

SECURING DEVELOPMENT

Public Finance and the Security Sector

Bernard Harborne, William Dorotinsky, and Paul M. Bisca, *Editors*



**A Guide to Public Expenditure Reviews
in the Security and Criminal Justice Sectors**

Securing Development

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Security and Criminal Justice Sectors*

OVERVIEW

Bernard Harborne
William Dorotinsky
Paul M. Bisca
Editors



This booklet contains the overview, as well as a list of contents and other front matter, from *Securing Development: Public Finance and the Security Sector*, doi: 10.1596/978-1-4648-0766-4. A PDF of the final, full-length book, once published, will be available at <https://openknowledge.worldbank.org/> and print copies can be ordered at <http://Amazon.com>. Please use the final version of the book for citation, reproduction, and adaptation purposes.

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Preface

The aim of this book is to highlight the role played by public finance in the delivery of security and criminal justice services. It seeks to strengthen the policy and operational dialogue on security sector issues by providing national and international stakeholders with key information on security expenditure policy. The book is part of a project undertaken by staff from the World Bank and the United Nations. The World Bank has a leading role in public finance as well as assistance to the public sector (including justice); this book will be its first step in bringing that expertise to the security sector. The United Nations generally, and specific actors such as the United Nations Department of Peacekeeping Operations (UNDPKO) and the United Nations Development Programme (UNDP), have sector expertise in security and justice. This book will thus integrate disciplines where each institution holds comparative advantage and a core mandate.

The primary audience includes government officials, staff of international organizations working on public expenditure management and security sector issues, and development practitioners working in an advisory capacity. The audience also includes World Bank staff who may be asked to assist in expenditure analysis related to the security sector; taking into account World Bank policy, the book clearly defines their role in the expenditure review process.

The interplay of security, justice, and public finance is still a relatively unexplored area of development. Security and criminal justice are fundamental public goods provided by governments, and they often have significant claims on national budgets. Informed discussions on security sector expenditure policy are an essential part of the national policy process, through which central finance agencies fulfill their function of contesting sector expenditure proposals in the planning and budgeting process. Dialogue on security expenditure policy also strengthens international partners' engagement on

security issues, helping them make informed decisions regarding the appropriate level and form of external assistance. This book offers a framework for analyzing financial management, financial transparency, and oversight, as well as expenditure policy issues that determine how to most appropriately manage corruption risks. It also provides advice on entry points for integrating expenditure analysis into security sector and broader governance reform processes.

For a variety of reasons, a growing number of governments are requesting support from the World Bank and UN partners (whether working separately or jointly) in examining the effectiveness, efficiency, and sustainability of public spending in the sector. These have ranged from countries affected by high rates of crime and urban violence (such as El Salvador and Mexico), to countries undergoing fragile transitions with a large peacekeeping presence (such as Liberia and Somalia), to those affected by external threats and crisis (such as Mali and Niger). These case studies are now building up a body of experience on this work that feeds into this sourcebook on undertaking security sector Public Expenditure Reviews.

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This book is an outcome of a joint project between the World Bank and the United Nations (UN). It was conceived by a team led by Bernard Harborne and William Dorotinsky for the World Bank, and Adedeji Ebo and Alejandro Alvarez for the UN. Paul M. Bisca (World Bank), Thorodd Ommundsen (UN), and Christophe Pradier (UN) provided support.

The book was written by World Bank staff and consultants, with inputs from the United Nations Department of Peacekeeping Operations (UNDPKO) and the United Nations Development Programme (UNDP). Chapter 1, the introduction, is by Bernard Harborne; chapter 2, on public finance management, is by William Dorotinsky, Bernard Harborne, and Paul M. Bisca; chapter 3, on defense, is by Bradley Larson and Bernard Harborne; chapter 4, on policing, is by Antony Altbeker, Paul M. Bisca, and Erik Alda; and chapter 5, on criminal justice, is by Heike Gramckow, Fernando Fernandez-Monge, and Bernard Harborne. Contributions were also received from Nicole Ball (chapter 1), Giuseppe Manzillo (annex 3D, in chapter 3, on costing methodologies for defense), Rosemary Barberet (chapter 5), and the United Nations Police Division (chapter 4).

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Lastly, the team wishes to thank Anne Himmelfarb for editing and revising the manuscript.

Abbreviations

ABC	activity-based costing
ADB	Asian Development Bank
AfDB	African Development Bank
CARICOM	Caribbean Community Secretariat
CFAF	Central African CFA franc
COFOG	Classification of the Functions of Government
COIN	counterterrorism/counterinsurgency
COW	Correlates of War
CPA	Country Performance Assessment
CPIA	Country Policy and Institutional Assessment
CPS	Crown Prosecution Service
DAC	Development Assistance Committee
DARA	Directorate of Audit Risk and Assurance
DDR	disarmament, demobilization, and reintegration
DFM	Finance and Equipment Directorate
DMU	decision-making unit
DSR	defense sector reform
ECOWAS	Economic Community of West African States
FCS	fragile and conflict-affected states
FMIS	financial management information system
GDP	gross domestic product
GFS	government finance statistics
GFSM	<i>Government Finance Statistics Manual</i>
IEP	Institute for Economics and Peace
IFMIS	integrated financial management information system
IGAN	Inspectorate General of the National Army
IPSASB	International Public Sector Accounting Standards Board
ISSAT	International Security Sector Advisory Team

JC	judicial council
JSJP	Justice and Security Joint Program
LAPOP	Latin American Public Opinion Survey
LNP	Liberia National Police
M&E	monitoring and evaluation
MDAs	ministries, departments, and agencies
NGO	nongovernmental organization
NISAT	Norwegian Initiative on Small Arms Transfers
O&M	operations and maintenance
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OPA	Observatoire des Pratiques Anormales
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFM	public financial management
PKO	peacekeeping operation
PNC	Congolese National Police
R&D	research and development
SAR	Special Administrative Region
SDC	Swiss Agency for Development and Cooperation
SICA	Security Commission of the Central American Integration System
SIPRI	Stockholm International Peace Research Institute
SSAPR	Security Sector Accountability and Police Reform Program
SSD	Security Sector Development
SSR	security sector reform
UEMS	unplanned explosions at munitions sites
UN	United Nations
UNDP	United Nations Development Programme
UNDPKO	United Nations Department of Peacekeeping Operations
UNMIL	United Nations Mission in Liberia
UNODC	United Nations Office on Drugs and Crime
UNPOL	United Nations Police
UNSG	United Nations Secretary General
UOR	urgent operational requirements
UPP	unidade Pacificadora da Policia
WAEMU	West African Monetary and Economic Union
WHO	World Health Organization
WODC	Research and Documentation Center

All dollar amounts are U.S. dollars unless otherwise indicated.

Overview



Introduction to *Securing Development*

We live in an insecure world, and some of the foremost public policy questions of our time address how we can strengthen our security and personal safety. Often those questions can be further broken down into what are the most affordable or cost-effective means of addressing insecurity.

These questions are critical in a variety of contexts.

- In late 2005, financial experts examined data at the Afghan Ministry of Finance to ascertain how much the security sector was costing. To their astonishment, they found that the sector cost some \$1.3 billion per year, or 23 percent of gross domestic product (GDP), made up largely of donor contributions along with some government financing. Security spending therefore exceeded domestic revenues by over 500 percent.¹ The sustainability of spending on the security sector, and on the handover from international forces for policing and military functions, has been at the fore of national and international policy making for the country ever since.²
- Central America, and particularly the northern triangle of El Salvador, Guatemala, and Honduras, is home to the highest homicide rates in the world. Interpersonal violence associated with gangs, drug trafficking, and weak criminal justice institutions has enormous costs in terms of health, economic growth, and people's overall well-being.³ In El Salvador, official estimates show that crime costs 16 percent of GDP per year.⁴ The governments in the region established the Security Commission of the Central American Integration System (known as SICA) in 1995 to harness their collective efforts to address these huge challenges, and donors have

provided generous contributions to their security strategy.⁵ Yet, the extremely high rates of crime and violence continue.

- Since 9/11, the U.S. and European governments have faced increasing costs for their counterterror measures. A central question is whether the gains in safety have been justified by the costs, which have run into the trillions of dollars.⁶ When the surveillance of one individual associated with a radical political agenda can cost around \$5.7 million per year,⁷ governments must think about what price they are paying to keep their citizens safe, or feeling safe.

The need to understand security and justice systems in the context of the public expenditures they require is the subject of this sourcebook.⁸ This is not a policy book that recommends different approaches to security threats and challenges. It is about numbers. Or more accurately, it is about helping governments and practitioners obtain a better picture of the money spent on security, including what it is spent on, and how. By providing a better analysis of such spending—through what is called a Public Expenditure Review (PER) of the security sector—a technical team of practitioners can facilitate better-informed decisions at the senior leadership level about policy and operational approaches to the sector.

The global context in which such decisions are made is constantly shifting. All the evidence suggests the nature of violence and conflict is changing,⁹ presenting new challenges and threats. National and human security is now less concerned with conventional war than it was 30 years ago and more concerned with transnational political violence, drug trafficking, climate change, forced migration, slavery, urban crime and violence, pandemics, cybersecurity, and related threats and challenges.¹⁰

While the general historical patterns of war and violence may indicate that humankind is becoming less likely to resort to warfare than in the past,¹¹ the second decade of the 21st century suggests otherwise. Battle deaths have recently increased, largely due to protracted wars such as those in Afghanistan, Iraq, and the Syrian Arab Republic¹²; and far more homicides now take place, largely in cities of countries that are not at war but are subject to high rates of crime and violence.¹³ Further, the consequences of that violence go far beyond excess mortality and include injury, poor health, and poverty. Above all, these recent trends have resulted in the largest refugee and internally displaced populations since World War II.¹⁴

The costs of such violence are enormous. According to a study by the Institute for Economics and Peace (IEP), the “economic cost of violence containment to the world economy in 2012 was estimated to be US\$9.46 trillion or 11 percent of Gross World Product.”¹⁵ There are many different approaches to addressing both collective and interpersonal violence, ranging from coercive (e.g., military) to nonviolent (e.g., peacebuilding and violence prevention) to judicial (e.g., arrest and prosecution); and all these have their associated costs. This book focuses on the security and justice institutions, the instruments they use to contend with these

challenges, and the cost of sustaining them. And according to the IEP study, these institutions and instruments take up the lion's share of the cost of violence containment: 51 percent of costs go to military expenditure, 14 percent to internal security, 6 percent to private security, and 4 percent to incarceration.¹⁶

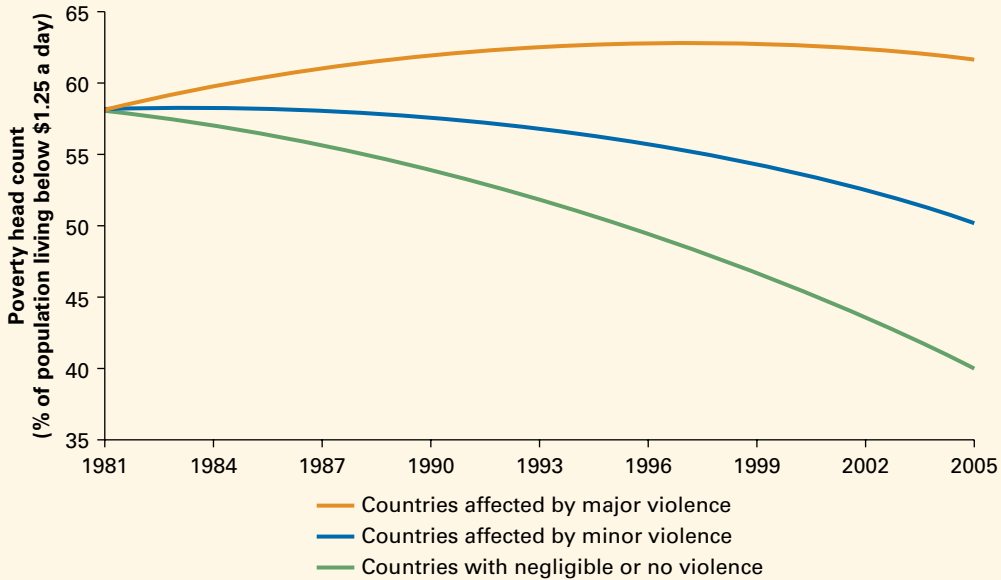
In focusing on these institutions, we note that the public policy debate is no longer a binary one of whether money should be spent on these sectors or not (the guns versus butter argument).¹⁷ Given that resources will be allocated to the security sector, the important question for policy makers is how resources can be used to ensure effective, professional, modern, and accountable institutions that provide security and justice services for citizens.

