



BONN INTERNATIONAL CENTER FOR CONVERSION

B · I · C · C

BONN INTERNATIONAL CENTER FOR CONVERSION • INTERNATIONALES KONVERSIONSZENTRUM BONN

paper 38

**Incorporation
of Defense
Expenditures
into Public
Expenditure Work**

Incorporation of Defense Expenditures into Public Expenditure Work

**Short Assessment of the Situation in
Ethiopia, Burundi, Kenya, Tanzania and Uganda**

Authors:

Michael Brzoska (responsible)
Marc von Boemcken
Wolf-Christian Paes
Willem Jaspers (assistant)

Commissioned by KFW-Entwicklungsbank

Published by
©BICC, Bonn 2004
Bonn International Center for Conversion
Director: Peter J. Croll
An der Elisabethkirche 25
D-53113 Bonn
Germany
Phone: +49-228-911960
Fax: +49-228-241215
E-mail: bicc@bicc.de
Internet: www.bicc.de

Preface by KfW

Why is KfW development bank sponsoring an assessment of the defense budget in some of its partner countries? In other words, in an area that is not really one of the priority areas of development policy in the strict sense and, furthermore, is among a state's core sovereign functions? This question may arise initially. The answer is that budget funds of our partner countries are fungible, and the same applies to the Development Cooperation funds flowing into these countries. As a result, the area of defense cannot be left out of budget matters.

German Financial Cooperation is also increasingly obliged to deal with issues related to the appropriateness of defense expenditures and to the efficient and transparent preparation and implementation of the defense budget. This particularly applies to the execution of so-called programme-based joint financing, which is used in some cases to co-finance the budgets of our partner countries. For developmental reasons as well, including security sector reform, promotion of democracy and prevention of corruption, the defense budget is playing a growing role in the dialogue with our partner countries.

This short assessment provides KfW with a basis of information about the defense budgets in the countries selected. It makes it possible to delve into the topic on a case-by-case basis and, if necessary, to follow up on it during discussions with our partners and other donors. For the preparation of the first assessment, the BICC was requested to restrict itself to easily accessible sources, also not to put an additional strain on partner countries' capacities.

In view of its limited resources and the time constraints, we were pleased to see how much information the BICC was able to compile. The short assessment illustrates that the ongoing reform efforts related to budget planning and budget management have not been sufficiently extended to the defense budget. In this field there are still deficits in some countries that imply a clear need for action. Development Cooperation can formulate answers in the fields of good governance, transparent public finance management and security sector reform.

The conclusions drawn by the BICC in the assessment are solely the opinion of the authors. They did, however, offer an important basis for the discussions on further steps that have been held in German Development Cooperation and that will be continued in the future.

Dr. Hanns-Peter Neuhoff
Senior Vice President for Africa,
North Africa and South America
KfW Entwicklungsbank

Table of Contents

List of abbreviations	5
1. Introduction	7
2. Ethiopia	13
I. <i>General information on the military sector</i>	13
II. <i>Budget planning and implementation</i>	14
III. <i>Military expenditures in official national and international reporting</i>	15
IV. <i>Problems of the official data</i>	16
V. <i>Budget implementation, procurement</i>	17
VI. <i>Budget control</i>	18
VII. <i>Assessment</i>	19
3. Burundi	20
I. <i>General information on the military sector</i>	20
II. <i>Budget planning and implementation</i>	20
III. <i>Military expenditures in official national and international reports</i>	21
IV. <i>Problems of official data</i>	23
V. <i>Budget implementation, procurement</i>	24
VI. <i>Budget control</i>	24
VII. <i>Assessment</i>	24
4. Kenya	25
I. <i>General information on the military sector</i>	25
II. <i>Budget planning and implementation</i>	26
III. <i>Transparency of the defense budget</i>	29
IV. <i>Problems of official data</i>	29
V. <i>Problems with implementation</i>	30
VI. <i>Assessment</i>	31
5. Tanzania	32
I. <i>General information on the military sector</i>	32
II. <i>Budget planning and implementation</i>	33
III. <i>Transparency of military expenditures</i>	35
IV. <i>Problems with implementation</i>	37
V. <i>Assessment</i>	38
6. Uganda	38
I. <i>General information on the military sector</i>	38
II. <i>Budget planning and reporting</i>	40

<i>III. Military expenditures in official national and international reports</i>	42
<i>IV. Problems with the official data</i>	43
<i>V. Budget implementation, procurement</i>	44
<i>VI. Budget control</i>	46
<i>VII. Assessment</i>	47
7. Summary and further considerations	47
Selected literature	55
Annex tables	58

List of selected abbreviations

ADF	Allied Democratic Forces (Uganda)
APC	Armored Personnel Carrier
BICC	Bonn International Center for Conversion
BIF	Burundian Franc
BMZ	(German) Ministry for Economic Cooperation and Development
C&AG	Controller & Auditor General
CFAA	Country Financial Accountability Assessment
CPAR	Country Procurement Assessment Review
DFID	Department for International Development (Great Britain)
DPPF	Disaster Prevention and Preparedness Fund
DRC	Democratic Republic of the Congo
EPRDF	Ethiopian People's Revolutionary Democratic Front
FDD	Forces pour la Défense de la Democratie (Burundi)
FNL	Forces for National Liberation (Burundi)
GDP	Gross Domestic Product
GFSY	Government Finance Statistics Yearbook (International Monetary Fund)
GNP	Gross National Product
HIPC	Heavily Indebted Poor Countries
ICG	International Crisis Group
IEA	Institute for Economic Affairs (Nairobi/Kenya)
IFMS	Integrated Finance Management System
IGR	Institutional and Governance Review
IISS	International Institute for Strategic Studies
IMF	International Monetary Fund
IPRSP	Interim Poverty Reduction Strategy Paper
JSA	Joint Staff Assessment
KES	Kenyan Shilling
KfW	Kreditanstalt für Wiederaufbau (KfW Development Bank)
LDU	Local Defense Unit
LRA	Lord's Resistance Army (Uganda)
MEFP	Memorandum of Economic and Financial Policies
MTEF	Medium-Term Expenditure Framework
NAO	National Audit Office
NEC	National Enterprise Corporation (Uganda)
PEM	Public Expenditure Management
PEP	Public Expenditure Policy

PER	Public Expenditure Review
PETS	Public Expenditure Tracking Survey
PEW	Public Expenditure Work
PRGF	Poverty Reduction Growth Facility
PRSP	Poverty Reduction Strategy Paper
ROSC	Review of Standards and Codes
SIPRI	Stockholm International Peace Research Institute
TI	Transparency International
TZS	Tanzanian Shilling
UGX	Ugandan Shilling
UNDP	United Nations Development Programme
UNMEE	United Nations Mission in Ethiopia and Eritrea
UPDF	Ugandan People's Defense Force
US DOS	United States Department of State
WB	World Bank

1. Introduction

With budget support becoming more and more important within development cooperation, the principles of ‘sound’ (that is, transparent, responsible and democratically accountable) state budgeting are given increasing weight. The driving force behind this development are the World Bank (WB) and the International Monetary Fund (IMF), but German development institutions, including the Kreditanstalt für Wiederaufbau (KfW) as the German institution in the field of Financial Cooperation (FC), take part, too. Financial support is given in the context of coordinated poverty alleviation on the basis of ‘Poverty Reduction Strategy Papers’ (PRSP); but also indirectly through budget support, for instance within the framework of debt relief for highly indebted poor countries (HIPC).

With respect to transparency and accountability, military expenditures¹ often prove problematic. Many governments do not include military expenditures in their budgets, or if they do, these expenditures are not disaggregated. Numerous studies have shown that the official numbers given by many governments often do not correspond to their actual military expenditures (measured by international definitions).²

Military expenditures are not the only kind of problematic expenditures in the budget reporting of many countries. In recent years, numerous efforts have been made to improve public expenditure budgeting. The main question to be examined in this short assessment is if, and to what extent, these efforts have had an effect on the planning, reporting and control of military expenditures in a selection of East-African countries (Ethiopia, Burundi, Kenya, Tanzania and Uganda).

Public Expenditure Work

WB and IMF, with the help of bilateral donors, have developed a number of instruments to improve the planning, implementation and control of public budgeting on a worldwide scale.³ Important elements of international ‘Public Expenditure Work’ to improve national public budgeting are a) Support for a solid ‘Public

1 Military and defense are used interchangeably in this text.

2 Nicole Ball, *Economy and Security in the Third World*, Princeton, 1988; Michael Brzoska, “World Military Expenditures”, in Keith Hartley and Todd Sandler, *Handbook of Defense Economics*, Amsterdam, 1995.

3 Richard Allen, Salvatore Schiavo-Campo, Thomas Columkill Garrity, *Assessing and Reforming Public Financial Management: A New Approach*, World Bank, Washington, 2004.

Expenditure Policy' (PEP), in which government optimizes the efficiency of its expenditures, and b) Support for 'Public Expenditure Management', in which the different functional aspects of the budget are brought in line with the principles of sound budgeting.

A sound PEP implies, amongst other things, that the expenditures are based on clearly defined and limited goals and plans, relating to specific areas. Furthermore, it is important that these plans are presented and discussed in the appropriate political forums, especially the National Parliament. They should also be accessible to the wider public. In assessing a PEP, questions that should be asked are whether the allocation of financial resources to certain sectors is in line with the overall goals of the government and if these allocations are efficient with regard to these goals, and whether the allocation of public goods within sectors/ministries is effective and efficient.⁴

The objective of PEM is to transform political decisions into budget planning, implementation and control, in an efficient, transparent and effective way. WB and IMF have developed and codified basic rules for sound budgeting, on the basis of principles for public finance policies and examples of 'good practice' in a number of states.⁵ Elements of these basic rules include:

- Completeness (all income and expenditure of the state linked together),
- Sustainability (expenditure and income must be balanced in the medium-term),
- Competition between categories of expenditures (decisions on allocation of resources within the budget are well founded),
- Transparency (information must be given on expenditures and income, as soon as possible),
- Accountability (inefficient and unintended expenditure of funds will be punished).

WB and IMF have developed multiple instruments for the assessment of budget planning, implementation and control based on the basic rules for sound budgeting. Among these are:

4 Presentation of Sanjay Pradhan, WB, on PEW during InWent/BMZ Workshop "Bringing Defense Expenditures into Public Expenditure Work", Bonn, 9/10 February 2004.

5 <http://www1.worldbank.org/publicsector/pe/index.cfm>; International Monetary Fund, *Code of Good Practices on Fiscal Transparency*, <http://www.imf.org/external/np/fad/trans/code.htm>.

- Public Expenditure Reviews (PER)
- Country Financial Accountability Assessments (CFAA)
- Country Procurement Assessment Reviews (CPAR)
- Medium-Term Expenditure Frameworks (MTEF)
- Review of Standards and Codes (ROSC)
- Public Expenditure Tracking Surveys (PETS)
- Institutional and Governance Reviews (IGR).

Military expenditures

Under the rules and for instruments of sound budgeting developed by WB and IMF, no exemptions or exceptions are made for military expenditures. These expenditures are to be assessed the same way as expenditures for other public functions. The basic principles of PEW are to be applied in the same way as with allocations to other sectors. Sector specific considerations, for instance on transparency, are to be justified and kept to a minimum.⁶

Frequently, the reporting on military expenditures in practice does not comply with this rule. This is the case both with the programming and reporting of military expenditures in the national budget and with reporting to international organizations such as WB, IMF and United Nations (UN). Some problems with national budgets are:

- Military expenditures are only presented in highly aggregated form (sometimes only with one figure);
- The definition of military expenditures in the national budget differs from international definitions;
- The existence of extra-budgetary funds for income and expenditure of the armed forces.

The most important sources of information on military expenditures in the countries that are the subject of this study (but also in other countries) are national budgets and other relevant national statistical documents. WB and IMF have the capability to collect further information on a country, for instance within the framework of an ‘Article 5’ consultations or negotiations on credits. The IMF is particularly active in this regard, but the institution only publishes data volunteered by

6 Nicole Ball and Malcolm Holmes, *Integrating Defense into Public Expenditure Work*. Paper commissioned by UK Department for International Development, 11 January 2001, <http://www.grc-exchange.org/docs/SS11.pdf>.

national governments, not the data it collects on its own initiative.⁷

In the early 1980s, the UN called upon all states to provide information on their military expenditures, using a format provided by the UN, but only a minority of states are complying.⁸

A small number of organizations use the information supplied by governments and their reports to international organizations in data sets of worldwide military expenditures. One of these organizations is the US Department of State (US DOS), that (though not at regular intervals) makes data on worldwide military expenditures available in different formats. The most accessible of these formats is the *World Military Expenditures and Arms Trade*, however the most recent version was published in 2002. Other organizations that independently collect data on military expenditures are the International Institute for Strategic Studies (IISS) and the Stockholm International Peace Research Institute (SIPRI). Some organizations, such as the *Yaffee Center* in Israel and the *Institute for Defense Studies and Analysis* in India publish data on specific world regions. The Bonn International Center for Conversion (BICC) runs a database on the basis of the above sources.

The data found in international sources often differ from the information on military expenditures provided by specific governments, as well as among the various sources. There are many explanations for these differences; from the choices of different base years for deflation and exchange rates, to the use of different methods to calculate budget years into calendar years. More importantly, SIPRI and US DOS make an effort to use a uniform definition of military expenditures in their data, which in many cases will differ from national definitions. SIPRI uses the NATO definition; the US DOS uses the definition developed by the UN.⁹

Short country case studies

The following short case studies will present and discuss readily available information on deficits in the planning, programming implementation and control of military expenditures in the East-

7 The most accessible source for this data is the *Government Finance Statistics Yearbook* (GFSY) of the IMF.

8 For the year 2002, 85 states provided information to the *Reporting System on Military Expenditures* of the United Nations. The countries studied in this assessment have never provided information since the establishment of the reporting system in 1981.

9 For differences, for instance the registration of pensions of former soldiers, see Brzoska, op. cit.

African countries of Ethiopia, Burundi, Kenya, Tanzania and Uganda. Of specific interest are:

- The level of the burden that military expenditures pose on the national budget and economy;
- The extent to which basic rules of PEW are implemented;
- Which of the above mentioned instruments of PEW are applied to the military expenditures;
- How distinct the problems of inadequate planning, transparency and control of military expenditures are compared to other sectors.

The assessment was limited to the analysis of internationally available published national and international documents and accounts. An important source was a study published by SIPRI.¹⁰

The case studies are structured as follows: first, general information on the military sector, especially size and meaning of the armed forces and military expenditures, is presented. Second, to the extent that information could be found, brief accounts are given of the treatment of military expenditures in the budgeting process, of the official reports on military expenditures, of problems with the official data, of the implementation of the budgets and auditing. The assessments include the full budget cycle, from planning and programming, via reporting and implementation, to control and auditing of the budget. Important criteria for the assessment are:

1. The extent to which goal-oriented sectoral planning exists and shapes the budgeting process, and who, apart from the ministry of defense and the armed forces, is involved in or informed about such planning (e.g. the ministry of finance, the government as a whole, parliament and other interested parties).
2. The application of basic principles of PEM, particularly¹¹:
 - completeness of budget reporting (no shadow budget),
 - budget discipline (feasibility, efficiency),
 - legitimacy (primacy of political decision-makers, adherence to general legal framework for budgeting),
 - equal treatment of all sectors, including defense,
 - transparency (availability of information),
 - accountability (political control and budget auditing).

10 Wuyi Omitoogun, *Military Expenditure Data in Africa: A Survey of Cameroon, Ethiopia, Ghana, Kenya, Nigeria and Uganda*, Oxford, 2003.

11 See Ball and Holmes, *op. cit.*, p. 5.

3. The extent to which the ministry of defense, parliament and an independent audit office (when applicable) have the mandate, capacity in terms of personnel and knowledge, as well as the legal and political authority to scrutinize the legitimacy of expenditures.

The case studies conclude with a subjective assessment of the size and importance of deficits in military expenditure budgeting, including issues of transparency, and deficits in the decision-making process on and control of military expenditures.

The study concludes with a short comparison of the results for the five countries and a summary of the needs for further research. Furthermore, opportunities for German development assistance to strengthen incorporation of military expenditures into PEM in the five countries are outlined.

Tables on military expenditure figures from different sources, as well as data on arms imports and armed forces can be found in the annex.

