advanced to boost the role of parliament in Bangladesh is mandating attendance during sessions.

**Source:** J Uddin, 'Security Sector Reform in Bangladesh', *South Asian Survey*, vol. 16, 2009.

For much of their history, many African countries have lacked a comprehensive, clearly articulated defence policy. In Nigeria, for example, there was no written security and defence policy until 2001, and agencies functioned under a presumption that it was simply known.<sup>17</sup> Bangladesh is another example of this (see Figure 4). Without a clearly articulated and carefully planned defence budget policy, it is nearly impossible to devise an appropriate plan of how to allocate funds to meet the needs of the defence sector to ensure the public's protection.

Budgeting complications may arise regarding operations carried out under the auspices, and funding, of international or regional organisations. The cost of UN or AU peacekeeping operations, for example, is shared by member states. These operations are an area at risk of corruption, however, if not clearly accounted for in detail in national budgets.

budget proposal was presented to parliament for the first time in 2008, after more than 40 years of single-line defence budget proposals.<sup>21</sup>

Many countries have designated defence committees in place, but their ability to perform their functions vary greatly. In Turkey, for example, parliamentarians receive so little information pertaining to the defence budget that they cannot effectively monitor expenditures (see Figure 5).<sup>22</sup>

18 RESDAL, op.cit., p. 46.

19 ibid., p. 47

20 Global Security, *China's Defence Budget*, 2010, retrieved February 2011, <http://www.globalsecurity.org/military/world/china/budget.htm>.

21 S Malik, 'Security Sector Reform in Pakistan: Challenges, Remedies and Future Prospects', *South Asian Survey*, 2009, vol. 16, p. 273.

22 I Akça, *Military-Economic Structure in Turkey: Present Situation, Problems and Solutions*, Turkish Economic and Social Studies Foundation (TESEV) Publication, 2010.

17 Omitoogun, op.cit.

In France, Greece and Poland, only members of specifically established defence and security committees receive information on budget items on the defence and security sector.<sup>23</sup> In much of Africa, the inability of parliaments to effectively participate in the defence budget process arises from a general shortage of civilian expertise, which results from heavy dependence on military personnel, as well as from an often changing composition of the defence committees, leading to lack of continuity.<sup>24</sup> But most often, it is simply the lack of information passed on to the parliament or the designated committee that renders it dysfunctional.

### c) Implementation

While CSO engagement is important throughout the budget process, at this stage it is critical that CSOs and the media pay close attention to the activities of defence and security agencies. According to the IMF, in Nepal there was an 18.7 per cent deviation from the planned defence budget and the actual spent defence budget; in other words, in 2003/04 the government spent close to 19 per cent more on defence than it had originally planned.<sup>25</sup> Such miscalculations are not unique to Nepal. While deviations between proposed allocations and actual spending are not uncommon, according to the World Bank's Public Expenditure and Financial Accountability (PEFA) reports studied as part of this project, defence was among the sectors with the highest level of deviation. Because defence often deals with unexpected crises, budgets can be expected to change in reaction to unforeseen events. This is necessary and is not problematic, as long as adjustments are justified, there is oversight of significant budget changes, and proper reporting processes are followed. To increase defence budget transparency and potentially adjust projections, a government can keep parliament and the public informed by issuing regular reports and interim budget documents, such as in-year quarterly reports or, at the minimum, a mid-year review.

At the implementation stage, the extent to which projections differ from the real economic and financial conditions affecting budget execution can be seen.<sup>26</sup> Economic changes affecting the variation between the projected budget and the executed budget are common

and not typically affected by the central authorities. However, governments can place an increased emphasis on improving their projections by engaging with external departments and actors to aid them with econometric forecasts. The Ministry of Defence (MoD) of Bulgaria, for instance, invites both the Ministry of Economics and the Ministry of Finance to assist with forecasting.<sup>27</sup>

### d) Oversight and control

At this stage, governments actually account for their actions. It is also the stage where flaws in the budget process, inappropriate spending, or abuse of resources can be exposed and penalized (for example, through prosecution) or corrected. Two features of the oversight mechanism are critical: comprehensiveness in the scope of monitored and audited expenditures, and independence of oversight institutions. This research found that a number of countries do not perform thorough audits of all agencies and funds in the defence and security sector.<sup>28</sup> Intelligence agencies and classified funds are often excluded. Secret and undisclosed expenditures may sometimes be justified, but there is generally little reason to exclude these funds from scrutiny by appropriate, security-cleared organs.

To ensure accountability, control and oversight must also be conducted from independent bodies. This does not mean that internal control is not valuable and needed. In the UK, monitoring is undertaken by the National Audit Office (NAO) which is independent of the government and which generally makes extensive security and defence information available to the public.<sup>29</sup> In Ukraine, the Parliamentary Committee for National Security and Defence, the Budget Committee and the specially authorized Audit Chamber department called the Law Enforcement Audit Department have the authority to monitor the security sector.<sup>30</sup> Both internal and external independent audits are important for the effective oversight and control of the defence budget process.

23 E Sportel & S Faltas eds, *SSR in the Republic of Moldova: Strengthening Oversight of the Security Sector*, Harmonie Paper 24, Centre for European Security Studies (CESS), 2009.

24 Omitoogun, op.cit.

25 PEFA, *Nepal's Public Financial Management Performance Measurement Framework*, 2008, retrieved September 2010, [http://siteresources.worldbank.org/INTNEPAL/Resources/Nepal\\_PEFA\\_%28FY\\_2005-06%29.pdf](http://siteresources.worldbank.org/INTNEPAL/Resources/Nepal_PEFA_%28FY_2005-06%29.pdf).

26 RESDAL, op.cit., p. 47

27 D Totev, 'Bulgarian Defence Resource Management System – Vehicle for Transparency in Defence Planning and Budgeting' in T Tagarev (ed.), *Transparency in Defence Policy, Military Budgeting and Procurement*, 2002, retrieved September 2010, <http://www.dcaf.ch/Publications/Publication-Detail/?id=21303&lng=en>.

28 Further discussed in the results section of this paper.

29 Sportel & Faltas, op.cit.

30 ibid.

## FIGURE 5: TURKEY – TRANSPARENT, BUT ONLY ON THE OUTSIDE?

The Turkish army is an established player in the national economy, and its economic clout has been aided by substantial freedom from oversight and restraint regarding its spending decisions. Turkey has a significant level of extra-budgetary expenditures. These expenditures are dedicated to defence-related activities but are reflected under budget headings of other state sectors and departments. According to a 1985 law, which established the Defence Industry Support Fund (DISF), extra-budgetary financing of arms, military equipment and military industry projects is legally permitted. DISF is the primary source for extra-budgetary military resources in Turkey, and its sources of support include tax revenue, revenue generated from paid military service, and national lottery and racetrack betting revenue. Between 1987 and 2000, close to 14% of Turkish military spending was supported by DISF, which is not accurately reflected in the defence budget. Only 86% of Turkish military spending appeared in the defence budget. The non-inclusion of such off-budget spending creates a distorted underestimation of the amount of public funds allocated to Turkey's defence spending. A 2009 report by Nurhan Yentürk indicates that if all defence spending were included in the appropriate budget, then Turkish military spending would show a steady rise from USD 16 billion in 2006 to 20.5 billion in 2009, contrary to official estimates.

While the defence budget is subject to scrutiny and audit in law, in practice the severely limited amount of information offered to legislators in the Planning & Budgetary Commission or from the General Assembly makes it difficult for them to truly supervise military expenditures. Utilizing the rhetoric of upholding national security, leaders brush over the topic without offering any meaningful direction for analysis or criticism. Furthermore, although the proceedings from parliamentary discussions of the budget are generally made publicly available, those pertaining to the defence budget are not. Remarkably, in the case of Turkey, international organisations such as NATO and SIPRI receive and publish official data on military spending. The same access to information, however, is not offered to Turkish media and the public. According to Ismet Akça, "Turkish officials are engaged in a contradictory effort to hide this information from the Turkish media and public." Turkish citizens may be able to access information provided by SIPRI and NATO; however, it is not provided to them directly by national bodies. Despite progress made towards increased disclosure of spending information on the international scene, Turkey remains secretive when it comes to informing its own citizens and military assets and spending continue to be outside independent auditing processes.

The National Defence Commission (NDC) is comprised of experts who are meant to serve as a critical element contributing to oversight of military expenditures. In practice, however, the commission can neither determine the defence budget nor decide on arms procurement. Consequently, the MoD surpasses it when the budget is prepared, meaning that parliament has no input into important spending decisions such as defence procurement. While there are other methods of parliamentary oversight that are legally established (i.e. oral inquiries, general debate, parliamentary questioning and investigation), they are not commonly used.

A breakthrough came with the ratification of the Law of Court of Accounts No. 6085 in December 2010. According to this law, Military and defence expenditures are now subject to audit by the Court of Accounts like any other public sector; however, although they are audited, clauses pose an additional obstacle for the transparency of the audit results.

According to the Public Expenditures Monitoring Platform, an NGO platform that includes Transparency International's National Chapter in Turkey, the most important hurdle in monitoring the military budget is the lack of transparency. The Public Expenditures Monitoring Platform's 2011 report states:

*The expenditures made by the Turkish Armed Forces Foundation cannot be fully monitored. Even though there are no transfers from the public budget to the Foundation, we observe that the 'project expenditures' item of the foundation's budget contains expenditures on production of armaments other than its subsidiaries. In one of the press statements of 2009, the director general of the Foundation stated that the 'Foundation has contributed approximately 100 million TL from its own budget to the projects of the Armed Forces of Turkey.' In this respect, in order to be able to monitor the military expenditures as a whole, we argue for the transparency of the expenditures of the Foundation, which has not been made public since 2000.*

**Sources:** I Akça, *Military-Economic Structure in Turkey: Present Situation, Problems and Solutions*, Turkish Economic and Social Studies Foundation (TESEV) Publication, 2010.

Public Expenditures Monitoring Platform, *2010 Public Expenditures Monitoring Report*, 2011, retrieved August 2011, [http://www.kahip.org/index\\_en.html](http://www.kahip.org/index_en.html).

## CURRENT INITIATIVES AND PRACTICES

The late 1990s and early 2000s have seen a significant increase in efforts to raise standards of budgeting and fiscal management. The emphasis has been on advocating for more transparent and effective fiscal management practices and encouraging countries to adopt standards of good conduct.

International organisations such as the Organization for Economic Co-Operation and Development (OECD), NATO and the Organization for Security and Co-Operation in Europe (OSCE) have advanced their own publications manuals arguing for increased levels of budget transparency alongside analysis, advice and assessment

methods to aid countries with reform.

The UN also offers a significant platform for defence budget transparency through its Instrument for Standardized International Reporting of Military Expenditures, which dates back to 1980 and remains the only official worldwide reporting system to date. Dropping levels of international participation in the UN-led initiative have caused concern among the international community and renewed attention is to be paid to the Instrument and the topic of defence expenditure transparency in general.

A detailed list of Current Initiatives and Standards of Conduct, as well as links to electronic resources on the topic, is included in **Appendix III** at the end of the report.

# Initial country assessment

## RANKING

The primary goal of collecting country-specific information was to create an initial picture of the extent to which countries uphold principles of defence budget transparency. In this study, defence budget transparency is measured on a scale from low to high, with a total of five points on the scale: low, moderate to low, moderate, moderate to high and high.

The work undertaken as part of the Open Budget Initiative, primarily the Open Budget Index 2010, forms the backbone of this project. The Index is the most comprehensive evaluation of national budget processes and budget transparency around the world. The 93 countries ranked in this report were part of the OBI 2010.

On the 2010 OBI questionnaire, there were four questions specifically related to defence and security (see Figure 6). For this initial ranking, countries were judged on these four questions, as well as whether they provide an executive's budget proposal, an enacted budget, and an audit report. The questions used and the corresponding points that they were awarded for each answer can be seen in Figure 6.

The questions were each scored as follows:

**Questions 1-3:** Countries scored 1 for making each document available to the public, and 0 if they did not. The Executive's Budget Proposal, Enacted Budget, and Audit report are three key documents which allow the public to scrutinize their government's spending. The proposal describes how the government envisions that public funds ought to be spent; the enacted budget is the approved plan of intended expenditure; and the audit report should be an independent analysis of spending's effectiveness, and bring irregularities to light.

**Questions 4 & 5:** Countries scored between 0 and 3. Three points were awarded for the highest score, 'a', 2 for 'b', 1 for 'c', and 0 for 'd'.

**Questions 6 & 7:** These were scored in the same way that questions 4 and 5 were; however, the points for these scores were averaged, so that the existence of an audit available to the legislature did not influence the overall score too heavily. This was to ensure that one area of

the budgeting process (oversight) did not outweigh the important aspects covered by the other questions.

The scores for questions 1, 2, 3, 4, 5, and the average of questions 6 and 7, were added together. The highest score is therefore 12, and the worst is 0.

A ranking was made using this numeric scoring system:

0 - 2:	Low
2.1 - 4.5:	Moderate to low
4.6 - 7:	Moderate
7.1 - 9.5:	Moderate to high
9.6 - 12:	High

Research was carried out to validate the emerging results from the OBI data against secondary sources. This supplementary research did not affect the ranking. There is a list of recommended reading for each country researched in **Appendix I**; these secondary sources provide insight into the budgeting processes in each country and the challenges they face.