The aim of this overview is to provide policy makers and practitioners with useful tools for answering this question about strengthening the performance and accountability of security and justice institutions. The overview is structured as follows. This section concludes with an examination of the security-development nexus and security sector reform (SSR). The second section outlines what a PER is, explains the rationale and potential entry points for undertaking such an exercise, and provides a simple checklist for the PER process. The third section focuses on how to understand political, security, macroeconomic, gender, and institutional contexts. The fourth section applies a public finance framework for the security sector. The fifth section offers some final conclusions.

The Security-Development Nexus

In recent years, security challenges have moved from the margin to the mainstream of the development agenda. Security is now recognized as essential for citizens' livelihoods and access to services, and for the free exercise of civil, political, social, and economic rights. Security is particularly important for the poor and other vulnerable groups, who suffer disproportionately from fear, loss of property, and violence.¹⁸ Moreover, insecurity is the principal development challenge in fragile and conflict-affected states (FCS). In 2005, the report of the UN Secretary General (UNSG) emphasized that longer-term development demands a sufficient degree of security to facilitate poverty reduction and shared prosperity.¹⁹

These themes are picked up in the 2011 *World Development Report*, which calls for a shift in the development community's work on security. The report argues that fragility and violence arise when countries are exposed to economic, political, or security stresses that they are institutionally unable to cope with.²⁰ Figure O.1 shows that poverty trends are directly proportional to the degree of intensity of violence: countries suffering from a significant level of violence tend to see poverty increase, while those experiencing little or no violence see the share of the population below the poverty line decrease significantly.²¹ Moreover, countries affected by conflict—including middle- and lower-income countries—risk entering a vicious cycle of repeated conflict.

Figure O.1 Negative Effect of Violence on Development

Source: World Bank 2011b, using calculations based on 2008 poverty data in Shaohua, Ravallion, and Sangraula 2008.

Security also has a direct impact on the growth of investment, social and human capital, public institutions, and distribution of resources. Insecurity weakens the investment climate by making investment incentives scarcer and destroying material assets and human capital.²² It subjects the private sector both to higher costs in the form of security taxes—i.e., the additional costs associated with negative externalities as a result of instability—and to disorganized markets. Violence and insecurity harm human and social capital, particularly among the most vulnerable segments of the population; their effects are evident in physical and psychological damage, migration, deteriorating living standards, and interruptions in public services. Insecurity also weakens the legitimacy of public institutions and creates points of entry for corruption. Finally, growing insecurity can be both the cause and the consequence of skewed distribution of national resources, which, in turn, weakens the overall security sector apparatus of the society.

For these reasons, security and development have increasingly been seen as inextricably linked, and development actors have progressively engaged in the sector with aspirations for promoting change and reform.

Security Sector Reform

Change within the military structure and the broader security sector has historically been an essential part of state formation. This is reflected in the

social and political transformations effected by demilitarization and democratization processes in Latin America, as well as in the changes in Eastern Europe after the fall of the Soviet Union.²³

However, the involvement of international donors and agencies in security and justice service provision is still relatively new.²⁴ In the late 1990s, a number of key bilateral donors, undertaking a whole-of-government approach to development aid, began integrating security into development programming. This effort culminated in the work at the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC), which led to donor consensus around what was termed “security system reform” (now more commonly called “security sector reform,” or SSR) and policy development through the 2000s.²⁵

These advances have been mirrored by the United Nations’ (UN) increasing role in SSR, particularly but not exclusively within the parameters of peacekeeping operations. The UNSG’s first report on SSR was *Securing Peace and Development: The Role of the United Nations in Supporting Security Sector Reform*, issued in 2008.²⁶ The UNSG subsequently reported on various UN initiatives, including strengthened approaches to supporting the police as well as civilian capacities, such as for the criminal justice sector.²⁷ An Inter-Agency Security Sector Reform Task Force cochaired by the United Nations Development Programme (UNDP) and the United Nations Department of Peacekeeping Operations has brought together 14 UN entities to promote an integrated approach to SSR support. In addition to handling operational and training aspects of SSR, the task force has conducted wide-ranging consultations to develop SSR guidelines, including the Integrated Technical Guidance Notes issued in 2012.²⁸ These initiatives were followed by the UNSG’s second report on SSR in 2013,²⁹ and were endorsed in 2014 by the UN Security Council in Resolution 2151, the first stand-alone resolution on SSR. These efforts reiterated the centrality of national ownership of SSR, recognizing that such processes need to support and be informed by the broader national political context, and they underlined the importance of strengthening support to sectorwide initiatives that aim to enhance the governance and overall performance of the security sector.

Extensive programmatic work on SSR in various countries has evolved in parallel to these policy developments. Examples include the rebuilding and reform of national armies in Afghanistan, Burundi, Iraq, Liberia, and Sierra Leone; the demobilization and reintegration of over 400,000 ex-combatants in Africa’s Great Lakes region; the democratizing of security sector governance in Ghana, South Africa, and Latin America; and the building of capacity in criminal justice to address burgeoning rates of crime and violence in Central America. National and international expertise in SSR has also grown and now covers strategic and policy advice, arms control, governance and oversight, and criminal justice support. Further, various networks and nongovernmental organizations are being formed at the global, regional, and national levels in this area.³⁰ However, the

literature suggests that while the policies and norms associated with the SSR framework have been increasingly accepted, more can be done to improve its impact.³¹

Largely missing from this growing body of policy and practice has been the link between public finance and the security sector. While general aspirations for affordability are often stressed with regard to SSR, there has been little guidance to support governments in better understanding whether security sector costs are within a sustainable macrofiscal envelope, let alone efficiently and effectively allocated. Development practitioners have worked with governments for some time on improving national budgetary processes. After all, national budgets are the most important policy vehicle for putting a country's priorities into effect within the scarce resources that are available to a government for public expenditure; it is through the policy and budget processes that competing priorities are reconciled and implemented. However, there often remains a gap between the national budgeting process and the financing of the security sector.

More specifically, little work has been undertaken to date on the composition of security sector budgets, or on the processes by which they are planned and managed. Ultimately, sound fiscal management of the security sector is essential if a country is to have effective, efficient, and professional security organizations that are capable of protecting the state and its population against internal and external threats. Integrated systems for planning, policy making, and budgeting are necessary to achieve an appropriate allocation of public sector resources and to manage those resources effectively and efficiently.³²

Currently, public finance practitioners have little or no experience in working with the security sector. In turn, security institutions may not consult the ministry of finance on security sector expenditures and allocations. Even where security sector expenditures and financial management are addressed, a firewall of security classification often prevents practitioners from applying good public finance principles to the security sector, and also prevents their sharing with other sectors the lessons on public finance learned in the security sector.³³

A further difficulty is that in many countries, the security sector is treated uniquely, with few or no standard oversight and accountability practices in place to assure value for money. External auditors may not be empowered to examine security sector spending. Parliaments may similarly not be permitted to engage in oversight, or they may simply have little capacity to undertake it. Procurement may be secret, with no process for assuring proper pricing of bids. Internal auditors may not exist, or they may be compromised by lacking the authority or ability to share their findings with civilian policy officials nominally in charge of the security sector.

One important effect of applying the principles of sound public finance to the security sector would be to improve mobilization of

resources, which is a challenge in developed and developing countries alike. An emphasis on financial probity, integrity, and transparency would encourage the efficient, effective, and accountable allocation of resources to the security sector. External financing of the sector has been a process of trial and error for development actors, particularly in terms of how to engage with the sector, which has traditionally been outside most development programming. According to the OECD, “aid to the security sector comprises a small amount of all sector-allocated aid” (some 1.4 percent for security and 3.1 percent for related justice). In 2012, aid allocated to building the security sector in fragile states totaled only \$858 million.³⁴

These figures do not include direct military assistance, which runs into several billions of dollars (and as yet is not globally measured).³⁵ However, they confirm the assumption that the primary actors responsible for providing security to citizens will remain national governments (as well as other formal and informal actors working at the subnational and local levels). This finding parallels the general work on financing for development, which has emphasized that in fact “for most countries, domestic resource mobilization is the largest resource available to fund their national development plans. A country’s ability to mobilize domestic resources and spend them *effectively* . . . lies at the crux of financing for development.”³⁶

Given that governments play this primary role in providing security, the PER represents a powerful tool for them, one that can help them strengthen the legitimacy, effectiveness, accountability, and modernization of their security services.

Public Expenditure Reviews

What Is a PER?

A PER is an analytical instrument that examines government resource allocations within and among sectors, assessing the equity, efficiency, and effectiveness of those allocations in the context of a country’s macroeconomic framework and sectoral priorities. In addition, a PER identifies the reforms needed in budget processes and administration in order to improve the efficiency of public spending. PERs may focus on critical economic policy questions, such as affordability and sustainability, or they may focus on public financial management (PFM) and assess the quality of budget execution. The latter highlights the control and management functions and mechanisms in place to ensure that public monies are used correctly for their intended purposes, are deployed quickly and efficiently, and are properly accounted for.

Governments and donor partners are increasingly using security and justice sector PERs to inform their decisions about sectoral development. Security and justice sector issues have traditionally been addressed from

strategic, policy, and operational perspectives; examining these sectors through the public finance lens serves a number of important purposes that might otherwise not be met:

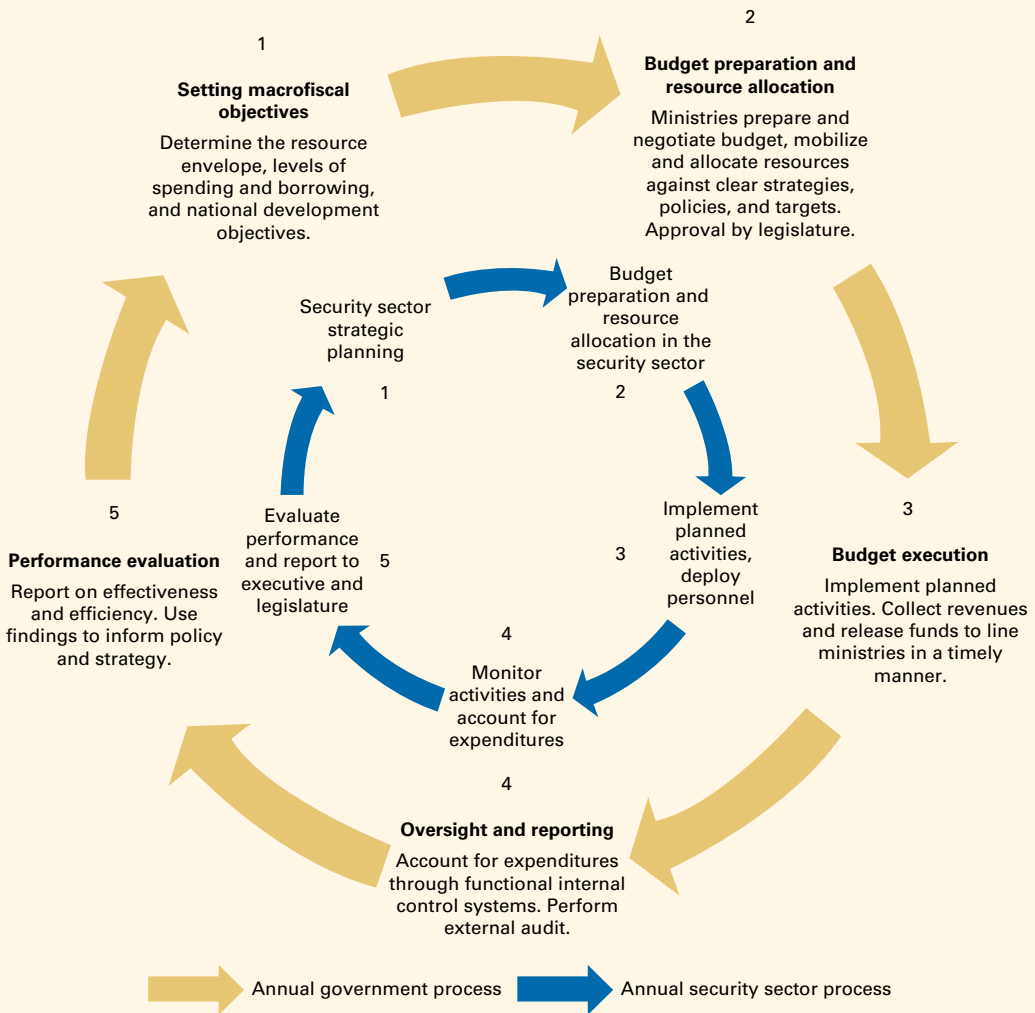
- A PER usually starts with an institutional mapping that throws light on the security sector management structure, the key actors and their functions, and the way in which the political economy of the sector affects the quantity and quality of resource allocation.
- A public finance perspective addresses the question of whether programs have adequate and sustainable resourcing, without which they are at best ineffective and at worst likely to create additional sources of conflict and violence.
- Where security forces seek the necessary finance for modernization and professionalization, a public finance perspective accounts for value for money and so can justify additional resources from national budgets and development partners.
- A PER can make explicit the resource allocation trade-offs underlying different policy options; in particular, it can help address the tendency of security sector resourcing to absorb a huge share of scarce public resources and crowd out other activities required to rebuild the nation politically, socially, and economically.
- A PER can address the way that financial management of the security sector reflects on the legitimacy of governments to both domestic and external stakeholders. Security and justice service provision are the fundamental public goods that states are expected to provide their citizens; and sustained and accountable financing of the sectors is a critical ingredient for that role.