2. Ethiopia

I. General information on the military sector

Ethiopia had the second largest number of soldiers in Africa in 2003 (with Egypt having the largest number). It is also one of the countries with the highest military expenditures. Since the end of the war with Eritrea (1998-2000), military expenditures and the number of armed forces have been considerably reduced (see Annex I).

As a percentage of GNP and state budget, the level of military expenditure in Ethiopia exceeds the average of the continent by far (see tables in annex). According to official data, 39 percent of state budget and 13 percent of GNP (financial year 1999/2000) were used for the armed forces during the war with Eritrea. In the financial year 2002/2003 the official numbers had decreased to 11.4 percent and 4.1 percent respectively.¹²

In a number of documents, the reduction in military expenditures since the end of the war with Eritrea is presented as an important step forward in Ethiopian budgetary policy in the direction of using more funds to reduce poverty and promote development. In a Letter of Intent on the *Poverty Reduction Growth Facility* (PRGF) dated 19 August 2002, the Ethiopian Government announced the reallocation of budgetary resources from the defense sector towards poverty reduction for the time periods from 2001/2002 to 2003/2004 (paragraph 5). In the *Joint Staff Assessment* (JSA) of the PRSP by IDA and IMF, dated August 2002, it is stated that: “The budget allocation proposed in the PRSP continues the trend started in 2000/01 of reallocating outlays from defense to poverty-targeted spending ... Defense spending would decrease from 13.2 percent of GNP in 1999/00 to 4.3 percent in 2004/05” (paragraph 23). The *Memorandum of Economic and Financial Policies* (MEFP), an annex to the *Letter of Intent* that the Ethiopian government produced in view of the PRGF of 22 July 2003, states that: “On the spending side, the government continued to follow a cautious expenditure management policy, while making every effort to increase poverty-reducing spending ... Defense expenditure was curtailed to 5.3 percent of GDP...” (Paragraph 7). In the *PRSP Annual Report* of February 2004 by the Ethiopian government the announcement is made that defense expenditure will be kept at the nominal level of 2002/2003 (2.4 billion Birr) until 2005/2006, which implies a decrease in real terms. When this plan is

¹² Federal Republic of Ethiopia, *Poverty Reduction Strategy Paper, Annual Progress Report*, December 2003, p. 10.

implemented, depending on the GDP growth rate, the share of GDP could decrease to a figure ranging from 2.8 percent (best estimate) to 3.6 percent (basic estimate).¹³

The further reduction of military expenditures – still high in regional comparison – depends on the development of the political situation. The uneasy relationship with Eritrea has become tense again. Ethiopia has, in violation of the agreement of Algiers, not recognized the demarcation line that was set by an arbitration commission on 13.3.2002. In particular it is challenging the decision that the village of Badme is Eritrean territory. Dispute over this village ignited the war. Eritrea demands the implementation of the agreements. Over 4,000 soldiers from UNMEE (United Nations Mission in Ethiopia and Eritrea, www.unmeeonline.org) guard the border and a 25 km-wide temporary security zone. There are also other security issues. Separatist groups operate in Ogaden and Oromo with the hope of achieving independence from the central government of Ethiopia through violent means. Minor military disputes are the result. Furthermore, Ethiopia has interfered in Somalia more than once, even by sending troops.

The Ethiopian armed forces are large compared to the level of official military spending. Some of the equipment was modernized immediately before the war with Eritrea. However, the bigger part of the equipment available to the army consists of outdated materiel from the Cold War.

The army forms an important political backbone for the current government. It developed out of various different guerilla groupings that together formed the Ethiopian People's Revolutionary Democratic Front (EPRDF). The army partakes in the decision-making, without dominating it. Ethiopia's strong man, Prime Minister Meles Zenawi, was one of the military leaders of the guerilla.

II. Budget planning and implementation

According to a group of donors led by the World Bank, Ethiopia has made considerable progress in budget planning and implementation during the last years.¹⁴ However, deficits still do exist, especially with respect to the comprehensive reporting on

13 The Federal Democratic Republic of Ethiopia, *Poverty Reduction Strategy Paper Annual Progress Report*, February 2004, IMF Country Report No. 04/37, p. 51.

14 Ethiopia Country Financial Accountability Assessment, A Collaborative Exercise by the Federal Government of Ethiopia and a Multi-Donor Task Team, World Bank Report No. 26092-ET, 17 June 2003.

all funding resources and the medium-term financial planning of non-investment expenditures.¹⁵ In the *Country Financial Accountability Assessment* (CFAA) of 2003 an extensive plan for improvements is presented.

It is not clear from the above-mentioned document if the overall positive prospects for PEW in Ethiopia also apply to defense planning. (The military budget is not mentioned in the CFAA; no representative of the Ministry of Defense was amongst the interviewees.)

According to proclamation 57/1996, the Ministry of Finance and Economic Development is responsible for the establishment of a format for the annual budgetary submissions and for setting the ceiling on which budget requests by individual ministries are to be based.¹⁶ The Ministry of Finance and Economic Development seems to perform this task with regard to the Ministry of Defense as well.

The Ethiopian parliament, the *People's Assembly*, has a committee for budget and finance, as well as a defense committee, and votes on the government's budget submission.

A large part of the Ethiopian military expenditures consist of personnel costs. In the absence of any indication of a proper goal-oriented planning process, it seems safe to conclude that budget planning is basically done by estimation of personnel and corresponding operation costs. Procurement costs, which are normally low compared to personnel and operational costs – but rose to high levels prior to the war with Eritrea – are probably not included in the official defense budget (see below).

III. Military expenditures in official national and international reporting

The Ethiopian government reported numbers on military expenditures even during the time of the socialist rule of Mengistu Haile Mariam. However, these reports were not very detailed and it has been doubted that all relevant expenditures were really reported upon (see below).

The annual budget plan, published in the *Federal Negarit Gazette*, contains an aggregated number for the expenditures of the Defense Ministry, and also some subcategories.¹⁷ The official aggregate number for planned and actual military expenditures is also published in some other sources, such as the *Statistical Abstracts* and the *Annual Report of the National Bank of Ethiopia*; in the latter, however, within the larger category of General Services

15 Idem, p. 5.

16 Ethiopia CFAA, p. 18.

17 Omitoogun, p. 37.

(www.nbe.bgov.et/hostedwebs/nbeth/nbepublications/annualnew_index.htm). The data reported in various different national sources is largely identical, allowing for the fact that some of these figures are for planned and others for actual expenditures.

With only a few gaps, Ethiopia has reported its military expenditures to the IMF fairly consistently for many years (see Table I, Source: GSFY).

Data on the total sum of Ethiopian military expenditures can also be found in the important international documents on development planning and international development cooperation of the last few years. Among these documents are the *Letters of Intent* by the Ethiopian government (that are drawn up within the PRSP-process), the attached MEFPs, the IDA and IMF *Joint Staff Assessment* of the PRSP dated 27 August 2002, and the documents that were drawn up within the HIPC (*Highly Indebted Poor Countries*) framework.

The data in these international documents is identical. They are obviously based on the same source, likely to be figures of total Ethiopian military expenditures agreed upon by the Ministry of Finance, the National Bank of Ethiopia and the IMF.

IV. Problems of the official data

The homogeneity of data from different sources (official national data, development cooperation documents) on Ethiopian military expenditure implies a high level of trustworthiness.

However this conclusion must be qualified as follows:

- The data on Ethiopian military expenditures provided by international independent sources differs. While it is not clear which corrections have been made by these institutions, they indicate mistrust of the official numbers (see Table I). Some of the blame may lie with the international sources. It cannot be ruled out, for instance, that the full expenditures for *general services* were taken to represent military expenditures. Even if that is the case, the differences between different international sources are surprising, taken the consistency of Ethiopian data.
- Omitoogun, having studied the Ethiopian sources over a longer period, comes to the conclusion that the quality of data in the 1990s, and especially since 1995, has decreased. He sees the increasing weight given by international financial institutions to the limitation of military expenditures as the main reason for this trend. However, he does not give any

details and only looks at the period until 2001, that is, before the recent improvements in PEM.¹⁸

- The data on imports of arms does not correspond to the numbers for Ethiopian military expenditures. This is especially the case for the years in which high levels of import took place. According to reports from different sources (see Annex I), about 500 million US\$-worth of weapons were imported between 1997 and 2000. While the official numbers on military expenditure did increase, this increase is already covered by the increase in the number of soldiers. Despite the procurement boom, spending per soldier appeared to remain stable over a long period of time, including the war years, which is highly implausible. Arms imports, mostly from Eastern Europe, have likely been financed outside of the military budget, through commercial loans.

On the basis of the available information, it seems that the official military expenditures are reliable for personnel and running costs, but not for procurement costs.

Regulation 17/1997 states that the annual budget plan must contain all expenditures that are financed by means of taxes, foreign aid and external credit.¹⁹ However, exceptions have been made in the past, for instance for the costs of a demobilization program after the end of the war with Eritrea, or more recently for a *Disaster Prevention and Preparedness Fund* (DPPF). The procurement of airplanes for *Ethiopian Airlines* in 2003-2005, at a cost of US\$ 350 million, financed through commercial credits, also seems to have been kept outside of the official budget.²⁰ Arms imports most likely have been treated similarly, with expenditures not reported when the purchases were made, but only in following years when credit payments were made. However, these payments then appear as part of total debt burden, not as military expenditures.

V. Budget implementation, procurement

According to the World Bank and other donors, budget discipline in Ethiopia is high. The CFAA is relatively positive in its assessment on budget execution. There are no problems with

18 Omitoogun, p. 43.

19 Ethiopia CFAA, p. 18.

20 Ethiopia, *Memorandum on Economic and Financial Policies for the Period 8 July 2003 - 7 July 2004*,
www.imf.org/external/np/loi/2003/eth/01/index.htm.

unauthorized expenditures. A CPAR is not available for Ethiopia, but the CFAA does not report fundamental problems in the area of procurement. The risk of corruption and unapproved use of funds is low.²¹ Ethiopia has a better ranking than other African countries in the index by *Transparency International*.

Ethiopia is highly indebted. Debt has recently been reduced by 6 billion US\$ on the basis of several rounds of debt relief and inclusion in the HIPC-initiative (from 2001 onwards), but it remains questionable whether Ethiopia can service its debt in the future.²² A substantial part of the old debts results from arms imports. More than half of the estimated debt of 8.8 billion US\$ in 1991 was due to arms imports²³, mostly with the former Soviet Union as the country of origin. Russia wrote off a substantial part of Ethiopia's debts at the end of the 1990s.

VI. Budget control

Parliament, the *House of Peoples Representatives* to be more precise, has a central role in budget control. Control is basically the job of the *Committee on Budget and Finance*. However, this committee is understaffed. One of the main areas of improvement foreseen in the CFAA is therefore the improvement of the capacities of parliament, in order to improve transparency and accountability.²⁴

Auditing is carried out by the *Office of the Federal Auditor General*, which was established by Proclamation 68/1997. The audit office works on the basis of international standards.²⁵ The mandate of the audit office does not include any exclusions from its auditing powers (<http://www.cagindia.org/mandates/mandates/ethiopia.html>). An important instrument of the audit office is its annual report. One of the main problems of the audit office is the lack of personnel, which amongst other things has led to the office being considerably behind in time. At the beginning of 2003, only the report for 1998/1999 was available and the audit for the budgetary year 1999/2000 was still ongoing.²⁶ The improvement of knowledge and instruments of the audit office is one of the goals of the plan of action presented in the CFAA of 2003.

21 Ethiopia CFAA, p. 24.

22 Tekie Fessehatyion, *No Demarcation, No Debt Relief*, 20 February 2004.

23 Fiscal Ownership and Role of Donors: Will HIPC Matter? A Case Study of Ethiopia, World Bank informal note.

24 Ethiopia CFAA, p. 14.

25 Ethiopia CFAA, p. 31.

26 Ethiopia CFAA, p. 32.

According to the available information, the budget of the Ministry of Defense is audited in the same way as the budgets of other ministries.²⁷ The CFAA states that the audit office inspects 80 percent of all expenditures, particularly the ministries with high expenditures.²⁸ The Ministry of Defense is one of the latter.

VII. Assessment

The government of Ethiopia has been praised over the last years for decreasing its level of military expenditures and increasing its spending on measures for poverty reduction. Correspondingly, development aid has increased. The international donor community expects a further reduction of military expenditures, the level of which is still high in comparison with regional and international standards (measured as a percentage of GDP).²⁹

The general assessment is that the budget planning, implementation and control in Ethiopia has improved over the last few years. However, the country's capacities are still limited and improvements remain a priority for donors.

Despite their high level, military expenditures have not received the necessary attention in PEM work up till now. The documents studied for this short assessment have not given indications that goal-oriented planning and programming is occurring in Ethiopia. This implies an obvious necessity for improvement. In addition, budget transparency is limited. In principle, the official data on military expenditure seem to be trustworthy, though the imports of arms in the past are, or least were, financed outside the regular budget through commercial loans. The Ministry of Defense seems to be subjected to the same control by the audit office as the other ministries.

In view of the high level of military expenditures and the lack of transparency in procurement in Ethiopia, it seems highly warranted to incorporate these expenditures more into PEW. The possibilities for working together with the Ethiopian government in order to achieve the latter seem good, considering the willingness of the government to work closely with the international donor community to make more funds available for poverty reduction.

27 IMF and IDA, *ETHIOPLA, Enhanced Initiative for Heavily Indebted Poor Countries (HIPC) – Update of Preliminary Document*, 7 February 2001, p. 42.

28 Ethiopia CFAA, p. 32.

29 See *Memorandum of the President of the International Development Association to the Directors on a Country Assessment Strategy for the Federal Democratic Republic of Ethiopia*, 24 March 2003, Report No. 25591-ET.

3. Burundi

I. General information on the military sector

There has been a civil war in Burundi since 1993 between the Tutsi-dominated government army and several different Hutu rebel groups (f.i. *Forces pour la Défense de la Démocratie – FDD* and *Forces for National Liberation – FNL*). According to international estimates, more than 300,000 people have been killed in this war and, despite a peace accord (brokered by South Africa), signed in 2000, violence continues. At the moment, a 3,000-strong peace force of the African Union is stationed in Burundi.

Due to the war, Burundi has an extensive security sector. In addition to 45,000 members of the army, 5,500 paramilitaries of the police force and 1,000 members of the *General Administration of State Security* are part of this sector. Furthermore, some 30,000 people are members of so-called *Local Defense Militias* but these forces do not receive salaries and are poorly armed. The government troops are fighting against some 35,000 rebel combatants, of which, according to the IISS, 16,000 are fighters of the FDD and 2000 to 3000 FNL combatants.³⁰

II. Budget planning and implementation

Information on the process of budget planning in Burundi is very incomplete. The budget (“*commission budgétaire*”) is published in a bill, which has to be approved by parliament. A budget commission, consisting of members of the Ministry of Finance and Planning, then controls budget implementation.³¹ It is unclear on what basis the figures for the defense budget are developed. The limited data that is available (see also next section) points to the conclusion that payment of salaries and operational costs of previous years form the basis for the formal budget report. Additional expenditures on new weapon systems or military operations against the rebels are probably paid out of special budgets.

According to the IMF, the budget management has clearly improved over the last years. The Vice-President of the IMF department for East-Africa, Philippe Beauregard states: “In spite of the civil war, government authorities and the central bank had

30 World Bank, *Technical Annex for a Proposed Grant to Republic of Burundi for an Emergency Demobilization, Reinsertion and Reintegration Program*, Washington, 24 February 2004, p. 17; IISS: *The Military Balance 2003-2004*, p. 207.

31 Louis Barampanze and Immaculee Niyongere: *Les Charges de l'Etat*, Bujumbura, July 1999.

very encouraging results in managing revenues and the budget in the 1990s". As a result of these developments, IMF resumed its cooperation with Burundi in October 2002, with the release of a tranche of 13 million US\$.³²

This optimistic view is contrary to the assessment made in the Interim-PRSP dated November 2003 that states that "governance problems are also reflected in rising corruption, the suboptimal allocation and inefficient management of scarce resources, and an inappropriate public expenditure profile, given the inability to reduce certain essential expenditures and the lack of revenue". The same text laments the "collapse of institutional capacities" and "the mismatch between training and responsibility" as fundamental obstacles on the road to good governance.³³

III. Military expenditures in official national and international reports

Due to the fact that no Burundian budget documents were available to the authors, it is impossible to provide detailed information on the reporting in national documents. It is also not possible to draw conclusions on the reporting on military expenditures in the national media or on discussions in parliament, because of lack of sources.

