

Defence Budgeting in ASEAN Member States: Parliamentary Perspectives

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While many people know how a president or parliament is elected, or how a draft law becomes a statute, very few are aware of how money is distributed in and by the government. In particular, this applies to the defence sector, which is a fairly closed sector of government activity and where defence budgeting is surrounded by secrecy. Indeed in many countries, large parts of the defence budget are by-and-large classified or the defence budget is not classified, but is very difficult to understand or to obtain.

Moreover, in many transition countries, the military is still able to protect some of their old prerogatives. While they had to give up most of their political prerogatives (i.e. to rule the country or have a profound influence on the government of the country), they still possess a wide array of institutional prerogatives. In many transition states, the military has the capacity to define defence policy and to manage the military without interference from outside actors including, most notably, the power to determine the defence budget without outside interference.

The twin-problems of excessive secrecy and the issue of the military's prerogative to determine the defence budget in many post-dictatorship states, are major obstacles for parliament's involvement in transparent defence budgeting.

In this presentation, I will describe a framework for parliamentary involvement in defence budgeting. While I have chosen not to deal with the actual role of parliament in defence budgeting Southeast Asia, the framework and recommendations presented for strengthening parliament's role, can be used for further discussions on the role of parliaments in Southeast Asia during this conference.

Why should parliament be involved?

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Why should parliaments be involved in defence budgeting? The main reason is that in a democracy the motto “No taxation without representation” applies. More specifically, at least four reasons exist for a strong involvement of parliaments in defence budgeting:

1. The enormous size of the budget of the defence sector. It is very considerable in size and is paid for by public resources, and through its representatives in parliament the people have a right to know and to determine how their tax money is spent.
2. At the level of the society, the function of the budget is to set/follow priorities. I refer here to the so-called guns versus butter issues. There will be never be a big enough budget available to address all defence and security needs. Hence the need to continuously make choices and to set priorities. As representatives of the people, it is essential that parliament is involved in setting societal priorities and be involved in these butter-versus-guns issues.
3. At the level of the defence organisation itself, the budget is a management instrument through which parliament can influence defence policy. Very often parliament is able to steer the defence management process through making changes to specific defence budget programmes.
4. The final reason for parliament to be involved is that budget control steered by the parliament represents an essential part of the checks and balances system in government. By controlling the purse, parliament possesses a countervailing power. In presidential systems, where parliament cannot force the cabinet or head of state to step down, it is the only way to force its will upon the executive.

As a result:

- Parliament keeps the public informed through its public debates on defence budgeting;
- It provides for transparency in governmental decision-making about defence resources; and,
- It is a way of preventing the misuse of public funds by the executive, the military or the defence industry

What are international standards for defence budgeting?

International standards for defence budgeting are virtually non-existent and primarily deal with reporting requirements relating to military expenditures.

Global standards and initiatives for standards

- **United Nations Instrument for standardized international reporting of military expenditure** - in December 1980, the UN GA adopted Resolution 35/142 B, entitled "Reduction of military budgets", which introduced the United Nations system for the standardised reporting of military

expenditures. A further 10 subsequent resolutions endorse guidelines for reporting and recommendations for “**Objective information on military matters, including transparency of military expenditures**” and call upon the member states to report their military expenditures for the latest fiscal year by 30 April. The UN AG also encourages other international bodies and regional organisations to promote transparency of military expenditures. About 80 countries report every year.²

- World bank 1998 Principles of Good Budgeting: comprehensiveness, predictability, contestability, transparency, periodicity
- IMF 1998 Code of Good Practice on Fiscal Transparency: Clarity of roles and responsibilities, public availability, open budget preparation, execution and reporting, independent assurances of integrity

Regional standards and initiatives for standards

- **OSCE Code of Conduct on Politico-Military Aspects Military** - “Each participating State will provide for its legislative approval of defence expenditures. Each participating State will, with due regard to national security requirements, exercise restraint in its military expenditures and provide for transparency and public access to information related to the armed forces” (Article 22).
- The (draft) **ECOWAS Code of Conduct for Armed and Security Forces in West Africa** (2006) calls for transparency and accountability in defence planning, budgeting and procurement. The document recommends the information and the education of the public about unclassified programmes and operations.
- **NATO Partnership documents** The Partnership Action Plan on Defence Institution Building expresses the commitment of Allies and Partners to develop effective and transparent financial, planning, and resource allocation procedures in the defence area, and also an effective, transparent and economically viable management of defence spending, taking into account macro-economic affordability and sustainability.³

What is defence budgeting?

Defence budgets can be many things at the same time, depending on the point of view from which they are considered, i.e. (1) defence budgeting as a ritual; (2) defence budgeting as politics; (3) defence budgets as a document; (4) defence budgeting as a process.

² (RES 62/13 adopted in December 2007). The text of all the Resolutions and the SG Reports to the General Assembly - containing annual Country Reports on military expenditures -can be consulted online at <http://disarmament.un.org/cab/milex.html>.