## COUNTRY-SPECIFIC RESEARCH

In addition to a qualitative analysis of the OBI, the research team explored individual countries in order to validate the ranking and gain a deeper understanding of good and bad practice in defence budget transparency. This country-specific research is used throughout the report to provide country case studies for each ranking level (see Findings). This in-depth research brought to light several common features and trends between rankings, which are outlined in Figure 7 and explained in detail in the Findings section.

In addition to the 93 countries included in the ranking, 24 countries were researched which were not part of the OBI 2010: Armenia, Australia, Austria, Belarus, Belgium, Canada, Estonia, Finland, Greece, Ireland, Israel, Hungary, Jamaica, Japan, Latvia, Lithuania, Malta, Moldova, Montenegro, the Netherlands, Paraguay, Sierra Leone, Suriname, and Switzerland.

## FIGURE 6: OPEN BUDGET INDEX 2010, DEFENCE-RELATED QUESTIONS

Does the government publish and make available to the public:

1. The Budget Proposal?
  - a. Yes **1**
  - b. No **0**
2. The Enacted Budget?
  - a. Yes **1**
  - b. No **0**
3. The Audit Report?
  - a. Yes **1**
  - b. No **0**
4. What percentage of expenditure in the budget year is dedicated to spending on secret items relating to, for instance, national security and military intelligence?
  - a. One per cent or less of expenditure is dedicated to secret items. **3**
  - b. Three per cent or less, but more than one per cent, of expenditure is dedicated to secret items. **2**
  - c. Eight per cent or less, but more than three per cent, of expenditure is dedicated to secret items. **1**
  - d. More than eight per cent of expenditure is dedicated to secret items, or the percentage is not available to the public. **0**
  - e. Not applicable/other (please comment) - **judge based on comment**
5. Is the legislature (or the appropriate legislative committee or members of the legislature) given full information for the budget year on the spending of all secret items relating to, for instance, national security and military intelligence?
  - a. Yes, the appropriate legislative committee or members of the legislature is provided extensive information on all spending on secret items, which includes detailed, line item descriptions of all expenditures. **3**
  - b. No, the legislature is provided information on spending on secret items, but some details are excluded, or some categories are presented in an aggregated manner, or the legislature is provided no information on secret items. **0**
  - c. Not applicable/other (please comment) - **judge based on comment**
6. Does the Supreme Audit Institution employ designated staff for undertaking audits of the central government agencies pertaining to the security sector (military, police, intelligence services)?
  - a. The SAI employs designated staff, and the staffing levels are broadly consistent with the resources the SAI needs to fulfil its mandate. **3**
  - b. The SAI employs designated staff, but the staffing levels are a cause of some constraints to the SAI in fulfilling its mandate. **2**
  - c. The SAI employs designated staff, but the staffing levels pose a significant constraint on the SAI in fulfilling its mandate. **1**
  - d. The SAI does not employ designated staff for auditing of the security sector, or does not undertake audits of the security sector. **0**
  - e. Not applicable/other (please comment) - **judge based on comment**
7. Are audit reports of the annual accounts of the security sector (military, police, intelligence services) and other secret programs provided to the legislature (or relevant committee)?
  - a. Yes, legislators are provided with detailed audit reports related to the security sector and other secret programs. **3**
  - b. Yes, legislators are provided audit reports on secret items, but some details are excluded. **2**
  - c. Yes, legislators are provided audit reports on secret items, but they lack important details. **1**
  - d. No, legislators are not provided audit reports on secret items, or secret programs are not audited (please specify). **0**
  - e. Not applicable/other (please comment) - **judge based on comment**

These countries were not included in the ranking, but were examined to develop researchers' understanding of defence budget transparency in a wide range of states.

For most countries included in this report, researchers found two or more sources. For a detailed list of all countries studied as part of this project, and the sources of information used for each country's analysis, see **Appendix I**.

Finally, it should be noted that the ranking is based on OBI data from 2010 and does not take into account changes made between that assessment and the publication of this report.

## SOURCE OVERVIEW

The main sources used in this research were: the **Open Budget Index (OBI)**, **Public Expenditure and Financial Accountability (PEFA) database**, the **UN Instrument for Standardized International Reporting for Military Expenditures**, **scholarly articles**, **publications by NGOs**, and **National or Ministry of Defence Budgets available online**. Though the primary ranking of 93 countries was completed based on a qualitative assessment of the OBI, secondary sources were used to gain greater insight into practices of defence budget transparency. Detailed, country-specific information provided by sources other than the OBI is used to provide examples throughout the report.

Reports from the PEFA Database – a tool used to assess the overall quality of budget systems – were used for 19 countries<sup>31</sup> studied as part of this report. While the PEFA database includes more countries, defence-related information in the country assessments is sporadic and PEFA reports have been used for this study primarily when they provide defence or security information. PEFA information is also useful, however, for providing information on the general budgeting process and the accessibility of fiscal information. An important contribution of the PEFA database for the purposes of this analysis is the inclusion of comparative tables analysing deviations between projected and executed budget figures. Indeed, the defence sector is one of the areas where governments often fail to match projections to actual expenditures. While a number of factors contribute to derivations, possible explanations include the inadequacy of budgetary processes and poor accounting principles.

31 The countries are Afghanistan, Albania, Armenia, Bangladesh, Belarus, Botswana, Dominican Republic, Georgia, Ghana, India, Indonesia, Kenya, FYR Macedonia, Morocco, Nepal, Pakistan, Sao Tome e Principe, Sierra Leone, Trinidad and Tobago, and Uganda.

Reports from the **UN Instrument for Standardized International Reporting for Military Expenditures** – which is compiled with the submission of national defence budgets to the UN – were used for the analysis of 86 countries. These submissions are the closest standardized approximation available (in English) to the actual defence budgets of individual states. The UN Instrument breaks expenditures down into functional categories.<sup>32</sup> It also includes information on received and given international aid. The instrument can serve as an indicator of openness to the extent that countries are consistent and thorough in their reporting of military expenditures. However, as the case of Turkey indicates (Figure 5), upholding international standards in disclosing defence-related fiscal information does not mean that the same information is made domestically available to the people of the state in question.

Sources such as **scholarly articles or publications by NGOs** were used for 78 of the countries studied. These country-specific sources typically provide the greatest insight into the legislative and practical aspects of defence budget preparation, implementation and oversight. Academic and civil society resources that focus on defence budget transparency are relatively rare, and typically focus on a handful of countries that have undergone or are currently undergoing a security sector reform process. Yet academic and NGO reports, particularly country reports from the Global Integrity Index, were useful to determine the state of general budget transparency and public access to information. The general level of budget transparency and freedom of information is useful in estimating a country's level of defence budget transparency—because defence information tends to be a highly secretive subject, a country that is opaque in its budgeting process or provides its population with little access to information in general is unlikely to have a transparent defence budget.

Several countries included in this report make **budgets available online** through the Ministry of Finance, Ministry of Defence, or Treasury website. These include defence budgets as well as national budgets that include defence information. In many countries scoring 'high' and 'moderate to high', the accessibility of these budgets show the extent to which citizens can access their country's defence budget information online.

32 The functional categories include Operating Costs (Personnel, Operations and Maintenance), Procurement and Construction and Research and Development. Those are further broken down into individual sub-categories and are disclosed for the different Force Groups (Strategic Forces, Land Forces, Naval Forces, Air Forces and Other Combat Forces). In addition, the form includes data on Central Support Administration and Command and Military Assistance (Paramilitary Forces, Home Territory and Abroad Involvement). The level of disclosure and disaggregation is determined by the country submitting the information to the UN.

Some states scoring between ‘low’ and ‘moderate’ provide budget information on their websites, but it is generally either limited in its scope, difficult to access, or secondary sources indicate that information provided by the government is typically inaccurate or incomplete. The detail provided in these budgets varies widely between countries, and their accuracy is difficult to measure without in-depth knowledge of a country. In general, these budgets available online were used to gain a general sense of the amount of information provided, and were used in conjunction with another source.

The Inter-Parliamentary Union compiles a database called PARLINE<sup>33</sup> which gives information on the structures of Parliamentary systems worldwide. One of the information modules in this database covers parliamentary oversight over the defence budget. While this information is useful for learning about the systems of accountability used in countries around the world, the information in the database on the subject, generally lacks the level of detail to be suitable for this report; in addition, perhaps because it is reported to the IPU by governments themselves, it is rarely critical of the systems of accountability in place.

All countries studied as part of this project, with the exception of Suriname and São Tomé e Príncipe, are included in the SIPRI database of military expenditure. SIPRI estimates military expenditure as a per cent of GDP annually. This information is useful for knowledge of the defence budget. A significant problem with SIPRI estimates for the purposes of this report, however, is that some countries include spending on paramilitaries and military pensions, whereas others do not. Furthermore, foreign military aid is not counted in SIPRI data for countries receiving aid; such information is only included in the donor government’s military expenditure estimates.<sup>34</sup> When countries do not provide the needed information, SIPRI develops its own estimate. This information is useful but does not provide enough evidence about the budgeting process to be used in the ranking. SIPRI data on military expenditure was therefore used for reference only.

33 Interparliamentary Union, *PARLINE database on national parliaments*, 2011, retrieved August 2011, <http://www.ipu.org/parline/parline-search.asp>.

34 The rationale behind this as explained by SIPRI is that they publish data with the attempt to measure how defence spending hurts investment in alternative government programmes and sectors and how much of a burden defence spending is for any country. In line with this rationale and given that military aid does not drain resources from the domestic economy, SIPRI only includes it in the donor government’s military expenditure figures.

## CAVEATS AND LIMITATIONS

This study’s ranking has been developed based on responses to the 2010 Open Budget Index questionnaire. There are a number of limitations when using only the OBI 2010. First of all, there is the clear disadvantage of using just one source. Because of the need for comparability between countries, however, a single source was used.

The OBI does not focus specifically on defence and security budget transparency, as it is a study of general budget transparency overall in each country. The defence and security-related questions on the OBI are selective, and do not encompass the full defence budgeting process. They do not, for example, consider whether the evaluation of defence and security establishments’ needs are in line with the funding allocated to them, but simply whether that information is published.

This ranking system addresses budget transparency—not necessarily levels of corruption or accountability. For example, though off-budget military expenditure is a major area of corruption, it is outside the scope of this ranking.

The methodology of this initial ranking judges the availability of information to the public and the legislature; however, the risk of the government providing inaccurate information (intentionally or otherwise) is not considered.

Some countries with significant corruption in their defence and security establishments may score high if they publish the requisite information and there is sufficient parliamentary oversight, at least *de jure*, in their political systems. In this initial ranking, some countries scored better than expected because they do produce documents, even if they are likely to be incomplete or inaccurate. For example, Indonesia’s publication of the budget proposal, enacted budget, and audit report caused it to score Moderate using this initial methodology. However, Indonesia is also characterized by a high level of off-budget expenditures.<sup>35</sup> In Mozambique, though budget information is provided, there are serious concerns about the political freedom and independence of oversight bodies.<sup>36</sup> Though the USA scores high and generally provides its citizens with significant access to information, there have been cases of non-transparent off-budget military expenditure. According to Charles Tiefer, the Bush administration abused “outside-the-budget annual ‘emergency’ supplemental appropriations” to fund the

35 PEFA, *op.cit.*

36 Electoral Institute for the Sustainability of Democracy in Africa, *Mozambique: Office of the Ombudsman*, 2009, retrieved August 2011, <http://www.eisa.org.za/WEP/mozagency.htm>.

war in Iraq in 2003.<sup>37</sup> Budget transparency is a first step towards accountable, corruption-free institutions; however, a budget that is detailed and available to the public may coexist with corrupt practices.

This initial study has focused on the availability of information, and has not scrutinized the accuracy of each country's defence budget; the questionnaire provided in Chapter 4 provides a more detailed questionnaire, which may be used to complete a more in-depth study either in the future or by individual countries for self-assessment.

Despite the limitations of using only the OBI, these questions are a useful starting point for analysis. If a government does not provide information on spending on secret items to the legislature, for example, it can be assumed that it does not have an adequate system of legislative oversight of the defence and security budget overall, and that the budgeting process lacks transparency.

Based on the OBI and supplementary research, there are several common features found at each rank. A table of the general commonalities between countries at each ranking level can be seen on Figure 7. These are not requirements for receiving each ranking, but rather common trends that were seen in the majority of countries with each ranking.

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37 C Tiefer, 'The Iraq Debacle: the Rise and Fall of Procurement-Aided Unilateralism as a Paradigm of Foreign War', *University of Pennsylvania Journal of International Law*, vol 29, no. 1, 2007.