The only Burundian source for defense expenditure available were the reports of the government in Bujumbura to the IMF, documented in the *Government Finance Statistics Yearbook* (see Annex II) up to 1999. In 2001, Burundi suspended the relevant reporting to the IMF's *International Financial Statistics* and *Government Finance Statistics* on the grounds that there were too many difficulties involved in the recording of the statistics. Burundi asked the donor community for technical support in order to be able to carry out the collection of these statistics.³⁴

The existing data in the *Government Finance Statistics Yearbook* are highly aggregated. More detailed are the numbers in the IMF-publication *Burundi – Selected Issues and Statistical Appendix*. This publication distinguishes different subcategories of the military budget:

32 "IMF praises Burundi's "remarkable" handling of budget despite war", *AFP*, 29 October 2003.

33 IMF: *Burundi – Interim Poverty Reduction Strategy Paper*, November 2003, p. 16.

34 IMF: *Burundi: 2003 Article IV Consultation and Request for Three-Year Arrangement Under the Poverty Reduction and Growth Facility – Staff Report; Staff Statement; Public Information Notice and Press Release News Brief on the Executive Board Discussion; and Statement by the Executive Director for Burundi*, February 2004, p. 68.

	1998	1999	2000	2001	2002
1. Salaries	32.3	32.3	32.3	32.3	32.3
2. Goods & Services	24.5	24.5	24.5	24.5	24.5
2.1 Light equipment, food, clothing, healthcare	10.5	--	8.1	8.4	5.2
2.2 Equipment and maintenance	3.4	--	4.3	4.7	4.4
2.3 Other	10.5	--	12.1	11.4	14.9
3. Total military expenditure	56.8	56.8	56.8	56.8	56.8
For information: BIF per US\$ ¹	447.77	563.56	720.67	830.35	930.75

An additional source of information on military expenditures is another IMF report, from 2004. It contains data on the level of Burundian defense expenditure for the period 2001-2004 and distinguishes between salaries and running costs.

Table B: Burundi: Military expenditures, 2000-2004³⁶

	2001	2002	2003	2004
Salaries	18.5	22.3	24.0	25.3
Goods and services	25.7	19.5	21.6	22.4
Total	44.2	41.8	45.6	47.4
For information: BIF per US\$ ¹	830.35	930.75	1082.62	n.a.

The substantial differences between the numbers given by the two IMF sources for 2001 and 2002 are striking. While the amounts for running costs are more or less the same, the amounts for salaries differ starkly.

More complete, but not necessarily more clarifying, is the data in the relevant international sources.

A large part of the state budget of Burundi is comprised of military expenditures (see Annex II). The US State Department estimates the share of military expenditures in the total expenditures in 1997 at 27.0 percent and in 1999 at 26.7 percent. For 2001, the World Bank reports a share of 27.1 percent. Contrarily, the international reports on the share of defense expenditures in the national income differ clearly by year and source. For 1998, SIPRI reports a share of 6.6 percent of the GDP, IISS reports 7.2 percent and IMF 14.2 percent, for the same year. The US State Department reports a 6.8 percent share

35 IMF: *Burundi – Selected Issues and Statistical Appendix*, February 2004, p. 58.

36 IMF: *Burundi: 2003 Article IV Consultation and Request for Three-Year Arrangement Under the Poverty Reduction and Growth Facility – Staff Report; Staff Statement; Public Information Notice and Press Release News Brief on the Executive Board Discussion; and Statement by the Executive Director for Burundi*, February 2004, p. 27.

of GNP. Similar deviations can be found in the following years, with the IMF estimates clearly being continuously higher than those of SIPRI, US State Department and IISS. In absolute numbers, the Burundian military budget clearly increased from the mid-1990s onwards. SIPRI gives a number of 44 billion BIF (56.9 million US\$) for 2002, where this was 30.5 billion Francs (42.3 million US\$) in 2000. IMF reports lower figures, with a constant trend since 1998. IISS assumes a reduction in military expenditures between 1997 (85 million US\$) and 2002 (38 Mio. US\$). The reasons for these differences are not clear.

IV. Problems of official data

The official data is not conclusive and in part contradictory. As the authors of this paper do not have original Burundian budget documents at their disposal, this analysis is limited to the international reports on defense expenditures in Burundi. The Burundian government reported military expenditures of 23.3 billion Francs (52.0 million US\$) in 1998 and 24.5 billion BIF (43.5 million US\$)³⁷ in 1999 to the IMF (see Annex II). But in its publication *Burundi – Selected Issues and Statistical Appendix* (2004), the IMF states that in each of these two years, military expenditure in Burundi was 56.8 billion Francs (126.9 and 100.8 million US\$ respectively). It does so on the basis of “Burundian sources and estimates by IMF”. An explanation for these differences could be that the figures reported to IMF only comprise running and procurement costs, not the payment of salaries.

But even with the above in mind, it is unlikely that the data from *Burundi – Selected Issues and Statistical Appendix* are trustworthy. In a country embroiled in a civil war, it seems fairly unlikely that military expenditures would remain constant over a period of five budget years. Furthermore, according to IISS, the number of Burundian armed forces rose by 5,500 soldiers over the same period of time. The paradox in the IMF data is that this increase in armed forces personnel is reported as not having led to an increase in the relevant budget category.³⁸

37 Conversion of all national currency by IMF, IFS, Official exchange rates, rf series, unless stated otherwise.

38 However, the possibility exists that IISS includes the paramilitary Gendarmerie in the calculation of the total strength of the army. The paramilitaries are probably not financed from the military budget.

V. Budget implementation, procurement

No Burundian sources on budget implementation are available to the authors. There is also little evidence to be found on the procurement plans of the Burundian army. From 1996 to 1999, Burundi was subjected to a regional arms embargo, which was lifted only after the Aruxa peace accords. During the time of the embargo, Burundi used special bank accounts, which were directly available to ministers, without being under parliamentary control. As a result of this procurement practice, that may still exist today, “embezzlement and corruption [are] prevalent”.³⁹

In at least one case, Burundi is accused of misusing international aid for the defense budget. The *International Crisis Group* (ICG) reports that “it seems that the 12 million US\$ Stabex funds given to pay the salaries of the Ministry of Agriculture have been diverted to military expenditures”.⁴⁰

VI. Budget control

The implementation of the budget is controlled by the budget commission, and audited by the Financial Inspection (*Inspection Générale des Finances*), which is a sort of audit office. All expenditures by the state, and therefore also the defense expenditures, are subjected to control by the Financial Inspection. It does not, however, have the power to demand access to documents, and can therefore only audit on the basis of documents that it has been provided with. How effective this control is, in the light of the procurement practice mentioned above, cannot be assessed by the authors on the basis of the available documents.

VII. Assessment

Regarding the financial weight of the defense expenditures within the Burundian state budget, consideration of this category within the process of state budget reform is urgently needed. The first objective has to be an improvement of the comprehensive reporting of data on military expenditures. The practice of hiding military expenditures in special budgets is in contradiction with the basic rules of good governance.

39 International Crisis Group (ICG): *A Framework For Responsible Aid to Burundi*, Brussels, 21 February 2003, p. 13.

40 International Crisis Group (ICG): *Burundi after six months of transition: Continuing the war or winning peace?* Brussels, 24 May 2002, p. 9.

On the basis of the available data, it is impossible to conduct a reliable assessment of the extent of the parliamentary control over the defense budget, or on the effectiveness of the Financial Inspection. However, it is highly probable that in both cases technical assistance and capacity-building are urgently needed.

If the civil war in Burundi does come to a peaceful end, the international donor community will be challenged to promote the peace process by further supporting a demobilization program and in the medium-term by supporting Security Sector Reform (SSR). A reduction of the number of combatants on Burundian soil is foreseen, from an estimated 110,000 at the moment (regular army plus rebel groups plus paramilitary groups) to 25,000 in 2008.⁴¹ A goal of this demobilization program is “to contribute to the reallocation of Government Expenditure from defense to social and economic sectors.”⁴²

Improvement of the transparency and control of Burundian military expenditures is urgently needed, not least to be able to measure whether there really is a “peace dividend”, but also because of the expected financial aid to the Burundian government in the course of demobilization and the planned extensive reform of the security sector. A drastic improvement of the transparency and control of the defense budget should be a prerequisite for the transmittance of the appropriate funds to the Burundian government.

4. Kenya

I. General information on the military sector

Although Kenya is surrounded by a host of regional conflicts, both its defense expenditure and its force levels have remained relatively limited since the mid-1990s.⁴³ The military budget has, however, increased since 1999, though in comparison to neighboring countries the Kenyan defense share in the overall national income does not appear excessive (see Annex VII). It is in fact significantly lower than the share of, for example, Ethiopia and Uganda, both of which have been recently involved in military confrontations. It is below the benchmark of 2 percent, which was suggested by the International Monetary Fund (IMF) in the case of Uganda.⁴⁴ Finally, in regional comparison, the troop

41 World Bank, Technical Annex, p. 16-17.

42 World Bank, Technical Annex, p. 16.

43 Omitoogun, p. 63.

44 In the 1990s the donor community and the IMF insisted that Ugandan defense expenditures should not exceed 2 percent of GDP. See Mwenda,

numbers of the Kenyan armed forces seem quite small. In contrast to Ethiopia, Uganda and Tanzania, Kenya counts less than one soldier per 1,000 citizens (see Annex VII).

The Kenyan Ministry of Defense does, however, receive the third-largest budget allocation of all governmental offices, being surpassed thereby only by the Ministry of Education and the Office of the President.⁴⁵ The upward trend in military expenditure since 1999 can neither be explained in terms of an increase in troop numbers, nor in terms of large acquisitions (see tables in the annex). Rather, as Wuyi Omitoogun points out, the 24 percent rise in defense spending between 2000 and 2002 is related to a significant raise in military salaries.⁴⁶ Indeed, this is the reason for a comparatively high expenditure per soldier in Kenya (see: Graph 1 in the annex).

The considerable increase in military wages over the past four years appears, on the one hand, to contrast with the particular provisions contained in the *Interim Poverty Reduction Strategy Paper* (IPRSP) of 2000, which promises a “functional rationalization” of the entire public sector, thereby explicitly including the “defense forces”.⁴⁷ On the other hand, the very same paper alludes to the importance of “national security” and the military to achieving sustainable development. That is, “in the absence of external aggression” the military will continue to “play its secondary role” of “undertaking activities like borehole drilling, road improvements to open up remote areas and provision of health services, which target the disadvantaged and poor communities.”⁴⁸

II. Budget planning and implementation

Public scrutiny and democratic oversight of the Kenyan defense budget is significantly less effective than the existing control

M.A., “Domestic debt record shs 100 bn, IMF suspends aid to Uganda”, in *The Monitor* (Kampala), 13 March 1999 (cited by Omitoogun, p. 107).

45 Eric Orina, “Modest cut in Spending”, *Daily Nation* (Kenya), 15 June 2001.

46 In 2000 the salaries of all ranks were increased by 40 percent. According to Omitoogun (p. 74), the upward trend in military expenditure is likely to continue, since salaries to officers have again been raised by 400 percent and to all other ranks by 21 percent in July 2003.

47 *Interim Poverty Reduction Strategy Paper* (IPRSP) 2000, *Implementation Matrix – 5.1. Public Administration Sector*: “Rationalize and reduce operational structure of the entire public service to reflect well defined core functions [...] Complete functional rationalization covering civil service, defense and security forces.”; <http://www.imf.org/external/np/prsp/2000/ken/01/kenya.pdf>.

48 IPRSP, 13.10.;

<http://www.imf.org/external/np/prsp/2000/ken/01/#XIII>.

mechanisms would make believe on first sight.⁴⁹ In fact, a variety of substantive shortcomings persist in the entire national budget process.

In order to oversee the proper handling of public finances, the Kenyan constitution provides for an independent *Controller and Auditor General* (C&AG).⁵⁰ However, the C&AG has neither the necessary powers of prosecution nor the required financial and human resources at his disposal. Collected data is often of poor quality.⁵¹ Furthermore, the supposed deterrent effect of auditing to budget mismanagement is regularly reduced by late submissions of audit reports.⁵²

According to the *Institute for Economic Affairs (IEA)*, the control instruments within the Treasury can be regarded as by and large effective. As an executive arm of the government, the Ministry does not, however, possess the degree of objectivity necessary for an independent oversight over the budget process.⁵³

The Parliament, which needs to approve the budget plan, lacks the necessary legislative powers, institutional structures and technical expertise to effectively scrutinize budget proposals.⁵⁴

The IEA concludes that participation in budget planning is limited to a small group of high-ranking government officials. Information regarding the exact distribution and planned usage of public finances is published far too late, with only limited circulation, and is obscured by an unnecessarily technocratic vocabulary. An open public discussion accompanying the budget process is therewith largely prevented.⁵⁵

As a consequence of these shortcomings in effective institutional control and public transparency, Kenya suffers from substantial deficits in the administration, allocation and effectiveness of public finances.⁵⁶ Since 1991 widespread

49 Stockholm International Peace Research Institute, *SIPRI Yearbook 2003: Armaments, Disarmament and International Security*, Oxford University Press: 2003, p. 273.

50 The Constitution of Kenya, Chapter VII (Finance) §105.

51 See Albert K. Mwenda & Mary N. Gachocho, "Budget Transparency: Kenyan Perspective", Institute of Economic Affairs (IEA), Research Paper Series No. 4, Nairobi, October 2003, p. 15-18 & 68-69.

52 See Kenya Public Expenditure Review 2003, p. 122-124, *Kenyan Ministry of Planning and National Development*, <http://www.planning.go.ke/pdf/per.pdf>.

53 Mwenda & Gachocho, p. 68.

54 Institute of Economic Affairs, "Budgeting for the Nation", in *The Budget Focus*, No. 1, Nairobi, March 2000, p. 5

55 Mwenda & Gachocho, p. 29-31.

56 See also Centre for Governance and Development (CGD), *A Survey of Seven Years of Waste*, Nairobi, Kenya, 2001.

corruption and economic mismanagement, especially during the regime of former President Daniel arap Moi, have caused the donor community to reduce their development aid.

In the last couple of years, a number of initiatives on behalf of the Kenyan government sought to address and remove these shortcomings in the budget process. For example, in FY 1999/2000 a *Budget Monitoring Department* was established. Also, a *Medium Term Expenditure Framework* (MTEF) for the next three fiscal years was drafted. Its success was evaluated in 2003 by the first *Public Expenditure Review* (PER) for six years. Despite a renewed increase of development aid to Kenya, the PER could only identify a moderate improvement in public finance administration. Most recently, mismanagement in the Kenyan budget process was sharply criticized in a UNDP report of March 2004.⁵⁷

Apart from more general organizational weaknesses in project planning and implementation, the PER 2003 places particular emphasis on structural inadequacies within the distribution of finances as a major problem of the budget process. Ministries dealing mainly in administrative matters as well as the Ministry of Defense regularly overspend their allocated budget for recurrent expenditures, which is not least due to excessive spending on wages. In contrast, development expenditure in more service-oriented government offices tends to stay below the originally planned budget allocations. As a consequence of such spending imbalance, measures taken to fight poverty and improve health services often remain inadequate.⁵⁸

Non-governmental organizations have also sharply criticized the Kenyan budget process. Improper tendering procedures, widespread corruption, lack of discipline and accountability in the public service commonly result in a series of wasteful public expenditures.⁵⁹ According to a report by *Transparency International* (TI), in the past election campaigns of the governing party have regularly been funded by the public purse.⁶⁰

As the IEA contends, the most fundamental problem of the budget process is its blatant disregard of actual public requirements. The annual ritual of budget planning only marginally reflects national policy priorities. Furthermore, there is an apparent tendency to approve expenditures for implicit

57 Noel Wandera, "Budgetary Process Criticized", *East African Standard*, 6 March 2004.

58 PER 2003, p. 80-81.

59 Mwenda & Gachocho, p. 76-79.

60 Transparency International Kenya, "Public Resources, Private Purposes", Nairobi, 2002, p. v.

political interests not provided for in the official budget. Such unbudgeted spending is clearly at the expense of explicit political promises, which in turn often cannot be financed.⁶¹

For this reason, it is the overriding aim of the MTEF to better adjust the budget planning and implementation process to real political requirements.⁶² This is clearly a step in the right direction. However, a lack of political will towards attaining such an ambitious goal still persists, especially on the ministerial level.⁶³

III. Transparency of the defense budget

The Ministry of Defense cannot be excepted from the critique of the Kenyan budget process as outlined above. Despite the recent change in government, the possibilities of public insight into the spending of funds for the military remain very limited. As the Kenyan newspaper *The Nation* stated in March 2004: “Equipment, modernization and operational budget are closely guarded secrets in any military outfit.”⁶⁴ Significantly, the Ministry of Defense was not considered as one of the eight ministries evaluated in the PER 2003, even though it receives the third-largest budget allocation.

