

Discussion Paper No. 1

Security Sector Reform and the Management of Defence Expenditure

A Conceptual Framework

DFID Department for
International
Development

London 15 - 17 February 2000



Security Sector Reform & Military Expenditure Symposium

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This paper comes from a programme funded by the UK Department for International Development (DFID) at the Centre for Defence Studies for the benefit of developing countries.
It represents the views of the authors and is offered for discussion and debate.

SUMMARY

This discussion paper stems from growing recognition of the linkages between sustainable development and security. It proposes a conceptual framework for addressing one aspect of security sector governance: the management of defence expenditure.

Specifically, the paper suggests that:

- an approach based on strengthening the process by which defence expenditure is managed and monitored will be the most effective means of achieving appropriate levels of military expenditure;
- policies, laws and structures in the security sector will reflect each country's history, culture, legal framework, and institutions;
- despite each country's unique situation, a set of generic public sector management principles exist which should be applied to all components of the public sector, including the security sector, and consequently strengthening governance in the security and non-security portions of the public sector should proceed simultaneously, to the extent possible;
- the pace and sequencing of efforts to strengthen the management of defence expenditure will vary across countries;
- efforts to improve the efficiency of defence expenditure management should be set in the broader context of security sector reform; and
- national ownership of the reform process and the strengthening of capacity to manage and oversee the defence sector are essential to ensure sustainability.

A number of next steps are proposed for considering the integration of security sector governance and better defence expenditure management into development policy.

A. INTRODUCTION

1. This paper proposes a conceptual framework for the management of defence expenditure. It argues that efforts to improve the efficiency and effectiveness of defence expenditure should be set in the broader context of security sector governance. We take the security sector broadly to include: military, police, paramilitary, gendarmerie, machinery associated with ensuring accessible justice (police, judiciary, penal system), intelligence, customs enforcement and the civilian management and oversight authorities, including the Ministries of Defence and Finance. Section B starts by analysing some of the key challenges of extending principles of governance into the security sector. Section C focuses on the process of managing defence expenditure effectively. Section D concludes by offering suggestions on next steps in managing defence expenditure.

2. Our 21st Century world is faced with two key challenges: the promotion of sustainable, poverty-reducing development and the reduction of violent conflict within and between states. There is a growing recognition that security is an essential condition for sustained development and poverty elimination.

3. Conflict causes instability, leads to the denial of human rights and thereby damages development potential. At an individual level, a lack of security reduces productive opportunities. Evidence from participatory poverty assessments indicates that the poor are especially vulnerable to ill-disciplined and lawless security forces or repressive measures. Unreformed security sectors, without effective government control, can inhibit or reverse the development of representative political systems and can cause rather than ease insecurity, conflict and human rights abuse. Inappropriate or inefficient spending on security absorbs resources that could be used for development purposes.

4. An appropriately managed and cost-effective security sector can, however, be a force for good. By providing appropriate protection it can help people to live in safety and security which is an important prerequisite for enhancing their livelihood opportunities.

5. The security sector therefore has a critical role to play in creating the conditions for sustainable development and in improving the circumstances of poor people in particular. Many countries now recognise this and are seeking some degree of security sector reform.

6. Our starting premise is that the same principles that govern other components of the public sector are applicable in the security sector. Creating an enabling institutional framework that will promote transparency, accountability, discipline, and comprehensiveness is key to increasing the efficiency and effectiveness of resources allocated to the security sector. Defence expenditure has been singled out for particular attention because it generally absorbs the major share of resources devoted to the security sector. The armed forces, therefore, tend to be the constituency most in need of persuasion on the need for and benefits of reform.

7. If the international community is to achieve the agreed target of reducing by half the number of people living in extreme poverty by 2015, people – both individually and collectively – must be able to live in safe and secure environments. The process described here should provide an important step towards creating such an environment.

“All countries... have legitimate security needs. The appropriate allocation of resources to the security sector is therefore essential. A security sector that is well tasked and managed serves the interests of all, by providing security and stability – against both external and internal security threats. And obviously security is an essential prerequisite for sustainable development and poverty reduction.”