³ Points 5.6 and 5.7 of the Partnership Action Plan on Defence Institution Building (PAP DIB), adopted in 2004 at the NATO Istanbul Summit, at <http://www.nato.int/docu/basicxt/b040607e.htm>.

Defence budget as a ritual:

Key words are: Incrementalism, uncontrollability and expressive action (the best predictor of any future budget is that of the previous year). Many expenditures in the defence budget are fixed or uncontrollable because spending is determined by factors that lie outside the control of the parliament, but also outside the control of government or military. Examples include:

- Pensions
- Social and medical insurance expenditures
- Already committed peacekeeping operations
- Costs related to infrastructure (30 years)
- Defence equipment procured in the past (10-20 years)
- Interest payments related to debts incurred in the past, e.g. for purchasing defence equipment

Some experts have estimated that the uncontrollable part of budgeting amounts to some 60% of the total expenditures. The level of difficulty inherent in controlling the defence budget means that parliamentarians focus on the increase or decrease of the defence budget, which often more or less makes up the small percentage (up to 5%) that the military receives.

Defence budget as politics: who gets what, when and how.

In general, military and other government officials are likely to ask for a bigger budget each year because they follow the budget-maximising rationale. A bigger budget means more people, more resources and therefore more power. A hefty budget is also seen as an indicator of success and prestige. A fall in the budget, on the contrary, is seen as a defeat.

Party and government/opposition politics is paramount. Not surprisingly, research on government budgeting has revealed that the biggest causal factor of the level of the budget is the government's recommendation. The majority in parliament is formed by government parties, who will closely follow the defence minister's recommendation.

Role of parliament: while much could be said about budgeting as politics, a meaningful role of parliament would imply looking into:

- Focusing on defence committee work instead of on the plenary. The work done within the defence committee would be less politicised (often taking place behind closed doors) as would the deliberations on the plenary;
- The rights/role of the minority/opposition party, e.g. parliamentary tools which do not require a majority in parliament;

- Position of opposition members: chair or vice-chair of the defence committee, audit committee or budget committee given to opposition party members
- Pet projects and hobby horses of parliamentarians, mainly influenced by constituencies.

Defence budget as a document

At the same time, the defence budget is a piece of paper with a particular layout/format. It is not just a piece of paper, but is in fact a law in the majority, if not all, countries.

The defence budget law proposes expenditures related to defence activities, i.e.

- The armed forces — including peace-keeping forces deployed abroad
- The civil administrations of the military sector — defence ministries and other government agencies engaged in defence activities
- Paramilitary forces — non-regular armed forces who are judged to be trained, equipped and available for military operations (*can appear in the budget of the Ministry of the Interior*)

The defence budget often includes the following activities:

- personnel
 - all expenditures on current personnel, military and civil
 - retirement pensions of military officers (*can appear in the budget of Social Security Ministry*)
 - social services for personnel and their families
- operations and maintenance
- arms procurement
- military research and development
- military construction (*can appear in the budget of Development Ministry*)
- military aid (*appears in the budget of the donor country*)

On the other hand, the following defence related expenditures are not generally included in the defence budget:

- civil defence
 - economic defence (protection of strategic infrastructure, oil reserves, food supplies etc)
 - psychological defence (defence from hostile enemy propaganda)
- current expenditure for past military activities (*can appear in the budget of non-defence ministries*)
 - veterans benefits

- demobilisation
- conversion of arms production facilities
- destruction of weapons
- military aid (*does not appear in the budget of the receiver country*)
- revenues from economic activities of the armed forces
 - conversion of defence facilities through privatisation, sale or rent
 - military commercial activities (formal or criminal)
- debts incurred from military purchases (interest and amortisation of military equipment financed via foreign loans)
- emergency funds (*!can appear only in budget rectification/supplementation*)
- “Black Budgets” – the identity, purpose and cost of secret operations are either not detailed or not clearly identified in budget documents

Defence budgeting as a process

The defence budget can also be seen as the outcome of a process. In looking at possible roles of parliament in defence budgeting, it is most useful to view the defence budget as a PROCESS, consisting of drafting, approving, execution and audit of the defence budget.

Generally, two types of budget processes can be distinguished: input/line item budget versus programme or performance based budgeting.

Input/line item budgeting: This is the traditional approach to budgeting, based on listing detailed expenditure requirements. The Ministry of Finance establishes a list of expenditure categories (also called appropriation titles). Each expenditure chapter is further sub-divided into sub-categories:

1. Expenditure categories

- 1.1. Groups (sub-divisions of an expenditure categories);
 - 1.1.1. Items (sub-divisions of an expenditure group);
 - 1.1.1.1. Kinds (sub-divisions of an expenditure item).

Each ministry establishes an estimate of their resource requirements based on past expenditure patterns – a typical ministry budget proposal can have a listing of hundreds of Items and thousands of Kinds.