Information on the size of the defense budget can be found in three national sources, all of which are deemed “reliable” by Omitoogun.⁶⁵ The *Statistical Abstract* and the *Economic Survey*, published by the Kenyan Office for Statistics, and the *Estimates of Recurrent Expenditure of the Government of Kenya*, which is published by the Treasury. According to Omitoogun, the latter source is “not very helpful”, since it solely concerns itself with civilian rather than military expenditures of the Ministry of Defense. (p. 66) All in all there are, however, only “few discrepancies” between the different sources (p. 64).

IV. Problems of official data

As Omitoogun asserts, there is no suggestion that data on military spending are deliberately manipulated by the Kenyan government. The more interesting question is whether the official data actually reflects total military expenditure (p. 70). In this context,

61 Mwenda and Gachocho, p. 54-55.

62 PER 2003, p. 25; Mwenda & Gachocho, p. 55-56.

63 See Jane Kiringai & Geoffrey West, “Budget Reforms and the Medium Term Expenditure Framework in Kenya”, Kenya Institute for Public Policy Research and Analysis (KIPPRA), Working Paper No. 7, Nairobi, June 2002.

64 *The Nation*, “Issues That Head of Armed Forces Must Address”, 23 March 2004.

65 Omitoogun, op. cit., p. 67.

Omitoogun makes the surprising observation that certain military components listed in the *Statistical Abstract* are apparently not part of the defense budget. If these expenses for “military equipment and construction” are added to the official military budget, the latter increases by up to 90 percent (pp. 66-67; p. 71). Hence, Omitoogun refers to the official data as “incomplete and, by implication, unreliable and invalid” (pp. 74-75).

This interesting observation may explain the sometimes considerable differences encountered in the data on Kenyan military expenditure provided by SIPRI, IISS and BICC respectively. For, whereas SIPRI’s data correspond more or less to the official numbers, the data given by IISS and BICC indicate that those military allocations excluded from the official defense budget were also taken into account.

V. Problems with implementation

Corruption

Widespread corruption remains a serious problem throughout Kenya’s public service.⁶⁶ The Ministry of Defense scores second in TI’s *National Bribery Index 2004*, which comprises all government branches of Kenya. With regard to the intensity of corruption (“probability of service denial”) it even leads the ranking.⁶⁷

Overspending

According to the PER 2003, average overspending in the Ministry of Defense amounts to approximately 6 percent (see Table C), making it the fifth-largest overspending government office.⁶⁸

Table C: Kenya: Overspending of the Defence Ministry, 1999-2002 (Data from PER 2003, p. 81)

Years	Recurrent Expenditure			Development Expenditure		
	1999/00	2000/01	2001/02	1999/00	2000/01	2001/02
Budgeted KES mill.	10 548	13 943	14 441	241	0	0
Actual KES mill.	10 707	14 439	16 258	81	0	0
Actual as % of budgeted	102	104	113	34	0	0
<i>for information: KES pro US\$</i>	<i>70.33</i>	<i>76.17</i>	<i>78.56</i>	<i>70.33</i>	<i>76.18</i>	<i>78.56</i>

⁶⁶ TI Kenya, 2002.

⁶⁷ TI Kenya, “The Kenya Bribery Index 2004”, Nairobi, 2004.

⁶⁸ PER 2003, p. 80-81.

Unverified expenditure

In FY 1997/1998 the intended purpose of 53 million KES development expenditure in the Ministry of Defense could not be verified.⁶⁹

Procurement scandals

In 2001 the Kenyan police was accused of acquiring four Russian military helicopters, whose procurement had not been provided for in the budget, at an inflated price.⁷⁰ Two years later, the military was confronted with similar accusations. In the end, the planned procurement of Czech military aircraft was suspended.⁷¹ Also, in spring 2004, there were rumors that a high-ranking politician was trying to gain personal profit out of a 100 million US\$-purchase of military communications equipment. An article in the *Nation* concludes with the following remark: “Keeping the new breed of itchy-fingered politicians out of the military coffers may still be an issue the new Chief of the General Staff will have to deal with even in the era of zero-tolerance to corruption.”⁷²

VI. Assessment

Despite excessive wages, especially to the officers corps, the official military expenditure of Kenya appears rather modest in regional comparison – a circumstance, which may well be attributed to the fairly small number of troops enlisted in the Kenyan armed forces.

A number of serious shortcomings still remain in the planning and implementation of the Kenyan budget process. The C&AG possesses neither adequate resources nor appropriate powers of prosecution. It can therefore hardly act as a deterrent body of control over the budget process. The parliament lacks the necessary legislative powers and technical expertise so as to effectively exert oversight. A MTEF has been agreed on, beginning in FY 1999/2000. However, its implementation is weakened by the absence of political will in the ministries. Several political goals explicitly put forward in the PRSP are thus denied the necessary financial backing in the budget.

69 TI Kenya, 2002, p. 17.

70 *East African Standard* (Nairobi), “Kenya: Opposition leader and minister clash over helicopter deal”, 19 July 2001; Omitoogun, op. cit., p. 71n.

71 Stephen Muiruri, “Military split on deal for Sh29b jet fighters”, *The Daily Nation*, Nairobi, 28 May 2003.

72 *Nation*, “Issues That Head of Armed Forces Must Address”, 23 March 2004.

In this sense, transparency, control and effective implementation of the defense budget can also be regarded as problematic. The Ministry of Defense is not specifically dealt with in the PER 2003. According to Wuyi Omitoogun, official data on military expenditure is incomplete and unreliable, since it seemingly excludes the running costs of the military. Handling of the defense budget appears to be characterized by widespread corruption, chronic overspending, unverified expenditures and a series of procurement scandals.

5. Tanzania

I. General information on the military sector

In comparison to neighboring countries, both the troop strength and the military expenditures of Tanzania are fairly modest (see Annex VI). Indeed, despite Tanzania's geographical proximity to the conflict-ridden Great Lakes region, since 2000 defense spending, military personnel and the number of heavy weaponry are in decline (see Annex IV). There has been no significant defense procurements within the last six years. This overall decrease in military capacity is the direct result of implementing the goals set out in the *Poverty Reduction Strategy Paper* (PRSP) of 2000. As specified in the PRSP, certain "priority sectors" are to be favored in the annual budget allocation.⁷³ At the expense of the defense and security sector, the share of social expenditures – particularly in the areas of health, education and water – in the gross domestic product (GDP) thus increased from 3.4 percent in 1997 to 5.3 percent in 2002. In the same period, the share of defense expenditure in GDP, declined from 1.35 percent to 1.09 percent, despite a slight growth in absolute numbers⁷⁴ (Table D).

73 Government of Tanzania, *Poverty Reduction Strategy Paper*, 2000, p. 19-21; also: Government of Tanzania and World Bank, *Public Expenditure Review*, October 2001, p. 24; Felix Naschold and Adrian Fozzard, "How, When and Why does Poverty get Budget Priority – Poverty Reduction Strategy and Public Expenditure in Tanzania: *Case Study 3*", Overseas Development Institute (ODI), Working Paper 165, London, April 2002, p. 16-17.

74 Government of Tanzania and World Bank, *Public Expenditure Review FY03*, Juni 2003, p. 188.

Table D: Comparison of military and social expenditure, 1996-2003; Data from PER 2003

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
GDP in billion TZS	4 709	5 572	6 433	7 226	8 260	9 181	-
Social exp. in billion TZS (actual)	159.9	207.02	283.5	281.9	394.2	483.6	695.1*
Defense exp. in billion TZS (actual)	63.5	66.7	73.2*	78.5	89.2	99.7	111.5*
<i>For information: TZS pro US\$</i>	<i>579.98</i>	<i>612.12</i>	<i>664.67</i>	<i>744.76</i>	<i>800.41</i>	<i>876.41</i>	<i>966.58</i>
Social exp. as percent of GDP	3.40	3.72	4.41	3.90	4.77	5.27	-
Defense exp. as percent of GDP	1.35	1.20	1.14	1.09	1.08	1.09	-

*Budgeted, not actual expenditure

II. Budget planning and implementation

The Tanzanian budget process is accompanied by a number of control and oversight mechanisms. Since 1997 an annual Public Expenditure Review (PER), supervised by the World Bank, has been carried out. However, the PERs are exclusively concerned with the particular “priority sectors” identified in the PRSP of 2000; the defense sector receives no specific attention. Budget planning adheres to a *Medium Term Expenditure Framework*, which was agreed upon in 1998 and is geared toward national poverty reduction.

Since July 2003 accounting procedures in the Tanzanian ministries rely on the computer-aided *Integrated Finance Management System* (IFMS). According to the PER 2001, the introduction of IFMS will generally increase the transparency and effectiveness of public finance planning.⁷⁵

The *National Audit Office* (NAO), formerly the *Office of the Controller and Auditor General* (OCAG), is the central body for overseeing and ensuring proper budget planning and implementation. The NAO annually produces two separate audit reports, one assessing the performance of national ministries, the other of local authorities. The PER refers to these reports as altogether “useful”, since they contain important information

75 PER 2001, p. v: “The government has introduced the Integrated Financial Management System (IFMS), which when fully operational would permit improved transparency of public financial operations through real time information, and better controls through centralized payments and procurement processing.”; see also World Bank, “Tanzania at the Turn of the Century: Background Papers and Statistics”, February 2002, p. 185.

regarding the effectiveness of public spending, thereby providing a good indication of the degree of possible resource squandering.⁷⁶ Although the NAO suffers from human resource constraints, which again impairs upon quality and timeliness of reporting, the World Bank regards it as playing a crucial role in ensuring the proper usage of public finances.⁷⁷ Moreover, both the PER 2003 and the World Bank attest to the NAO substantial progress in improving both quality and timeliness of its reporting over the last two years.⁷⁸

Three major shortcomings of the NAO are, however, highlighted in the PER 2003. The first refers to the regular delay in publishing the audit results, which continues despite improvements. According to the PER 2003, the audit of national ministries suffers from an average delay of six months (Table E) The reasons are, on the one hand, limited capacities within the NAO itself, whose offices are for example frequently affected by power blackouts. On the other hand, the hesitancy of ministries to respond to queries from the NAO poses a second major problem and significantly contributes to belated reporting. Here, the NAO lacks the necessary legal instruments to sanction ministerial unwillingness to comply with audit procedures. It is expected that the introduction of IFMS will help to curtail the problem of audit delay. However, as a third major shortcoming, the NAO does not possess the required expertise and capacity to effectively operate the system.⁷⁹

Table E: Tanzania: Delays in NAO audit reporting (ministries) (Data from PER 2003, p. 36)

	1997	1998	1999	2000	2001
Required	July 98	July 99	July 00	July 01	July 02
Completed	October 98	October 99	December 00	January 02	January 03
Delay	3 Months	3 Months	5 Months	6 Months	6 Months

The timely completion of NAO audit reports is crucial in order to maximize their impact during the constitutionally prescribed submission of the budget plan to Parliament. Although parliamentary legislation of the budget is clearly stipulated, the

76 Government of Tanzania and World Bank, *Public Expenditure Review FY03*, June 2003, p. 35-38.

77 World Bank, 2002, p. 164: "The OCAG plays a crucial role in ensuring the proper use of public funds. Even though the OCAG suffers from human resource constraints that affect the quality and timeliness of its reporting, the office has made substantial progress in improving the timeliness of its reporting, both at the central and the local level."

78 PER 2003, p. 35-38; World Bank 2002, p. 163-164.

79 PER 2003, p. 35-38.

insight of Parliament into the budget process is significantly circumscribed by the chronic delays of audit reports.⁸⁰ Moreover, only few parliamentarians possess the necessary expertise in budget questions so as to properly exercise their oversight of public financing.⁸¹

The PER 2003 explicitly commends the participation of civil society in the budget process, which has considerably increased since the beginning of the PER process in 1997.⁸²

Despite some weaknesses, especially in a regional comparison, the Tanzanian budget process can be considered highly transparent. Efficiency of budget implementation has accordingly improved over the last years.⁸³ However, a couple of noteworthy problems persist. The unpredictability of resource allocations remains a point of particular concern. Despite the planning process, in FY 1999 25 ministries and governmental offices received more resources than the budget had originally provided for. In the same year 15 ministries, one of them the Ministry of Defense, received substantially lower allocations for recurrent expenditures.⁸⁴

A second problem relates to the postponement of public resource allocations. In FY 2002 the Ministry of Finance retained 232.4 billion TZS for earmarked purposes. As was later disclosed, a considerable portion thereof was eventually not used for the originally intended objective.⁸⁵

Finally, widespread corruption in the public sector poses a great problem.⁸⁶ In the *Corruption Perception Index 2004*, which is published by *Transparency International*, Tanzania ranks among the top third of afflicted countries.⁸⁷

III. Transparency of military expenditures

The overall trend towards higher transparency and effectiveness of the Tanzanian budget process also applies to the defense sector. There are, however, a few important limitations. As a

80 Ibid.

81 World Bank, 2002, p. 164-165.

82 PER 2003, p. v.

83 Ibid., p. ix.

84 Naschold and Fozzard, 2002, p. 17.

85 PER, 2003, p. 30.

86 World Bank, 2002, p. 145.

87 With a score of 2.5 (10 being “not corrupt” and 0 “very corrupt”) Tanzania was ranked 92nd. See *Transparency International*, “Corruptions Perception Index 2003”; http://www.transparency.org/pressreleases_archive/2003/2003.10.07.cpi.en.html.

matter of fact, the Ministry of Defense was one of the last government offices to be integrated into the IFMS.⁸⁸ Furthermore, defense spending is regularly excluded from official reports on public expenditure. The PERs are exclusively concerned with the “priority sectors” (education, health, water, infrastructure, agriculture). Efficiency of defense budget implementation is not evaluated in a single annual PER. Similarly, neither the PRSP of 2000,⁸⁹ nor the MTEF or the *Public Sector Reform Project* of the World Bank in Tanzania specifically address the military sector. Tanzania does not report information on defense expenditure to the United Nations or the International Monetary Fund (IMF).

Interestingly, administration expenses within the defense sector are apparently not added to official data on defense spending. The breakdown of the Tanzanian budget, which is attached to the PER 2003, separates the expenditures for “Defense and National Security” listed under “Administration” from those listed in the section “Defense and Security”. Furthermore, the latter section is itself divided into four different sub-sections: Defense, Police, Prisons, and National Service. It would therefore seem that official data does not only exclude administration costs, but also expenditure for the National Service from what is supposed to be the aggregate total of defense spending. Whereas the National Service or *Jeshi la Kujenga Taifa* (“army for nation-building”), which was considerably expanded in 1999, is in fact given many civilian tasks, for example the construction of governmental buildings, it is a quasi-military force and as such assigned to the Ministry of Defense.⁹⁰ Should one add the excluded costs to the defense budget, military spending between 1997 and 2003 would be on average 20 percent higher than officially acknowledged (Table F).

88 Government of Tanzania, “Letter of Intent and Technical Memorandum of Understanding”, 18 July 2000: <http://www.imf.org/external/np/loi/2000/tza/02/index.htm>.

89 The military is also not mentioned in the PRSP *Progress Report* from April 2003 (<http://www.imf.org/external/pubs/ft/scr/2003/cr0396.pdf>).

90 *The East African*, “Revive the Youth Army”, 11-17 August 1999.

