

Parliament's Role in Defence Budgeting

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Democratic Control
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This document is part of the DCAF Backgrounder series, which provides practitioners with concise introductions to a variety of issues in the field of security sector governance and reform.

What is defence budgeting?

Defence budgeting is the process of allocating financial resources for defence ministry equipment, personnel, infrastructure and programs. Its final product is the defence budget, which provides an itemised estimate of projected resources and operating expenses for the ministry of defence and associated agencies over a set period of time. In some countries, foreign military and other security assistance is also included as part of the defence budget.

Defence budgets help ensure that:

- public funds are earmarked for defined priorities;
- funds are spent accountably; and
- domestic constituencies, neighbouring states and other international actors are appropriately informed about the intentions of the government in defence matters.

The budgeting process must take a multitude of factors into account, including the strategic environment, the level of financial resources available and possible participation in military or peace support operations. However, while these factors may rapidly change, defence capabilities normally take many years to develop, since the procurement of equipment and training of personnel both require significant amounts of time and resources. Unexpected fluctuations in the budget may also have an adverse impact on ongoing programmes. For these reasons, while budgets are usually approved annually, they need to be embedded in a multi-year planning process, preferably linked to a national security policy or defence white paper that lays out a long-term military strategy.

Why is parliamentary involvement in defence budgeting necessary?

Parliament's role is to ensure that the public's interests are taken into account in the defence budgeting process. Its responsibilities include:

- **keeping the public informed** of significant developments with an impact on the defence budget;
- **providing for transparency** in governmental decision-making about defence resources; and
- **preventing misuse of public funds** by the executive, the military or the defence industry.

What role does the parliament have in different phases of the budget cycle?

A typical budget cycle is annual and consists of four main phases. The parliament is involved in each:

Budget preparation. Parliament and its members can influence this process by issuing public reports and recommendations on past, current and future budgets, and negotiating within and between political parties on defence spending levels.

The Organisation for Security and Cooperation in Europe (OSCE) has enshrined in its **Code of Conduct on Politico-Military Aspects of Security** the following principle: “*Each participating State will provide for its legislative approval of defence expenditures. Each participating State will, with due regard to national security requirements, exercise restraint in its military expenditures and provide for transparency and public access to information related to the armed forces*” (Article 22).

Budget approval. The parliament reviews the executive's budget proposal. Most parliaments have the power to make amendments to this proposal during the review. After the review, the budget is enacted into law. In most countries, the annual defence budget is a part of the overall state budget law, but sometimes it consists of a number of special laws, as for example in the United States.

Budget execution. The budget law is implemented by the executive branch, generally with little parliamentary involvement, though parliament may need to authorise supplemental funding for certain operations.

Budget evaluation. The executive's implementation of the budget is scrutinised by independent audit institutions and the parliament.

These phases generally overlap, with the result that several budgets may be under consideration at the same time. For example, future budget estimates may have to be prepared at the same time as the budget for the current fiscal year is being executed and that for the previous fiscal year is being evaluated.

How do parliaments influence defence allocations?

While in general *the executive proposes and the parliament disposes*, defence budgeting practices differ greatly from state to state. Parliaments' powers over the defence budget vary based on their ability to influence the way funds in the initial executive proposal are ultimately allocated. This happens in the following ways:

Amending and approving the budget law.

In all democracies, parliament approves the budget law or laws. Parliament may have the power to:

- **approve** the overall amount of resources available for defence and security;
- **transfer** funds within the budget to reflect changes in priorities;
- **assess** whether the allocated funds will cover the costs of the proposed projects; and
- in some instances, **initiate** expenditures proposals itself.

Even when parliament does not initiate expenditure proposals, the executive may decide to introduce amendments in response to the parliamentary debate. Furthermore, budget approval can be made subject to specific policy concerns. For example, in December 2005 the US Senate approved a USD 453 billion military spending bill that included a clause specifically outlawing the torture of detainees in US custody.

Discretionary vs. direct outlays.

Parliament may also play a role in determining the proportion of the budget devoted to “discretionary” outlays, which can be spent by the ministry or official in charge as they see fit, and to “direct” or “mandatory” spending proposals that must go to support specific programs. By earmarking funds as mandatory for certain projects, parliament can ensure that policy goals are being pursued. However, this can reduce the ability of security officials to determine how this money is best spent.

Authorisation of supplementary budget proposals. During the fiscal year, unexpected developments in the security

environment can require changes in security-related spending. Consequently, all budget systems provide some scope for modifying the enacted budget through reprogramming or supplemental appropriations. Unforeseen activities such as peace support or military operations often lead to supplementary funding requests.

Authorisation of defence procurement contracts.