Source:
Security Sector Reform and the Elimination of Poverty. Speech by Clare Short, Secretary of State for International Development at the Centre for Defence Studies, King’s College London, 9 March 1999.

B. IMPROVING SECURITY SECTOR GOVERNANCE

8. Many of the countries seeking to improve the management of defence expenditure will need to reform the way their security sectors are organised and operate. This will require special attention to the environment in which government decision-making occurs. Unless a broad approach is adopted, it is unlikely that the long-term benefits of reform, which include enhanced security, the efficient use of resources, and in many cases increased resources for poverty elimination, will materialise.

DEMOCRACY AND GOOD GOVERNANCE IN THE SECURITY SECTOR

9. The precise structure and functioning of security sectors varies from country to country. Effective, efficient and equitable economic and political governance at all levels is central to the achievement of sustainable, poverty-reducing development and conflict management. In turn, ensuring that sound governance principles permeate the security sector is key to the establishment of strong and equitable systems of governance. Implementing these principles can take many forms, and there is no “one-size-fits-all” model.

10. The key principles of good governance in the security sector can be summarised as follows:

- Security sector organisations, particularly the security forces, are accountable both to elected civil authorities and to civil society.
- Security sector organisations operate in accordance with the international law and domestic constitutional law.
- Information about security sector planning and budgeting are widely available, both within government and to the public, and a comprehensive and disciplined approach to the management of defence resources is adopted.
- Civil-military relations are based on a well-articulated hierarchy of authority between civil authorities and the defence forces, on the mutual rights and obligations of civil authorities and the defence forces, and on a relationship with civil society that is based on the respect for human rights.
- Civil authorities have the capacity to exercise political control over the operations and

“Good governance, of course, means much more than democratisation in a formal political sense. Another very important aspect is the reform of public services – including the security sector, which should be subject to the same standards of efficiency, equity and accountability as any other public service.”

Source:

Kofi Annan, “Peace and Development – One Struggle, Two Fronts,” Address of the United Nations Secretary-General to World Bank Staff, October 19, 1999, p.5.

expenditure of the security forces and civil society has the capacity to monitor the security forces and provide constructive input to the political debate.

- An environment exists in which civil society can actively monitor the security sector and be consulted on a regular basis on security policies, resource allocation, and other relevant issues.

“...The participants argued that ‘good governance’ should be viewed as an important tool of national security, and that institutional problems related to governance represent an important constraint on the ability of African countries to wield national power efficiently and effectively...”

Source:

Africa Center for Strategic Studies, “Senior Leader Seminar, Dakar, Senegal, 1-12 November 1999. Academic Summary,” p. 12.

- Security-force personnel are adequately trained to discharge their duties in a professional manner consistent with the requirements of democratic societies.
- Fostering an environment supportive of regional and sub-regional peace and security has a high priority for policy makers.

B. IMPROVING SECURITY-SECTOR GOVERNANCE

continued

CREATING AN ENABLING ENVIRONMENT

11. While the level of defence expenditure can be an important indicator of the need for reform, the tendency has in the past been to focus on reducing the level of defence expenditure alone. Governance issues such as strengthening systems for financial management or broadening the policy debate on identifying and meeting security needs were overlooked. As a consequence, many countries have found it difficult to strike an appropriate balance between achieving peace and stability on the one hand, and the build-up of armed forces on the other. This can threaten other development goals and undermine fiscal management more broadly.

12. A focus on the process by which defence budgets are arrived at rather than just levels of defence spending is therefore likely to be more effective in the long-term. States have competing policy goals and, given resource and budget constraints, must always make difficult choices among the economic, social and security sectors. Additionally, in countries where the security forces have a good deal of influence over the political decision-making process, they will have a disproportionate degree of influence over defence and security expenditure. In some countries, there may be tacit or explicit agreements on levels of security expenditure as a quid pro quo for not intervening in the affairs of state. A process approach focuses attention on the institutional framework for both managing trade-offs between different sectors and for the effective management of the resources devoted to the defence sector. This also offers a means of addressing the question of balancing the authority of security and non-security actors.