Table F: Tanzania: Comparison defense budget with administration and national service expenditures; Data from PER 2003, p. 188

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Defense billion TZS (actual)	63.5	66.7	73.2*	78.5	89.2	99.7	111.5*
National Service billion TZS (actual)	7.5	8.9	11.8	10.9	12.5	16.2	20.4*
Administration billion TZS (actual)	1.7	5.2	3.1	2.3	5.1	4.4	11.7*
TOTAL billion TZS	72.2	80.8	88.1	91.7	106.8	120.3	143.6
Percent of official defense budget	113.70	121.14	120.36	116.82	119.73	120.67	128.79
<i>For information TZS per US\$</i>	<i>579.98</i>	<i>612.12</i>	<i>664.67</i>	<i>744.76</i>	<i>800.41</i>	<i>876.41</i>	<i>966.58</i>

*Budgeted, not actual expenditure

IV. Problems with implementation

Procurement

In 2001, Tanzania acquired an air traffic control system from BAe Systems for 40 million US\$. The system was of a primarily military design and, according to the International Civil Aviation Organization (ICAO) “not adequate for civilian use.” Hence, the World Bank branded the system as “a complete waste of money”. It remains unclear, out of which budget this procurement was financed.⁹¹

Lack of funds

The favoring the “priority sectors” in budget allocation has led to an underfinanced military plagued by a considerable build-up of arrears. According to the PER 2001, the police force, prison service and the defense and national service accounted for 62 percent of all central government new accumulation of arrears. Interestingly, most arrears were accumulated in precisely those ministries where the IFMS was introduced last.⁹²

91 David Hencke et al., “Tanzania aviation deal a waste of money”, *The Guardian*, London, 14 June 2002.

92 PER 2001, p. 45-47.

V. Assessment

In favor of strengthening poverty reduction strategies, Tanzania has reduced its defense budget in recent years. However chronic under-financing of the military has resulted in a considerable build-up of payment arrears in the defense sector.

Both planning and implementation of the public budget has markedly improved since 2000. Yet, some problems persist. In particular, many ministries remain unwilling to effectively cooperate with the auditing bodies.

The defense sector is not mentioned in a single official document assessing the Tanzanian budget process. Official information on defense expenditure is in part confusing and seems to exclude expenses for National Service and administration.

6. Uganda

I. General information on the military sector

In comparison to the region, Uganda has a relatively large defense sector, consisting of 60,000 soldiers of the regular army (*Ugandan People's Defense Force – UPDF*) and around 2,000 members of paramilitary border control and similar units.⁹³ An additional number of some 15,000 members of so-called *Local Defense Units (LDU)* needs to be added, though some sources speak of up to 37,000. These LDUs operate in North Uganda and are trained and armed by UPDF, but are paid a salary by the Ministry of the Interior. The UPDF has developed out of the *National Resistance Army* of the current President Yoweri Museveni and still has very close ties to the political elite of the country. Until April 2004, President Museveni himself was active in the UPDF, with the rank of General. He retired from the army as a result of a new legal requirement which bars serving soldiers from being active members of a political party.⁹⁴

Two factors shape the defense expenditures in Uganda, on the one hand the regional and national security situation, on the other hand the positions of international donors. Since the 1990s, these donors play an important role in stabilizing the Ugandan state budget and they critically monitor the developments in the defense budget. In the region, Uganda has played an important role in the Democratic Republic of the Congo (DRC) since 1997. First as a supporter (together with Rwanda) of the successful

93 IISS: *The Military Balance 2003-2004*, p. 226.

94 "Museveni Quits Army", *New Vision* (Kampala), 06 April 2004.

rebellion of Laurent Kabila against the Mobutu regime; and since 1998 as the backer of armed groups in the North and East of the DRC. UPDF units were stationed in the DRC from 1998 to 2003; the last 1,000 soldiers were withdrawn from the Ituri-province in May 2003.⁹⁵ The security situation in Uganda itself is also tense, with the *Lord's Resistance Army* (LRA) operating in the north. The LRA has some 1,500 combatants and wages a brutal guerilla war against the UPDF. The government attempted to decisively weaken the LRA through a military offensive in 2003-2004 (operation "*Iron Fist*"), but despite territorial gains could not force a decisive victory. Further small rebel groups, such as the *Allied Democratic Forces* (ADF), operate in the west and south of Uganda but have been relatively passive in the last few years.

This tense security situation puts pressure on the defense budget, with donors taking an ambivalent position in this regard. Reports from the Ugandan press and also official Ugandan budget documents often mention the limitation of the defense expenditures to two percent of GDP as a condition for further international aid.⁹⁶ The Ugandan government maintains the view that this artificial limit endangers national security. At the same time, independent international institutions (SIPRI and IISS) report that, since the beginning of the war in the DRC, the level of military expenditures in Uganda has in reality been higher—depending on source and year somewhere between 2.1 and 3.4 percent of GDP (Annex V).

The importance of the military sector becomes obvious when compared to total government expenditures. In the 1980s, the share of military expenditures in total government expenditures was 23 percent, with the highest level in 1988 when it was 26 percent. The international donor community supports the reduction of this share. Through a demobilization program in the 1990s the share of military expenditures in total government expenditures was reduced to less than 20 percent. After further decreasing to 14.8 percent in 1997-98, military expenditure increased sharply due to the war in the Congo. The World Bank's *Budget and Medium-Term Expenditure Framework* for Uganda, dated December 2001 foresaw a gradual reduction in defense

95 According to the UN-Mission in Congo, some 2,000 former Ugandan soldiers were still in the DRC in April 2004. This is contested by the UPDF. See "2,000 Ex-Fighters Still in Congo – UN", *The Monitor* (Kampala), 3 April 2004.

96 There is no explicit statement in publicly accessible donor documents, see also Omitoogun, W.: *The Military Expenditure of African States: A Survey*, SIPRI Research Report No. 17, Oxford 2003, p. 98.

expenditure to a 13.3 percent share of total government expenditure, in 2002-2003 (see following table).

Table G: Uganda: Share of defense expenditure in percentage of total government expenditure⁹⁷ (In billion UGX)

	1994-5	1995-6	1996-7	1997-8	1998-9	1999-00	2000-1	2001-2	2002-03
Defense expenditure	19.6	18.8	18.4	14.8	19.8	15.5	14.0	13.7	13.3
For information: UGX per US\$	979.4	968.9	1046.1	1083.0	1240.3	1454.8	1644.5	1755.7	1797.6

The increasing defense expenditures have led to tensions between the Ugandan government and international donors. The IMF for instance withheld payment of a credit tranche on the grounds that the Ugandan government had not stuck to the guidelines on the ceiling of the military budget.⁹⁸ Since the end of the military presence of Uganda in the DRC, the donor community seems more prepared to consider a higher level of military expenditure (beyond the ceiling of 2 percent of GDP), on the basis of the war against the LRA. In a letter to the British Secretary of State for International Development Clare Short in 2001, President Museveni proposed a deviation from the limit of 2 percent of GDP. UNDP and the United States supported this position in 2002. It became possible for the Ugandan government to make 10 billion Shilling (ShS) (5.5 million US\$) more available both for budget year 2002-03 and 2003-04 for use in the defense budget, with the consent of the donors. These extra expenditures were financed through cuts in the budgets of other ministries. According to SIPRI, this facilitated an increase of 20 percent in military expenditures in comparison to budget year 2000-01 and around 27 percent increase in comparison to 1998-99.⁹⁹

II. Budget planning and reporting

According to the World Bank, Uganda made significant progress in budget planning during the 1990s. In 2002, the PER states that “over the past five years, Uganda has made systematic strides in making its budget process more open and has built up the capacity of various stakeholders to ensure quality participation in

⁹⁷ World Bank, *The Budget and Medium-Term Expenditure Framework in Uganda*, December 2001. Numbers for 2001-02 and 2002-03 are planned figures.

⁹⁸ See SIPRI Yearbook 2000, p. 297

⁹⁹ See SIPRI Yearbook 2003, p. 327-328.

the budget process”¹⁰⁰ These measures have had the effect that, on the one hand, transparency of the budget process has improved, and on the other hand, that the control over expenditures has improved. At the beginning of the 1990s, real expenditures deviated up to 25 percent from planned expenditures, while in the budget year 2001-02, these deviations were less than 5 percent. However, fundamental differences can be found between the ministries. Systematic overspending in comparison to the planned figures can be found in the security budget (which also includes the secret services), but also in other parts of public administration.

The Ugandan parliament has a committee on Defense and the Interior, which votes on the government’s budget plan. The submission of the budget is made on the basis of a consultation process within the defense sector and in coordination between various different ministries. The relatively high level of openness with which the defense sector is discussed in parliament and the critical reporting on the theme in Ugandan newspapers are remarkable.

Despite this relatively transparent legislative procedure it remains unclear, on the basis of the documents available to the authors, to what extent the parliament can and does assess the budget planning. The publicly accessible budget figures contain three distinct subcategories for the defense budget:

- recurrent wage expenditure
- recurrent non-wage expenditure
- development expenditure.

An analysis of the defense expenditures for the budget years 1997-98 to 2001-02 shows clearly that recurrent wage expenditures and running costs constitute by far the bigger part of the available budget. Development expenditure, which include expenditures on new weapon systems, constitute only a decreasing part of the official defense expenditures (see Table H).

100 World Bank, *The Republic of Uganda Public Expenditure Review*, 23 September 2002, p. 11.

Table H: Summary of Ugandan defense expenditure (In billion UGX) ¹⁰¹

Budget year	1997/98	1998/99	1999/00	2000/01	2001/02
Wage	33.92	74.93	107.78	113.57	108.40
Non-Wage	85.32	120.73	78.86	69.73	85.84
Development	1.54	7.4	4.36	5.24	4.16
For information: UGX per US\$	1083.0	1240.3	1454.8	1644.5	1755.7

In view of this data, it is likely that the planning of the defense budget is based on the pricing of troop strength and operational costs. The procurement of new weapon systems normally seems to be financed through other budget categories than the “development” subcategory that is actually intended for these types of expenditures. The main indicator for this conclusion is that the relatively large imports of various weapon systems between 1997 and 2002 are not reflected in the number for the development subcategory.

Since 1997, the Ugandan government has been working on the “Ugandan Defense Reform Programme”, with the goal of improving the budgetary process in the defense sector. The “Uganda Defense Efficiency Study” was conducted in 1999, with the help of UK DFID, and a *White Paper* process initiated on its basis with the objective to formulate a defense policy and program and price it, again with help from UK DFID.¹⁰² The *White Paper* was made available in December 2003 and discussed in Parliament in early 2004. It contains, among more short-term planning, a large procurement spree over the period of 15 years, priced at UGX 5.4 trillion (3 billion US\$). This has been criticized as inappropriate from the donor community.¹⁰³

III. Military expenditures in official national and international reports

Official information on planned and real defense expenditures can be found in various different government documents. The Ugandan Ministry of Finance, Planning and Economic Development publishes the annual *Budget Speech* that the Minister of Finance holds in parliament. In this speech, the most important data for the coming budget year can be found. In addition, in the same month, the *Background to the Budget* is

101 World Bank, *The Budget and Medium-Term Expenditure Framework in Uganda*, Africa Region Working Paper Series No. 24, December 2001, p. 14 and WB: *Public Expenditure Review*, 23 September 2002, p. 92ff.

102 www.defenceuganda.mil.ug

103 *New Vision* (Kampala), 7 May 2004.

published. This document contains not only the most important data for the next budget year, but also figures on actual expenditures in the last budget year and an overview of macroeconomic developments in Uganda during the period under review. Furthermore, the Ministry publishes quarterly, semi-annual and annual *Budget Performance Reports*, in which the actual implementation of the budget is analyzed. These reports are published relatively quickly after the period under review, for instance the report on the first quarter of the budget year 2002-03 (July-September 2002) was published in November 2002. In addition to these publications, there is an annual *Statistical Abstract* that also contains information on defense expenditures. All official publications only contain data on the defense budget in highly aggregated form, which means that only the above mentioned three categories are given.

The Ugandan government reports defense expenditures to the International Monetary Fund (Annex V, GSFY).

The basic documents on development planning for Uganda also contain information on defense expenditures, for instance *The Budget and Medium-Term Expenditure Framework in Uganda* and the *Public Expenditure Review (PER)* by the World Bank. Especially the latter document contains more detailed information than the above mentioned Ugandan sources. For instance, the PER differentiates between expenditures for the secret services and for the military, mentions the financing of LDUs out of the budget of the Ministry of the Interior and gives information on payment of pensions to former soldiers.

IV. Problems with the official data

There are several problems with respect to the official Ugandan data. As mentioned before, the investment expenditures reported in the defense budget are not likely to include the costs of known imports of weapon systems. This implies that the official data in reality only consists of salaries and operational costs of the regular forces (UPDF) and that larger procurements are financed using special budgets. These special budgets are secret and are therefore not subjected to control by the Ugandan Audit Office. It is unclear whether these budgets are reviewed by Parliament, but this seems unlikely. IISS reports a total of 111 million US\$ for “secret expenditures” for the year 2002.

In some cases, budget lines other than for defense are used for military purposes. This is especially the case for the budget of the Ministry of Interior. The salaries of at least 15,000 members of the LDU are financed from this budget. In at least one case the

budget of the Ministry of Interior was used for the purchase of military goods; in 2003-04 *Armored Personnel Carriers* (APCs) with a total value of 4.47 billion UGX (2.3 million US\$) were purchased through this budget. The purchase was defended in parliament by stating that the APCs were needed to protect international organizations delivering humanitarian aid to the North.¹⁰⁴ Omitoogun also describes the practice of using the Ministry of Interior's budget for military expenditures. He cites a report by the Ugandan Audit Office from 2001 that states that in budget year 2000-01 more than 8 billion UGX (4.7 million US\$) were transferred from the Ministry of Interior's budget to the UPDF, in order to cover salaries and operational costs.¹⁰⁵

A further problem is that the income of the UPDF from economic activities largely remains a mystery. The economic activities of the UPDF are essentially those of the *National Enterprise Corporation* (NEC, a UPDF parastatal), which, amongst other things, produces arms and ammunitions but also medicines for the national and international markets. The exact level of income is not known, but the Ministry of Defense had an income of 97 billion UGX (56.3 million US\$) in budget year 2001-02. In 2002-03 however, the same income category was only 1.5 billion UGX (0.9 million US\$). According to Ugandan budget rules, all income of Ministries must be handed over to the Ministry of Finance, in order to be further used in the budget. However, in view of the UPDF's chronic shortage of funds, it is unlikely that this happens to the full extent. To the extent that this is not the case, it is further evidence of the existence of secret defense funds, and the intransparency of the official budget.

At least part of the reason for the concealment of arms imports and the use of the budgets of other departments than that of defense, can be found in the military expenditure ceiling of two percent of GDP established by the international donor community. The Ugandan government deliberately uses intransparency and incompleteness in the budget in order to be able to show a lower than actual level of defense expenditures in its official data.

V. Budget implementation, procurement

Within budget implementation, the defense sector is marked by particularly high deviations from planned expenses (Table I). This was especially the case in budget year 1998-99, where the

104 "Defence Needs Sh4b for APCs", *New Vision* (Kampala), 24 February 2004.

105 Omitoogun, p. 103.

deviation was 24.4 percent and in budget year 2002-03, where in the first half of the year alone the budget was overspent by 18.3 percent. These deviations, which are usually financed by cuts in the budgets of other departments, are the result of the Ugandan intervention in the DRC and the UPDF operation “*Iron Fist*” against the LRA-rebels in the North of Uganda.

Table I: Uganda: Deviations of real expenditures from planned expenditures¹⁰⁶ (In billion UGX; De = Deviation in %)

1997-98			1998-99			1999-00		
Plan	Real	De	Plan	Real	De	Plan	Real	De
117	120	2.8	163	203	24.4	194	191	1.4

2000-01			2001-02			2002-03		
Plan	Real	De	Plan	Real	De	Plan	Real	De
209.8	208.4	0.5	229	237	3.8	261.7	154.7	18.0

A clear lack of transparency is also found in the procurement of military goods. As mentioned above, larger procurement projects are not financed from the defense budget, but through secret extra budgets. In the last few years, various cases of mismanagement and corruption related to the procurement of large weapon systems have come to light:

In 1998, Uganda bought two MI-24 helicopters from *Consolidated Sales Corporation* that were not airworthy and delivered without the agreed spares. The loss for Uganda was, depending on source, between 7 and 13 million US\$.

In 1999, a Ugandan MP accused the government of having bought heavily overpriced MiG-21 fighter jets from Poland for the sum of 50 billion UGX (32.2 million US\$).

In 1999, Uganda imported 62 vintage T-55 tanks from the Ukraine, via an Israeli arms dealer. The tanks were in very bad shape, but the Ugandan government paid between 450,000 and 750,000 US\$ per piece (according to source).

In its procurement practice, the Ugandan government often uses intermediaries instead of dealing with the producers directly. The purchase of the two MI-24 helicopters, for instance, was brokered by a Ugandan former rallydriver, Emanuel Katto, who does not have any knowledge of the international arms trade. The brother of President Museveni, General Salim Saleh, has also repeatedly been named in this context.