In other words, the PER integrates the security sector within the overall public sector by way of the budget process. The national budget provides the financial basis for the delivery of government functions and the implementation of public policies. By balancing competing objectives, it allows the government to strategically allocate scarce public resources to achieve the greatest public good. It also promotes accountability by associating public funds with specific government services.

Figure O.2 describes the relationship between the preparation of a security strategy, in this case for defense, and the wider government budgetary process. The two processes are essentially parallel to each other, and while some special considerations apply to sensitive issues such as secret budgets, security sector budgeting should follow the same path as other public sector entities. Once the budget is formulated, that is, it follows the standard procedure for all sectors and goes through execution, oversight, and performance.

There are, however, potential points in the budget cycle where the security sector may be treated differently from other government sectors and line ministries. These are summarized in table O.1.

Figure O.2 The Security Sector in the Budget Cycle



Source: Adapted from Ball and Holmes 2002.

Obviously, full integration of the military sector into the national budget process requires that the military be subject to the same regulations as other line ministries. In most countries, these regulations are issued by the ministry of finance, which is responsible for regulating and administering the budget process.

What Is the Rationale for Doing a PER?

The PER should be regarded as a tool to assist governments and donor partners in making key “over the horizon” policy and operational decisions in the security sector, through the particular perspective of

Table O.1 The Budget Cycle and the Security Sector: Defense Compared to Standard Practice

Budget cycle phase	International practice	Defense treated differently?
Budget planning and formulation	Sector strategies are developed.	Defense strategies may be kept secret, or official strategies may differ from strategies actually followed. Thus it can be difficult to assess the relationship between strategy and budget.
	Medium-term expenditure estimates are formulated.	No
	All sectors compete for funding based on priority and performance at cabinet level.	Treatment of defense is highly dependent on context; need for funding could be assessed by a security subcommittee.
	Budget proposals are all subject to the same scrutiny by the budget office.	Security clearances are required for budget staff dealing with defense budget.
Legislative scrutiny	Funding set aside for specific contingencies is subject to clear criteria.	There may be a rationale for a separate security contingency fund, although sudden events are usually met by a general government contingency budget.
	All spending is subject to the same scrutiny through the committee system.	Issues of national security can be handled in closed committee hearings.
Budget execution	Information should be sufficiently detailed to allow the legislative to call the executive to account.	Scrutiny depends on the security context: the more insecure the country, the more secret legislative scrutiny is. It also depends on the political regime: many developing countries give a minor role to Parliament in the budget process, especially for defense.
	Funds are released to departments in accordance with budget appropriations; clear rules exist for addressing shortfalls.	Budget execution sometimes obeys specific procedures, as for global grants, escrow accounts, absence of complete reporting, etc.
Monitoring and reporting	All expenditures are reported along appropriation lines to (i) accounting office and (ii) legislature.	No
	End-of-year financial statements are available in a timely manner.	No
External audit	Annual reports on operations, including performance, are published.	Reporting is modified to reflect legitimate national security considerations.
	All expenditures are subject to an external audit:	Auditing of sensitive issues in defense needs appropriate security clearance, and legislative meetings may be closed. Sometimes, the weakness or absence of external audit can be replaced by a strong internal audit or inspection reporting to the highest defense authority.
	<ul style="list-style-type: none"> Financial statements are given to legislature. Legislative committee system acts upon recommendations of audit reports. Legislature has the capacity to call executive to account on audit recommendations. 	

public finance. Historical and current data and analysis may be used to make future projections and provide decision makers with key options on critical issues in national defense as well as criminal justice, public order, and policing.

The rationale for undertaking a PER will vary according to context and the government's preferred focus. However, a PER in the security sector can generally signal a number of objectives on the government's part, including the modernization and professionalization of the sector; it can also signal the possibility of some movement toward cost-effectiveness, even if actual budget cuts are not envisaged. In this way, the rationale of a PER in the sector is aligned with the generic objectives of sound public expenditure management, as follows:

- *Fiscal stability and affordability.* The objective is to maintain control of a country's overall fiscal position. To this end, government budgets need to be realistic and affordable. Thus "the security sector should be fully incorporated into the annual budget formulation process, subject to aggregate fiscal constraints and sector ceilings like any other sector and fully incorporated in medium-term fiscal projections and planning."³⁷
- *Allocative efficiency.* The objective is to balance competing demands and allocate scarce public resources where they will have the greatest benefit. This is one of the most difficult tasks of the ministry of finance; the security sector in general usually takes a large share of the national budget. The government therefore has to offset demands from the military against those of other sectors. In turn, within other sectors—for example, criminal justice—there must be a well-balanced prioritization between the competing subsectors, in this case crime prevention, police, judiciary, prosecution and legal aid, and corrections. It is also important here to analyze all sources of revenue and types of expenditure broken down into assets as well as recurrent costs.
- *Operational efficiency and effectiveness.* The objective is to achieve outputs and outcomes that are economical, efficient, and effective and so get the most out of all funds expended. This aim applies to the security sector just as it does to other sectors. Value for money and achievement of targets can be difficult to measure, particularly in a potentially "static" sector such as the military, where nonperformance may be in fact a sign of good performance (i.e., deterrence of any external threats).
- *Fiscal transparency and accountability.* The objective is to provide open and transparent access to financial decisions and data so that government officials can be held accountable for their actions. Governance, oversight, and civilian control of the security sector are often the rationale for SSR as a whole, and they are particularly important in terms of accounting for public expenditures in an area that often presents itself as a "black box" to public scrutiny.

The state-owned enterprises that operate in the security sector may use noncommercial accounting principles with unclear accountability structures, making their impact on the treasury or fiscal balance similarly unclear.

- *Reporting on external assistance.* The objective is particularly important for low-income countries and those emerging out of conflict, whose governments may be in receipt of significant external support from donor partners, as well as revenues from peacekeeping operations or hardware sales. Often such support can be ad hoc and off budget, and a PER is a useful mechanism by which to obtain a better picture of that support and its sustainability.

Ultimately, the reasons for undertaking a PER have to be drawn from a dialogue with the government, including the key stakeholders within the security and justice sectors. Such a dialogue can only be built upon trust between the different stakeholders and the pursuit of key benefits that may arrive with public financial reform, such as greater external on-budget financing or savings from better efficiency and effectiveness in service delivery.

What Are the Entry Points for a PER?

Like the rationale, the specific triggers for undertaking a PER vary subject to context; these are summarized in table O.2.

Given the sensitive and confidential nature of security sector spending, a successful PER will be contingent on trusted relationships—either between government actors (such as principals in ministries, departments, and agencies), or between the government and external partners. This is true regardless of the specific entry point for the PER.

How Is a PER for Security Conducted?

There is no fixed methodology for undertaking a security sector PER because the scope of a PER is so dependent on context. A potential outline of steps is shown in table O.3.

It needs to be emphasized that the issues raised by a PER can be very sensitive for a government, particularly when international partners are involved in the review. SSR is thus intensely political, involving differing and sometimes competing national interests. As the OECD explains:

Experience shows that reform processes will not succeed in the absence of commitment and ownership on the part of those undertaking reforms. Assistance should be designed to support partner governments and stakeholders as they move down a path of reform, rather than determining that path and leading them down it. A major problem in the area of security system reform in some regions . . . has been a lack of local input to and ownership of the emerging reform agenda. This issue is most significant in “difficult partnership” countries.³⁸

Table O.2 Entry Points for a Security Sector Public Expenditure Review

Type of change	Examples
Political: changes in political conditions at home, among key allies, or among adversaries	<ul style="list-style-type: none"> Elections or change in administration Change in public opinion Legislative scrutiny or change in legislative attitudes Peace accord implementation Implementation of international obligations, such as European Union accession requirements Human rights review
Economic: changes in expenditure caused by macroeconomic or fiscal shocks, or changes in the way economic resources are allocated and controlled	<ul style="list-style-type: none"> Change in the fiscal space or resource envelope available due to changes in revenue Realignment of national spending priorities Reduction in defense expenditure by allies Response to increased defense spending by neighbors or adversaries Macroeconomic shocks Adoption of medium-term expenditure framework Institutional or process reforms to strengthen government-wide financial management
Security: changes in national, regional, or international security context	<ul style="list-style-type: none"> Security sector reform program sponsored by the domestic government or an international partner Strategic shock resulting in the redefinition of security threats Adoption of a sectorwide all-inclusive approach to government Internal security challenges, including civil unrest Public safety and security pressures created by organized crime and violence Border tensions Implementation of arms control, transnational crime, or other international obligations Arrival or withdrawal of international military or peacekeeping force Updated defense/criminal justice planning assumptions following fragility analysis or threat assessment Defense review initiating either defensewide or individual service reform Accountability and military effectiveness issues Major equipment procurement decisions Interservice rivalries, including redefinition of investment priority

Table O.3 Key Steps for Undertaking a Security Sector Public Expenditure Review (PER)

Step	Key issues
<i>Preliminary steps</i>	
1. Government consultation and ownership	There must be traction within security sector ministries, departments, and agencies as well as finance ministries. Clarity should be achieved on the following issues: (i) scope—e.g., whether to include both economic policy and public financial management (PFM) issues, whether to include all security actors or focus on one subsector (defense or criminal justice); (ii) legal restrictions on freedom of information; (iii) the PER's focal points; and (iv) the existence of an explicit request for assistance (where international partners are involved).
2. Establishing a PER team	A government or international practitioner team—one with the skills needed to cover both the political/security and public financial aspects of the review—is selected to carry out the PER. The team should be given an appropriate time frame for the work and should be properly resourced.
<i>Analysis of context</i>	
3. Political security context	The team analyzes the political, security, social, and economic contexts, including the relevant international treaties (peace agreements, sanction regimes, etc.), participation in regional organizations, and key security threats, challenges, and patterns over time. This effort should include aspects of gender as well as analysis of underlying drivers of fragility if appropriate.
4. Macroeconomic context	The team describes and analyzes the various macroeconomic scenarios (overall government revenues versus expenditures, economic growth potential and risks) in the short, medium, and long term as well as the budgetary implications of the macroeconomic context for the different sectors (not only the security sector).
<i>Understanding the sector</i>	
5. Institutional and functional mapping	The team examines the key institutions (state and nonstate) and their functions at all levels (central down to local), along with the key actors and their relationships and interests.
6. Strategic and policy objectives	The team identifies the sector or subsector national strategy, related policy papers, and key documents for the various subsectors and related legislation.
<i>Analysis of the key economic policy and PFM issues</i>	
7. Public expenditure policy	The team analyzes the situation of the security sector within the overall fiscal framework; the realism and affordability of the overall envelope; the efficiency of subsector allocations; the effectiveness and efficiency of operations; and the systems for strengthening civilian oversight, accountability, and governance.
8. Scenarios	In light of the macroeconomic framework, available resources, political security context, and security objectives, the team determines financing scenarios for the government going forward.
9. Public financial management	The team analyzes the systems and processes in place for budget credibility, comprehensive and transparent budgeting, policy-based budgeting, predictable and controlled budget execution, recording and reporting, and external scrutiny and audit.
<i>Conclusions</i>	
10. Options and recommendations	The team describes options and makes potential recommendations. A process should be devised to ensure incremental implementation of the recommendations and continuing buy-in from the various line ministries.