13. Trade-offs between policy goals will inevitably vary from country to country. Each country defines security in response to its own history, its domestic and external contexts, and its national goals. At the same time, an overarching set of general principles for managing security spending should apply universally. It is particularly important that trade-offs between sectors are confronted openly, rather than occurring by default. From the perspective of funding the security sector, it is preferable to be realistic about expenditure levels during the budget formulation process, rather than reallocating expenditure over the course of the fiscal year. In this context, it is crucial that all defence-related expenditure is on-budget and appropriately classified.

14. For these reasons, the security forces must be subject to the same basic rules concerning transparency as other components of the public sector in terms of expenditure management. There are clearly legitimate reasons to keep some information about security policy confidential. But a policy of secrecy must be carefully weighed against the benefits of greater openness. The burden of proof concerning the confidentiality of security-related information should be on those who wish to limit its availability.

The comprehensiveness of defence budgets varies widely from country to country, even among OECD countries. Although the United Nations has a comprehensive definition of defence expenditure, it is far from being universally applied. Additionally, budgets are often arranged in ways that make it difficult if not impossible to identify defence-related outlays by ministries other than the defence ministry. One government, for example, might include the payment of debt incurred by the purchase of military material in the defence budget; another might include it in a section devoted uniquely to debt repayment. Because the degree of disaggregation of publicly available defence budgets varies widely, it is often not possible to determine where in the government budget a particular category of expenditure is located, or if it is in fact on-budget at all.

15. A greater focus on the process by which military budgets are derived will not automatically result in lower defence expenditure. In some instances, significant efficiencies in defence expenditure may be identified and defence budgets will decline significantly. In other cases, it is entirely possible that budgeted expenditure levels will rise in the short-term once good management practices are introduced and expenditure previously off-budget is brought under control. This may be the case, for example, in countries where the military is actively engaged in the national economy.

KEY STAKEHOLDERS IN THE REFORM PROCESS

16. There is a diverse set of stakeholders in the reform process, each of which will have a different understanding of what the process involves and requires. (The paper "External Support for Security

B. IMPROVING SECURITY-SECTOR GOVERNANCE

continued

Sector Reform” explores the role of external actors in more detail.) These stakeholders consist of two groups:

- those actors who play a direct role in security decision-making and who – in many democracies – are explicitly mandated to do so on behalf of the electorate. This will include parliaments, finance, interior, defence and foreign affairs ministries, heads of government, and units within the security forces which enjoy substantial decision-making autonomy.
- those actors who play a less direct role in the decision-making process but nevertheless have an interest in the outcome of reforms. Included in this group are ministries responsible for justice, health and education; non-governmental actors; members of the public, particularly the poor; those in legitimate opposition; donors; the international financial institutions (IFIs); and major manufacturers, dealers and exporters of weapons.

17. Understanding the interests of the various stakeholder groups is essential if potential obstacles to reform are to be anticipated. Compromises will need to be found among different stakeholders. This should occur in as transparent a manner as possible. This holds for external stakeholders such as bilateral donors, the IFIs, and those engaged in the production and sale of arms, as well as for domestic actors. At the same time, devising appropriate incentives may also be necessary to secure support for reforms.

18. A focus on increasing the efficiency of resources allocated to the defence sector will be an important incentive for the military in order to deliver a more effective outcome with available resources. Similarly, greater transparency may be encouraged by undertaking an exercise to ensure that expenditure in the defence budget is appropriately classified. Many defence budgets contain categories of expenditure – such as pensions – which should not be included in the defence function. Additionally, as the budgeting process as a whole becomes more transparent and accountable, pressures will increase on the defence forces to defend their requests against other needs. In convincing the armed forces of the desirability of greater openness, military-to-military contacts have an important role to play. At the same time, the development community needs to be more cognisant of what is involved in achieving their desired objective i.e. changes in the composition of public expenditure. They should also be more willing to support security

sector reforms instead of merely pressuring governments to reduce defence spending.

OWNERSHIP AND MANAGEMENT OF REFORMS

19. A framework for managing defence expenditure must lay out in a realistic manner a ‘roadmap’ for reform that identifies the broad objectives and a path for managing the process. The roadmap will also need to reflect the level of consensus within a given country on the nature of reforms required and the capacity of stakeholders to execute reforms. Where these are low, emphasis should be placed on forging greater consensus through a process of consultation, negotiation and compromise.