106 This table is based on various different official sources, including the PERs and various Budget Performance Reports. The figures for the first half year of budget year 2002-03 are real expenditures.

The UN Panel of Experts on the Illegal Exploitation of Natural Resources in the DRC also mentions Salim Saleh in its reports. This commission investigates the activities of the UPDF (and the other actors) during the war in the DRC. Saleh, together with other high-level army officers, was accused of having used the presence of the UPDF in the Congo for considerable personal gains. These accusations were confirmed by the so-called “Porter Commission”, the Ugandan commission that investigated the matter.

While Salim Saleh has been discharged, the scale of corruption within the UPDF still seems to be considerable. At the beginning of 2004, 50 officers were discharged because they were suspected of having enriched themselves by receiving salaries for soldiers who did not exist (“ghost soldiers”).

VI. Budget control

The Ugandan parliament has a central role in the monitoring of the defense budget. Under pressure from the donors, the rights of parliamentarians to do so have clearly increased. However, there are two important limitations. The supervisory role of parliamentarians is, first, limited by problems of capacity and knowledge. As is the case in other African parliaments, delegates have few assistants at their disposal. There is a fundamental imbalance between the executive and the capacities of parliamentarians. In addition, the secret extra budgets with which, for instance, arms imports are financed are beyond the control of parliamentarians. Despite these limitations, the Ugandan parliament shows great interest in military expenditures, as does the press.

The *Auditor General's Office* is formally responsible for the auditing of the defense budget. According to articles 154 and 163 of the Ugandan Constitution, the Auditor General's Office is responsible for all budgets and reports to Parliament on an annual basis. In reality, the Audit Office has several limitations. The budget of the office is only sufficient for a relatively small number of employees and the annual report is only printed in very small numbers. Employees of the Audit Office complain that the executive often ignores their recommendations.¹⁰⁷ More serious is the fact that the Auditor General's Office does not examine the budget categories that are classified as secret, while according to its mandate it should also verify these categories.

107 Uganda Debt Network: *Dossier – Corruption in Uganda*, Kampala o.J., p. 12.

VII. Assessment

Even though the budget planning and (especially parliamentary) control of budget implementation has been improved over the last years, the military sector remains a critical factor from the point of view of development cooperation. The (currently slightly undermined) ground rule that military expenditures should not exceed 2 percent of GDP is a critical factor here. This artificial limit – that with regard to the current security situation in the country may possibly indeed be too low – has resulted in the Ugandan government “hiding away” defense expenditures in other budgets. Furthermore, the government has adopted methods of budget making that are not in line with basic rules of budgeting, in order to meet the international donor community’s numerical target.

As the example of procurement indicates, corruption and mismanagement clearly benefit from the intransparency in the budget. It is therefore desirable that all future defense expenditures are comprehensively financed from the defense budget. The potential for corruption, which is already high because of the connections between the UPDF and the country’s elite, would then decrease and procurement could be brought under parliamentary control.

In order to achieve this, parliament and the audit office must first be given the materiel capacity to control and oversee the budget process. They should receive a sufficient number of qualified employees and the necessary financial means. The control function of the audit office should also cover secret and extra-budgetary expenditures.

A positive aspect is the willingness of parliamentarians to investigate corruption in the ranks of the UPDF and to ask critical questions about the use of budgetary means. The newspapers *New Vision* and *The Monitor* also report on problems in these areas. In addition, the Ugandan judicial system leads the way in the fight against corruption in the defense sector.

7. Summary and further considerations

The assessment of individual country cases with respect to planning, implementation and control of military expenditures can be briefly summarized as follows:

- ***Ethiopia***: Both in regional and international comparison, and despite the reductions of the last years, the military expenditures of Ethiopia are still high. No information could be found on the planning of military expenditures. The

budget implementation and control, and therefore the official reports on military expenditures, seem relatively trustworthy. This is especially so in comparison to the other countries studied and despite limited administrative capacity. Procurement is an exception to the overall good level of transparency, as at least in the past this was financed outside of the regular budget.

- **Burundi:** Overall, budget discipline is very low. The official data reported on military expenditures are inconsistent and it could not be established in this brief assessment whether all relevant expenditures are incorporated into the official budget. It is highly likely that some important expenditures are financed outside of the official defense budget. Control is very weak.
- **Kenya** has low military expenditures in comparison to the other cases, mostly because of its small number of troops. Nevertheless, large problems exist with regard to transparency and control. The salaries of officers are high in regional comparison, and above all there is considerable doubt about the existence of the proper implementation of the military budget. Despite measures being taken and official politics, there is only limited transparency, especially with regard to procurement.
- **Tanzania:** Tanzania has small military expenditures in regional and international comparison. During the last few years these expenditures have decreased further, to benefit social and development expenditures. Transparency and control of public expenditure is comparatively good, although the reporting on military expenditure does not correspond to the internationally customary definitions and some details could not be clarified in this assessment.
- **Uganda:** Despite, or maybe because of, a ceiling set for military expenditures by the international donor community of 2 percent of GDP, the Ugandan military expenditures are not transparent. The Ugandan government has tried in different ways to fund the military on the level it deemed necessary without comprehensively doing so within the appropriate budget lines. Particular cases include the financing of paramilitary forces and procurements, but also the military's income from economic activities, for instance the production of weapons. Corruption is a great problem within the armed forces.

In all the countries that were the subject of this study, there is a need to improve public expenditure policy and management. It seems that in those countries where budget implementation and control have recently improved (which is the case in all of the countries except Burundi), little has changed as far as the military is concerned. At least, there is little or no mention of the defense sector in the appropriate documents (PER, PRSPs). In the light of this general conclusion, the following recommendations are made:

- **Ethiopia:** External budget funding has been an important factor for recent improvements in public expenditure work. However, the military sector and the Ministry of Defense do not seem to have been affected by these efforts, or they have only had a marginal effect. The reason for this could not be established. There seems to be a large need for improvement in the field of planning; further priority areas for improvement are control of military expenditures by parliaments and audit offices.
- **Burundi:** Improvements in public expenditure management only began after the final ending of the civil war. Donors should have great interest in fast reforms particularly in the military sector and its budget, not least because of an expected 'peace dividend' that could result from the planned, largely externally financed demobilization of combatants.
- **Kenya:** The efforts of the Kenyan government for more budget discipline, to fight corruption and for more transparency seem to have had little effect on the military up to now. There is a need for improvement in all elements of the defense budget cycle but particularly in the fields of procurement and budget planning.
- **Tanzania:** Over the last years, budget discipline and control have improved and with some delay, these improvements are beginning to take effect in the Defense Ministry. However, there is room for more reform, especially in the comprehensive budgeting and reporting of all relevant expenditures.
- **Uganda:** In none of the other countries is the dialogue on military expenditures between the donor community and the government as intensive as in Uganda. Some interesting results have emerged from this dialogue, especially a number of reports and an extensive planning document (*White Paper*), supported by the UK Government. There have also been some improvements in the monitoring of military

expenditures in Uganda. The next step is to extensively improve budget implementation and control, in order to build upon the promising beginnings.

Recommendation of more comprehensive analysis

For this short assessment, only a limited number of documents were examined. In all countries, except Burundi, it would be possible and useful to conduct more comprehensive data collection and analysis. Visits to the countries and possibly research at the IMF and World Bank in Washington, DC, should be part of such a larger study. Additional documents, including those from national sources, should be collected. Interviews with representatives of defense ministries, finance ministries, parliamentarians and representatives from NGOs and embassies would be of great value. However, a study like this would only be useful in Burundi once the peace process is consolidated further. In the other countries, conditions for such a study are promising. Such a study would yield additional knowledge on the state of PEW in the area of military expenditures, an area where transparency is comparatively low and which is in danger of being excluded from the general trend of improvement.

Priorities for reform

In all cases, there are good reasons to strengthen the incorporation of military expenditures in PEW. The prerequisites in all countries, with the exception of Burundi, are relatively good. Uganda has made the most progress, followed by Tanzania. In Ethiopia, the general improvements in PEM have to be extended to include the defense sector. The defense sector in Kenya should not be excluded from the necessary extensive budget reforms.

In general, all elements of the budget cycle are in need of reform. It seems that, with the exception of Uganda (*White Paper*-process), no country has proper planning and programming processes for military expenditures. Budget implementation is problematic in all countries, especially with respect to procurement. The same goes for control of the budget, including the capacity of parliaments and audit offices. Public discussions on military expenditures only take place in Uganda, and in a more limited form in Kenya and Tanzania, where the discussion is focused on procurement scandals, not on transparency and accountability or the level of expenditures.

Actors

As mentioned before, the poor implementation of basic principles of PEW presents a problem for the optimal allocation of financial resources available to the countries concerned, but also for donors, especially those who provide major budget support. Several donors have developed great interest in including military expenditures more comprehensively in PEW, not least because of the desire to be able to counter the possible criticism that recipient countries use budget support to finance armed forces and arms procurements. This interest has so far had only limited effect, in the countries subject to this study as well as in other countries:

IMF and World Bank, who have a leading role in PEW, see problems with their mandate, which forbids intervention in political issues.¹⁰⁸ IMF and WB officials can point out the negative effects of high military expenditures on economic development. However, the assessment of the level and composition of military expenditures are seen as problematic because they are judged to go beyond economic matters. In this regard the military sector is treated differently from other sectors, where questioning, fact-finding and sectoral program development is seen as an integral part of PEW.

In particular cases, the World Bank, IMF and other donors have regarded the problem of high military expenditures as so serious that they have linked their aid to military expenditure ceilings. The example of Uganda shows the problems of such a construction: it tends to reduce transparency and increase the temptation to finance expenditures via shadow budgets or through uncontrollable privatization of the use of violence. Furthermore, a ceiling seems to be a stronger intervention in the politics of the receiving country than is the insistence on the comprehensive use of PEW principles.

Bilateral donors, with the exemption of the UK and in cases of close allies of the US, have restrained themselves from extending their PEW support to expressively cover military expenditures. The UK has, as described above, assisted the Ugandan *White Paper* process as a first step for a comprehensive budget review. In Ethiopia, too, the UK has included military expenditures in its wider PEW support efforts.

There are several reasons why donors have restrained themselves in this aspect. One is similar problems of mandates

108 Nicole Ball, *Transforming security sectors: the IMF and World Bank approaches*, Conflict, Security and Development 1:1, 2001, pp. 45-66

and mission as exist at the World Bank and the IMF. Another is the division of labor and therefore the division of competence between different ministries in donor countries. Ministries for development cooperation and institutions for the implementation of development cooperation often have relatively little contact with defense ministries, especially with respect to budget planning and implementation. The UK has a special position among donors partly because its government ministries have comparatively less difficulty to work jointly. The British Ministry for International Development (DFID) works together closely with the Ministry of Defense and the Ministry of Foreign Affairs in the field of conflict prevention and post conflict situations, security sector reform and improvement of budget implementation and military expenditures. For instance, joint expert teams have been formed that advise on situations where military and development areas meet (Defense Advisory Teams). This close cooperation does not only resolve from a general call for 'whole of government' approaches, but also from a stronger strategic-political focus of British international politics, that all ministries need to serve.

Recommendations for German development cooperation

The above assessment leads to the conclusion that the German Ministry for Economic Cooperation and Development (BMZ) and the German implementing institutions active in the field of PEW should seek a more active role in the further incorporation of military expenditures into PEW. This conclusion is based on the following considerations:

- Budget support will probably increase and, with it, the problems posed by a non-transparent use of funds.
- Ceilings on military expenditures are no alternative for improved incorporation of military expenditures in PEW. Other alternatives for improvements of transparency in income and expenditures and for the improvement of national decision-making on military expenditures are also not clearly evident. All attempts to develop objective criteria for the 'right' or 'acceptable' level of military expenditures have up to now not led to satisfying results.
- The stronger incorporation of military expenditures in PEM is primarily a task for bilateral development cooperation. The current mandates of World Bank and IMF will at best be expanded only marginally. On the other hand representatives of both institutions – including World Bank President

Wolfensohn in a letter to Minister Wieczorek-Zeul – have offered the technical expertise of their experts within a cooperative relationship with a group of, or individual, bilateral donors.

German development cooperation should not act single-handedly, but cooperate with other donors and the World Bank. The cooperation within the *Utstein*-group that has already started is promising, but the prerequisites in the states involved are very different – the UK is in a special position – raising the level of necessary coordination.

A basic prerequisite for stronger incorporation of military expenditures in PEW is the participation of the relevant states. The conditions for cooperation seem good in Uganda and Ethiopia and probably also in Kenya and Tanzania. But a political commitment to pursue this kind of extension of PEW is necessary and possibly also linkage to budget support. The BMZ would have to make such commitments.

Especially relevant seems to be the stronger incorporation of military expenditures in PEW in countries where military expenditure poses a problem. This is the case in Uganda, where the military expenditures are possibly too low in relation to the level of threat, and in Burundi and Ethiopia, where they are very high at the moment. The military expenditures in Kenya are relatively low but especially in Kenya there seem to be good possibilities to lower military expenditures further by improving the budget process.

If the BMZ is prepared to commit to stronger incorporation of military expenditure in PEM, in cooperation with other donors, and has selected priority countries for such work, the following three options exist for practical implementation:

- The German authorities offer expertise in the fields where this expertise exists in German implementing institutions such as the KfW, that is, especially in the field of budget control and the compliance of budget planning, implementation and control with basic budgeting rules. Special military expertise needed for budget planning and implementation would not be offered. This kind of support must then come from other donors, such as Great Britain. In this option, a fuller incorporation of military expenditures in PEW would be the overall objective but the German side would not partake in the assessment of the appropriateness of the level and composition of military expenditures.
- The BMZ opts for a more limited approach to PEW work on military expenditures by focusing on budget

implementation and control but not planning and programming. The benefit of this option is that expertise in this field can be offered fairly easily and the acceptance by receiving countries may be greater than it would be with a more comprehensive approach including the full budget cycle. While the level and composition of military expenditures would not be subject to review, in the view of the current problems of transparency and accountability in the countries studied here, major improvement in the situation could be expected.

- The necessary expertise on military matters is provided through cooperation with the ministry of defense (the UK model) or by independent consultants, who have gained relevant experience in ministries of defense. In this option, the complete budget cycle would be covered. Coordination efforts between the various actors involved in review and reform would, however, need to be large.

This presentation of the three options indicates that fundamental decisions need to be made. The implementation of the ‘small option’, the analysis of defense expenditures by a team, that includes World Bank and other bilateral donors and in which expertise on defense does not come from Germany but from another donor country, would currently be possible and useful in all countries except Burundi. In view of the level of military expenditures, this seems most necessary in Ethiopia and Uganda. But in order to gain a deeper understanding of the efficiency and effectiveness of military expenditures, especially in relation to other sectors, competence in the field of military expenditures planning would also need to be brought to such an exercise. If, however, such expertise is brought in, the impression could be created that German development cooperation approves military expenditures of a certain level. The problems inherent in such an approach are currently visible in the case of Uganda. But this dilemma – taking part in controlling always results in some co-responsibility – is, in the view of the authors, unavoidable. At least in the cases where high military expenditures and large-scale budget and program financing coincide, there seems to be no other way than to include the up-to-now largely neglected field of defense expenditures in PEW. The two ‘small’ options could be a first step, that could be followed by the ‘larger’ option when there is demand for it, either because initially no other bilateral donor is willing to provide the necessary expertise or because the absence of such expertise proves to be problematic.

Selected literature

- Ball, Nicole and Michael Brzoska with Kees Kingma and Herbert Wulf, *Voice and accountability in the security sector*, BICC Paper 21, Bonn, 2002.
- Ball, Nicole and Malcolm Holmes, *Integrating Defense into Public Expenditure Work*. Paper commissioned by UK Department for International Development, January 11, 2001, <http://www.grc-exchange.org/docs/SS11.pdf>.
- Ball, Nicole, *Economy and Security in the Third World*, Princeton, 1988.
- Brzoska, Michael, "World Military Expenditures", in Keith Hartley and Todd Sandler, *Handbook of Defense Economics*, Amsterdam, 1995.
- Department for International Development, "Annex 4: Discussion Paper 2. Supporting Security Sector Reform: Review of the Role of External Actors, *Security Sector Reform and the Management of Military Expenditure: High Risks for Donors, High Returns for Development*, Report on the Symposium on Security Sector Reform & Military Expenditure, 15-17 February, 2000, London.
- Hendrickson Dylan and Nicole Ball, "Off-Budget Military Expenditure and Revenue. Issues and Policy Perspectives for Donors," CSDG Occasional Papers #1, International Policy Institute, King's College London, January 2002.
- International Monetary Fund, *Code of Good Practices on Fiscal Transparency*, <http://www.imf.org/external/np/fad/trans/code.htm>.
- Omitoogun, Wuyi, *Military Expenditure Data in Africa: A Survey of Cameroon, Ethiopia, Ghana, Kenya, Nigeria and Uganda*, Oxford, 2003.
- Poverty Reduction and Economic Management Network, *Public Expenditure Management Handbook* Washington, DC: The World Bank, 1998, www1.worldbank.org/publicsector/pe/English.htm.