FIGURE 1 COUNTRY RANKING | DEFENCE BUDGET TRANSPARENCY

<p><b>High Transparency (13)</b></p>	<p>Bosnia and Herzegovina Costa Rica Croatia France</p>	<p>Germany New Zealand Norway Portugal</p>	<p>Slovakia South Africa Sweden United Kingdom USA</p>
<p><b>Moderate to High Transparency (20)</b></p>	<p>Botswana Brazil Chile Czech Republic Ecuador Ghana Guatemala</p>	<p>Kazakhstan Kenya Mali Mongolia Mozambique Peru Philippines</p>	<p>Poland Russia Slovenia South Korea Spain Ukraine</p>
<p><b>Moderate Transparency (14)</b></p>	<p>Argentina Bangladesh Bolivia Colombia</p>	<p>Indonesia Italy Liberia FYR Macedonia Namibia</p>	<p>Nepal Papua New Guinea Sri Lanka Uganda Zambia</p>
<p><b>Moderate to Low Transparency (21)</b></p>	<p>Afghanistan Albania Azerbaijan Bulgaria Dominican Republic El Salvador Georgia India</p>	<p>Jordan Malaysia Mexico Morocco Nicaragua Romania Rwanda</p>	<p>Tanzania Thailand Trinidad and Tobago Turkey Venezuela Vietnam</p>
<p><b>Low Transparency (25)</b></p>	<p>Algeria Angola Burkina Faso Cambodia Cameroon Chad China Democratic Republic of Congo</p>	<p>Egypt Equatorial Guinea Fiji Honduras Iraq Kyrgyz Republic Lebanon Malawi</p>	<p>Niger Nigeria Pakistan São Tomé e Príncipe Saudia Arabia Senegal Serbia Timor-Leste Yemen</p>

**FIGURE 7: COMMON FEATURES FOUND BETWEEN RANKINGS**

<p><b>High transparency</b></p>	<ul style="list-style-type: none"> <li>• There is a well-established and functioning defence budgeting process with clearly defined roles and responsibilities, and regular independent control.</li> <li>• Both in law and in practice, citizens are able to access detailed defence budget information in a timely manner.</li> <li>• The defence budget is constructed upon an evaluation of the country's oversight, needs and capabilities, with the involvement of an elected legislative committee or group, which is representative of the people.</li> </ul>
<p><b>Moderate to high Transparency</b></p>	<ul style="list-style-type: none"> <li>• The country has a well-established and functioning defence budgeting process with adequate provisions for control and oversight.</li> <li>• Information lacks detail or is too highly aggregated.</li> <li>• Countries have often undergone or are undergoing a budget reform process, leading to an increased amount and heightened quality of information available to the public.</li> </ul>
<p><b>Moderate transparency</b></p>	<ul style="list-style-type: none"> <li>• There is generally a mechanism for some defence budget oversight, but it is not regularly enforced and/or not fully independent.</li> <li>• In law, citizens can access defence budget information; in practice, there are delays in the disclosure of information and/or information is limited.</li> <li>• Some off-budget military expenditure.</li> </ul>
<p><b>Moderate to low transparency</b></p>	<ul style="list-style-type: none"> <li>• There may be a legal framework in place that regulates defence budget management and oversight, and provides for freedom of information; however, in practice, countries have little willingness or capacity to enforce these laws.</li> <li>• Defence budget figures are disclosed to the public in a highly aggregated manner and/or on a discriminatory basis.</li> <li>• Little or no practice of defence and security sector audits, or the government lacks the capacity to undertake them.</li> <li>• Significant off-budget military expenditure.</li> </ul>
<p><b>Low transparency</b></p>	<ul style="list-style-type: none"> <li>• Little or no defence-related budget information is provided to citizens. Documents are either not produced or not made available to the public.</li> <li>• Budget oversight laws are non-existent or inadequate; in practice, there is no independent and regular defence budget oversight</li> <li>• Poor practices tend to be complemented by unclear or undefined defence budgeting processes and lack of capacity.</li> <li>• Significant off-budget military expenditure.</li> </ul>

# Findings

A country scoring 'high' reflects a high degree of parliamentary involvement in the defence budgeting process, publication and dissemination of all major budget documents, and a clearly established mechanism for security sector oversight and control. Most countries scoring 'high' regularly publish detailed information on their Ministry of Defence or Ministry of Finance websites.

Countries ranking 'moderate' typically have some relevant legislature in place, but they either do not have the human capacity to fully execute them or they have not been compelled to do so due to public lack of interest or pressure. They may provide some budget information, but not enough to be considered fully transparent in practice.

Countries ranking 'low' generally produce none or few of the critical documents pertaining to the general budget, or produce them but do not make them available to the legislature or public. The low level of defence budget transparency also reflects little or no parliamentary involvement in the approval and supervision of the defence budget.

Fourteen per cent of countries included in this ranking scored 'high'; 21.5 per cent ranked 'moderate to high'; 15 per cent scored 'moderate'; 22.6 per cent ranked 'moderate to low' and 26.9 per cent scored 'low'.

The findings indicate that most countries surveyed maintain a high level of secrecy regarding their defence budgets. Of the countries surveyed by the OBI 2010, 20 do not make the Executive's Budget Proposal known to their public. 10 countries do not even make the enacted government budget publicly available. 27 countries do not make audit reports readily available to the public. In Pakistan and Papua New Guinea, audits are only made available upon request, and in Namibia, a report is issued only for a fee.

Items pertaining to military intelligence or national security are traditionally kept highly confidential both from members of the legislature and the broader public.

29 countries provide information on secret expenditures to the legislature, or to designated members of committees in the legislature, though the degree of detail vary.<sup>38</sup> While

38 The countries are: Bangladesh, Bolivia, Bosnia and

a certain level of confidentiality is acceptable and may be required, it is important that secret expenditures are justified by a reasonable and well-informed strategic objective (i.e. to protect the territorial integrity of the state in the case of external threat, to build an adequate witness protection system, etc.). It is also vitally important that there is a regulatory procedure in place that stipulates the exact mechanisms by which expenditures can be classified. In other words, transparency can be made compatible with confidentiality if there are laws and regulations in place that clearly state how information is classified and determined to be beyond public access.

37 of the countries studied either do not audit the security sector, do not employ designated staff to do so, or have such poor staffing levels that the audit institution cannot effectively audit the sector.

Regulation and oversight of defence and security funds was found to be generally unsatisfactory. One problem that often arises in developing countries is the general shortage of skilled staff with combined knowledge of both the defence sector and budgeting processes. 37 of the 93 countries either do not audit the security sector, do not employ designated staff to do so, or have such poor staffing levels that the audit institution struggles to audit the sector effectively. Staffing constraints limits were found in countries in the Middle East and Africa, Asia and Oceania, and the Americas. These countries included Cambodia, the Dominican Republic, Ecuador, Honduras, Indonesia, Malawi, Morocco, Turkey, and Uganda. Audits of secret funds or the entire intelligence agency were often excluded. In China, security sectors are audited only internally and jurisdiction falls within the respective department (army, police, etc.). Defence budget transparency requires an adequate system of both internal and external scrutiny in order to ensure that funds have been appropriated as planned, and irregularities are detected and corrected.

A number of environmental factors and constraints may affect a country or region's defence budget transparency. In Africa, for example, studies suggest that there is a lack

Herzegovina, Botswana, Costa Rica, Croatia, Czech Republic, Ecuador, France, Germany, Ghana, Kenya, Nepal, New Zealand, Norway, Peru, Poland, Portugal, Russia, Slovakia, South Africa, Spain, Sri Lanka, Sweden, Ukraine, United Kingdom and United States.

of formal defence policy formulation, meaning that there is a policy barrier in deciding the size and composition of spending allocated to the security sector.<sup>39</sup> In South-Eastern Europe, a number of countries perform better when it comes to meeting international obligations regarding the disclosure of defence spending information, rather than meeting their domestic ones.<sup>40</sup>

In countries that are heavily dependent on natural resource exports or international aid, pressure from donors to disclose defence budgets, as well as the incentive not to do so, are generally high. When donor states have set a 'cap' of what they determine as acceptable military expenditure for developing countries, this has sometimes led to less transparency, as recipient governments try to hide their actual military expenditure, often by off-budget spending, to meet donor requirements.<sup>41</sup>

### a) Low level of defence budget transparency

Twenty five of the 93 countries ranked have low levels of defence budget transparency, indicating that they provide no or very limited information on defence and security expenditure.

The Algerian government, for example, produces nearly all of the budget-relevant documents, but does not make them publicly available.<sup>42</sup> In Cambodia, legislators and the public do not receive any information pertaining to defence and security. Audits to monitor the activities and expenditures of defence and security establishments are not carried out.<sup>43</sup>

25 countries studied score low on defence budget transparency.

The Chinese government also scores low. Various budget documents,

including the enacted budget, are produced by state officials but are not published for the public.<sup>44</sup>

Furthermore, the little official defence budget information which is released by the Chinese government excludes any data on military R&D and infrastructure projects,

39 Omitoogun, op.cit, p. 271

40 D Greenwood, *Transparency in Defence Budgets and Budgeting*, DCAF Working Paper Series No. 73, 2002, retrieved September 2010, [http://www.dcaf.ch/\\_docs/WP73.pdf](http://www.dcaf.ch/_docs/WP73.pdf).

41 Omitoogun, op.cit., p.261-262

42 Open Budget Initiative, *Algeria Questionnaire*, 2010, retrieved September 2010, <http://internationalbudget.org/wp-content/uploads/2011/04/Algeria-OBI2010QuestionnaireFinal1.pdf>.

43 Open Budget Initiative, *Cambodia Questionnaire*, 2010, retrieved September 2010, <http://internationalbudget.org/wp-content/uploads/2011/04/Cambodia-OBI2010QuestionnaireFinal.pdf>.

44 Open Budget Initiative, *China Country Questionnaire*, 2010, retrieved September 2010, <http://internationalbudget.org/wp-content/uploads/2011/04/China-OBI2010QuestionnaireFinal.pdf>.

strategic forces and foreign acquisitions.<sup>45</sup> In law, there is no independent oversight of security establishments. Although the police forces fall under the jurisdiction of the National Audit Office, the Chinese People's Liberation Army (CPLA) and the Chinese Armed Police Forces) are audited by the internal Audit Office of the CPLA.<sup>46</sup> China is also an example of a state that hides its practices of non-disclosure behind the standard rhetoric of protecting national security.<sup>47</sup>

Defence budget transparency in Nigeria is also low. Not only are budgeting processes weak and generally ineffective, but the government also actively spends on the military from reserved oil accounts unreported in the official defence documentation.<sup>48</sup> The most notorious off-budget practice used in Nigeria comes from so called 'excess crude accounts.' These accounts hold funds obtained from oil revenues that exceed projected earnings. Their spending is decided by 'security votes' by state authorities, and is typically directed into military operations.<sup>49</sup> When oil prices increase, the government can accumulate more highly non-transparent funds to be fuelled into the military.

### b) Moderate to low levels of defence budget transparency

Twenty one countries score moderate to low, which generally reflects some appropriate legal framework for addressing defence budgeting but little willingness or capacity to enforce it in practice.

21 countries score moderate to low on defence budget transparency.

In the Dominican Republic, the authorities annually compile and produce various state budget documents and publish them online; however, the executive's budget proposal is withheld until after it is approved by Congress, and the executive's supporting documents are not available at all.<sup>50</sup> Defence budget information is a one-line item in the overall state budget and no details are disclosed to members of the legislature or to the public.<sup>51</sup>

45 R Pal Singh, *China's Defense Budget*, Global Security, 1998, retrieved September 2010, <http://www.globalsecurity.org/military/world/china/budget.htm>.

46 ibid.

47 Raman, op. cit.

48 SIPRI, op.cit.

49 ibid., p. 160

50 Open Budget Initiative, *Dominican Republic Questionnaire*, 2010, retrieved September 2010, <http://internationalbudget.org/wp-content/uploads/2011/04/DominicanRepublic-OBI2010Questionnaire.pdf>.

51 Ibid.

The lack of qualified personnel for security sector auditing adds to the lack of transparency in the Dominican Republic's budget.<sup>52</sup>

In Mexico, the threat of organised crime is an impediment to increasing transparency in the security sector. There has been some improvement in recent years, notably a 2002 transparency law that provides for congressional review of defence budgets. Yet combating organised crime and drug trafficking has taken precedence over access to information. According to Sigrid Arzt, a former National Security Adviser to President Felipe Calderón, there are fears that security information provided in accordance with freedom of information laws could be exploited by members of organized crime. Furthermore, corruption is known to be prevalent within the government and misinformation in documents provided to the public cannot be ruled out. As in many other countries scoring moderate to low, a lack of expertise in personnel presents another challenge to defence budget transparency in Mexico.<sup>53</sup>

### c) Moderate level of defence budget transparency

14 countries score moderate on defence budget transparency.

Fourteen countries scored moderate. These countries are generally marked by a discrepancy between

what exists in law and what happens in practice.

In FYR Macedonia an established committee in parliament receives detailed information on defence spending and activities and a detailed audit report of the security sector.<sup>54</sup> However, the committee has only recently begun providing input into the defence budget process, and experts are concerned that the tasks given to the Defence and Security committee are so numerous and diverse that it cannot adequately deal with all of them.<sup>55</sup> Hence, while significant progress has been made, particularly under the guidance of NATO, much of this progress has been in name alone. While practice diverges from law in terms of defence budgeting, FYR Macedonia also has structural and legal flaws when it comes to defence and security.