When important procurement contracts are closed by the executive, parliamentary approval may be necessary, even if the expenditure has been included in the enacted annual budget. This approval is usually necessary for all procurements that are above a certain amount or that involve certain types of weapons systems.

How does the parliament oversee the execution of the budget?

While budget preparation and approval is mainly about planning, budget execution primarily involves management. The parliament monitors implementation at the plenary, committee and individual level.

Plenary level. The plenum tends to be the most visible scene of parliamentary activity and the focus of media attention. The plenum's activities may include:

- debating and passing **motions** regarding the defence budget;
- discussing **reports** on budget execution;
- requesting an **audit** from the competent authority;
- adopting, rejecting or amending the **defence budget law**; and
- hearing **declarations or testimony** from the defence minister and other officials regarding budget execution.

Debate on the defence budget in the plenary may give rise to political negotiations, though these usually take place away from public scrutiny in party-to-party consultations.

Committee level. Rather than debating broad principles, the work in committees is often focused on accomplishing specific tasks. These can include:

- discussing and amending **budget proposals**;
- requesting **reports** from the executive;
- holding **hearings and inquiries** to ensure the transparency and the efficiency of defence budget execution and to investigate charges of improper administration practices or corruption; and
- collecting **evidence** from external sources.

Relevant committees may include committees on security and defence and the budget and finance committee. While most committees on security and defence usually do not have the power to change the budget proposal themselves, they may report to the budget and finance committee or directly to the plenary, either of which may have these powers (see also the [DCAF Backgrounder on Parliamentary Committees on Security and Defence](#)).

Individual level. Individual parliamentarians may be able to direct questions and interpellations to the government, which is obligated to respond either orally or in writing, depending on the system. Parliamentarians can also support defence oversight by liaising with influential members of their constituency and using the media.

Watchdog organisations. Parliaments sometimes create institutions to monitor the execution of the budget, such as the Government Accounting Office (GAO) in the United States or the National Audit Office (NAO) in the United Kingdom. These organisations respond to parliamentary requests for information and produce reports for public consumption. In other countries, independent organisations outside the executive branch are established in the constitution to perform this role (e.g., Courts of Audit).

What special factors may influence the defence budget?

Strategic considerations and resource constraints are usually the primary determinants of the defence budget. However, the following factors may also have an impact:

Mandatory level of defence spending. In some countries, defence spending is fixed at certain levels according to one of the following factors:

- as a percentage of current defence expenditure (incremental budgeting);
- as a percentage of the gross domestic product (GDP);
- according to alliance obligations (e.g., all new NATO member states must pledge to spend 2% of their GDP on defence); or
- according to other benchmarks, such as how much other countries spend on defence in absolute terms, per capita or as percentage of GDP.

Arms control agreements. As with defence policy and planning in general, budgets must take into account any relevant arms control mechanisms to which the country is a party.

Alternate sources of income. In many countries, the military operates income-generating businesses alongside their normal security functions. For instance, the military may have partial or total ownership in the national defence industry or other sectors of the country's industrial base. This is not necessarily a problem, but the revenue that it produces must be included as part of the overall military budget and be subject to the same level of oversight.

How to strengthen parliament's role in defence budgeting?

Even when parliaments have the necessary legal powers to become involved in defence budgeting, in practice, they are all too often poorly equipped to exert any decisive influence. Some ways to improve this include:

Improving access to information. Information on defence and security issues is sometimes withheld from members of parliament and the public on grounds of national security. However, the need for confidentiality must not be used to justify a lack of public scrutiny. The defence budget should be a public document and secrecy the exception, not the rule. Even if some parts of the defence budget must remain secret, the total defence expenditure should be made public. This may also require a solid system for vetting members of parliament and the executive (see the [DCAF Backgrounder on Vetting for the Security Sector](#)).

In addition, parliamentarians often rely too heavily on assessments provided by the government. Ideally, this will be balanced with **independent expertise** on the defence issues in general and the budget in particular so that the parliament is not

forced to automatically accept the government's view. Parliaments may also consider reports made by statutory audit institutions.

Optimising presentation of the defence budget. The defence budget can be submitted to parliament in a variety of forms that have an effect on parliament's ability to understand it. If the budget lacks detail or is poorly structured, it will be difficult to scrutinise. For this reason, it is preferable that the executive submit a **commented programme budget** along with the more comprehensive line-item budget. Programme budgets are usually divided into major force programs (e.g., army, navy, etc.) along with explanations that clarify the way in which these organisations contribute to national security.

Strengthening committees. A system of permanent committees with consistent membership helps ensure that the parliamentarians will have adequate experience to oversee the defence budget. The committee also needs to develop a qualified staff.