Input budgeting is characterised by a focus on WHAT is money is being spent and a budget structure that follows the organisational structure of the ministry of defence. The strengths of line item budgeting are relative simplicity, lack of ambiguity and the potential for control of expenditures through easy comparison with previous years. The weaknesses of line item budgeting include insufficient information about the reasons for money is being spent and on the effectiveness and efficiency with which money is being spent. It also tends to encourage short time horizons and the micro-management of budget implementation.

On the other hand, programme and performance budgeting systems (PPBS) is a modern - performance based, results oriented approach to budgeting. It requires ministers to justify their budget proposals based on what they intend to deliver. PPBS focuses on WHY money is being spent. The strengths are:

- Facilitates cost-benefit analyses of defence expenditures,
- It links plans with funds and inputs with outputs.

The weaknesses of PPBS are:

- Difficult to leave the organisational focus of budgeting behind and budget solely on the basis of programmes;
- It is difficult to compare programmes on the basis of effectiveness and make choices on that basis.

What role for parliament?

First of all, based on the three pillars of parliamentary effectiveness, i.e. Authority, Ability and Attitude, one has to discern whether a parliament is:

Types of parliament

Budget-making parliament: these parliaments have the capacity to amend or to reject the budget proposal of the executive, and the capacity to formulate and substitute a budget proposal of their own.

Budget influencing parliaments: have the capacity to amend or to reject the executive's budget executive, but lack the capacity to come up with its own budget proposal

Rubberstamp parliaments lack the capacity to amend or to reject the budget proposal of the executive, neither do they have the capacity to issue their own proposal; their role is merely limited to assenting to the budget as proposed by the government.

It is not always a matter of legal powers, but also of ability to exercise these powers as well as the willingness to use the powers.

Ex ante and ex post budget oversight role for parliament

The role of parliament can be explored in terms of the phases of the budget cycle, which are the: formulation, approval, execution and audit of the budget.

Parliament can have a more ex ante or proactive role in the early stages of the budget cycle: i.e. during the formulation and approval process. The role of parliament can also be qualified as ex ante or proactive when it refers to shaping the budget cycle as a whole or if it refers to strengthening parliament's own role. What is meant by this is that parliament can enact laws which introduce a specific type of budgeting, e.g. a replacement of the input budgeting system with the programming and planning budgeting system. Ex post scrutiny is equally important. It focuses on whether the budget as proposed is properly implemented in practice. It refers to parliament's role in reviewing the report of the national audit institute and parliament's own reports and inquiries into past defence expenditures.

What are the challenges to parliament's role in defence budgeting?

The role of parliament can be restricted by the following:

- Legal restrictions:
 - Parliament may not make changes; it can only approve or reject the budget as a whole;
 - Parliament may not increase funding, i.e. it can only lower funding proposals
 - It may make changes, but only if the net result is a balanced budget
 - Any changes proposed by the parliament must be approved by the Government
- Insufficient capacity to analyse the defence budget proposal, in particular, a weak committee structure or lack of expert-staff may hinder a meaningful role for parliament in defence budgeting
- Insufficient or no access to classified budget documents (black budgets)
- Insufficient time to analyse and discuss the defence budget proposals
- Extra-budgetary revenues or, in other words, the financing of the state armed forces outside the treasury: private business of the armed forces, foreign military aid
- Uncontrollable aspects of the defence budget, e.g. expenditures which are fixed because of previous policy, commitments as well as entitlements.
- The fragmentation of defence expenditures over a wide range of government budgets (i.e. defence in the narrow sense), civil defence, pensions, health care for military personnel, DDR activities, etc.

- Politics or party discipline: blindly following the orders of the majority leaders and chief whips

How can the role of parliament in defence budgeting be strengthened?

The following is a list of possible measures to strengthen parliament's role in defence budgeting. This is not an exhaustive list, but should be viewed as the starting point for a discussion on strengthening the capacity of parliament to deal with defence budgets.

- 1) To review the defence budgeting process and to review the parliamentary powers in defence budgeting
- 2) Enabling parliamentary input in during the medium-term budget policy formulation
- 3) Adopt a national security policy and request that government uses the national security policy as a benchmark for future defence budget proposals
- 4) Establishing or increasing independent budget research capacity; to request the power to task the national audit office to undertake inquiries if need to be
- 5) Giving the opposition party the right to occupy the position of the chair of the defence committee and/or budget committee; to lower the threshold for starting a parliamentary inquiry into spending (including defence spending) from 50% plus 1 to one third or one quarter.
- 6) To create a direct reporting link between the parliament and the national audit institution
- 7) To enhance the capacity of parliamentarians themselves (training, seminars etc)
- 8) To broaden the access to information, (1) access to classified information; (2) access to independent advice and expertise; (3) access to information gathered/present within NGOs and advocacy organisations
- 9) Expanding the role of the defence committees in defence budgeting: establishing a comprehensive system for dealing with defence budgets; requesting more time for dealing with defence budget analysis (3 months altogether); introducing public defence budget hearings, boosting the expert support staff
- 10) Institutionalising a gender perspective on the budget