52 Ibid.

53 Woodrow Wilson International Center for Scholars, *National Security and Transparency in Mexico*, 2009, retrieved February 2011, [http://www.wilsoncenter.org/index.cfm?fuseaction=events.event\\_summary&event\\_id=544510](http://www.wilsoncenter.org/index.cfm?fuseaction=events.event_summary&event_id=544510).

54 Open Budget Initiative, *FYR Macedonia Questionnaire*, 2010, retrieved September 2010, <http://internationalbudget.org/wp-content/uploads/2011/04/Macedonia-OBI2010QuestionnaireFinal.pdf>.

55 T Pietz & M Remillard, *Defence Reform and Conversion in Albania, FYR Macedonia and Croatia*, Bonn International Centre for Conversion (BICC) Brief 34, 2006.

Notably, there is no provision in law that covers contracts relating to national defence and security.<sup>56</sup>

Liberia has made promising strides in its budget transparency in recent years, becoming a "regional leader in promoting transparency."<sup>57</sup> According to Albert van Zyl of the International Budget Partnership, Liberia's improvements have come about due to deliberate reform. Since 2008, the government began to publish a number of budget documents, including the budget proposal and audit reports.<sup>58</sup> As of the OBI 2010, however, the enacted budget is produced but not available to the public, and security sector audits were planned but had not yet been carried out. According to Nicolas Cook, the government has pledged to keep defence expenditure to 9 per cent or less of the national budget, but "some question why such a small institution must eat up such a large part of the pie."<sup>59</sup> Yet the availability of this information is vital—it allows there to be a meaningful debate within civil society and the government on the appropriate level of defence spending.

### d) Moderate to high level of defence budget transparency

Twenty countries scored moderate to high indicating some strong and, in many cases, recent reforms in the defence and security sector to strengthen civilian oversight and budgeting processes.

Guatemala scores moderate to high, and provides an example of a country where Civil Society involvement helped increase

defence budget transparency. Two organisations, Grupo de Apoyo Mutuo (GAM) and Centro Internacional para la Investigación en Derechos Humanos (CIIDH), worked with the United Nations Development Programme to monitor defence spending, after the Guatemalan Peace Accords encouraged a decrease in military spending and a shift towards a more development-focused budget. The Ministry of Finance made the national budget available online, and

20 countries score moderate to high on defence budget transparency.

56 PEFA, *Macedonia's Fiduciary Assessment*, 2007, retrieved September 2010, [http://www-wds.worldbank.org/external/default/WDContentServer/WDSP/IB/2007/12/07/000310607\\_20071207122137/Rendered/PDF/40888optmzd0MK.pdf](http://www-wds.worldbank.org/external/default/WDContentServer/WDSP/IB/2007/12/07/000310607_20071207122137/Rendered/PDF/40888optmzd0MK.pdf).

57 B Wharton, N Cook & B Friedman, *Recent Developments in Liberia*, 2011, retrieved August 2011, <http://africasummit.org/program/issue-forum-series/recent-developments-in-liberia-address-to-the-africa-society/>.

58 A Van Zyl, *3 Budget Transparency Fairy Tales: Afghanistan, Liberia and Mongolia*, Open Budget Blog, 2010, retrieved September 2010, <http://internationalbudget.wordpress.com/2010/10/21/3-budget-transparency-fairy-tales-afghanistan-liberia-and-mongolia/>.

59 B Wharton, N Cook & B Friedman, op.cit.

GAM and CIIDH worked with members of Congress and the media to analyse the information and make it available and understandable to the general public.<sup>60</sup> The Ministry of Defence has still concealed information on secret expenditures from the legislature, however, often citing the need to protect military secrets.<sup>61</sup>

Kenya also scores moderate to high. The government publishes the budget proposal, enacted budgets, and audit reports. There is a Defense and Foreign Relations Departmental Committee, which is provided with extensive information on secret item expenditure if they swear an oath to protect the information they receive. This Parliamentary Committee has the power to investigate defence and security spending decisions. In 2010, the committee questioned several military bosses in a case of alleged corruption during jet and armoured personnel carrier procurement for the Kenyan Air Force.<sup>62</sup>

### e) High levels of defence budget transparency

Thirteen countries scored high, indicating that citizens are most able both in law and in practice to access defence-related information pertaining to the spending of public funds. While these countries have the most transparent defence budgeting processes of those surveyed, it is important to note that their systems are not perfect; in many cases, governments could make improvements to increase budget clarity, accuracy, and availability.

The United States is an example of a country with high levels of defence budget transparency, despite being the largest military spender in the world. In 2010, the US government issued a 92-page Defence Budget Overview

which includes extensive information on the strategic goals, activities and resource allocations dedicated

to the security and defence forces. The document is easily accessible despite its broad scope.<sup>63</sup> The Office of the Under Secretary of Defence provides detailed information

on financial management and budget practices of the Department of Defence (DoD).<sup>64</sup>

The US also uses an advanced Planning, Programming and Budgeting System (PPBS). This PPBS incorporates multiple cycles of analysis and includes elements such as initial security environment analysis and a general estimate of national threat levels, in order to determine what composition and resources will best fulfil the strategic objectives of the armed forces.<sup>65</sup> A similar programme for planning and budgeting is also used by other NATO members.<sup>66</sup>

New Zealand's defence budget is also highly transparent, subject to legislative oversight and audits, and widely available to the public. According to the Open Budget Index Country Questionnaire, budgets for the security agencies which are available to the public are aggregated; however, they are reviewed by the Intelligence and Security Committee of Parliament. In addition, audits of the security sector operations are carried out by the supreme audit institution and are submitted to the same committee.<sup>67</sup>

13 countries score high on defence budget transparency.

60 International Peace Bureau, *Four Key Concepts in Implementing Article 4, of the Convention on the Rights of the Child, with Recommendations for Action*, 2007, retrieved February 2011, [http://www.ipb.org/i/pdf-files/CRC\\_Art\\_4\\_Implementation\\_IPB\\_Paper\\_Definitive.pdf](http://www.ipb.org/i/pdf-files/CRC_Art_4_Implementation_IPB_Paper_Definitive.pdf).

61 Open Budget Initiative, *Guatemala Questionnaire*, 2010, retrieved September 2010, <http://internationalbudget.org/wp-content/uploads/2011/04/Guatemala-OBI2010QuestionnaireFinal.pdf>.

62 All Africa, *MPs likely to Question Jets Deal*, 2010, retrieved September 2010, <http://allafrica.com/stories/201011180370.html>.

63 For extensive information on US defence budget and financial management practices, see <http://comptroller.defense.gov/budgetindex.html>.

64 Office of the Under Secretary of Defence (Comptroller), *Defence Budget, 2010*, retrieved September 2010, <http://comptroller.defense.gov/budgetindex.html>.

65 K Starkey & A Van Mens, 'Defence Budget Transparency on the Internet', *Information and Security*, vol. 5, 2000.

66 D Totev, 'Bulgarian Defence Resource Management System – Vehicle for Transparency in Defence Planning and Budgeting' in T Tagarev (ed.), *Transparency in Defence Policy, Military Budgeting and Procurement*, 2002, retrieved September 2010, <http://www.dcaf.ch/Publications/Publication-Detail/?id=21303&lng=en>.

67 Open Budget Initiative, *New Zealand Questionnaire*, 2010, retrieved September 2010, [http://internationalbudget.org/wp-content/uploads/2011/04/New\\_Zealand-OBI2010QuestionnaireFinal.pdf](http://internationalbudget.org/wp-content/uploads/2011/04/New_Zealand-OBI2010QuestionnaireFinal.pdf)

## REGIONAL BREAKDOWN

The regional breakdown of defence budget transparency indicates that the lowest rankings are found in Africa and the Middle East. These regions are home to more than half of all countries scoring at the bottom of the defence transparency ranking. Of the 25 African and Middle Eastern countries studied, only South Africa ranked high; 11 countries scored low.

The best performing countries were mostly found in Europe, along with Canada, the USA, and Costa Rica in the Americas, South Africa in Africa, and Australia and New Zealand in Asia and Oceania. With well-established regulatory frameworks, a vocal civil society, and generally strong freedom information and freedom of speech laws, the room for unpunished abuse of defence-related expenditures in these countries is significantly lower. Wealthy countries also tend to have a significant technological advantage compared to some of their less developed counterparts. Technological capacity in the

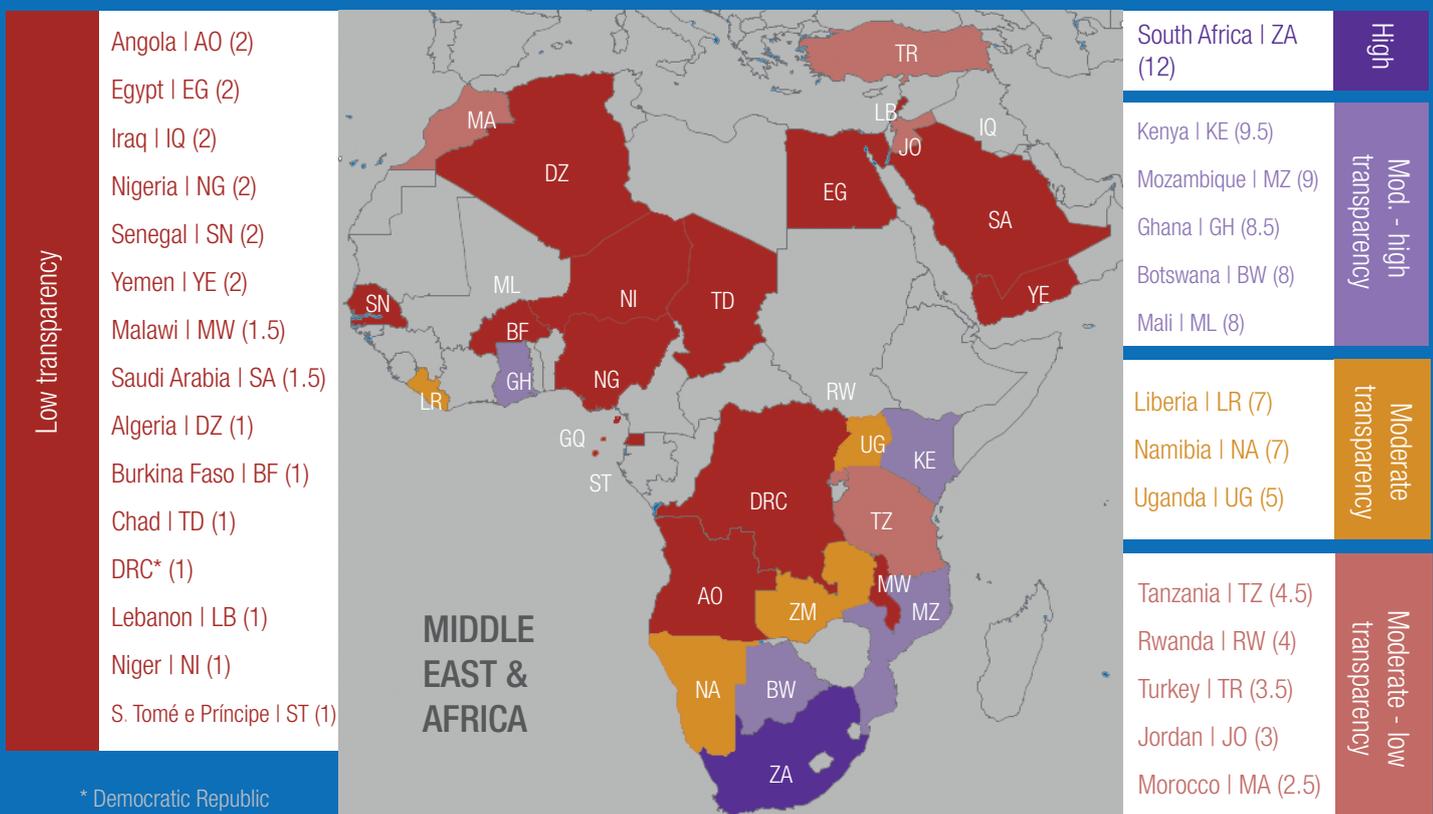
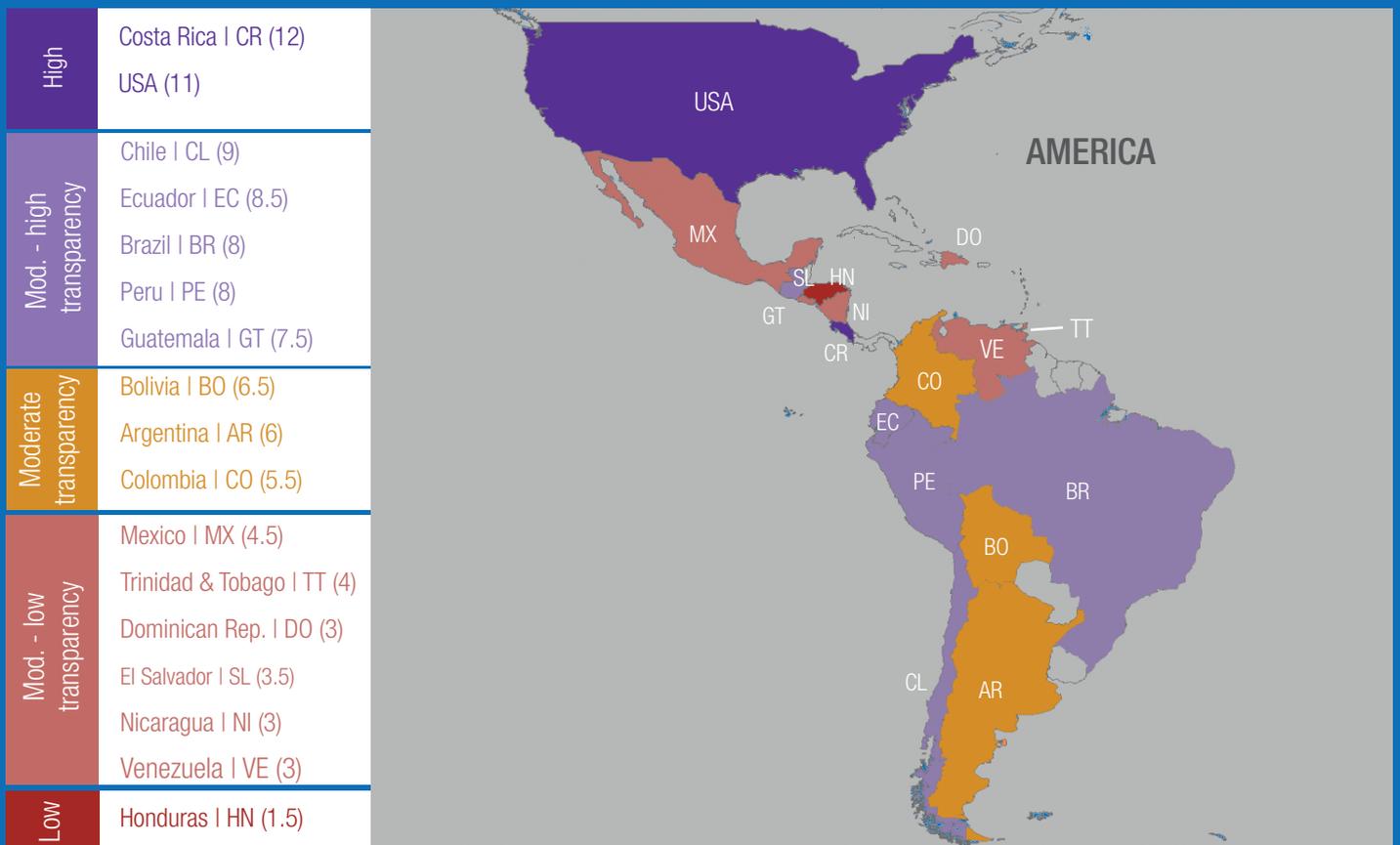
Latin America and Asia & Oceania have a particularly diverse range of defence budget transparency.