Consequently, early consultation within the government about the objectives of a security sector PER—and the role of international partners—is essential to the success of a PER exercise. National ownership is central to the “aid effectiveness” policy of donor countries; but it is important to move beyond the rhetoric to ensure that such ownership exists.³⁹ Further, if international partners are involved, they may call for rapid results and timelines, and these may be difficult to impose on a political context that requires time for consultation and client feedback. In many instances, despite the presence of significant levers such as international support, local political interest does not allow for reform to take place.⁴⁰

Understanding Context

The Security Context

The term “security” is ambiguous, difficult to define, contested, and subject to wide treatment in the literature.⁴¹ It is thus “a powerful political tool in claiming attention for priority items in the competition for government attention.”⁴² A PER team will need to review government documents and consult with key interlocutors to determine what those priority items are. Typically they cover a number of different security dimensions, including the following:

- *National security.* This dimension involves the protection of the sovereign state, including territorial borders and population, from external threats; it is further elaborated to include both objective measures (e.g., the absence of threats) and a subjective sense (e.g., the absence of fear of attack).⁴³
- *Individual or citizen security.* Originally outlined by the UNDP in 1994,⁴⁴ this dimension is now more narrowly defined by the 2011 *World Development Report* as “freedom from physical violence and freedom from the fear of violence. Applied to the lives of all the members of a society (whether nationals of the country or otherwise), it encompasses security at home, in the workplace and in the political, social, and economic interactions with the state and other members of society.”⁴⁵
- *Terrorism/political violence.* UN Security Council Resolution 1566 (2004) defines terrorism as “criminal acts, including against civilians, committed with the intent to cause death or serious bodily injury, or taking of hostages, with the purpose to provoke a state of terror in the general public or in a group of persons or particular persons, intimidate a population or compel a government or an international organization to do or to abstain from doing any act.”
- *Economic security.* This dimension involves threats to economic, financial, and commercial systems.

Figure O.3 Types of Violence

- *Cybersecurity*. This dimension involves threats to national information systems, technology breaches, and virus attacks.
- *Environmental security*. This dimension involves threats related to human-made disasters, including dumping of toxic waste, as well as the global implications of climate change.
- *Criminal security*. This dimension involves threats arising from organized crime, including trafficking in drugs, people, arms, or contraband goods.

Another useful typology of security challenges distinguishes between major organized political violence, localized collective violence, and individual violence. Breaking these categories down (see figure O.3) demonstrates the variety of risks that societies and communities face, and the diversity of the challenges to which security sector agencies may be expected to respond.⁴⁶

The PER undertaken in Liberia in 2012 offers an example of how a PER takes the security context into account. Here, although an army was in the process of being rebuilt with international support, the focus for the government was on internal security challenges around public order and localized conflict (see box O.1).

The Macroeconomic Context

Another important context for a security sector PER is the wider macroeconomic context, which includes the general drivers of growth and sources of domestic and external revenue. Using current economic and fiscal data to make projections contingent on different variables, the PER

Box O.1 Liberia—National Security Strategy Focused on Internal Threats

According to the security sector Public Expenditure Review (PER) carried out by the World Bank and the United Nations during Liberia's security transition, the country had been generally stable since the deployment of the United Nations Mission in Liberia (UNMIL) in 2003, but peace remained fragile in 2012. Many of the remaining security threats were internal, including the tendency of minor incidents to escalate into large-scale violent confrontations beyond the response capability of the national police. High crime, an inadequate justice system, youth alienation, and land disputes remained serious conflict triggers. Moreover, structural conditions—including economic inequality, corruption, political exclusion, human rights violations, ineffective accountability mechanisms, and weak state institutions—heightened the risk that conflicts would escalate.

All of Liberia's neighboring countries were undergoing some form of internal transition. Liberia remained vulnerable to disruption by regional political tensions or insecurity due to highly porous borders. Networks persisted for the illegal exploitation of natural resources and transnational crime, including the trafficking of drugs and other goods. Finally, the influx of refugees following the contested 2011 elections in Côte d'Ivoire strained the state, and sizable refugee populations remained in volatile border areas.

Liberia's 2008 National Security Strategy orients the country's security sector. It defines national security in a holistic manner, incorporating issues ranging from democracy and rule of law to reconciliation and the professionalism of security actors. The strategy identifies numerous internal threats, including poor rule of law and poverty; the large numbers of deactivated ex-servicemen (17,000) and ex-combatants (103,019 demobilized and an estimated 9,000 who did not benefit from reintegration programs); illegally held arms; land and property disputes; and ethnic tensions. The strategy's objectives include consolidating peace; developing a coordinated national security system; avoiding duplication of roles; recruiting staff in a transparent manner; conducting gender-responsive reform initiatives; establishing county and district security councils; creating democratic civilian oversight mechanisms; safeguarding the integrity, sovereignty, and political independence of Liberia; participating in regional security forces; establishing economic security and reducing poverty; and managing the environment and resources.

Although the National Security Strategy and sector-specific reform strategies are well designed, reform of Liberia's security sector is undermined by deficiencies in coordination, oversight, and financial sustainability. While the national security strategy emphasizes the need for accountable and democratic security architecture, reform of the sector has so far focused on developing the operational effectiveness of the security institutions. Mechanisms for accountability and coordination remain weak, and civilian oversight of the security sector is ineffective. Moreover, the PER noted that given the prevalence of internal security threats and the military's external security remit, reforming the Liberia National Police and the border police was more critical than reforming the Armed Forces of Liberia in the short run.

Source: World Bank and United Nations 2012.

will need to estimate state revenues as well as other competing claims on state resources.

Historically there has been some consideration of the link between military expenditures and growth, and in particular the idea of setting parameters around expenditure/growth ratios.⁴⁷ In turn, there is a debate about

the relationship between growth and such expenditures, although the evidence of either a negative or positive impact is mixed. This book takes no position on this question, favoring more a value-for-money approach: the critical question is not how much money is spent, but rather how well the money is spent.

As part of the effort to understand the macroeconomic context, the PER team will need to run a number of projections, particularly focusing on overall GDP growth, government revenue, and expenditure. This can be done even in data-poor environments such as Somalia (see box O.2).

The Fragility Context

The security and justice sectors in fragile and conflict-affected states (FCS) present particular challenges. The international community, notably the UN (and other actors such as the African Union), may be the main provider of security and justice services for these countries—for example, where a noninclusive peace agreement is in effect.⁴⁸ Such contexts also include countries that are beset by urban crime and violence, a large part of which may be associated with organized crime, as in Central America.

Our general view here is that the findings and recommendations of the PER process are as valid in FCS as they are in normal states, although a number of caveats apply. PER teams in FCS face some real challenges, ranging from scarce data to limited access to certain parts of the country (see table O.4 for a summary of issues specific to FCS). These obstacles highlight the importance of the process aspects of the PER exercise; the PER team may need a longer time frame than usual in order to ensure that minimal objectives for policy and system reform are achieved.

Box O.2 Somalia—Security and Justice Public Expenditure Review: Revenue Projections

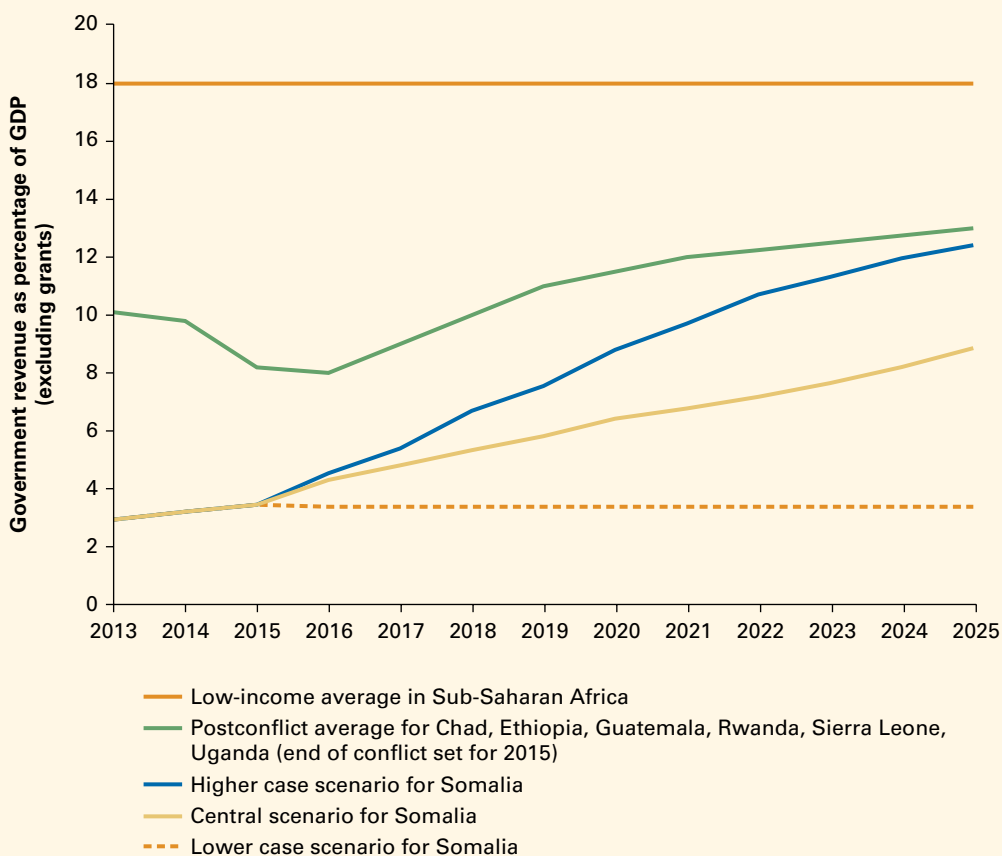
A 2015 security and justice Public Expenditure Review (PER) undertaken in Somalia—a country that has not had a solid set of public statistics and national accounts since 1990—required revenue projections to compare with future security costs. For the purposes of the PER, projections were based on a set of preliminary national accounts built from household surveys undertaken by the World Bank and the International Monetary Fund.^a The three revenue scenarios were primarily modeled using the ratio of revenue to GDP, changing under different assumptions in order to separate out the effects of the broader economy from the improvements in tax administration and policy that could lead to greater revenue for the public sector in Somalia. These were also compared with benchmark values of post-conflict states and other states in Sub-Saharan Africa.

It is important to note that the levels of revenue collected in Somalia were extremely low compared to those in other postconflict settings, not to mention in broader Sub-Saharan Africa (see figure BO.2.1).

(Box continues on next page)

Box O.2 Somalia—Security and Justice Public Expenditure Review: Revenue Projections (*continued*)

Figure BO.2.1 Somalia’s Projected Revenue Paths Compared with Postconflict and Sub-Saharan African Benchmarks



Source: World Bank and United Nations, forthcoming.

This can be explained primarily by the fact that most conflict incidences in the benchmark last about a year, whereas conflict in Somalia has lasted over 25 years. This lengthy conflict has considerably hampered the ability to structure and fund a state, as large parts of the population have no recollection of paying taxes to a central government. Moreover, Somalia is distinctive in that even prior to the fall of the Barre regime in 1991, it had exceptionally low revenue collection rates, relying instead on its geostrategic importance to the Cold War superpowers to fund its sustained deficits.^b

The process of building an internally funded and sustainable financing model for the Somali state is likely to be a prolonged endeavor, in part because the population has not come to expect the level of services that most governments deliver in Sub-Saharan Africa. While this situation has resulted in other benefits, such as a relatively thriving private sector, it represents a particular governance and legitimacy challenge.

a. See further discussion in World Bank 2015.

b. World Bank 1990.