Burundi

- World Bank, *Technical Annex for a Proposed Grant to Republic of Burundi for an Emergency Demobilization, Reinsertion and Reintegration Program*, Washington, 24 February 2004.

Burundi – Interim Poverty Reduction Strategy Paper, November 2003.

Burundi – Selected Issues and Statistical Appendix, February 2004.

International Crisis Group (ICG): *A Framework For Responsible Aid to Burundi*, Brussels 21 February 2003.

Ethiopia

Federal Republic of Ethiopia, *Poverty Reduction Strategy Paper, Annual Progress Report*, December 2003.

Ethiopia – Poverty Reduction Strategy Paper Annual Progress Report, Februar 2004, IMF Country Report No. 04/37.

Ethiopia Country Financial Accountability Assessment, A Collaborative Exercise by the Federal Government of Ethiopia and a Multi-Donor Task Team, World Bank Report No. 26092-ET, 17 June 2003.

Kenya

Albert K. Mwenda & Mary N. Gachocho, “Budget Transparency: Kenyan Perspective”, Institute of Economic Affairs (IEA), Research Paper Series No. 4, Nairobi, October 2003.

Kenyan Ministry of Planning and National Development, Kenya Public Expenditure Review 2003, Nairobi 2003, <http://www.planning.go.ke/pdf/per.pdf>.

Tanzania

Government of Tanzania, *Poverty Reduction Strategy Paper*, Daressalam, 2000.

Naschold Felix and Adrian Fozzard, “How, When and Why does Poverty get Budget Priority – Poverty Reduction Strategy and Public Expenditure in Tanzania: *Case Study 3*”, Overseas Development Institute (ODI), Working Paper 165, London, April 2002,.

Government of Tanzania and World Bank, *Public Expenditure Review FY03*, Juni 2003.

Uganda

World Bank, *The Budget and Medium-Term Expenditure Framework in Uganda*, Africa Region Working Paper Series No. 24, December 2001.

The Republic of Uganda Public, Expenditure Review Report on the Progress and Challenges of Budget Reforms, 23 September 2002, Poverty Reduction and Economic Management 2, Country Department for Uganda, Africa Region.

ANNEX TABLES

I. Ethiopia

Table 1: Military expenditures in absolute figures (Reports for financial years (2nd year), in current prices, unless stated otherwise)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
SIPRI, Million Birr	1740	1121	667	[819]	813	754	803	1512	3263	5589	5075	3154	3000
IMF, Million Birr	1956.5	1768.6	753.0	680.8	663.0	736.6	771.6	834.8	1934.1	4285.1	-	-	-
IDA, Million Birr	-	-	-	-	-	-	-	-	-	-	6 842	3 307	2610
FNG, Million Birr	1741.1	-	681.2	-	888.5	736.7	771.6	834.8	2069.8	2872.1	2500.0	-	-
NBE, Million Birr	1841.1	1646.0	634	680.8	663.0	736.6	771.6	834.8	2089.5	-	-	-	-
CBS, Million Birr	1741.1	-	681.2	-	888.5	736.7	771.6	834.8	2089.5	2872.1	2500.0	-	-
SIPRI, Million US\$ (Constant 2000)	840	399	215	[128]	118	99.4	112	205	431	685	618	418	386
WMEAT, Million US\$ (Constant 1999)	489	381	146	129E	110	109	113	117	279	533	-	-	-
IISS, Million US\$	528	1217	-	119	120	119	127	134	372	444	670	575	442
BICC, Million US\$ (Constant 1999)	-	-	-	-	230	200	200	230	250	700	600	600	-
CIA, Million US\$	-	-	-	-	-	-	-	-	-	-	800	-	-

For information:

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Birr per US \$	54.650	61.583	63.517	67.093	71.159	79.423	82.173	84.575	85.678	85.997

IMF, IFS, Official exchange rates of series

Table 2: Military expenditures as Percentage of GDP (WMEAT: GNP)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
PRSP	-	-	-	-	-	-	-	2.0	4.9	8.6	13.1	6.1	5.0
SIPRI	10.0	5.9	3.3	[2.9]	2.4	2.0	1.9	3.4	6.7	10.8	9.8	6.2	-
WMEAT	11.1	9.1	3.7	2.9E	2.4	2.2	2.0	2.0	4.9	8.8	-	-	-
IISS	9.0	21.5	-	2.9	2.4	2.2	2.0	2.1	6.0	7.1	10.3	9.8	8.0
CIA	-	-	-	-	-	-	-	-	-	-	12.6	-	-

Table 3: Military expenditures in relation to state budget (percentage)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
PRSP	-	-	-	-	-	-	-	8.3	19.5	28.1	38.9	21.5	14.8
WMEAT	39.8	39.6	20	15.1E	9.7	9.1	7.9	8.4E	19.5	29.1	-	-	-
UN	-	-	-	-	-	-	-	-	-	-	-	-	-
WB	-	-	-	-	-	9.2	-	7.9	-	29.1	-	43.0	-

Table 4: Structure of armed forces (Source: IISS: Military Balance 2003-2004)

TOTAL active	Army	Air force
162 500	160 000	2 500

Table 5: Total personnel of armed forces, 1990 – 2002

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
WMEAT, in 1000	250	120	120	120	120	100	100	100	200	300	-	-	-
BICC, in 1000	-	-	-	-	120	120	120	120	200	325	350	251	-
WB, in 1000	-	-	-	-	-	120	-	100	-	300	-	-	-
IISS, in 1000	-	320	-	-	120	120	120	120	120	-	352.5	252.5	252.5
WB, % of total national work force	-	-	-	-	-	0.5	-	0.4	-	1.1	-	-	-
WMEAT, Soldiers per 1000 inhabitants	5.2	2.4	2.4	2.3	2.3	1.8	1.8	1.8	3.3	4.8	-	-	-

Table 6: Number of heavy arms

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
BICC	-	-	-	-	-	590	570	650	640	800	430	940	-

Table 7: Weapons imports

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
SIPRI	-	-	-	-	-	-	0	53	194	75	125	2	20
WMEAT, in Million US\$ (Constant 1999)	496	93	0	6	0	11	10	0	162	270	-	-	-
WMEAT, % total imports	37.9	16.9	0	0.6	0	0.9	0.7	0	12.3E	20.5	-	-	-
WB, % total imports	-	-	-	-	-	0.0	-	0.0	-	20.5	-	-	-

Important weapons imports:

Source	Country of origin	Type	Number	Ordered	Delivered
IISS	USA	C-130B Transporting aircraft	4	1995	1998
IISS	Russia	Mi-24 Helicopter	4	1998	1998
IISS	Russia	Mi-17 Helicopter	8	1998	1998
IISS	Bulgaria	T-55 Battle tank	140	1998	
IISS	Rumania	Mig-21/23 Fighter jet	10	1998	1999
IISS	Belarus	T-55 Battle tank	40		1998
IISS	Russia	Su-27 Fighter jet	9	1998	1998
IISS	Russia	Mig-29 Fighter jet			2000
IISS	Russia	152mm Type Artillery	10	1999	1999

Sources:

BICC = Bonn International Center for Conversion: *Conversion Survey*, various years; Reporting of calendar years

CBS = Ethiopian Central Bureau of Statistics: *Statistical Abstract*, various years

CIA = Central Intelligence Agency: *The World Factbook* (2003)

FNG = Federal Negarit Gazeta, Addis Abeba/Ethiopia, various years

IDA = Memorandum of the President of the International Development Association of the Executive Directors on a Country Assistance Strategy for the Federal Republic of Ethiopia, March 24, 2003

IISS = International Institute for Strategic Studies: *The Military Balance*, various years

IMF = International Monetary Fund: *Government Finance Statistics Yearbook*, various years

NBE = National Bank of Ethiopia: *Annual Report*, various years

PRSP = Figures for 2000-2002: Federal Republic of Ethiopia, *Poverty Reduction Strategy Paper, Annual Progress Report*, December 2003; Figures for 1997-1999: Ethiopia Statistical Annex, IMF Country Report No. 02/214, September 2002

SIPRI = Stockholm International Peace Research Institute: *SIPRI Yearbook*, various years; Reporting of calendar years

UN = United Nations Department of Economic and Social Affairs, Statistics Division: *Statistical Yearbook*, various years
WB = The World Bank: *World Development Indicators*, various years
WMEAT = US Department of State: *World Military Expenditures and Arms Transfers 1999-2000*; Reporting of calendar years
E = Estimate including weapons imports

II. Burundi

Table 1: Military expenditures, absolute figures

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
SIPRI, Million Francs	-	-	-	8 805	10 589	10 517	15 408	21 800	26 300	28 500	30 500	44 200	44 200
IMF, Million Francs	-	7 760	8 121	8 805	10 589	10 517	15 408	21 100	23 325	24 564	-	-	-
SIPRI, Million US\$ (Constant 2000)	-	-	-	40.1	42.0	35.0	40.5	43.7	46.9	49.2	42.3	56.1	56.9
WMEAT, Million US\$ (Constant 1999)	29	32	32	32	36	33	39	43	48	49	-	-	-
IISS, Million US\$	-	28	29	26	33	46	52	85	79	69	42	35	38
BICC, Million US\$ (Constant 1999)	-	-	-	-	-	60	50	50	60	60	50	50	-
CIA, Million US\$	-	-	-	-	-	-	-	-	-	-	-	-	42.13

For information:

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Burundi Franc per US \$	252.66	249.76	302.75	352.35	447.77	563.56	720.67	830.35	930.75	1082.62

IMF, IFS, Official exchange rates rf series

Table 2: Military expenditures as Percentage of GDP (WMEAT: GNP)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
SIPRI	3.4	3.8	3.6	3.7	3.9	4.2	5.8	6.4	6.6	6.3	6	8.1	-
WMEAT	3.5	3.7	3.6	3.9	4.6	4.5	5.7	6.3	6.8	7	-	-	-
IISS	-	-	-	2.6	3	5.3	4.1	8.1	7.2	6.1	5.9	5.5	-
IMF 2004	-	-	-	-	-	-	-	-	14.2	12.5	11.1	10.3	9.7

Table 3: Military expenditures in relation to state budget (percentage)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
WMEAT	12.7E	12.3	10.5	11.9	16.3	14.5	20.6	27.0	26.7	26.7	-	-	-
UN	-	-	-	-	-	-	-	-	-	-	-	-	-
WB	-	-	-	-	-	24.8	-	25.8	-	26.7	-	27.1	-

Table 4: Structure of armed forces (Source: IISS: Military Balance 2003-2004)

Army	Paramilitary forces (including Gendarmerie)	Local Defense Militia
45 000	6 500	30 000

Table 5: Total personnel of armed forces, 1990 – 2002

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
WMEAT, in 1000	12	12	13	13	17	22	25	35	35	40	-	-	-
BICC, in 1000	-	-	-	-	13	15	22	22	35	46	46	46	-
WB, in 1000	-	-	-	-	-	22	-	35	-	40	-	-	-
IISS, in 1000	-	7.2	-	-	10.5	12.6	18.5	18.5	40.0	40.0	40.0	45.5	45.5
WB, % of total national work force	-	-	-	-	-	0.7	-	1.0	-	1.1	-	-	-
WMEAT, Soldiers per 1000 inhabitants	2.1	2.2	2.4	2.3	3.0	4.1	4.7	6.5	6.2	6.8	-	-	-

Table 6: Number of heavy arms

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
BICC	-	-	-	-	-	70	60	60	120	150	150	150	-

Table 7: Weapons imports

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
WMEAT, in Million US\$ (Constant 1999)	6	12	0	6	11	0	5	21	10	0	-	-	-
WMEAT, % total imports	2.2	3.9	0	2.6	4.4	0	3.9	16.5	6.3	0	-	-	-
WB, % total imports	-	-	-	-	-	0.0	-	16.5	-	0.0	-	-	-

Important weapons imports:

Source	Country of origin	Type	Number	Ordered	Delivered
IISS	South Africa	armored vehicle RG-31	12	1997	1998

Sources:

BICC = Bonn International Center for Conversion: *Conversion Survey*, various years

CIA = Central Intelligence Agency: *The World Factbook* (2003)

IISS = International Institute for Strategic Studies: *The Military Balance*, various years

IMF = International Monetary Fund: *Government Finance Statistics Yearbook*, various years

SIPRI = Stockholm International Peace Research Institute: *SIPRI Yearbook*, various years

UN = United Nations Department of Economic and Social Affairs, Statistics Division: *Statistical Yearbook*, various years

WB = The World Bank: *World Development Indicators*, various years

WMEAT = US Department of State: *World Military Expenditures and Arms Transfers 1999-2000*

III. Kenya

Table 1: Military expenditures, absolute figures

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
SIPRI, Million KES	5240	4890	4290	6131	6577	7668	9756	10327	10381	10503	12347	14948E	15835E
IMF, Million KES	5385	5910	4648	5406	6856	6297	9039	10472	10132	-	-	-	-
KMFP, Million KES	5385.2	6004.2	4647.6	5406.2	6855.8	6297.2	9039	10471.8	10182.2	10579.6	11427.2	14266.1	-
SIPRI, Million US\$ (Constant 2000)	229	178	121	149	124	143	167	159	150	146	162	195E	202E
WMEAT, Million US\$ (Constant 1999)	248	244	261	251	179	186E	197	200	176	200E	-	-	-
IISS, Million US\$	283	215	230E	179	187E	206	216	269	309	327	307	306	348
BICC, Million US\$ (Constant 1999)	-	-	-	-	150	180	160	150	180	260	350	420	-
CIA, Million US\$	-	-	-	-	-	-	-	-	-	-	-	-	185.2

For information:

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
KES per US \$	56.051	51.430	57.115	58.732	60.367	70.326	76.176	78.563	78.749	75.936

IMF, IFS, Official exchange rates rf series

Table 2: Military expenditures as Percentage of GDP (WMEAT: GNP)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
SIPRI				1.8	1.6	1.6	1.8	1.7	1.5	1.4	1.6	1.8E	-
WMEAT	2.9	2.8	3.0	3.0	2.0	2.0E	2.0	2.0	1.7	1.9E	-	-	-
IISS	3.5	-	-	2.2	2.2	2.3	2.2	2.7	3.1	3.1	2.9	3.1	3.2
CIA	-	-	-	-	-	-	-	-	-	-	-	-	1.8

Table 3: Military expenditures in relation to state budget (percentage)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
WMEAT	9.8	9.0	11.5	9.0	5.9	6.7E	6.7	7.2	5.9	7.1E	-	-	-
UN		12.3	10.8	11.8	11.1	10.6	-	-	10.8	10.4	9.6	-	-
WB	-	-	7.9	-	-	6.2	-	7.2	-	7.1	-	5.8	-

Table 4: Structure of armed forces (Source: IISS: Military Balance 2003-2004)

TOTAL	Army	Marine	Air force	Paramilitary
24 120	20 000	1 620	2 500	5 000

Table 5: Total personnel of armed forces, 1990 – 2002

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
WMEAT, in 1000	20	20	24	24	22	22	24	24	25	24	-	-	-
BICC, in 1000	-	-	-	-	24	24	24	24	24	24	22	24	-
WB, in 1000	-	-	-	-	-	22	-	24	-	24	-	-	-
IISS, in 1000	-	23.6	-	-	24.2	24.2	24.2	24.2	24.2	-	22.2	24.4	24.4
WB, % of total national work force	-	-	0.2	-	-	0.2	-	0.2	-	0.4	-	-	-
WMEAT, % per 1000 inhabitants	0.8	0.8	0.9	0.9	0.8	0.8	0.9	0.9	0.9	0.8	-	-	-

Table 6: Number of heavy arms

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
BICC	-	-	-	-	-	340	240	250	250	250	250	250	-