government and a high percentage of internet users, for example, can make the dissemination of defence related information easier.

The region of Asia and Oceania is characterised by a diverse set of countries, representing all levels along the defence budget transparency scale. South-East Asian countries, such as Vietnam, Cambodia, Thailand, Bangladesh, where systems of democratic governance have only been established recently, or have not been established at all, tend to score low or moderate to low.

There is a diverse range of levels of defence budget transparency in Latin America. There are particularly strong voices emerging from various CSOs in the region on the subject of budget transparency, particularly from Latin America's RESDAL. This indicates that there is significant potential for advocacy targeting government practices in defence budgeting and defence budget disclosure in low-scoring countries like Honduras.

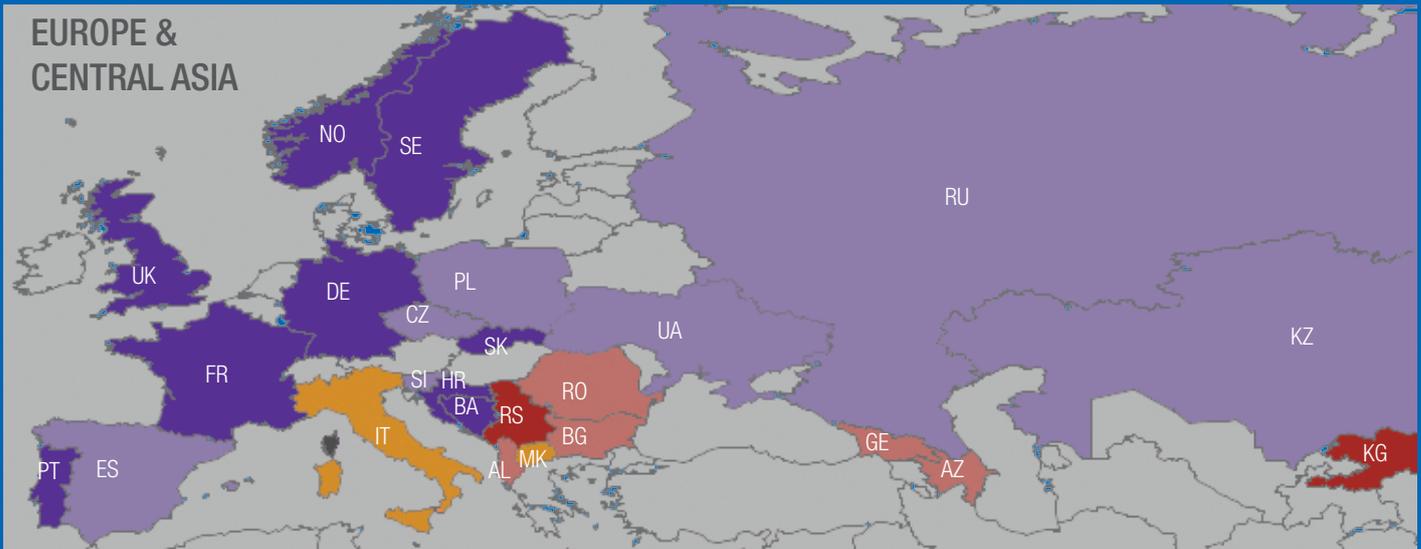
FIGURE 8: REGIONAL BREAKDOWN | DEFENCE BUDGET TRANSPARENCY



\* Democratic Republic of Congo

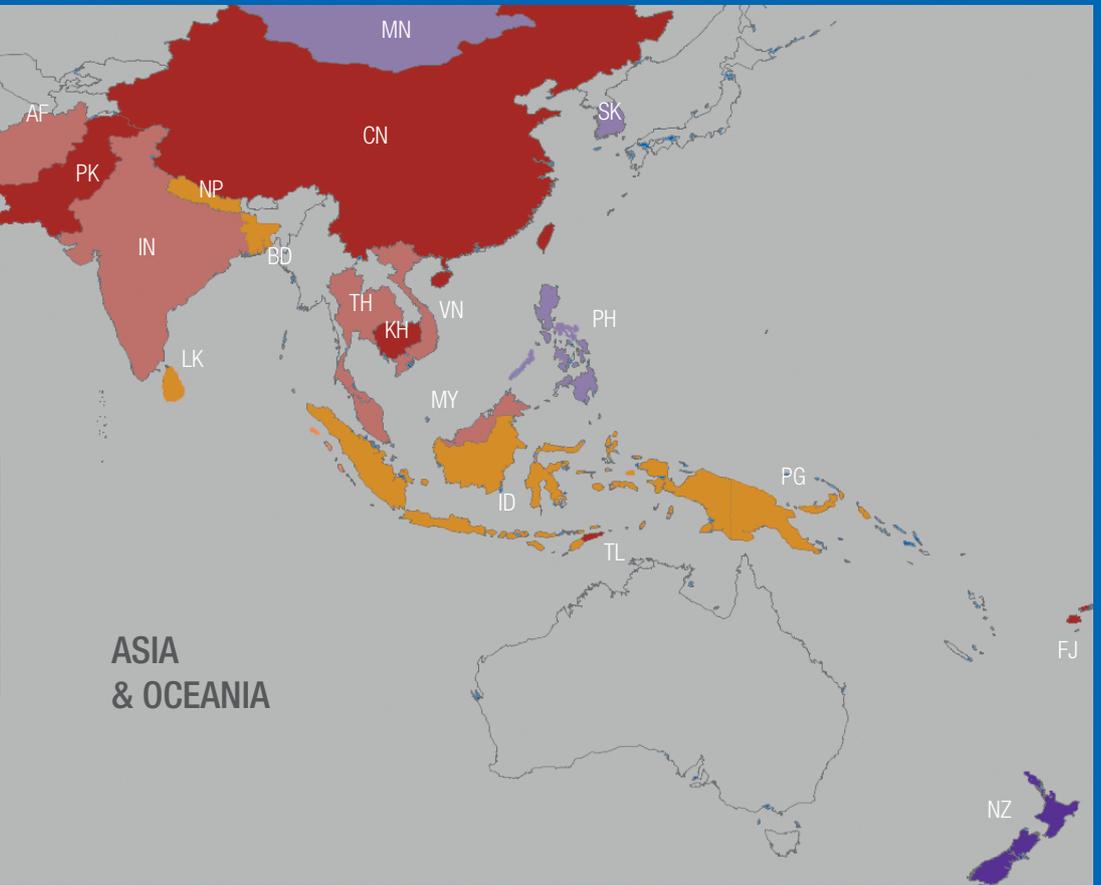
\* Countries are listed in order of their scores. The ones in grey were not included in the study.

## EUROPE & CENTRAL ASIA



High transparency		Moderate - high transparency		Moderate transparency	Moderate - low transparency		Low transparency
Bosnia   BA (12)	Germany   DE (12)	Russia   RU (9)	Slovenia   SI (9)		Georgia   GE (4.5)	Romania   RO (4.5)	Kyrgyz Republic   KG (2)
Norway   NO (12)	Portugal   PT (12)	Spain   ES (9)	Ukraine   UA (8.5)	FYR Macedonia	Albania   AL (3.5)	Bulgaria   BG (3.5)	Serbia   RS (2)
Sweden   SE (12)	France   FR (11.5)	Cz. Rep.   CZ (8)	Kazakhstan   KZ (8)	MK (6)	Azerbaijan   AZ (3)		
UK (11.5)	Croatia   HR (10.5)	Poland   PL (7.5)		Italy   IT (5.5)			
Slovakia   SK (10)							

High	New Zealand   NZ (12)
Mod. - high transparency	South Korea   SK (9) Mongolia   MN (8) Philippines   PH (7.5)
Moderate transparency	Nepal   NP (7) Sri Lanka   LK (7) Indonesia   ID (6) P. New Guinea   PG (8.5) Bangladesh   BD (5)
Mod. - low transparency	India   IN (4.5) Malaysia   MY (4.5) Thailand   TH (4.5) Afghanistan   AF (3.5) Vietnam   VN (3.5)
Low transparency	Pakistan   PK (2) China   CN (1.5) Cambodia   KH (1.5) Timor-Leste   TL (1) Fiji   FJ (0)



## ASIA & OCEANIA

\* Countries are listed in order of their scores. The ones in grey were not included in the study.

# A More Detailed Questionnaire

This study has aimed to open discussion and serve as a baseline study on defence budget transparency. In order to enhance the robustness of the research, a more detailed questionnaire has been developed. It is a reflection of the general lessons learned and best practices that have emerged from the literature reviewed and case studies included in this report. The possible answers are meant to serve as indicators of the degree of defence budget transparency.

The key areas that must be addressed are: 1) the manner in which defence budgets are planned; 2) the degree of legislative or relevant committee involvement in the defence budgeting process; 3) the quality of control and oversight and 4) the type and quality of information available to the public.

The proposed questionnaire is a tool that can be used for a more accurate assessment of defence budget transparency. While it is by no means exhaustive, it attempts to capture these four critical areas of concern. For analytical purposes the questionnaire can be split into two sections – one addressing the transparency of the budget process, and the other referring to the access of information provided to the broader public.