20. In principle, the first step in the process of reform is to reach agreement that the basic principles of public-sector management will be applied to the security sector. The second step will be to assess a country’s key security concerns through a review of its internal and external security environment. Appropriate roles of the various security forces can then be determined. This will facilitate the development of an approach that is as rational as possible and that can be quantified in monetary terms. This is essential if force design-processes, budgetary allocations, and procurement policies are to be transparent. In practice, the sequence in which reforms are introduced and the pace at which they proceed will vary from country to country. What is more, although the same basic principles should underpin the process in each country, the outcome in terms of structures, policy, and practices will differ among countries.

Early lessons from Cambodia’s reform process highlight the difficulty of bringing about changes in the way security-spending decisions are made. The 1999 national budget showed a significant reduction in defence expenditure in favour of health and education. By the end of the year, however, this gain in the social sectors had effectively been reversed due to overruns in defence expenditure. Recent measures taken within the Ministry of Finance to strengthen the budgetary process have not been formally linked to the ongoing defence review, nor have active efforts been made to engage Cambodia’s military, which enjoys considerable autonomy, in a debate about its future public role.

B. IMPROVING SECURITY-SECTOR GOVERNANCE

continued

21. Ideally, the process of security sector reform should be managed in a consultative manner. How this is achieved will depend upon the political culture of the country concerned. A country with a strong executive culture, as exists in many parts of Africa, will witness a high degree of ownership and direction from those quarters whilst countries with stronger legislatures and/or civil societies will incline in another direction. Where the motivation for reform is closely linked to donor conditionality or IMF stabilisation programmes, it should be recognised that there may be less scope for national priorities to guide the process.

22. Because many of the states undertaking or requiring security sector reforms are simultaneously undergoing far-reaching economic and political transitions, timing will be crucial when introducing security sector reform programmes. There is a case for reform to be introduced at an early stage, so that this critical component of the public sector does not lag far behind the others in terms of introducing sound public sector management principles and practices. However, reform must be tailored to particular circumstances and it can be anticipated that difficult choices regarding how to allocate public resources will often be contested. It may prove counter productive to try and reform a country's military until the civil structures are strong enough to withstand any resulting political fallout. Therefore sustainable political mechanisms that can accommodate renewed political tensions, which in some cases could escalate to violence, will serve as the basis for the more effective management of security spending in the long-term.

C. MANAGING DEFENCE EXPENDITURE

23. The effective management of defence expenditure should be grounded in sound governance of the security sector. Section B has identified some of the conceptual challenges in doing so. This section addresses operationalisation by outlining a framework for efficient and effective management of resources in the security sector.

24. There is now widespread recognition that while “good policies” are necessary for sustainable development, they are not by themselves sufficient. An enabling institutional framework that promotes sound governance practices is also necessary. The components of good public sector management are:

- the availability of information required by policy makers,
- decisions that are made by the appropriate actors in a transparent manner,
- a comprehensive and disciplined approach to public expenditure management,
- the adoption of a medium-term perspective for decision-making,
- accountability on the part of policy makers and implementers, and
- the capacity and willingness to reprioritise and reallocate resources in order to achieve strategic objectives.

THE PROCESS OF MANAGING DEFENCE EXPENDITURE

25. There are four crucial, inter-related components to managing defence expenditure:

- identifying the needs and key objectives of the security sector as a whole,
- determining what is affordable,
- allocating scarce resources according to priorities both within the defence sector and between defence and other sectors, and
- ensuring the efficient and effective use of resources.

26. The flowchart on the following page illustrates the feedback loop between policy, planning and budgeting which is essential for sound and sustainable fiscal management. Once again, the sequence in which reforms are introduced and the pace at which they proceed will vary from country to country, as will the

policies, structures, and practices developed to implement the basic principles of public sector management.

Policy and organisational reviews: defining sectoral needs and objectives

27. As in other parts of the public sector, defence budgets should be prepared against a sectoral strategy. For the defence sector, key elements are: 1) an evaluation of a country’s security environment, 2) broad policy guidelines based on the principles underpinning the country’s approach to security on which the key stakeholders have reached consensus, and 3) a detailed elaboration of the mission, doctrine, force design, and human resource needs of the defence forces. The strategic environment and the policy guidelines are generally set out in a policy paper. The organisational evaluation is intended to help to operationalise the policy guidelines.