Demonstrating political leadership. The most important condition for effective oversight is the political will to hold the executive accountable. If this is lacking, the constitutional powers given to parliament will not result in effective oversight.

Regional defence expenditure as % of GDP

	2003	2004
North America	3.67	3.88
Europe (non-NATO)	1.93	1.86
Europe (NATO)	2.78	2.81
Russia	4.94	4.39
Middle East	5.87	5.65
Central and South Asia	2.61	2.8
East Asia and Australasia	2.07	2.02
Caribbean and Latin America	1.41	1.3
Sub-Saharan Africa	1.41	1.3

Source: IISS Military Balance 2005-2006

How does this role differ from country to country?

The best indicator of parliamentary involvement in the budgeting process is the extent to which it can influence the contents of the budget through the amendment process. In broad terms, there are three models for this based on the legal authority and will of the parliament to exercise power.

Budget-making parliaments can amend or reject the budget proposal as well as formulate its own alternative proposals. The US Congress, for instance, plays an important role in the development of the defence budget. The executive branch's draft budget serves only as a proposal in the strictest sense, without any binding force. Such a role requires a substantial supporting infrastructure, including a large staff.

Budget-influencing parliaments can amend or reject the budget, but lack the mandate to put forward their own proposals. Most European parliamentary systems fall into this category. For instance, the German, Dutch and Danish parliaments initiate hundreds of budgetary amendments each year and review budget proposals in detail.

Parliaments with little impact on budget formulation may only give their consent to a global figure proposed by the government. In this approach, parliament may only reduce existing items, but not include new ones or increase existing ones. In some countries, any amendments to the budget, if successful, are considered equivalent to a vote of no confidence in the executive that might compel the government to resign (e.g., Westminster-type parliaments, such as in Canada, the United

Kingdom, Australia, India, New Zealand, South Africa and Zambia).

Even if the latter two categories have less direct influence over budget formulation, they can play a significant role in auditing defence expenditures through hearings, inquiries and reports, often intended to inform public opinion.

What special issues are there in developing countries and post-conflict situations?

In addition to the issues mentioned above, the following factors may come into play:

Poverty reduction vs. security provision. When forced to operate with a limited budget, governments may feel that they face a choice between funding development options and funding security. In reality, however, development cannot proceed without security, while security also requires economic development. An effective balance thus needs to be found. For example, effective programmes for demobilisation and reintegration (DDR) of former combatants can be essential to the projects for regenerating stability and development in post-conflict environments.

Corruption. Where there are no traditions of budgetary oversight, high government posts may be seen as an opportunities to increase individual wealth through the direct theft of funds or clientelistic procurement practices (see also the [DCAF Backgrounder on Parliament's Role in Defence Procurement](#)).

Inflation of budget estimates. The military or ministry of defence may present inflated budget estimates in order to insulate itself from the effects of budget reductions. This undermines the ability of

the government to reasonably plan for defence. Parliamentary oversight, including requests for the justification of budget estimates from defence officials, is part of the solution to this problem.

Rising budget. In some cases, the defence budget may actually rise as previously concealed expenses and sources of funding are integrated into the public budget. These may include previous unreported income-generating businesses, special accounts used to deal with emergencies or special programs, or corruption. This is a necessary part of rendering the budget transparent, though it may highlight long-term issues of unsustainable spending.

Obligations imposed by peace plans. In a number of post-conflict situations, peace plans often include restrictions on the size and composition of the state's security forces. This must be taken into consideration in the elaboration of the national defence policy and budget.

Unfortunately, there is rarely a easy solution to these problems. However, the following measures may prove helpful:

- creating a **national security strategy** and/or defence concept to guide budget formulation;
- using a **medium-term expenditure framework** (usually covering a period of three years) as advocated by the World Bank and other groups to support multi-year planning;
- establishing **independent audit** institutions; and
- **training for parliamentarians** and others by organisations with experience in developing and auditing budgets.

Further information

Budgeting for the Military Sector in Africa: The Processes and Mechanisms of Control. *Omitoogun and Hutchful (eds.)*, 2006
Oxford University Press

Parliamentary Oversight of the Security Sector: Principles, Mechanisms and Practices *Born, Fluri, Johnson (eds.)*, 2003
Available in over 30 languages at:
www.dcaf.ch/oversight

The Military Budgeting Process: An Overview: Defence Planning, Programming and Budgeting *Le Roux*, 2002
www.sipri.org/contents/milap/milex/le_roux.pdf/download

Public Expenditure Management Handbook *World Bank*, 1998
www1.worldbank.org/publicsector/pe/handbook/pem98.pdf

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