FIGURE 9: DEFENCE BUDGET TRANSPARENCY QUESTIONNAIRE | THE BUDGET PROCESS (PART 1)

QUESTION	LEVEL OF TRANSPARENCY	INDICATORS/POSSIBLE ANSWERS
<p><b>1. Is there an established comprehensive defence budgeting process?</b></p>	<p><b>Strong</b></p>	<p>Yes, there is a clear budgeting process delineating the steps for planning, execution and oversight, with clearly designated roles and responsibilities; Policies, plans and budgets are matched to existing capabilities and risk assessments and are measured against performance outputs.</p>
	<p><b>Moderate</b></p>	<p>In law, there is a clearly delineated budget process, however 1) practices diverge from law and/or 2) roles and responsibilities are not clearly stated and enforced.</p>
	<p><b>Weak</b></p>	<p>No, there is no formal defence budget process. Strong individuals within the executive/military may take the lead in decision-making.</p>
<p><b>2. In law, is legislative approval of defence expenditures required?</b></p>	<p><b>Strong</b></p>	<p>Yes, legislative or specialised committee approval is required for all defence-related expenditures.</p>
	<p><b>Moderate</b></p>	<p>Legislative or committee approval is required on major acquisitions and capital expenditures, but sometimes it can be overruled by the executive/military.</p>
	<p><b>Weak</b></p>	<p>Legislative or committee approval is not required for defence-expenditures, and/or in practice, the legislature is bypassed in deciding on all defence-related expenditures.</p>
<p><b>3. In law, is there a legislative committee (or other appropriate body) responsible for defence budget inputs and analysis?</b></p>	<p><b>Strong</b></p>	<p>Yes, a legislative committee (or other appropriate body) is responsible for defence budget inputs and analysis. Its members possess both the substantive knowledge and practical experience to constructively contribute to the defence budgeting process. The committee has adequate staff to carry out its responsibilities.</p>

	Moderate	Yes, there is a legislative committee (or other appropriate body), however 1) it is often bypassed by the executive and/or 2) in practice, it does not have the capacity, expertise, or adequate staff to effectively perform its functions.
	Weak	There is no committee (or other appropriate body) tasked with providing any input into the defence budget. Budgeting is generally entirely in the hands of the executive or other powerful individuals.
4. In practice, is the legislature and/or appropriate committee provided with detailed, extensive and timely information on the proposed defence budget?	Strong	Yes, committee members (or members of other appropriate body) are provided with detailed information into proposed defence expenditures.
	Moderate	Committee members (or members of other appropriate body) are provided some information pertaining to proposed defence expenditures, but they rarely provide any input into the actual decision-making. The degree of detail provided is unclear or unknown.
	Weak	Parliamentary committees (or other appropriate body) do not exist or exist only in law but in practice receive no information pertaining to the proposed defence budget, or receive only aggregated single-figure information.
5. In law, is the legislature and/or committees allowed to propose changes to the defence budget proposal?	Strong	Yes, the legislature and/or committee (or other appropriate body) can in law change proposed defence expenditures after debate.
	Moderate	In law, the legislature and/or committee (or other appropriate body) may propose changes, but in practice strong individuals/party affiliation may take the forefront and proposals are rarely advanced.

	Weak	No, the legislature and/or committee (or other appropriate body) may only vote on the proposal, but cannot propose amendments; and/or no approval is needed.
6. In practice, are defence committee members knowledgeable of both the defence sector and budget work?	Strong	Yes, defence committee members (or members of other relevant bodies) have both the subject-matter expertise and practical experience to provide effective input into the defence budget process. The committee is provided with adequate staff.
	Moderate	Members have some expertise, though it may not be adequate, and/or it is unclear how knowledgeable members are. The committee may not be provided with adequate staff.
	Weak	Lack of capacity or expertise is a barrier to the effective functioning of the defence committee (or relevant body) and members do not possess the necessary knowledge, skills, or staff to perform their tasks effectively.
7. Does the government publish a defence White Paper or other official defence and security document?	Strong	Yes, the government publishes a defence White Paper, or other official defence and security document, which contains detailed and regularly updated information on threat assessment, capabilities, and strategic objectives.
	Moderate	Yes, the government publishes a defence White Paper (or other official defence and security document), but it does not adequately capture the current environment and strategic objectives of the country (little detail, no threat assessment, no capabilities analysis, etc.), and/or the government produces the document but it is not made publicly available.
	Weak	There is no formal defence policy in writing.

8. In law, are off-budget military expenditures permitted?	Strong	No. All defence-related expenditures must be recorded in the official defence budget, except those classified as state secrets through adequate and well-established legal processes.
	Moderate	Some off-budget military expenditures are permitted, but there is a clearly stated manner in which they are recorded in the respective budgets (i.e. military involvement in natural disaster relief efforts, etc.)
	Weak	Off-budget military expenditures are permitted and are not reported on.
9. In practice, are there any off-budget military expenditures?	Strong	There are no off-budget military expenditures.
	Moderate	Yes, there are some off-budget military expenditures, but the extent to which this is a practice is unclear and/or appears to be limited.
	Weak	There are substantial off-budget military expenditures from licit and/or illicit economic activity.
10. In law, are there provisions regulating the mechanisms for classifying information on the grounds of protecting national security and military intelligence?	Strong	Yes, the classification of information is legally regulated with provisions made for who can request the information be classified on the grounds of national security or military intelligence, and the processes to do so. The legal requirements are upheld in practice under supervision and classification is subject to scrutiny.
	Moderate	Yes, in law there are provisions made for the classification of information; however, little control is exercised and in practice, strong individuals/agencies can make decisions regarding classification.

	Weak	Information is classified at the discretion of the individuals/parties/groups in power with no specific/clearly defined legal basis.
11. Are regular reports (i.e. in-year, mid-year and year-end) regarding the execution of the defence budget published?	Strong	Yes, reporting regarding the execution of the defence budget is published during the fiscal year (i.e. quarterly) and at the end of the year. Reports are detailed and disclose sufficient, accurate and timely information.
	Moderate	Reports are published once or twice a year; however they lack detail, timeliness, and/or do not always include accurate information.
	Weak	Reports of the execution of the defence budget are not compiled or are not published.
12. Are defence and security sectors audited, and the information obtained made publicly available?	Strong	Yes, the defence and security sectors are audited (both internally and externally) on a regular basis (i.e. yearly). All agencies and branches of the defence and security sectors are subject to auditing by a clearly designated official body. All audit reports are made available to parliament and/or the public.
	Moderate	Defence and security sectors audits are undertaken, but 1) audits are not regularly conducted; and/or 2) not all agencies are audited; and/or 3) security sector or agencies within it are only internally audited; and/or 4) audits are undertaken, but the resulting information made publicly available excludes important details
	Weak	No, there are no security sector audits and/or security sector audits are not made publicly available.

13. Does the country submit defence budget information to regional or international organisations?	Strong	Yes, the country regularly submits defence budget information to regional or international organisations (i.e. NATO, UN, etc.)
	Moderate	The country may submit information to regional or international organisations, but it is unclear whether the submitted information is detailed and accurate.
	Weak	The country does not disclose any information regarding its defence budget to international or regional organisations.

#### DEFENCE BUDGET TRANSPARENCY QUESTIONNAIRE | ACCESS TO INFORMATION (PART 2)

14. Is there a Freedom of Information Act?	Strong	Yes, there is a Freedom of Information Act in place. The classification of information is clearly regulated with established procedures and responsible individuals clearly designated.
	Moderate	Yes. There is a Freedom of Information Act in place, but defence budget information is regularly classified as secret without clearly articulated and understood justification.
	Weak	There is no Freedom of Information Act and authorities are not obliged to disclose information regarding defence spending.

15. Is the defence budget proposal made publicly available?	Strong	Yes, the detailed defence budget proposal is made publicly available at the time when it is presented to the legislature, giving citizens sufficient time to understand and monitor amendments should they arise.
	Moderate	Yes, the defence budget proposal is made publicly available, but is not detailed and/or not made available in a timely manner, effectively preventing the public from being able to monitor debates and potential changes.

	Weak	The defence budget proposal is not made publicly available at all, or only after deliberation; and/or in a highly aggregated form with no breakdown of functional expenditures.
16. Is the approved defence budget made publicly available?	Strong	Yes, the approved defence budget is made publicly available and is sufficiently detailed.
	Moderate	Yes, the approved defence budget is made publicly available, but with significant delay and/or without important details and functional classifications.
	Weak	The approved budget is not made publicly available, and/or only the approved lump sum is disclosed, without any detail pertaining to the breakdown of expenditures.
17. In practice, can citizens, civil society and the media obtain detailed information on defence budgets?	Strong	Yes, there are clear provisions and procedures that are strictly upheld and allow citizens, civil society, and/or the media to request detailed information on defence budgets. Citizen requests are dealt with in a timely and effective manner.
	Moderate	Citizens are able to obtain information on defence budgets, however, the degree of detail is unclear and/or there are significant delays in handling public requests for such information.
	Weak	In practice it is extremely difficult or impossible to obtain detailed defence budget information.
18. Does the defence budget include comprehensive information, including military R&D, training, construction, personnel expenditures, acquisitions, disposal of assets, maintenance, etc.?	Strong	Yes, the defence budget includes detailed information by function and agency/force category.
	Moderate	The defence budget discloses information on military R&D, training, construction, acquisitions, etc., but the degree of detail is difficult to establish.

	Weak	No information is presented on items such as military R&D, major acquisitions, or asset disposal, etc.
19. Are reports pertaining to the execution of the defence budget made available to the public and to the legislature regularly (in-year, mid-year, year-end)?	Strong	Yes, all compiled reports are made publicly available both to the public and to members of the legislature. Reports are detailed and disclosed in a timely manner (in-year, mid-year, year-end).
	Moderate	Some reports are made publicly available, but there are significant delays in disclosure and the degree of detail is difficult to establish.
	Weak	No reports are made publicly available, and either no or only select members of the legislature receive some information pertaining to the execution of the defence budget.
20. Are audit reports of the security sector/defence budget made publicly available?	Strong	Yes, audit reports are made publicly available and they are sufficiently detailed to allow for citizen monitoring of all defence-related expenditures.
	Moderate	Audit reports of the security sector are made available to the public, however, not regularly and/or without important detail.
	Weak	No audit reports of the security sector are made publicly available.

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# Appendices

## APPENDIX I: SUMMARY OF SOURCE DATA

This table outlines the main sources of data for this research. A complete version of this table, including the scores on each of the OBI defence-related questions, can

be found at <http://www.ti-defence.org/publications/881-source-data-for-the-transparency-of-defence-budgets-report>.

Country	Final Estimate of Transparency	Open Budget 2010	OBI score on defence-related questions (0-15)	UN Reporting	PEFA	Other Sources
<b>Afghanistan</b>	Moderate to Low	X	3.5		X	A Van Zyl, 2010
<b>Albania</b>	Moderate to Low	X	3.5	X	X	Pietz & Remillard, 2006
<b>Algeria</b>	Low	X	1			B Dillman, 2010; & Global Integrity, 2009
<b>Angola</b>	Low	X	2			Global Integrity, 2008
<b>Argentina</b>	Moderate	X	6	X		RESDAL, 2008
<b>Armenia</b>	Not Ranked			X	X	Global Integrity, 2009; & Ministry of Defence of the Republic of Armenia, 2006
<b>Australia</b>	Not Ranked			X		Department of Defence, Australia, 2010
<b>Austria</b>	Not Ranked			X		Bundesministerium für Finanzen, Austria, 2011; & T Fuir, 2008
<b>Azerbaijan</b>	Moderate to Low	X	3			Global Integrity, 2009
<b>Bangladesh</b>	Moderate	X	5	X	X	
<b>Belarus</b>	Not Ranked			X	X	Global Integrity, 2008
<b>Belgium</b>	Not Ranked			X		Federale Overheidsdienst, Budget en Beheerscontrole, 2010
<b>Bolivia</b>	Moderate	X	6.5	X		2004 MoD Defence Budget Summary
<b>Bosnia and Herzegovina</b>	High	X	12	X		G Herd & T Tracy, 2006
<b>Botswana</b>	Moderate to High	X	8		X	MG Molomo et al., 2007
<b>Brazil</b>	Moderate to High	X	8	X		JK Giraldo, 2001
<b>Bulgaria</b>	Moderate to Low	X	3.5	X		Ministry of Defence, Bulgaria, 2010
<b>Burkina Faso</b>	Low	X	1	X		
<b>Cambodia</b>	Low	X	1.5	X		C Sotharith & NGO Forum on Cambodia, 2010
<b>Cameroon</b>	Low	X	1	X		
<b>Canada</b>	Not Ranked			X		Department of Finance, Canada, 2010
<b>Chad</b>	Low	X	1			Bertelsmann Transformation Index, 2010
<b>Chile</b>	Moderate to High	X	9	X		

<b>China</b>	Low	X	1.5	X		Global Security, 2010; & M Kiselycznyk & PC Saunders, 2010
<b>Colombia</b>	Moderate	X	5.5	X		
<b>Costa Rica</b>	High	X	12			T Rogers, 2010
<b>Croatia</b>	High	X	10.5	X		2007 MoD Defence Budget Summary; & Pietz & Remillard, 2006
<b>Czech Republic</b>	Moderate to High	X	8	X		
<b>Democratic Republic of Congo</b>	Low	X	1			Global Integrity, 2006
<b>Dominican Republic</b>	Moderate to Low	X	3	X	X	RESDAL, 2010
<b>Ecuador</b>	Moderate to High	X	8.5	X		Ministerio de Defensa Nacional, 2010; & Acosta et al., 2007
<b>Egypt</b>	Low	X	2			N El-Borai, 2008
<b>El Salvador</b>	Moderate to Low	X	3.5	X		FLACSO, 2007
<b>Equatorial Guinea</b>	Low	X	0			T Hundley, 2011; & Africa Focus Bulletin, 2011
<b>Estonia</b>	Not Ranked			X		G Herd, 2001
<b>Fiji</b>	Low	X	0	X		Republic of Fiji, 2011; & Global Integrity
<b>Finland</b>	Not Ranked			X		Puolustusministeriö Försvarsministeriet, 2011
<b>France</b>	High	X	11.5	X		
<b>Georgia</b>	Moderate to Low	X	4.5	X	X	
<b>Germany</b>	High	X	12	X		
<b>Ghana</b>	Moderate to High	X	8.5	X	X	
<b>Greece</b>	Not Ranked			X		Greek Ministry of Finance, 2010; & A Evans-Pritchard, 2009
<b>Guatemala</b>	Moderate to High	X	7.5	X		International Peace Bureau, 2007; & E Malkin, 2010
<b>Honduras</b>	Low	X	1.5	X		European Commission, 2010
<b>Hungary</b>	Not Ranked			X		Global Integrity, 2008
<b>India</b>	Moderate to Low	X	4.5		X	Ghoshroy, Subrata, 2007
<b>Indonesia</b>	Moderate	X	6	X	X	
<b>Iraq</b>	Low		2		X	Global Integrity, 2008
<b>Ireland</b>	Not Ranked			X		Department of Defence, Ireland, 2009; & Department of Finance, Ireland, 2010
<b>Israel</b>	Not Ranked			X		Ministry of Finance, Israel, 2010; Swirski, Shlomo & A Frankel, 2000; International Monetary Fund, 2006; & Oxford Analytica, 2005
<b>Italy</b>	Moderate	X	5.5	X		
<b>Jamaica</b>	Not Ranked			X		FLACSO, 2006; & D Luton, 2009