Table O.4 Issues of Relevance for Fragile and Conflict-Affected States (FCS)

FCS factors	Impact upon the security sector
Type of political settlement	<p>A weak political settlement may be characterized by a weak political bargain between the competing stakeholders. This will affect decision making and coherence at the national level and in turn will impact the rationalization of security forces.</p> <p>A military victory, of one party over another, may privilege the security forces to such an extent that it will be difficult to incorporate the sector into the public financial management system and strengthen accountability and oversight systems.^a</p>
Weak institutional capacity	Relevant challenges include the paucity of data and analysis on the sector, weak systems and controls in place, and the expectation that public sector reform results will take time.
Limited oversight capacity	Weak institutions both inside the state and outside mean that there is weak oversight and citizen control of the security sector.
Legacies of conflict and violence	Armed conflict and violence may have resulted in extensive social trauma, including displacement, casualties, and physical destruction. A traumatized population possibly bearing continued grievances will require specific and carefully considered security and justice provision, including potential mechanisms for transitional justice. ^b
Role of the security sector	FCS are characterized by the absence of rule of law, impunity of security services, and prevailing insecurity. On one hand, governments and partners will want to prevent the security services from preying on civilians; on the other hand, functioning police and criminal justice institutions are needed to support governments in addressing violence and crime.
Weak macroeconomic position	Armed conflict most likely results in increased borrowing and greater debt combined with increased expenditures on the sector. In turn, a widespread conflict will likely harm the economy, prospects for growth, and revenue projections.
External financing	The financing of the security sector by external donors can lead to distortions and questions about sustainability and about recording of external funds (that is, whether on or off budget). ^c
Cost drivers	Conflict or violent settings will result in several potentially high cost drivers for the sector, including (i) integration of armed groups into one army financed by the state; (ii) demobilization and reintegration of ex-combatants; and (iii) establishment of transitional justice mechanisms such as special courts.

a. Adejumobi and Binaga 2006.

b. Transitional justice traditionally comprises a number of components, such as (i) rehabilitation of the public sector, including criminal justice institutions; (ii) accounting for past crimes through prosecutions, truth telling, and reparations; and (iii) vetting of security sector personnel.

c. World Bank 2005a.

Gender and Security

The provision of personal security is highly gendered.⁴⁹ Women's and men's security and justice needs—and their perceptions of the public services provided—can differ significantly. It is well known that in armed conflict the main casualties are women (and children),⁵⁰ whereas in gang violence the main casualties are young men 15–24 years old.

Box O.3 Examples of Gender Issues in a Security Sector Public Expenditure Review

- *Recognition in government strategic priorities.* The government may be seeking to respond to a number of specific concerns that relate to gender differentiations in violence and security, such as increases in gender-based sexual violence or in violence among youth around schools.
- *Representation through governance and accountability.* Auditory, judicial, and legislative accountability mechanisms, both internal and external, may include women to a greater or lesser extent; and the gender aspects of security and justice provision may be more or less a part of the normal sector discourse.
- *Redress through personnel recruitment and prevention.* The government may have a general priority to increase female enrollment in the armed forces or the police, or it may have specific targets to address specific needs, such as increasing women's presence at control points on borders or seaports/airports (to check men and women), increasing specific female-staffed sexual crime units, or ensuring that particular security and criminal justice policies pay attention to gender issues such as sexual violence.

In turn, security services are generally dominated by men: in Canada women make up only some 18 percent of the police force; in the United States the share is smaller, at 12–14 percent. At high levels of government, women's representation in the security sector is very low: in 2008, women held 1,022 ministerial portfolios across 185 countries, but only 6 of these were in areas of defense and veterans' affairs.⁵¹ It is thus important for the PER team to examine the particular aspects of gender from the strategic to the operational level. Some examples are outlined in box O.3.

Understanding Security and Justice Institutions

There are many tools available that can assist a PER team in assessing the security sector and in understanding its place within the country and government contexts.⁵² The security sector is most commonly defined by the types of institutions it encompasses. The two main international sources, the UN and the OECD DAC, define the security sector in similar, institution-based terms (see box O.4).⁵³ Their examples of institutions comprising the security sector are illustrative; in reality, there are a wide variety of institutions that fit into these broad categories, and the exact configuration of institutions varies by context.

A useful graphic (figure O.4) is used by the International Security Sector Advisory Team (ISSAT) in its assessment toolkit to set out the various components of the sector and their interconnections.

In many societies, a number of institutions that are not funded through public revenues may also deliver public security and justice. These institutions include traditional, nonstatutory police as well as courts whose operations are either only partly or not at all codified in law and which are not funded through the tax system; examples are private security and community responses to criminality. While it is often assumed that the

Box O.4 Definitions of “Security Sector”

UN Definition

“The ‘security sector’ is a broad term often used to describe the structures, institutions and personnel responsible for the management, provision and oversight of security in a country. It is generally accepted that the security sector includes defense, law enforcement, corrections, intelligence services and institutions responsible for border management, customs and civil emergencies. Elements of the judicial sector responsible for the adjudication of cases of alleged criminal conduct and misuse of force are, in many instances, also included. Furthermore, the security sector includes actors that play a role in managing and overseeing the design and implementation of security, such as ministries, legislative bodies and civil society groups. Other non-State actors that could be considered part of the security sector include customary or informal authorities and private security services.”^a

Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) Definition

“The OECD DAC Guidelines on Security System Reform and Governance agreed by ministers in 2004 define the security system as including: core security actors (e.g., armed forces, police, gendarmerie, border guards, customs and immigration, and intelligence and security services); security management and oversight bodies (e.g., ministries of defense and internal affairs, financial management bodies and public complaints commissions); justice and law enforcement institutions (e.g., the judiciary, prisons, prosecution services, traditional justice systems); and non-statutory security forces (e.g., private security companies, guerrilla armies and private militia).”^b

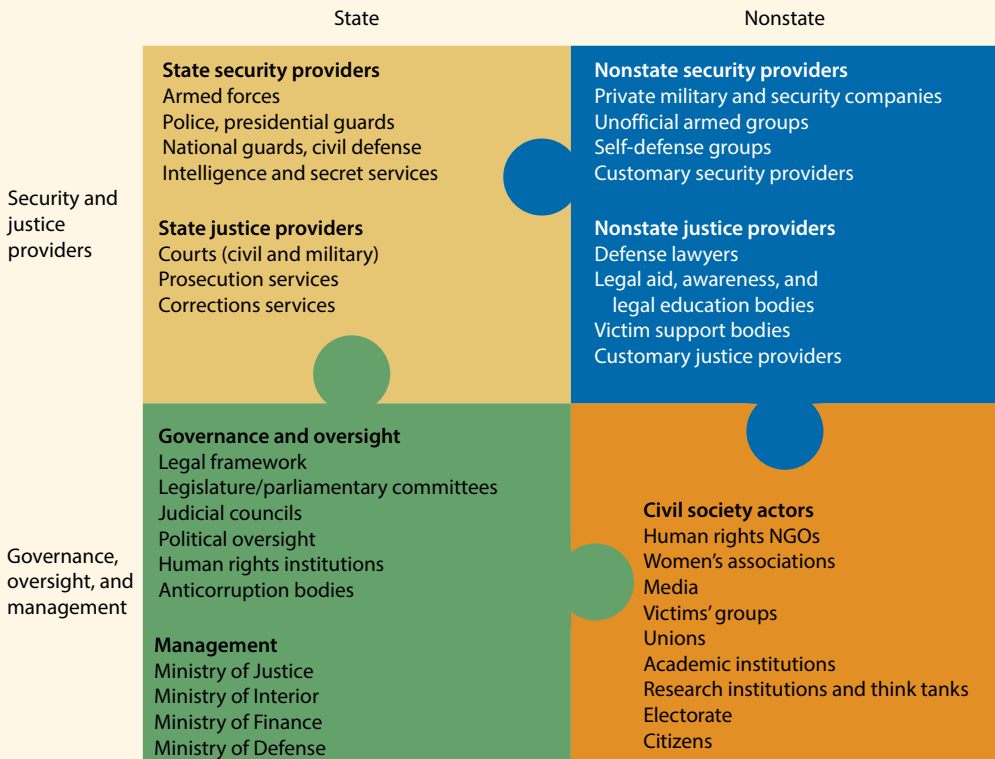
a. UNSG 2008, 5; and UN Security Council Resolution 2151.

b. OECD 2007, 5.

processes of social and economic development will lead to an increase in formal responses to insecurity and a decrease in informal (nonstatutory) responses, in fact this has not always been the case, and many developing societies continue to have strong nonstate responses to crime and insecurity.⁵⁴

Some Examples of Criminal Justice Institutions

Undertaking a security sector PER often entails understanding the various institutions that make up the criminal justice system. The police, prosecution service, criminal courts, and corrections are the core agencies of the institutional framework that most countries have adopted to respond to crime through investigation and prosecution of criminal activities, adjudication of criminal cases, and incapacitation and/or rehabilitation of offenders. At the same time, a range of other entities delivers important criminal justice services that have to be funded from the government’s budget. Legal aid and criminal defense services are among the more costly of these services—and they often remain underfunded, with serious consequences for individual rights and justice system operations. Particularly as

Figure O.4 State and Nonstate Institutions of the Security and Justice Sectors

Source: ISSAT, "Introduction to Security Sector Reform, Lesson 1—Introduction to the Concept of Security Sector Reform," <http://issat.dcaf.ch/Learn/E-Learning/Introduction-to-Security-Sector-Reform>. © International Security Sector Advisory Team. Reproduced with permission from International Security Sector Advisory Team; further permission required for reuse.

Note: NGOs = nongovernmental organizations.

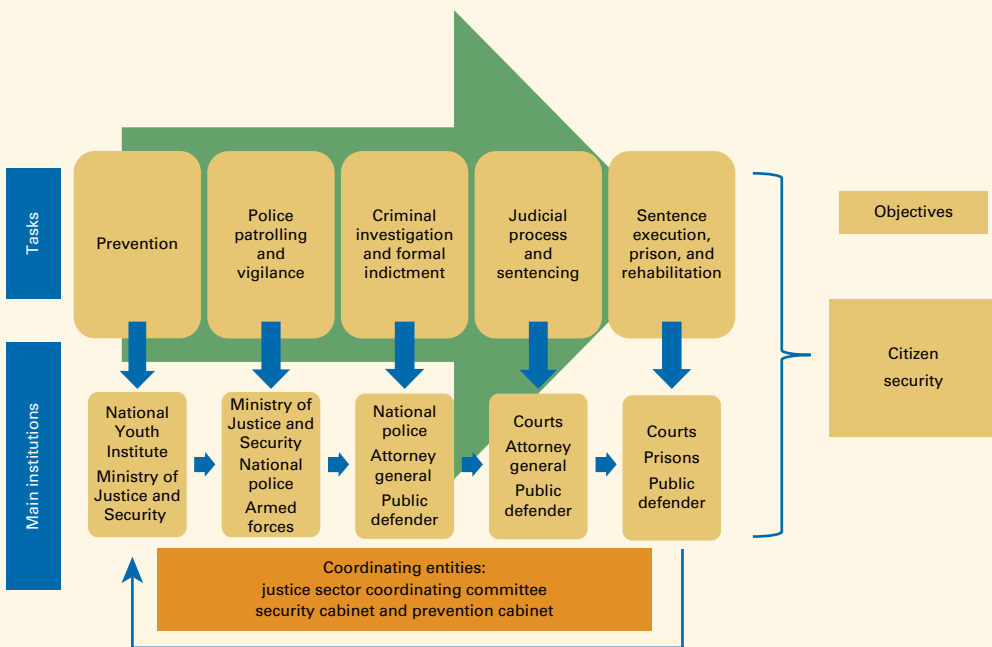
societies increasingly recognize the importance of crime prevention, additional institutions join the criminal justice sector, such as services for youth at risk, school crime prevention services, employment and treatment services for offenders, child protective services, and a range of public education efforts along with research and evaluation efforts—and all require funding.

Examining this complex institutional terrain will require an inventory of the organizations and actors involved. There is no standard institutional typology, and there is variation between common and civil law systems, depending on the legal framework. A PER needs to examine what links form the institutional chain, how the different institutions work together, and above all whether individual resource allocations add up to an effective systemwide whole. This was the approach taken by the World Bank in El Salvador, as detailed in box O.5.

Box O.5 Police and Criminal Justice Institutions in El Salvador

In June 2012, the World Bank completed a Public Expenditure Review of the security and justice sectors in El Salvador. This was the first comprehensive assessment of the sector’s resource allocation, efficiency, and effectiveness. The analysis divided the security and justice institutions according to the main tasks they fulfill, and sought to evaluate the allocation of inputs (resources), outputs (specific services), and outcomes (citizen security). In El Salvador, several state institutions that are located under different branches of government execute five main tasks: (i) crime and violence prevention; (ii) police patrolling; (iii) crime investigation and formal indictment; (iv) presentation to court and judicial resolution; and (v) sentencing, supervision, imprisonment, and rehabilitation (see figure BO.5.1).

Figure BO.5.1 Security and Justice Sectors: Tasks and Institutions



Source: World Bank 2012a.