28. Policy papers and organisational reviews involve not only the defence forces and defence and foreign affairs ministries, but also other relevant ministries with a mandate for national security, bodies such as the office of the President/Prime Minister, the office of a national security adviser, relevant legislative committees, and the finance ministry or budgeting offices. The policy and organisational review processes should ideally be as transparent and inclusive as possible. In so far as they are based on a broad consultation among the relevant stakeholders, and if the final product is made public, possibly through the publication of a White Paper, their legitimacy will be strengthened.

Since the end of minority rule in 1994, South Africa has produced white papers on defence, intelligence, safety and security, and participation in international peace operation. The government invited comments from civil society on a draft of the Defence With Paper. This draft and the final version of all South Africa’s white papers can be found on the internet (www.polity.org.za/govdocs/white_papers).

LINKING DEFENCE POLICY, PLANNING AND BUDGETING

C. MANAGING DEFENCE EXPENDITURE

continued

Aggregate fiscal discipline: determining what is affordable

29. As in all other areas of the public sector, defence policies must be affordable. The resources available to the public sector as a whole are ultimately determined by a mixture of political choice (e.g. taxation levels, and macro-economic performance). The latter is, in turn, significantly influenced by the quality of fiscal management and government priorities. Decisions on the aggregate level of central government expenditure are taken by the government, based on advice from the central economic agencies – usually finance or planning ministries – and with input from the Central Bank.

30. The balance between short-term stabilisation and long-term stability is important, particularly in countries in transition from war to peace. This balance is difficult to achieve. There is now recognition that strengthening institutions is necessary in order to achieve sustainable macro-economic balance. Neglecting the former in pursuit of the latter may have destabilising effects that could potentially undermine long-term efforts to manage defence expenditure more effectively. This is particularly likely to be the case where political stability requires government policies that may run counter to the goal of limiting public expenditure.

31. Once the aggregate level of government expenditure is chosen, it is vital that this figure be accepted as both an upper and a lower limit. An easily expanded resource envelope makes it possible to avoid firm decisions on the prioritisation of policy objectives. In the absence of a firm floor to the expenditure envelope, resources are not predictable, with budget deficits a likely outcome. Methods of evading fiscal ceilings such as earmarking and off-budget expenditure which can undermine fiscal stability should therefore be discouraged. One method of reducing opportunities to soften fiscal discipline found in other key sectors like health and education is to adopt a medium-term forward planning process linked to medium-term revenue projections.

Allocating resources according to priorities

32. Only after the overall resource envelope is determined, which may in itself represent a major undertaking for some countries, can decisions be taken about how to allocate these resources among the

government's priority areas, both within the defence sector and between defence and other sectors. This allocative process involves political bargaining among a wide range of actors. Once the budget envelope for the defence sector is set by the authorities responsible for central budget management, the defence ministry should take the lead in developing initial budget projections in collaboration with the different services: army, navy, air force, intelligence.

33. From an efficiency perspective, it is particularly important to get the allocation right between the recurrent and capital budgets. Within recurrent expenditure, it is also important to strike an appropriate balance between wages and salaries, and between operations and maintenance. Unless this balance is achieved, there may be capital investments that are not properly maintained. Moreover, recurrent funds may be spread too thinly. For equipment procurement, this means that it is critical to evaluate up-front full life-cycle costs.

34. The appropriateness of the defence ministry's budget request should be assessed by the central budget managers. In this respect, it is important that finance ministries have the capacity to analyse security programmes, just as they should have the capacity to analyse other sectoral programmes. The

There are several ways in which governments can understate their defence expenditure. The first is by creating funding sources outside the budgeting process. This sometimes involves the sale of primary commodities and sometimes involves revenue from productive enterprises. The second is by using non-defence budget lines as pass-through for defence expenditure. A third method involves highly aggregated budget categories. Finally, imports of military materiel may be disguised as non-military items, both in trade statistics and in budget documents.

central budget managers should ideally consider spending proposals within a medium-term resource envelope and should seek to ensure tight links between policy-making, planning, and budgeting. This enhances the likelihood that budget ceilings and floors will be respected and defence outcomes achieved.