<b>Japan</b>	Not Ranked			X		M Kiselycznyk & PC Saunders, 2010; & World Bank Institute, 2005
<b>Jordan</b>	Moderate to Low	X	3	X		Global Integrity, 2009
<b>Kazakhstan</b>	Moderate to High	X	8	X		BBC News, 2009; & Revenue Watch Institute
<b>Kenya</b>	Moderate to High	X	9.5		X	TR Lansner, 2010; & All Africa (2010)
<b>Kyrgyz Republic</b>	Low	X	2	X		
<b>Latvia</b>	Not Ranked			X		Ministry of Defence, Latvia, 2008; DJ Kraan, J Wehner, J Sheppard, V Kostyleva & B Duzler, 2009; & Global Integrity, 2007
<b>Lebanon</b>	Low	X	1	X		
<b>Liberia</b>	Moderate	X	7			B Wharton, N Cook & B Friedman, 2011
<b>Lithuania</b>	Not Ranked			X		Ministry of Finance, Lithuania, 2011; Ministry of Defence, Lithuania, 2009; & Global Integrity, 2008
<b>Macedonia</b>	Moderate	X	6	X	X	Pietz & Remillard, 2006
<b>Malawi</b>	Low	X	1.5			B Phiri & M Jones, 2008
<b>Malaysia</b>	Moderate to Low	X	4.5	X		
<b>Mali</b>	Moderate to High	X	8			A Ayissi & N Sangare, 2006; & Ministere De L'economie Et Des Finances, Republique Du Mali, 2011
<b>Malta</b>	Not Ranked			X		IMF, 2008; The Treasury Department, Malta, 2009-2010; & Ministry of Finance, the Economy and Investment, 2011
<b>Mexico</b>	Moderate to Low	X	4.5	X		Woodrow Wilson International Center for Scholars, 2009
<b>Moldova</b>	Not Ranked			X		Ministry of Defence of the Republic of Moldova, 2010; & Global Integrity, 2008
<b>Mongolia</b>	Moderate to High	X	8	X		A Van Zyl, 2010; & Global Integrity, 2009
<b>Montenegro</b>	Not Ranked			X		Bertelsmann Transformation Index, 2010; & Global Integrity, 2008
<b>Morocco</b>	Moderate to Low	X	2.5	X	X	

<b>Mozambique</b>	Moderate to High	X	9			L Macuácuá, 2006; República de Moçambique, Ministério das Finanças, 2008; & Electoral Institute for the Sustainability of Democracy in Africa, 2009
<b>Namibia</b>	Moderate	X	7	X		Ministry of Finance, Namibia, 2010
<b>Nepal</b>	Moderate	X	7	X	X	
<b>Netherlands</b>	Not Ranked			X		Rijksoverheid, the Netherlands, 2009, 2010, 2011
<b>New Zealand</b>	High	X	12	X		
<b>Nicaragua</b>	Moderate to Low	X	3	X		
<b>Niger</b>	Low	X	1			African Development Fund, 2010
<b>Nigeria</b>	Low	X	2			Stockholm International Peace Research Institute (SIPRI), 2010
<b>Norway</b>	High	X	12	X		
<b>Pakistan</b>	Low	X	2			SM Naseem, 2008; & A Siddiq, 2007
<b>Papua New Guinea</b>	Moderate	X	5.5			Department of Treasury of Papua New Guinea, 2011
<b>Paraguay</b>	Not Ranked			X		Ministerio de Hacienda, Paraguay, 2009; & IMF, 2006
<b>Peru</b>	Moderate to High	X	8	X		
<b>Philippines</b>	Moderate to High	X	7.5	X		
<b>Poland</b>	Moderate to High	X	7.5	X		
<b>Portugal</b>	High	X	12	X		
<b>Romania</b>	Moderate to Low	X	4.5	X		
<b>Russia</b>	Moderate to High	X	9	X		D Bergvall et al., 2008; & Global Security, 2009
<b>Rwanda</b>	Moderate to Low	X	4			Global Integrity, 2009
<b>Sao Tome e Principe</b>	Low	X	1		X	
<b>Saudi Arabia</b>	Low	X	1.5			C Solmirano & PD Wezeman, 2010; & R Carlitz & A Heuty, 2009
<b>Senegal</b>	Low	X	2	X		United States Agency for International Development (USAID), 2007; & Bertelsmann Transformation Index, 2010
<b>Serbia</b>	Low	X	2	X		S Pesek & D Nikolajevic, 2010; & European Commission, 2009

<b>Sierra Leone</b>	Not Ranked			X	X	Ministry of Finance, Sierra Leone, 2010; & Global Integrity, 2009
<b>Slovakia</b>	High	X	10	X		Global Integrity, 2009
<b>Slovenia</b>	Moderate to High	X	9	X		
<b>South Africa</b>	High	X	12			
<b>South Korea</b>	Moderate to High	X	9	X		
<b>Spain</b>	Moderate to High	X	9	X		
<b>Sri Lanka</b>	Moderate	X	7			Ministry of Finance and Planning, Sri Lanka, 2010; & C Jayaratne, 2010
<b>Suriname</b>	Not Ranked			X		
<b>Sweden</b>	High	X	12	X		
<b>Switzerland</b>	Not Ranked			X		Federal Department of Finance, Switzerland, 2011
<b>Tanzania</b>	Moderate to Low	X	4.5			Ministry of Finance, Tanzania, 2010
<b>Thailand</b>	Moderate to Low	X	4.5	X		
<b>Timor-Leste</b>	Low		1	X		Republica Democratica de Timor-Leste, 2011; & Global Integrity, 2007
<b>Trinidad and Tobago</b>	Moderate to Low	X	4	X	X	Trinidad Express Newspapers, 2010
<b>Turkey</b>	Moderate to Low	X	3.5	X		
<b>Uganda</b>	Moderate	X	5		X	A Mwenda & Transparency International, 2008
<b>Ukraine</b>	Moderate to High	X	8.5	X		Consultation with Ukrainian Expert
<b>United Kingdom</b>	High	X	11.5	X		Ministry of Defence of the United Kingdom, 2011; Her Majesty's Treasury of the United Kingdom, 2011; & National Audit Office of the United Kingdom, 2011
<b>USA</b>	High	X	11	X		
<b>Venezuela</b>	Moderate to Low	X	3			J Colgan, 2011
<b>Vietnam</b>	Moderate to Low	X	3.5			CA Thayer, 2009; N Von Kospoth, 2009; & PK Jha, 2009
<b>Yemen</b>	Low	X	2			Global Integrity, 2008
<b>Zambia</b>	Moderate	X	6.5	X		Ministry of Finance and National Planning, Zambia, 2010

## APPENDIX II: ORGANISATIONS THAT HAVE STUDIED DEFENCE BUDGET TRANSPARENCY

### 1. International Budget Partnership

The International Budget Partnership (IBP) is a civil society organization engaged in a broad spectrum of activities aimed at raising levels of budget transparency and accountability with a particular focus on reducing poverty and improving governance in poor countries. As part of its Open Budget Initiative (OBI), the organization has crafted and conducted a survey to develop the Open Budget Index, which ranks the level of openness of state budgets around the world. The questionnaires used in this survey, along with answers from each country, are available on their website.

While the OBI focuses on the state budget as a whole (as opposed to the defence budget specifically), it is the only comprehensive initiative currently available that measures and ranks the level of transparency of budgets on a global scale. Regarding the defence sector specifically, questions included in the survey focus primarily on secret expenditures, which are also the ones most difficult to find any useful information on. However, depending on the answers provided by practitioners providing answers to the survey's questions in most cases it can be judged how involved parliament is in the implementation and monitoring of the defence budget.

The survey questionnaire used for the bulk of the research for this Defence Budget Transparency Report was the 2010 OBI. For access to the questions and answers for both the 2008 and 2010, as well as notes and analysis, go to <http://www.openbudgetindex.org/>.

### 2. Red de Seguridad y Defensa en America Latina (RESDAL)

Established in 2001, the Security and Defence Network of Latin America, aims to empower civil society and promote democratic principles in the functioning of the defence and security sectors in Latin America. The organization's website provides a wealth of resources addressing various aspects of civil-military relationships in Latin America. Particularly relevant is the work conducted as part of RESDAL's Transparency and Quality in Defence Budgets Programme, which analyses current practices of defence budget planning, implementation and oversight and suggests ways in which civil society can provide input into resource allocation and monitoring for the defence sector. Specifically, it focuses on a methodology for analysing

defence budgets in Latin America and developing guidance for pro-transparency civil society advocacy.

The most important publication is the 'Defence Budget in Latin America: The Importance of Transparency and Tools for an Independent Monitoring' (2005), a publication which includes information on the general state of the security sector in Latin America, characteristics of defence budgets and a myriad of practical suggestions geared towards civil society on how to understand and scrutinize defence budgets. The full text of the publication can be found at: [http://www.resdal.org/ing/presupuestos/libro-guia-presu\\_i.pdf](http://www.resdal.org/ing/presupuestos/libro-guia-presu_i.pdf)

In addition, the organization has published 'A Comparative Atlas of Defence in Latin America' (2008 ed.). Originally published in 2005 in Spanish only, the 2008 edition (available in both English and French) serves as a reference guide for the security and defence sectors in the region. Some of the main components included in the publication are the existing legal frameworks and the overall organization of defence systems, budgets, armed forces, and parliamentary processes. The full text version or individual chapters can be found at: <http://www.resdal.org/atlas/atlas-libro08-ingles.html>.

Significant information is also provided in the 'Further Reading' section of RESDAL's website, where permanent links on various publications pertaining to the defence sector and fiscal management and transparency are included. Publications are separated into seven thematic categories: 1) Core Documents; 2) Public Expenditure Management; 3) Transparency; 4) Participatory Budget; 5) Defence Budgets; 6) Parliament and Budget Work; and 7) Case Studies.

Some of the documents are available in Spanish only. The resource database can be found at: [http://www.resdal.org/ing/presupuestos/presupuestos-docs\\_i.html](http://www.resdal.org/ing/presupuestos/presupuestos-docs_i.html).

### 3. Turkish Economic and Social Studies Foundation (TESEV)

Founded in 1994 and based in Istanbul, TESEV is a non-governmental think-tank focusing on the analysis of political, social and economic policy issues and implications relevant for Turkey. The three central pillars that the organization focuses on are democratization, foreign policy and good governance. TESEV is particularly known for its work promoting pro-democratic state reform, combating corruption and studying accountability and transparency of socio-political and economic processes in Turkey. As part of its work on fiscal transparency, TESEV has undertaken

a budget monitoring project to monitor central budgeting and has developed a Public Expenditure Analysis (PEA) framework in order to establish whether public finance is indeed managed in a way that addresses the needs of the neediest part of the population. Furthermore, under its security sector reform umbrella, TESEV has launched a series of policy papers aimed at raising levels of effectiveness, transparency and accountability of the various defence and security sector establishments. Particularly relevant for defence budgetary analysis is Ismet Akça 2010 publication 'Military-Economic Structure in Turkey: Present Situation, Problems and Solutions', a comprehensive analysis of the structure and trends in Turkish military spending as well as the involvement of the military in various industry and business activities. The full-text English version of the report can be found at: [http://www.tesev.org.tr/UD\\_OBJS/PDF/DEMP/ENG/gsr-2-eng.pdf](http://www.tesev.org.tr/UD_OBJS/PDF/DEMP/ENG/gsr-2-eng.pdf).