Table 7: Weapons imports

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
WMEAT, in Million US\$ (Constant 1999)	85	23	23	11	11	11	21	41	10	5	-	-	-
WMEAT, % total imports	3.3	1.0	1.1	0.6	0.5	0.3	0.7	1.2	0.3	0.2	-	-	-
WB, % total imports	-	-	1.2	-	-	0.3	-	1.2	-	0.2	-	-	-

Important weapons imports:

Source	Country of origin	Type	Number	Ordered	Delivered
IISS	France	LACV armored vehicles	4	1997	1998
SIPRI	China	Y-12 Transportation aircraft	6	1996	1997
SIPRI	Spain	Galana Class, landing vessels	2	1994	1994

Sources:

BICC = Bonn International Center for Conversion: *Conversion Survey*, various years

CIA = Central Intelligence Agency: *The World Factbook (2003)*

IISS = International Institute for Strategic Studies: *The Military Balance*, various years

IMF = International Monetary Fund: *Government Finance Statistics Yearbook*, various years

KMFP = Kenyan Ministry of Finance and Planning: *Statistical Abstract and Economic Survey*, various years

SIPRI = Stockholm International Peace Research Institute: *SIPRI Yearbook*, various years

UN = United Nations Department of Economic and Social Affairs, Statistics Division: *Statistical Yearbook*, various years

WB = The World Bank: *World Development Indicators*, various years

WMEAT = US Department of State: *World Military Expenditures and Arms Transfers 1999-2000*

E = Estimate including weapons imports

IV. Tanzania

Table 1: Military expenditures, absolute figures

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
SIPRI. Million TZS	12 196	16 139	-	21 300	26 700	44 000	52 800	61 200	(70000)	(86500)	-	-	-
PER. Million TZS	-	-	-	-	-	-	-	63 500	66 700	-	78 500	89 200	99 700
SIPRI. Million US\$ (Constant 2000)	63	64	-	82.4	77.4	99.5	98.7	98.6	(99.9)	(114)	-	-	-
WMEAT. Million US\$ (Constant 1999)	100	103	133	103	-	88	107	91	101	122	-	-	-
IISS. Million US\$	-	-	-	90	90	87	114	123	140	141	144	139	127
BICC. Million US\$ (Constant 1999)	-	-	-	-	90	60	60	60	90	80	145	150	-
CIA. Million US\$	-	-	-	-	-	-	-	-	-	-	-	-	19.68

For information:

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
TZS per US \$	509.63	574.76	579.98	612.12	664.67	744.76	800.41	876.41	966.58	1038.42

IMF, IFS, Official exchange rates of series

Table 2: Military expenditures as Percentage of GDP (WMEAT: GNP, percentage)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
SIPRI	1.6	1.7	-	1.2	1.2	1.5	1.4	1.3	(1.3)	(1.3)	-	-	-
WMEAT	1.5	1.5	2.0	1.5	-	1.2	1.4	1.2	1.2	1.4	-	-	-
IISS	-	-	-	3.2	2.9	2.7	3.3	3.4	3.7	1.7	1.6	1.5	1.5
CIA	-	-	-	-	-	-	-	-	-	-	-	-	0.2

Table 3: Military expenditures in relation to state budget

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
WMEAT	8.7	7.8	10.0	8.3	-	7.4	8.7	8.4	9.0	10.1	-	-	-
UN													
WB	-	-	-	-	-	8.4	-	10.7	-	10.1	-	-	-

Table 4: Structure of armed forces (Source: IISS: Military Balance 2003-2004)

TOTAL active	Army	Marine	Air force	Paramilitaries	Reserves
27 000	23 000	1 000	3 000	1 400	80 000

Table 5: Total personnel of armed forces, 1990 – 2002

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
WMEAT, in 1000	40	40	46	46	50	50	50	35	35	35	-	-	-
BICC, in 1000	-	-	-	-	46	35	35	35	34	34	34	24	
WB, in 1000	-	-	-	-	-	35	-	35	-	35	-	-	-
IISS, in 1000	-	-	-	-	49.6	34.6	34.6	34.6	34.0	34.0	34.0	27.0	27.0
WB, % of total national work force	-	-	-	-	-	0.2	-	0.2	-	0.2	-	-	-
WMEAT, Soldiers per 1000 inhabitants	1.6	1.6	1.8	1.7	1.8	1.7	1.7	1.2	1.0	1.0	-	-	-

Table 6: Number of heavy arms

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
BICC	-	-	-	-	-	630	640	620	510	510	510	390	-

Table 7: Weapons imports

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
WMEAT, in Million US\$ (Constant 1999)	36	12	6	6	11	0	10	21	0	5	-	-	-
WMEAT, % total imports	2.9	0.6	0.3	0.3	0.7	0	0.7	1.5	0	0.3	-	-	-
WB, % total imports	-	-	-	-	-	0.0	-	1.5	-	0.3	-	-	-

Important weapons imports:

Source	Country of origin	Type	Number	Ordered	Delivered
IISS	South Africa	Helicopter SA-316	4	1998	1998
SIPRI	China	Transportation aircraft Y-12	2	1994	1994

Sources:

BICC = Bonn International Center for Conversion: *Conversion Survey*, various years

CIA = Central Intelligence Agency: *The World Factbook* (2003)

IISS = International Institute for Strategic Studies: *The Military Balance*, various years

IMF = International Monetary Fund: *Government Finance Statistics Yearbook*, various years

PER = Government of Tanzania, *Public Expenditure Review 2003*

SIPRI = Stockholm International Peace Research Institute: *SIPRI Yearbook*, various years

UN = United Nations Department of Economic and Social Affairs, Statistics Division: *Statistical Yearbook*, various years

WB = The World Bank: *World Development Indicators*, various years

WMEAT = US Department of State: *World Military Expenditures and Arms Transfers 1999-2000*

V. Uganda

Table 1: Military expenditures, absolute figures

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
SIPRI, Billion UGX	37.5	50.0	60.8	69.8	95.8	118	135	139	181	212	203	214	255
IMF, Billion UGX	-	-	-	-	-	-	-	-	-	203.1	191.0	208.5	-
MFP, Billion UGX	38.94	56.91	56.15	59.69	79.91	111.61	124.34	152.8	149.61	234.17	230.52	-	-
SIPRI, Million US\$(Constant 2000)	87	91	73	63.4	79.3	89.9	96.1	92.1	120	133	123	127	152
WMEAT, Million US\$ (Constant 1999)	109	108	83	73	76	76	114	128	130	140	-	-	-
IISS, Million US\$	67	70	86.8	54	80	126	156	166	221	199	135	194	158
BICC, Million US\$ (Constant 1999)	-	-	-	-	80	60	120	180	160	160	210	190	-
CIA, Million US\$	-	-	-	-	-	-	-	-	-	-	-	-	124.7

For information:

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
UGX per US \$	979.4	968.9	1046.1	1083.0	1240.3	1454.8	1644.5	1755.7	1797.6	1963.7

IMF, IFS, Official exchange rates of series

Table 2: Military expenditures as Percentage of GDP (WMEAT: GNP)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
SIPRI				1.7	1.9	2.0	2.0	1.9	2.3	2.5	2.2	2.1	-
WMEAT	3.4	3.2	2.4	1.9	1.9	1.7	2.3	2.4	2.3	2.3	-	-	-
IISS	2.1	2.2		1.6	1.8	2.1	2.4	2.4	3.1	2.5	2.3	3.4	2.7
CIA	-	-	-	-	-	-	-	-	-	-	-	-	2.1

Table 3: Military expenditures in relation to state budget (percentage)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
WMEAT	25.9	21.3	11.7	10.0	9.5	9.6	13.1	13.2	14.7	13.9	-	-	-
UN													
WB	-	-	-	-	-	13.3	-	23.9	-	13.9	-	10.1	-

Table 4: Structure of armed forces (Source: IISS: Military Balance 2003-2004)

Uganda People's Defense Force	Paramilitaries	Local Defense Units
60 000	1 800	15 000

Table 5: Total personnel of armed forces, 1990 – 2002

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
WMEAT. in 1000	60	60	70	70	60	51	50	50	50	50	-	-	-
BICC. in 1000	-	-	-	-	48	48	50	50	40	40	50	50	-
WB. in 1000	-	-	70	-	-	52	-	50	-	50	-	-	-
IISS. in 1000		70			50	50	50	55	40		50	55	55
WB. % of total national work force	-	-	0.8	-	-	0.5	-	0.5	-	0.5	-	-	-
WMEAT. % per 1000 Inhabitants	3.5	3.4	3.8	3.7	3.0	2.5	2.4	2.3	2.3	2.2	-	-	-

Table 6: Number of heavy arms

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
BICC	-	-	-	-	-	90	90	150	140	160	250	290	-

Table 7: Weapons imports

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
WMEAT, in Million US\$ (Constant 1999)	36	23	11	0	0	21	42	31	61	30	-	-	-
WMEAT, % total imports	14.1	10.2	2.0	0	0	1.9	3.4	2.3	4.2	2.2	-	-	-
WB, % total imports	-	-	2.0	-	-	0.0	-	2.3	-	2.2	-	-	-

Important weapons imports:

Source	Country of origin	Type	Number	Ordered	Delivered
IISS	Russia	MiG-21/23 Fighter jet	28	1998	1998
IISS	Bulgaria	T-54 Battle tank	90	1998	1998
IISS	South Africa	Mine clearing vehicle <i>Chubby</i>	1	1998	1998
IISS	Poland	MiG-21 Fighter jet	7	1999	1999
IISS	Belarus	T-55 Battle tank	10		2000

Sources:

BICC = Bonn International Center for Conversion: *Conversion Survey*, various years

CIA = Central Intelligence Agency: *The World Factbook (2003)*

IISS = International Institute for Strategic Studies: *The Military Balance*, various years

IMF = International Monetary Fund: *Government Finance Statistics Yearbook*, various years

MFP = Ministry of Finance and Planning

SIPRI = Stockholm International Peace Research Institute: *SIPRI Yearbook*, various years

UN = United Nations Department of Economic and Social Affairs, Statistics Division: *Statistical Yearbook*, various years

WB = The World Bank: *World Development Indicators*, various years

WMEAT = US Department of State: *World Military Expenditures and Arms Transfers 1999-2000*

VI: Armed forces and military expenditures in Africa, 2002

Armed forces (in 1000), 2002

Egypt	427.0	<i>Tanzania</i>	27.0	Mali	7.4
Ethiopia	252.5	Kenya	24.4	Ghana	7.0
Morocco	196.3	Cameroon	23.1	Mozambique	6.0
Eritrea	172.2	Zambia	21.6	Malawi	5.3
Algeria	136.7	Ivory Coast	17.1	Niger	5.3
Sudan	117.0	Mauritania	15.8	Gabon	4.7
Angola	100.0	Madagascar	13.5	Benin	4.6
Nigeria	78.5	Liberia	12.0	Swaziland	3.0
Libya	67.5	Burkina Faso	10.2	CAR	2.6
Rwanda	60.0	Congo	10.0	Lesotho	2.0
South Africa	60.0	Djibouti	9.9	Equatorial Guinea	1.3
Uganda	55.0	Guinea	9.7	Cap Verde	1.2
Burundi	45.5	Senegal	9.4	Mauritius	1.0
DR Congo (Zaire)	40.0	Togo	9.4	Sao Tome & Principe	1.0
Zimbabwe	36.0	Guinea-Bissau	9.3	Gambia	0.8
Tunisia	35.0	Botswana	9.0		
Chad	30.4	Namibia	9.0		

Source: BICC Conversion Survey 2004

Military expenditures (in Mio US\$. 1999 prices), 2002

Egypt	2612	CAR	25
South Africa	2463	Niger	25
Algeria	2300	Togo	24
Libya	1500	Djibouti	22
Morocco	1500	Swaziland	22
Angola	800	Benin	21
Nigeria	773	Mauritania	21
Sudan	580	Zambia	20
Kenya	408	Sierra Leone	17
Ethiopia	388	Mauritius	16
Tunisia	370	Malawi	13
Botswana	273	Seychelles	10
Eritrea	200	Guinea-Bissau	7
Uganda	192	Equatorial Guinea	5
Zimbabwe	179	Gambia	5
Cameroon	158	Cap Verde	4
Tanzania	120		
Mozambique	104		
Namibia	100		
Gabon	100		
Rwanda	85		
Congo	80		
Ivory Coast	80		
Senegal	74		
Guinea	60		
Burundi	54		
Mali	53		
Madagascar	50		
Burkina Faso	49		
Ghana	40		
Chad	30		
Lesotho	27		

Source: BICC Conversion Survey 2004

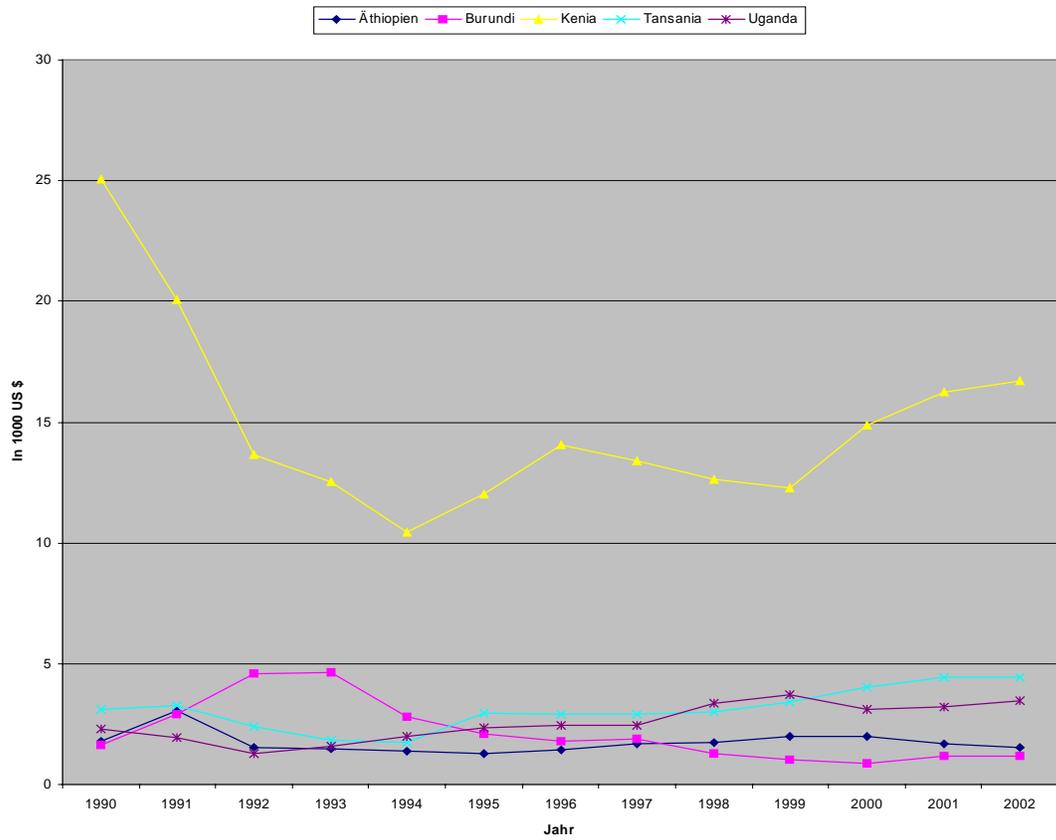
VII: Regional comparison

Table 1: Military expenditures as Percentage of GDP (data from SIPRI)

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Ethiopia	[2.9]	2.4	2.0	1.9	3.4	6.7	10.8	9.8	6.2
Burundi	3.7	3.9	4.2	5.8	6.4	6.6	6.3	6.0	8.1
Uganda	1.7	1.9	2.0	2.0	1.9	2.3	2.5	2.2	2.1
Kenya	1.8	1.6	1.6	1.8	1.7	1.5	1.4	1.6	1.8E
Tanzania	1.2	1.2	1.5	1.4	1.3	(1.3)	(1.3)	-	-

Table 2: Soldiers per 1000 inhabitants (Data of WMEAT)

	1993	1994	1995	1996	1997	1998	1999
Ethiopia	2.3	2.3	1.8	1.8	1.8	3.3	4.8
Burundi	2.3	3.0	4.1	4.7	6.5	6.2	6.8
Uganda	3.7	3.0	2.5	2.4	2.3	2.3	2.2
Kenya	0.9	0.8	0.8	0.9	0.9	0.9	0.8
Tanzania	1.7	1.8	1.7	1.7	1.2	1.0	1.0



Graph 1: Military expenditures per soldier