35. Again, it is important to recognise that, particularly in poor countries, resource allocation decisions will involve very difficult trade-offs between the security and non-security sectors. This suggests

C. MANAGING DEFENCE EXPENDITURE

continued

that the Executive should deliver the final appropriation request to the legislature by a date that affords legislators adequate time to evaluate and debate the spending proposal before the beginning of the new fiscal year and before a vote on the budget is required. Procedures are likely to differ from one political system to another. Additionally, methods of consulting with the public on the proposed trade-offs can strengthen the entire process by producing a national consensus on priorities.

Promoting efficient and effective resource use

36. Once a budget has been approved by the legislature and monies appropriated, the goal is then to ensure that resources are used efficiently and effectively in the implementation of the strategic sectoral priorities. This requires careful monitoring and evaluation of operational performance, both within the armed forces themselves and by civil servants. As a general rule, funds appropriated should be spent for the purposes and in the amounts intended. This is necessary for sound fiscal planning and management as well as for the operational effectiveness of the defence forces.

37. Well-functioning financial management information systems are critical if decision makers and public-sector managers are to obtain the financial data they require for controlling aggregate expenditure, prioritising expenditure among and within sectors, and generally operating in a cost-effective manner. It is also extremely important that irregularities identified in the course of monitoring performance be addressed. Failure to do so may create or reinforce a climate within which non-compliance can flourish.

38. Transparent procurement practices are a critical element in achieving value for money and cost-effectiveness. Procurement should be open to public scrutiny with expenditure fully accounted for. Purchases should also reflect actual, rather than perceived, threats and equipment should be relevant to agreed tasking.

39. The defence sector should meet the same standards of accounting as non-defence bodies. Defence ministries should maintain an internal audit unit and their accounts, along with those of the armed forces, should be audited regularly by the auditor-general. The results of these audits should be reported in a timely fashion to the legislature and irregularities

In 1998, the Ugandan government commissioned a study of the defence budget in order to maximise the efficiency of defence spending and identify possible economies in resource use. Among the areas the DFID-funded study identified as in need of priority attention were:

- 1) methods of increasing transparency and openness in the budgeting process;*
- 2) a manpower audit;*
- 3) reform of procurement and purchasing arrangements;*
- 4) provision of identity cards, tags, and paybooks to defence personnel;*
- 5) improved audit and audit trails; and*
- 6) a stronger role for the MOD Accounting Office.*

addressed rapidly. Additionally, cash flow and expenditures should be monitored closely. Methods of verifying the number of personnel in the armed forces and employed by the defence ministry, and of linking salary and wage payments to actual employees, facilitate these tasks. Finally, as in any sector, feedback from monitoring and evaluation into strategic planning is critical.

40. Nevertheless, much of this will change if a country is placed upon a war footing and is forced to transform the economy to respond more effectively to unforeseen security needs. Under such circumstances, the decision-making process will change, as will the pattern of appropriations. The Executive should always be able to react swiftly to major security threats and many constitutions empower the Executive to take exceptional action should the need arise. A key issue with respect to the management of defence expenditure in such instances is the ability of government to avoid emergency regulations that undermine the ability to revert to best practice once the war is over.

CAPACITY-BUILDING AND PARTNERSHIPS

41. The foregoing has underscored the importance of sound public expenditure management in the defence and broader security sectors. Managing defence expenditure effectively and efficiently requires personnel with appropriate knowledge, especially in the area of security studies and strategic analysis, and a variety of skills such as public-sector and public expenditure management; defence budgeting,

C. MANAGING DEFENCE EXPENDITURE

continued

Many civil society organisations in Sierra Leone expressed their views on the government's plan to include members of the former armed forces – which had mutinied in May 1997 – in the new armed forces that were established in 1998. Their concerns forced the government to confront the fact that the armed forces were thoroughly discredited in the eyes of many Sierra Leone citizens and that a national dialogue between the remnants of the armed forces and civil society should be promoted.

planning, management and procurement; and conflict management. An understanding of the role which armed forces play in a democratic society and values of democratic accountability and human rights would strengthen the management of defence expenditure in the long-term.