Integrating Public Finance, Security, and Criminal Justice

Public Finance Policy

Over the last 20 years there has been a concerted push among both developed and developing countries to standardize and improve measures around PFM.⁵⁵ The focus of that effort has been the strengthening of public budgeting in connection with two key elements of government:

1. *Public expenditure policy*, particularly as it relates to fiscal stability, efficiency, and effectiveness
2. *PFM* around functional aspects of budget implementation and systems.

Public expenditure policy (also termed macroeconomic and fiscal policy) concerns the overarching balance sheet of the government—that is, its revenues and its expenditures. The goal of macroeconomic and fiscal policy is to achieve potential output, full employment, and macroeconomic stability, which together provide the economic foundation for sustainable growth.⁵⁶ Of central importance is the fiscal deficit: the government cannot spend more than it collects through taxation and borrowing beyond the short run. High debts and high inflation are destabilizing. The government must therefore set and adhere to fiscal targets related to debt sustainability and fiscal balance. Doing so requires reasonably accurate revenue projections and a comprehensive process for estimating current and potential expenditures. The framework for analyzing public finance is based upon existing World Bank tools (as well as those of the International Monetary Fund) that focus on critical economic policy issues.⁵⁷

PFM is concerned with the management and controls around the use of public funds. PFM particularly focuses on the budget process, resource allocation, the way expenditures are made (such as for public service payroll or capital investments), and the way public funds are accounted for. The Public Expenditure and Financial Accountability (PEFA) framework is now the internationally recognized tool for assessing and measuring budget planning, implementation, and control along a series of indicators, including (i) budget reliability, (ii) transparency of public finances, (iii) management of assets and liabilities, (iv) policy-based fiscal strategy and budgeting, (v) predictability and control in budget execution, (vi) accounting and reporting, and (vii) external scrutiny and audit.⁵⁸

There is considerable overlap between these two areas of public finance. However, ultimately the former concentrates on the big policy questions that concern the national budget, and the latter focuses on how the system is run. We can see this difference in the variety of security and criminal justice PER examples in this book, which include some that emphasize policy issues relating to the affordability and sustainability of the security sector, and others that emphasize questions of efficiency control and oversight.

The Security Sector and the National Budget System

The key question for government decision makers is to what degree the security sector is subject to the same budget policy and management standards as any other sector. The general trend in international practice is for the security sector to be treated differently, for these reasons:

- Many governments do not include security expenditures in their budgets, and where budgets are included, they tend not to be disaggregated (studies have shown a discrepancy between official statistics and actual expenditures).⁵⁹

- Key security actors, such as the military, are concerned about secrecy and confidentiality, which can impede attempts to strengthen transparency and accountability and the undertaking of any kind of review.
- In the defense sector, and particularly in the military, oversight by external auditors is very limited during operations. Robust internal audit mechanisms can compensate, but normal practices used for other public sectors are not appropriate.

However, in most ways the security sector should not be treated differently from other sectors; with certain modifications, it should be incorporated into the regular government PFM system. The comprehensive integration of the sectors into the budgetary and public finance system is key to the creation of democratically accountable, modern, and professional security and justice services.

This integration can be prompted by undertaking a PER for the sector or part of the sector. Subject to the right conditions and incentives within government, it can be a very useful tool for finance agencies as well as for defense and interior ministries. The PER can serve as a platform to bring together security and other ministries and public agencies to discuss, negotiate, and assess issues of resource allocation, institutional efficiency, and effectiveness on the basis of a numerate understanding of security sector costs and challenges.

We now discuss a number of these critical economic policy and PFM issues and see how they have been dealt with in PERs that have been undertaken to date.

Affordability and Sustainability

The national budget must be affordable in the short and long run to be credible and ensure macroeconomic stability. Meeting this goal requires full integration of the security sector.⁶⁰ The security sector often comprises the largest or one of the largest shares of the national budget; the question is how these expenditures equate with government revenues, including external aid. This question is particularly important for low-income countries, and it is critical for low-income countries transitioning from war to peace, since these countries often have extremely limited domestic revenues and may also be facing peacebuilding challenges that come with significant price tags, such as army integration or demobilization (see box O.6).

Once sustainable aggregate spending levels are determined, government priorities—including defense, public order, and justice—can be weighed, current policies reviewed, and the budgetary impact of policy changes estimated. To facilitate these steps, security sector expenditures should be fully incorporated into medium-term fiscal projections based on life-cycle costing of defense capabilities. For example, too often the military sector's recurrent operation and maintenance costs are neglected, especially in fragile and conflict-prone states. If the national budget is not

Box O.6 Affordability Questions for Countries Emerging from Conflict

The government may face existential trade-offs between peacebuilding priorities and fiscal stability. A few examples are given below:

- *Political versus fiscal stability.* A government established under a peace agreement after conflict may seek to integrate ex-belligerents into one national army. This can be a very expensive exercise that is at odds with the demands for fiscal stability, but it may be justified in order to maintain political stability and keep the former warring factions at peace.^a
- *Transition from peacekeeping to government security provision.* Some war-to-peace transitions are accompanied by a UN Security Council–endorsed peacekeeping mission that provides basic security services during the life of the mission. As these peacekeeping forces depart, the government is expected to increase its own capacity to provide potentially expensive security and justice services for the population.^b
- *Transition from external assistance to domestic revenues.* Some war-to-peace transitions have been internationalized in character; in these cases, external actors as well as national actors are engaged in military interventions (as in Afghanistan or Somalia). Such external intervention can be accompanied by (at times significant) external financing to government security forces. The question is how long these external finances can be sustained and what happens when they diminish.^c

a. See for example World Bank 2012c.

b. See for example World Bank and United Nations 2012.

c. See for example World Bank 2005b; World Bank and United Nations Assistance Mission in Somalia 2016.

realistic in its estimation of government expenditures, it will be irrelevant and never implemented. Moreover, if line ministries are allowed to spend indiscriminately, the result may be a “tragedy of the commons” scenario, where unrestrained revenue collection, deficits, and debt lead to adverse economic outcomes.⁶¹

Confronted with the challenges of tight resources, policy makers can use the PER exercise to identify potential savings and in certain instances realize increases in public expenditure. These increases can result from the following: (i) bringing off-budget expenditures into the budget; (ii) consolidating all security-related expenditures under the appropriate functional headings; (iii) including adequate operation and maintenance costs for equipment; (iv) setting appropriate salary and wage scales; (v) taking account of costs associated with downsizing, such as disbursement of pensions or settlements; and (vi) changing the shape of the military or police (for example, into a force reliant on smaller numbers of personnel with greater mobility).⁶² Issues of this kind concerned Liberia’s Ministries of Finance and Interior as the UN peacekeeping mission drawdown approached; a PER focusing on affordability questions helped to clarify what Liberia’s costs going forward would be (see box O.7).

Box O.7 Liberia—Cost of Transitioning and Maintaining Security

According to the security sector Public Expenditure Review carried out by the World Bank and the United Nations during Liberia's security transition, the United Nations Mission in Liberia (UNMIL) contributed to Liberia's security reform efforts, helped establish the conditions for peaceful democratic elections and the transfer of power in 2011, and contributed to economic growth by reestablishing peace and security, thereby allowing development opportunities to emerge.

Total UNMIL spending steadily declined from \$723 million in FY2004/2005 to \$512 million in FY2010/2011. These funds covered expenses related to military contingents, international civilian salaries, information technology and communications infrastructure, and air transportation; personal allowances not spent within Liberia; mission funds spent in country on imported goods and services; and spending on locally produced goods and services. At the beginning of the mission, it was estimated that local spending did not exceed 10 percent of the total but still boosted local income—primarily in Monrovia—by almost 10 percent of GDP.

It is expected that the ongoing provision of security services will cost Liberia significantly less than the costs incurred by UNMIL because not all functions will need to be replaced. Among the costs that can be eliminated are salaries and costs for UNMIL civilian personnel and the costs associated with protecting UNMIL personnel and assets. Moreover, the costs of Liberian security personnel and recurrent items are substantially lower than those under UNMIL. The average salary of a Liberian police officer, for example, is approximately \$150 per month—much lower than that of a UN police officer, which is based on international standards. The total projected cost of providing security services in 2012–2019 is \$712 million—less than the costs incurred by the UN in the first year of its mission. Of this total, ongoing security services are estimated to cost \$546 million over the seven years projected, with the annual cost increasing at the average inflation rate of 4 percent per year through 2019. The remainder comprises the transfer of security functions from UNMIL over the seven-year drawdown—including costs associated with the Liberia National Police and the Bureau of Immigration and Naturalization—and recurring costs for proposed regional hubs under the Justice and Security Joint Program (see table BO.7.1).

Table BO.7.1 Liberia's Projected On-Budget Costs for Security Services, 2012–2019 (\$ million)

	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	Total
Ongoing security services	69	72	75	78	81	84	87	546
UNMIL Liberia National transition costs								
Police	11	12	14	6	7	8	10	68
Bureau of Immigration and Naturalization	4	3	4	3	4	4	5	27
Regional hubs	1	1	2	2	2	2	2	10
Other transition costs	23	8	7	4	5	6	6	61
Subtotal	39	24	27	15	18	20	23	166
Total	108	96	102	93	99	104	110	712

Source: World Bank and United Nations 2012.

Note: UNMIL = United Nations Mission in Liberia.

Budget Credibility

A realistic and credible budget is fundamental for establishing fiscal stability. In terms of PFM, there are two ways that management of the security sector often undermines budget credibility:

- *Financial deviations.* There is often a significant gap between approved budgets and actual expenditures of the security sector: “Systematic deviations are a sign of poor or deceptive budgeting [and] reduce the credibility of the budget hence weakening its role as a policy tool.”⁶³ Like planners in other sectors, security planners should provide for contingencies that can be exceptionally expensive (for example, armed conflict). In resource-constrained countries, actual expenditures may deviate significantly from the approved budget. In addition to providing insight into priorities, clarity on why deviations occur can help make the budgetary process more predictable. The reasons for deviation may vary over time.⁶⁴
- *Confidentiality and moving off-budget.* The degree of external scrutiny of the security sector is often limited by legal and policy procedures related to freedom of information, confidentiality, and transparency. On national security grounds it can be difficult to ascertain accurate budget details for the sector. This challenge is compounded when donor assistance is also given off-budget. In Sierra Leone, for example, more than half the total security sector expenditure in 2005 was reported to be off-budget.⁶⁵ Studies have found that deviations shielded by confidentiality can include significant security finances kept off-budget, revenues that are secretly banked, and accounts held overseas.⁶⁶

Off-budget revenues were the subject of concerns raised by the Ministry of Finance in the PER for the Central African Republic in 2008 (see box O.8).

Efficiency of Sector Allocations

Once a country has determined its overall resource envelope, the most difficult set of decisions then needs to be made about how to allocate those resources according to the different security sector priorities. At this point, internal government competition is inevitable and will lead to extensive negotiation within the different subsectors—e.g., between the army and air force or between the various components of the criminal justice system (police, judiciary, and corrections). A well-informed and empowered ministry of finance can play a useful role in mediating these discussions and assisting in decision making about final allocations. But such an exercise is challenging for a ministry of finance for a number of reasons:

- *The budget may be held hostage.* The security sector, particularly the military, may have a politically prominent position in government and therefore may demand high allocations without a solid justification.

Box O.8 Central African Republic—Off-Budget Revenues

According to the World Bank's 2008 financial management assessment of the Central African Republic, defense services generated considerable income that year, but the revenues were badly organized in their identification, legal framework, and budgeting.

One source of income was the sale of escort or guard services to private companies and international organizations (soldiers accompany people in unsafe areas in the provinces). Extrapolating from payments for security services by the Bank of Central African States, the United Nations Development Programme, and the International Monetary Fund, the Public Expenditure Review team estimated that total revenues generated amounted to the equivalent of \$680,000 in 2008.

Another source of income was fines issued by the gendarmerie; in the Bangui region, these came to \$160,000 in 2008. According to legislation then in force, 30 percent of proceeds accrued to the Ministry of Defense and 70 percent to the Treasury. The Ministry of Defense was to split its share between the gendarmerie (25 percent to be managed by the *régisseur* to cover miscellaneous items) and the army (75 percent to be managed by the national army's treasury outside of any accounting cycle and without any form of accounts management). Theoretically, fines collected by the gendarmerie in the provinces should flow to the national Treasury via Treasury special agents, but the central government has limited visibility and the amount collected is unknown.

Finally, the Battalion for the Protection and Security of Institutions, part of the Republican Guard reporting to the president and under the administrative control of the General Staff of the Armies, collected the airport security tax. This generated the equivalent of \$260,000 in 2008.