#### 4. Stockholm International Peace Research Institute (SIPRI)

SIPRI has devised and regularly updates a database of military expenditures of 171 countries. Because there is no universally agreed upon definition of military expenditures (a great hurdle in determining both levels of spending and an adequate universally applicable system of measuring what should be included in a defence budget), SIPRI has come up with a definition of their own which broadly includes a number of items which are consistent with the conceptual definition of military expenditures. This list of items serves as a set of guidelines for SIPRI's collection, processing and publishing of military expenditures. Included are current expenditures on the day-to-day operations of the military forces (also known as recurrent or ordinary expenditures) as well as long term expenditures on investments in weapons capabilities and construction (also known as capital or development expenditures).<sup>1</sup> Also taken into account are the specific activities that fall in the domain of defence and security operations such as military space activities, where they exist, and the civilian administration of defence establishments. More problematic is the inclusion of spending on paramilitary forces due to the difficulty arising from classifying which forces are to be termed as paramilitary; Some examples of paramilitary forces are border guards, national guards or other security forces.<sup>2</sup> A third ingredient in the definition of military expenditures used by SIPRI includes the parts that make up military

expenditures, the most important and common ones being personnel, operations and maintenance, procurement, military research and development (R&D) and construction. The extent to which each country classifies expenditures according to these common components depends on the type of policy priorities they have set regarding their national defence and security. It is important to note that expenditures on personnel are not strictly limited to on-going personnel salary, but also include retirement pensions for ex-soldiers and security servicemen.<sup>3</sup> However, the expenditures for a number of countries included in the SIPRI database, particularly former Soviet Bloc countries; do not include retirement pensions in their calculations.<sup>4</sup> When calculating military expenditures, SIPRI only recognizes military aid spending in its estimates of the donor countries' expenditures, but not of the recipient country. The rationale behind this is the contention that receiving military aid does not place a burden on the recipient's budgets and as such is not useful in determining to what extent military spending puts an economic strain on a government, which is of central interest to SIPRI.<sup>5</sup> Additional items that SIPRI aims to exclude from its analysis (although they tend to be included in defence budgets) are expenditures related to demobilization, defence industry conversion and asset disposal (more precisely, destruction of weapons).<sup>6</sup>

While universally recognized as a leading organization in the public disclosure of defence expenditures, SIPRI's database might be somewhat misleading for those interested in transparency of defence expenditures. This is particularly true in regard to those expenditures that are excluded from the SIPRI definition, but which are nonetheless spent on military or defence-related activities. As such, regardless of their source of financing, they are important to be known if an adequate picture is to be created of the type of activities that the defence and security sector carry out.

With specific reference to defence budget transparency, SIPRI has undertaken valuable studies particularly for African defence budgeting. Wuyi Omitoogun's *The Process of Budgeting for the Military Sector* (found at <http://www.sipri.org/yearbook/2003/files/SIPRIYB0308.pdf>) included in the 2003 edition of the SIPRI Yearbook provides a well-informed and in-depth analysis of the way in which defence budgets are devised in eight countries in Africa.

3        *ibid.*

4        Please, refer to individual countries factsheets in Volume II for reference to those countries whose SIPRI estimated expenditures do not include military pensions.

5        Skons, *op.cit.*, p.5.

6        *ibid.*

1        E Skons, *Understanding Military Expenditure: The SIPRI Experience, Presentation for the Workshop on Budgeting for Defence in Africa*, 2002, retrieved September 2010, [http://www.sipri.org/research/armaments/milex/publications/other\\_publ/skoens](http://www.sipri.org/research/armaments/milex/publications/other_publ/skoens).

2        *ibid.*

The goal of the report is to understand how budgeting is done in order to raise levels of oversight and accountability.

Noel Kelly's Appendix 5B: The Reporting of Military Expenditures included in the most recent 2010 edition of the SIPRI Yearbook addresses the general state of publicly available information regarding military expenditures, a topic which seems to be gaining renewed momentum. Kelly's report is available online at: <http://www.sipri.org/yearbook/2010/05/05C/?searchterm=kelly%20noel>.

## 5. Geneva Centre for the Democratic Control of Armed Forces (DCAF)

DCAF, a leading organization undertaking research and providing advice in the sphere of security sector reform and governance, has specifically explored defence budgeting in several publications. The 2006 background report titled *Parliament's Role in Defence Budgeting* provides a brief and widely understandable overview of the defence budgeting process and the function of the legislature in it. It is available in multiple languages at <http://www.dcaf.ch/publications/kms/details.cfm?ord279=title&q279=defence+budget&lng=en&id=25263&nav1=5>.

In addition, the 2002 publication *Transparency in Defence Policy, Military Budgeting and Procurement* (ed. Todor Tagarev) is the result of a workshop co-organized by DCAF and the Bulgarian Ministry of Defence and held in Sofia in 2001. The publication has complemented efforts included in the Initiative on Transparency of Military Budgets of South-Eastern Europe, launched in 2001 after work in Bulgaria and the UK and resulting in a *Yearbook on South-East European Defence Spending* (available at <http://stabilitypact.org/def-econ/yearbook/foreword/htm>). The specific DCAF publication addresses issues pertaining to the security sector in South-East Europe with a special emphasis on practices of defence budget planning, implementation and oversight as an effective confidence-building measure to enhance regional cooperation and stability. Countries studied as part of the analysis were Bulgaria, Croatia, Bosnia and Herzegovina, Albania, Romania, Macedonia and Slovenia. Unfortunately, the initiative launched in Bulgaria and supported by the UK, among others, came to an end due to lack of funding in 2003.<sup>7</sup> While the publication is specifically useful in addressing defence budget transparency, the information presented therein is outdated given extensive reform undertaken in several countries.

Recognizing the necessity of establishing transparent

<sup>7</sup> TI DSP contacted Todor Tagarev from DCAF regarding the initiative.

and accountable defence budgeting processes, DCAF has also published a booklet on *Parliamentary Oversight of the Security Sector: Principles, Mechanisms and Practices* (2003)<sup>8</sup>, which includes a set of broad-based practical guidelines on effective defence budgeting to ensure accountability. The handbook is available in several languages at <http://www.dcaf.ch/publications/kms/details.cfm?lng=en&id=25289&nav1=4>.

## 6. Others:

### International Institute for Strategic Studies (IISS)

IISS is one of the four leading providers of information pertaining to military expenditures (along with SIPRI through its military expenditure database, the IMF through the publication of the *Government Financial Statistics Yearbook*, and the United Nations through its *Standardized Instrument for Reporting Defence Expenditures*). While not specifically focusing on transparency-building measures for defence budgeting, IISS nonetheless provides valuable information into the general state of the security sector of 170 countries.

For more information on the Military Balance, visit <http://www.iiss.org/publications/military-balance/>.

### Bonn International Centre for Conversion (BICC)

BICC is an NGO focusing on research and advisory services in the areas of peace and development. Among its leading areas of expertise are peace and development studies, arms exports and control, small arms and light weapons, resources and conflict, migration and conflict, and military base conversion.

In the areas of defence budget transparency, a useful publication has been co-authored with DCAF on *Security Sector Reform (SSR) in Albania, Macedonia and Croatia* with reference made to defence budget work in the region under the auspices of NATO. A full-text version of the text is available at <http://www.bicc.de/publications/briefs/brief-34.html>.

<sup>8</sup> Geneva Centre for the Democratic Control of Armed Forces (DCAF), *Parliamentary Oversight of the Security Sector: Principles, Mechanisms and Practices*, 2003, retrieved September 2010, <http://www.dcaf.ch/publications/kms/details.cfm?lng=en&id=25289&nav1=4>.

## Centre for European Security Studies (CESS)

CESS is an NGO based in Groningen, the Netherlands, with the mission of strengthening transparency, accountability and effectiveness of the security sector through research, training and consultancy predominantly in the field of SSR. The late David Greenwood was a member of the staff at CESS. David Greenwood was heavily involved in the initiative on Defence Budget Transparency in South-East Europe and has written publications on the subject. Most notable is the South-East European Defence Transparency Audit (2003) which focuses on Albania, BiH, Bulgaria, Croatia, Macedonia, Moldova, Romania, Serbia and Montenegro. A PDF version of the paper can be found online at <http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?ots591=&lng=en&id=550>.

## APPENDIX III : CURRENT INITIATIVES AND STANDARDS OF GOOD CONDUCT

### 1. Organization for Economic Co-Operation and Development (OECD)

Drawn in 1999, the OECD Best Practices for Budget Transparency include three main components: 1) the main budget documents that governments should disclose with an appropriate content; 2) specific information to be disclosed in those reports including both financial and non-financial data; 3) methods for ensuring that reports are accurate and transparent. The manual is meant to encourage OECD member states to release more comprehensive and accurate fiscal data. No formal process or mechanism for monitoring and enforcing these processes was devised.

For more information, see <http://www.oecd.org/dataoecd/33/13/1905258.pdf>

### 2. International Monetary Fund (IMF)

The IMF has devised a Manual on Fiscal Transparency and Code of Good Practices on Fiscal Transparency which was first released in 1998 and is accompanied by a process for assessing countries' adherence to its principles as well as by a lengthy manual to such good assessments. Accordingly, the IMF compares the performance of over 90 countries in relation to the code. As part of its broader framework for monitoring countries in an attempt to promote fiscal discipline, ensure debt repayment and encourage foreign investment, the IMF publishes the

Reports on the Observation of Standards and Codes on Fiscal Transparency (also known as Fiscal ROSCs). These reports cover a range of issues pertaining to fiscal practices and include twelve main components: accounting, auditing, anti-money laundering and countering the financing of terrorism, banking supervision, corporate governance, data dissemination, fiscal transparency, insolvency and credit rights, insurance supervision, monetary and financial policy transparency, payments systems, and securities regulation. The reports are published on the request of the member country.

For more information, see <http://www.imf.org/external/np/fad/trans/index.htm>

### 3. United Nations (UN)

The UN Instrument for Standardized International Reporting of Military Expenditures dates back to 1980 and remains the only official worldwide reporting system to date. It is a voluntary instrument for disclosing defence-related expenditures and the UN calls on its members to do so on an annual basis. Although the instrument was initially created in an attempt to reduce military expenditures, it has evolved to be a tool only aimed at raising levels of transparency. The form that governments are asked to fill out resembles a matrix and includes a breakdown of data by function (personnel, operations and maintenance, procurement, construction and R&D, each of which is broken down into further categories) and by military service (air force, navy and army). Included is also information on participation in foreign military operations and peacekeeping missions.

The database with country information can be found at <http://www.un.org/disarmament/convarms/Milex/html/MilexIndex/shtml>

The UN's General Assembly (UNGA) has also passed UNGA Resolution 35/142 entitled Reduction of Military Expenditures in 1980 and UNGA Resolution 48/62 entitled Reduction of Military Budgets: Transparency of Military Expenditures in 1994. These call for the creation of a standard for the reporting of military expenditures and mutual disclosure among member states of such information. Subsequent resolutions have been adopted to reinforce the established standards. UNGA Resolution 26/13 from December 2007 encourages international and regional organisations to endorse and raise awareness on transparency in military expenditures.

#### 4. Organization for Security and Co-Operation in Europe (OSCE)

The OSCE has established the Code of Conduct on Politico-Military Aspects of Security (1994) which stipulates that defence budgets must not prevent resources from being allocated to other parts of the public sector and general development initiatives. The Code also calls for the provision of legislative approval and transparency as well as for the availability of information for public scrutiny.

For more information, see [http://www.osce.org/documents/fsc/1994/12/4270\\_en.pdf](http://www.osce.org/documents/fsc/1994/12/4270_en.pdf)

#### 5. North-Atlantic Treaty Organization (NATO)

Launched in 2004, the NATO Partnership Action Plan on Defence Institution Building defines shared objectives and encourages exchange of knowledge on issues pertaining to the building of effective and efficient defence institutions which function under proper democratic and civilian control. Central issues of the Plan involve transparent and effective processes of budget allocation for the defence sector as well as transparent and reliable methods for oversight and monitoring of defence sector activities.

For more information, see [http://www.nato.int/cps/en/SID-78B48837-BD737171/natolive/topics\\_50083.htm](http://www.nato.int/cps/en/SID-78B48837-BD737171/natolive/topics_50083.htm)

In addition, each year NATO members are asked to submit a report on their defence expenditures. Those are meant to be actual expenditures as opposed to allocated resources. For more information, see [http://www.nato.int/cps/en/natolive/topics\\_49198.htm](http://www.nato.int/cps/en/natolive/topics_49198.htm)

#### 6. Council of Europe

In 2002, the Committee of Ministers of the Council of Europe adopted Recommendation Rec (2002) 2 meant to guarantee access of information of public authorities' information to the public. According to the Recommendation, official documents refer to 'all information recorded in any form, drawn up or received and held by public authorities and linked to any public or administrative function, with the exception of documents under preparation'.<sup>9</sup>

For more information, see [http://www.coe.int/T/E/Human\\_rights/rec%282002%292\\_eng.pdf](http://www.coe.int/T/E/Human_rights/rec%282002%292_eng.pdf)

#### 7. Public Expenditure and Financial Accountability (PEFA)

PEFA was released in 2005 and is an international partnership between the World Bank, the EU Commission, UK's Department for International Development (DFID), the Swiss State Secretariat for Economic Affairs, the French Ministry of Foreign Affairs, the Royal Norwegian Ministry of Foreign Affairs and the IMF. The PEFA programme aims to help improve assessment and consequent reform of countries systems for public expenditure, procurement and financial accountability.

Countries participate in the programme voluntarily. Since 2005 approximately 66 countries have participated either once or twice.

For more information on PEFA and country reports, see <http://www.pefa.org>

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<sup>9</sup> Council of Europe, *Recommendation Rec(2002)2*, 2002, retrieved September 2010, [http://www.coe.int/T/E/Human\\_rights/rec%282002%292\\_eng.pdf](http://www.coe.int/T/E/Human_rights/rec%282002%292_eng.pdf).



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