A role for development assistance

42. The international community has begun to provide assistance for security sector reforms, including efforts to improve the management of defence expenditure. However, some development agencies have specific restrictions on using development assistance to benefit military organisations, even if this releases resources for more conventional types of development, and there are instances where 'military organisations' have been defined to include defence ministries. Other development agencies have been prevented from working in the security sector by interpretations of official mandates or by long-established practice that place off-limits activities that can be defined as interfering in the sovereign affairs of aid recipients.

43. This was until recently the case with the UK Department for International Development (DFID). Early lessons from DFID's involvement in the security sector underscore the importance of strong partnerships with other government departments, in particular defence and foreign affairs ministries, as well as with reforming governments. Improved policy coherence and collaboration is also needed at the international level, particularly among the multi-lateral development agencies, the IFIs, and regional security organisations. Efforts to promote policy coherence must go hand in hand with the development of the requisite skills to work effectively in the security sector.

44. For countries undertaking reforms, the donor priority should be to strengthen the skills and capacities of civilians, including within the non-governmental sector, so that civil authorities can become effective and credible managers of the defence sector. Military officers should also receive relevant training to enhance their professionalism and the accountability and transparency of the defence forces. Because of the mutual suspicion that often exists between civil authorities and the security forces and a sense of inferiority among civilians in government vis-à-vis members of the security forces, all technical assistance should be complemented by the opening of channels of communication that can raise confidence and reduce mutual suspicion.

D. NEXT STEPS

45. This framework has been proposed because of the urgent need to include security sector governance into development policy. This approach sets the challenge of managing defence expenditure firmly in the broader context of efforts to strengthen public expenditure management overall and to reform security sectors.

46. Where do we go from here?

- There should be a greater effort within the development community to demystify issues related to defence and security and to weave thinking on these issues across all programme areas. It is also important that development issues are integrated into the defence and military communities' thinking and that defence issues are integrated into the development community's thinking.
- In order to promote an environment in which the defence sector is included under the broad principles of public sector and public expenditure management, the defence sector should be covered by public expenditure reviews and, where possible, other mechanisms intended to assess the capacity and performance of the public sector.
- Bilateral and multilateral developing agencies should include the defence sector in their country strategy documents and should also address defence sector issues in the context of their programming discussions with client countries.
- Capacity building activities should be undertaken to strengthen the capacity of civil servants and the defence forces to implement sound public sector/expenditure management principles. There should be a special focus on strengthening the capacity of civil organisations to manage and monitor the security sector and the capacity of civil society to contribute to these processes in a constructive manner.
- The question of how to improve the efficiency of resource use within the defence sector should receive more attention from donors, with greater emphasis placed on engaging defence actors in a dialogue concerning strategies to manage defence expenditure more effectively.
- Finally, a means to evaluate progress is urgently required that establishes clear and realistic benchmarks to assess not only countries undertaking reforms, but also the efforts of donors involved in the security sector.

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

The Department for International Development (DFID) is the British government department responsible for promoting development and the reduction of poverty. The government elected in May 1997 increased its commitment to development by strengthening the department and increasing its budget.

The policy of the government was set out in the White Paper on International Development, published in November 1997. The central focus of the policy is a commitment to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date.

DFID seeks to work in partnership with governments which are committed to the international targets, and also seeks to work with business, civil society and the research community to encourage progress which will help reduce poverty. We also work with multilateral institutions including the World Bank, UN agencies and the European Commission. The bulk of our assistance is concentrated on the poorest countries in Asia and Sub-Saharan Africa.

We are also contributing to poverty elimination in middle income countries, and helping the transition countries in Central and Eastern Europe to enable the widest number of people to benefit from the process of change.

As well as its headquarters in London and East Kilbride, DFID has offices in New Delhi, Bangkok, Nairobi, Harare, Pretoria, Dhaka, Suva, Kathmandu and Bridgetown. In other parts of the world, DFID works through staff based in British Embassies and High Commissions.

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