In total, the Ministry of Defense generated the equivalent of \$1.1 million in 2008. This is a significant sum relative to the \$16.2 million the ministry received in appropriations for 2009, and to the entire state budget of \$78.3 million. To the extent these payments do not figure in the state budget, the revenues generated remain extrabudgetary income, or indeed secret income.

Source: World Bank 2008.

- *There may be ideological differences over security and justice provision.* The intense debates over what works in providing security are reflected in how governments prioritize their budgets. An example of this debate is the gradual shift in Central America away from *mano dura* policies, which use heavy, coercive measures to combat crime and violence,⁶⁷ toward more preventive (and cheaper) interventions.
- *International comparisons are not possible.* The security sector is unlike other sectors in that very few international comparisons or standards are available to support decision makers in addressing critical questions, such as unit costs or numbers of personnel. This is partly due to the fact that financial and staffing figures are rarely disclosed publicly, and that when disclosed they rarely follow common rules that could allow comparisons. The UN has some helpful guidance, particularly on population-based ratios for police and other criminal justice personnel.⁶⁸ In addition, comparisons can be made with neighboring countries, particularly those with similar population sizes, income per capita, and sources of revenue.

The following inputs are useful for the process of making decisions about security sector allocations: (i) a well-articulated strategy setting out key targets; (ii) measures of good past performance; (iii) indications of how subsectors relate to other subsectors (particularly important in the criminal justice sector); and (iv) empirical evidence from global experience on what interventions work in security and justice provision. In contexts affected by fragility or conflict, the PER team will confront a number of particular challenges and issues where allocative efficiency is concerned. These are described in box O.9.

These discussions about allocation are where expenditure and security policy converge; and in light of sovereignty or mandate issues, there may be a limited role for external actors such as the UN or the World Bank.⁶⁹ For matters relating to national security, the appeal to confidentiality and sovereignty is understandable. However, as governments increasingly recognize the close relationship between security and development outcomes, they are increasingly seeking policy advice from multilateral partners, particularly on matters relating to internal security and justice provision (such as what policies work, how to prioritize them, and what costs are involved). Two particular policy aspects are worth briefly considering here:

1. *Policy alternatives.* Responses to insecurity and violence are usually broken down into the following components:

- *Suppression*, or the direct exercise of force (through the use of military, paramilitary, or police) in response to instances of crime or violence

Box O.9 Key Strategic Issues in Fragile and Conflict-Affected States

Countries facing high rates of crime or violence or coming out of conflict face a number of particular challenges that need to be addressed in formulating security and justice strategies and in setting priorities for allocations:

- *Contending domestic and international objectives of governments and partners.* These objectives may not be coherent—e.g., counterterrorism, counterinsurgency, and counternarcotics objectives may outweigh peacebuilding and efforts to provide individual security and justice.
- *Peace agreements.* Peace agreements may comprise the bulk of security objectives and in fact replace a national security strategy by setting out priorities and key targets over a specific time frame. What is important here is that questions about affordability and costing are inserted during the peace process so that agreements are realistic and implementable. Here, the report on security sector reform (SSR) by the Secretary General of the United Nations (2008)^a can be helpful in emphasizing that SSR issues should be addressed as early as possible in the peace process.
- *Governance and accountability.* In the drive to consolidate state authority (including by strengthening command and control over the security services), issues around accountability and governance may be ignored, which creates the possibility of dangers down the road in terms of governance and citizen oversight.

a. UNSG 2008.

- *Deterrence*, or the use of military, paramilitary, or police in order to intimidate and discourage potential perpetrators
 - *Incapacitation*, or the policy of taking offenders out of society through judicial means (such as imprisonment) or administrative means (such as internment during rebellion)
 - *Rehabilitation*, or the process of reforming those who have been associated with crime and violence, such as those in prison or heavy drug users
 - *Prevention*, including an array of interventions intended to prevent people from entering a life of crime and violence, from the systemic (such as reducing inequality) to the specific (such as job creation).
2. *Institutional alternatives*. An important policy question concerns what institutions most effectively provide security and justice. Increasingly, the private sector plays a significant role in security provision, particularly in urban areas for commercial and individual residences. The private sector, including nonprofit organizations, is also involved in other areas of security provision such as demining. Private alternatives may be cheaper than public, although their use raises other regulatory and policy challenges.⁷⁰

As a PER is carried out, intragovernmental discussions about allocations and sector ceilings can expand to a more comprehensive policy discussion about what security sector policies are appropriate in general, what are most effective, and what may be cheapest.⁷¹ These debates are held in developed as well as developing countries and involve the ideological contests referred to above.

Policy-Based Budgeting

A sound budget system is related to credible sector strategies, including a security sector strategy that (i) is based in context; (ii) relates to other government security actors (e.g., within the criminal justice chain); (iii) links with other relevant line ministries, departments, and agencies within government outside the sector; and (iv) has realistic and affordable targets. As important as the sector strategy is the process that produced it—a process that should allow for consultation and debate, ensuring links to key actors within the government (including the legislature) and outside the government (including civil society).

However, few countries have formal security sectorwide policies, and even fewer have undertaken the broad security evaluation that ideally underpins policy and strategy development. Recent UN policy guidance emphasizes the importance of building a common national security vision and strategy in order to create sustainable and nationally owned security institutions.⁷²

Although it is true that policy is ultimately what government does (not what it says it wants to do), formal policies and plans that articulate a

course of action are important. Clearly articulated policies make it possible to manage the finances of the security sector in a cost-effective manner. In the absence of such policies, budgeting aims to maintain the previous year's level of expenditure without assessing whether the configuration of that expenditure will help to meet government's priorities or deliver services needed by the population. Performance benchmarks are difficult to develop, and without them it is hard to monitor the use of security-related resources and assess the efficiency and effectiveness of the security sector. In the absence of a strategic plan tied to policy, countries risk not obtaining a level of security and justice commensurate with their financial outlays.

In an examination of government policy in the security sector (written or unwritten), there is no exhaustive checklist of issues to watch out for. Some critical issues that can arise concerning efficiency and effectiveness in the sector include the following:

- *Sectorwide approaches.* When subsectors of the security sector (military, intelligence, police, judiciary, etc.) submit their own priorities unrelated to those of other subsectors, the result is fragmented approaches to common challenges and an absence of complementarities and coherence.
- *Recurrent versus capital costs.* In low-income countries, the largest share of the security sector budget goes to recurrent costs, particularly personnel and equipment. A critical part of recurrent costs, operations and maintenance, is often overlooked or not budgeted for in the acquisition of new vehicles, weaponry, etc.
- *Training and personnel.* Low-income countries often prioritize personnel recruitment over training for professional induction into the security sector or capacity building for training institutions.
- *Demobilization and pensioning.* Policy may not account for the aging of the workforce or provide for pensions that are in line with generic civil service guidelines and standards. In turn, there may be little robust calculation of the costs of demobilization (particularly after a peace agreement) or military retrenchment in peacetime.

Some of the difficulties that arise when budgeting is not grounded in sector policy and strategy were identified in the 2012 PER in Niger (box O.10).

Operational Efficiency and Effectiveness

Under ideal circumstances, once funds have been appropriated for the various sectors, according to their strategies and priorities, they are used efficiently and effectively for their intended purposes. *Efficiency* in budget execution involves PFM systems and processes, including procurement, payroll, audit, and accounting, whereas *effectiveness* relates to the measurement of performance against targets/indicators of progress for the sector.

Box O.10 Niger—Security Strategy and Funding Mismatch

The World Bank's security sector Public Expenditure Review (PER) in Niger identified multiple domestic and external security challenges. The post-electoral crisis in Côte d'Ivoire in 2010, the war in Libya in 2011, the crisis in Mali in 2012–2013, deteriorating security in Algeria in 2013, and ongoing political-religious tensions in northern Nigeria have combined to make the Sahara-Sahel region turbulent and conflict prone. Niger's domestic risk factors include an immense territory with uneven distribution of population, endemic poverty, a high degree of political instability, and occasionally violent conflicts between the northern and southern areas of the country. In recent years, these risks have been manifested in increased terrorist threats, kidnappings, and trafficking in drugs and other contraband.

In response, the Nigerien government increased security spending significantly, incorporated security in its planning processes, and introduced new border control measures. As a share of public spending, security spending increased from 13.8 percent in 2010 to 16.1 percent in 2012. This increase is generally consonant with other countries in the region. The composition of the security budget has changed to favor capital expenditure, which became the largest component in 2012, at 55 percent of the total. Personnel expenditure continued to comprise a large portion of the budget that same year, while funding for operations was reduced. However, the PER found the accuracy of Niger's security budgets to be precarious. Numerous supplementary budget laws since 2009 revealed a lack of spending predictability, although this is justified by the deteriorating security situation.

Overall, the PER determined Niger lacked a genuine sectoral strategy that sets clear priorities. The multiyear security sector estimates were not realistic or achievable over indicated periods: "All things being equal, and without taking personnel expenditures into account, it would have taken over 30 years to respond to the needs that were deemed priority needs." Among the particular shortcomings of the multiyear sectoral estimates were the failure to include appropriations to compensate increased staffing levels; the absence of a detailed, transparent breakdown of security sector spending; the multiplicity of objectives and lack of forecasting of total costs; and a disconnect between the armed forces' estimates of their requirements and the formalized sector strategy.

Source: World Bank 2013.

Measuring effectiveness in the security sector is not an easy task; hence more often the focus is on input and output indicators such as unit costs, personnel trained and equipped, and the number of forces ready for deployment. As explained in more detail in the substantive chapters on defense, policing, and criminal justice, a disaggregated approach, treating each subsector separately, is important here:

- *Defense/military.* Most often this security component is measured in peacetime based on the "state of readiness" to meet external threats, measured in terms of output indicators such as soldiers trained and vehicles or aircraft on standby. Evaluating performance of the military is a sensitive area and usually left to ministries of defense and their bilateral partners.
- *Criminal justice and policing.* Performance standards across the developing and developed world are increasingly being used to measure performance in this subsector; standards range from measurement of crime and violence rates to public opinion and perception surveys.⁷³

Measuring efficiency is a well-standardized practice under PFM. Particular aspects relating to the security sector are outlined in box O.11.

How to strengthen the efficient use of financial resources in the security sector was an important consideration in Mali after the Tuareg rebellion and coup d'état of March 2012. The coup by mid-ranking military

Box O.11 Components of Efficiency

To strengthen the efficient utilization of financial resources in the security sector, it is important to address the following issues:

- *Sustainability.* Over time, an unsustainable sector plan and programs will lead to ineffective capabilities. Sustainability will be achieved only if governments commit themselves to the approved plan, if all planning is done on full life-cycle costing, and if the defense budget is expended in the most efficient manner possible. Care must also be taken in planning to accurately evaluate the effect of currency fluctuations on the life-cycle cost of capital equipment.
- *Contingency funding of operations.* It is not desirable to budget for the execution of operations other than those that are routine and can be accurately planned well ahead of time. Most military operations come at short notice and in the financial year for which the budget was developed and approved many months ago. Examples are peace-support missions, major disaster relief missions, and even limited war. Trying to budget for the unforeseeable runs a strong risk of misappropriating funds. It is preferable for the finance ministry to maintain a central contingency fund that could be tapped into as needed. For large-scale contingencies exceeding the capacity of such a contingency fund, governments should revise the total budget both for departmental allocations and income.
- *Tooth-to-tail ratios.* Particularly in the military, efforts should be made to ensure the optimal tooth-to-tail ratio. All too often supporting structures and headquarters are bloated at the cost of operational capabilities. The size and capacity of support structures can be determined only once the force design has been agreed. Business process reengineering techniques can assist in solving this problem, but they will be effective only if top management is committed to this cause and ruthless in its application.
- *Direct client/supplier relationships.* In many defense forces certain structures exist for historic reasons only. Either because of the organizational culture or other interests, the client (e.g., a combat service) is forced to use the services of a certain organization and not allowed to shop for this service elsewhere. Clients should be allowed freedom of choice and be able to establish direct client/supplier relationships. If governments are under threat, however, then it may be in their interests to organize their support in house and to militarize all or part of the supply chain. Choices between these extremes may also vary depending on history and on the degree of readiness defined by the government.

Other potential solutions for the improvement of efficiency include outsourcing and public-private partnerships, improved collaboration between services, improved management information through better information technology, use of reserves, use of civilians in defense ministries, and improved management and leadership through education, training, and development. Of these, the use of better information technology for strengthening information management systems might be the most crucial way to improve efficiency in defense organizations.

Source: Ball and LeRoux 2006.

Box O.12 Mali—Budget Requests for Force Provision and Support

The World Bank's 2012 report on financial management in Mali's defense and police forces found that these forces were significantly underequipped, but noted that they were undergoing a massive program of reequipping. In 2012 alone, the Malian armed forces acquired approximately 160 troop-carrying vehicles, five tank carriers, two reservoirs for the air force, five power generators, communications equipment, light and heavy weapons, and some T-55 tanks. In total, the Ministry of Defense's budget request estimated that, based on assessed requirements, 300 billion Central African CFA francs (CFAF) was needed to rebuild the army alone.

Resources for maintenance and upkeep were even scarcer than for rebuilding, and the weak budgetary system and heterogeneity of management methods did not facilitate optimal allocation of maintenance funds. The majority of funds were centrally managed by the Finance and Equipment Directorate, which decided on a case-by-case basis whether to honor requests for repairs or parts that were too costly for the various security forces. This practice caused delays detrimental to the training and operation of security forces. Annual allocations to the security forces themselves included less than CFAF 50 million for the army, CFAF 30 million for the police, CFAF 25 million for the gendarmerie, CFAF 12 million for the national guard, and no funds at all for the air force. A supplementary appropriation for the army provided no more than CFAF 500 million. Inadequate as they were, these allocations were often channeled to other uses, exacerbating the degradation of materiel. Overall, the inadequacy of follow-up and funds for effective upkeep and maintenance threatened the usability and sustainability of new investments provided for in the Ministry of Defense's budget request.

Source: World Bank 2012b.

officers highlighted the deficiencies and inadequacies of the Malian army. At the request of the new Ministry of Finance, which was seeking to rectify these failures, a PER was carried out that same year and identified practices and policies that were contributing to inefficient budget execution (see box O.12).

Governance and Accountability

PFM principles call for civilian oversight of the security sector and the sector's increasing accountability to citizens, as represented by the executive and legislature specifically as well as the general public. Such oversight is needed because the instruments and agencies of the security sector designed to improve security can themselves be sources of insecurity unless kept in check. An important aspect of that oversight is financial accountability and the capacity of civilian institutions to carry out a sound budget process, expenditure tracking, anticorruption measures, fair and competitive procurement procedures, and proper auditing and accounting.

A PER in the Central African Republic looked at these issues in relation to the auditing processes for the Ministry of Defense and found multiple problems (box O.13).

Box O.13 Central African Republic—Internal Audit Does Not Meet Standards

The World Bank's 2008 financial management assessment of the Central African Republic found that internal audit for the Ministry of Defense failed to meet international standards of professionalism and independence. In 2005, the Inspectorate General of the National Army (IGAN)—the main agency for internal audit in the Ministry of Defense—was attached directly to the defense minister's departmental staff. The office was led by a lieutenant, had a staff of five, and received operational resources from the defense minister. Its oversight authority depended on the trust of the minister, and was limited to the administrative and financial control of management; the office may also have exercised some control over exceptional revenues derived from benefits granted to private actors. The chief weaknesses of the IGAN were its precarious legal authority, funding, and stature within the military hierarchy. Its existence and resources derived from the defense minister and were not provided for in law. And even with the support of the minister, it was difficult for a lieutenant to stand his ground during audits and command respect from officers three or four levels his superior in the normal hierarchy.

The IGAN reflected a broader trend in the security sector, where presidential, interministerial, and ministerial general inspections had been replaced with new authorities in which the executive had more faith. The result was a mix of small inspection or auditing departments with no link between them and without any guarantee of compliance with international standards. This trend created a number of weaknesses, including auditors' lack of independence from the executive hierarchy; the absence of an auditing approach based on thorough and objective risk analysis; the absence of planning and approval for annual audit plans by a higher echelon; a lack of professionalism and training among auditors; and the absence of respect for adversarial proceedings. These weaknesses, in turn, made detecting fraud and irregularities more difficult, and increased the risk that members of the defense hierarchy would use internal inspection and audit offices for personal or political purposes, and not to improve defense efficiency or outcomes.

Source: World Bank 2008.

Management of Assets and Liabilities

Managing assets and liabilities is particularly complex when the security sector is directly involved in running parts of the economy, either to provide an input into defense or for profit.⁷⁴ For the purposes of the current review, asset management is considered the more important of the two concerns.

The operation and maintenance of equipment used to execute various functions ranging from personnel transport (cars and trucks; aircraft) to combat (light weapons, munitions, and complex weapons systems) will be at a premium in the military, and the processes and resources in place for the maintenance and operations of such assets are fundamental. One study found that “armed forces can improve both the efficiency and effectiveness of their maintenance repair and overhaul function by as much as 60 percent, but doing so requires fundamental changes to organization, processes, and mindsets.”⁷⁵ Even in the least-resourced security sector institutions, where most assets do not have a high capital value, basic systems (e.g., vehicle fleet management) are important for maximizing efficiency and reducing corruption.

In certain countries, particularly where there has been internal armed conflict (or the risk of it), arms management and destruction is a key issue. A number of agencies support the improved storage, securing, and management of weapons and munitions, including weapon-marking programs and the destruction of surplus, obsolete, or unstable weapons and munitions. This support may enable security forces to professionalize and modernize their weaponry, as well as to manage both the risks of unplanned explosions at munitions sites (UEMS) and the risks associated with diverting arms to the illicit market.⁷⁶ Assistance programs specific to national context and developed with national authorities might include systematic assessments, technical guidance and advice, operations in response to assessed priorities, and training and capacity building.

Certain challenges entailed in managing security sector assets were identified during a security sector PER in Niger in 2013; they are described in box O.14.

Box O.14 Niger—Asset Management Institutions and Practices

According to the World Bank's 2013 Public Expenditure Review of Niger's security sector, asset management is a major challenge following the country's fivefold increase in security investments in 2010–2012. These investments have an enduring financial impact. Unless they are maintained, the investments will not be available for use, but maintaining them requires recurrent expenditures for supplies and human resources that could result in cuts to other sectors. A strong asset management capacity has two advantages: it helps ensure that equipment is efficiently allocated to operational units, and it helps reduce transparency risks and prolong the life of the equipment, which contributes to a better economic return on the investments.

Several departments in the Nigerien Armed Forces are responsible for managing equipment: the Central Department of Military Intendance, the Central Department of Equipment, and the Department of Infrastructure. The Central Department of Military Intendance purchases, transports, stores, and distributes equipment procured from the civilian market and also audits expenditures and stocks accounts. The Central Department of Equipment is responsible for armored cars and vehicles, munitions, and the supply and accounting of equipment. Finally, the Department of Infrastructure is responsible for the supply, storage, and distribution of hydrocarbons. The police and gendarmerie have separate asset management and logistics departments, and pooled asset management between the security forces is not common. Overall, the personnel in charge of equipment are insufficiently trained, and departments could benefit from procedure manuals.

Internal control of asset management is largely on paper, and given the regular power outages and limited backup capacities, the weakly computerized system is likely to persist. When procured equipment is received and accepted, it is recorded in a central equipment registry; the Nigerien Armed Forces records its equipment in spreadsheets, while the national guard uses a Microsoft

(Box continues on next page)

Box O.14 Niger—Asset Management Institutions and Practices *(continued)*

Word file. Depending on the type, the equipment is kept in central stocks until deployed or distributed directly to individual units. Recurrent needs, such as spare vehicle parts, are kept in stock and made available when requested. Other equipment is stocked on a quarterly basis or procured as needed. Inspections of equipment and stocks are usually conducted annually, but shortage of personnel means the planned periodicity is not always respected. Vehicle disposal is controlled by the Ministry of Finance, with revenues accruing to the Treasury. Weapons disposal is under the control of the Commission on Illegal Arms of the Economic Community of West African States. Finally, the responsibility for repair and maintenance depends on the degree of specialization required, ranging from the user of the materiel, to the company level, battalion level, centralized repair, and finally an external vendor. Maintenance of aircraft and armored vehicles is done by international service providers, whereas lighter vehicles are repaired domestically subject to public procurement rules.

Source: World Bank 2013.

Predictability and Control in Budget Execution

A critical part of the public financial dimension of security is ensuring that the expenditures are used efficiently and for their intended purposes. Budget execution covers a number of PFM areas ranging from internal controls over payroll, for example, to procurement procedures, and is at the heart of understanding the coherence between a planned and actual budget. This is the part of a PER analysis that potentially comes the closest to an audit in terms of understanding how security sector institutions spend their allocations. Two issues are highlighted here, payroll/corruption and procurement.

The payroll system (including personnel registration and verification of payments and allowances) is often one of the largest shares of the security budget and is a regular source of corruption. Typically, a percentage of salary payments to lower ranks is misappropriated, or “ghosts” are created and their wages embezzled. One of the more notable examples of efforts to discourage corruption—the European Union’s work in the Democratic Republic of Congo—is described in box O.15.

Where procurement is concerned, there should be little difference between public expenditure management in general and public expenditure management in the military sector.⁷⁷ Defense procurement and acquisition should be carried out according to the same principles that guide public sector procurement in nonmilitary areas: fairness, impartiality, transparency, cost-effectiveness and efficiency, and openness to competition.⁷⁸ In addition, it is essential that all major projects for all forms of public sector procurement and acquisition be subject to high-level consultation and evaluation. Box O.16 presents a generic procurement process, applicable to all sectors of government.

Box O.15 Democratic Republic of Congo—Chain of Payments Project to Discourage Corruption

The European Union mission to provide assistance for security sector reform (SSR) in the Democratic Republic of Congo was established in 2005. It was originally mandated to assist in the process of integrating the various armed groups into the national army and to support good governance in the field of security. One of its first initiatives was the Chain of Payments project aimed at rehabilitating the salary system and delinking the wage distribution lines from the official chain of command. A biometric census was undertaken (finding 120,000 soldiers instead of the official count of 190,000); army IDs were issued; and a central database and payroll system were created (the salaries of lowest ranks increased from \$10 to \$40/month). This intervention was credited with cleaning up a part of the financial management system commonly associated with embezzlement and a preponderance of “ghost soldiers”; however, it did not manage to lead to longer-term structural reform in the sector.

Source: More and Price 2011.

Box O.16 A Generic Procurement Process

A generic procurement process includes the following:

- A clear definition of the requirement
- Clear technical quality specifications and standards
- An open request for proposals and tenders
- Tender adjudication according to set criteria
- Selection of a preferred bidder
- Drawing up of a contract
- Placing the contract or order
- Monitoring progress
- Reception of goods
- Quality assurance checks on goods received
- Acceptance or rejection of goods
- Payment
- Distribution of goods.

Source: Ball and LeRoux 2006, 40.

Procurement decision processes may fall outside regular frameworks and processing. Ad hoc exceptions to normal procedures can include direct government-to-government weapons deals, sole-sourcing of contracts, secrecy surrounding tender requirements, and preference for certain domestic suppliers.

At the same time, except for procurement of nonlethal works and commodities (such as clothing, food, fuel, etc.), defense procurement does exhibit some distinctive characteristics. These include (i) the relative importance of cost in determining which bid is accepted; (ii) the confidentiality

associated with national security considerations; (iii) the time frame for major weapons procurement; (iv) the complexity of defense procurement; and (v) the existence of international arms control treaty regimes and national legislation governing arms procurement. These distinctive characteristics—discussed below—are deviations in scale rather than principle. For example, adequate levels of confidentiality can be maintained without violating basic public expenditure management principles. There certainly should be skepticism about any claims that procurement of relatively standard materials, services, and commodities for the military should be subject to different rules.

Cost considerations in bidding. Standard procurement practice in non-military sectors emphasizes value for money, but in the defense sector other factors, such as national interest and defense industry promotion, are often cited as more important than cost in accepting a bid for weapons procurement projects. Defense analysts point out, however, that national legislation can influence the part that cost plays in weapon procurement processes. In South Africa, for example, the 1998 defense review and the 1999 white paper on defense-related industries spell out which technologies are considered “strategically essential capabilities” and thus exempt from lowest-cost considerations.⁷⁹ The South African Parliament approved both documents.

Confidentiality. Transparency in defense procurement must be limited by national security interests. Confidentiality clauses are required in the arms procurement process; these, too, can be regulated by national legislation. The South African defense review lists a number of reasons for confidentiality in defense procurement, including the protection of third-party commercial information; national security; prevention of harm to South Africa’s ability to conduct international relations; and the protection of South Africa’s economic interests and the commercial activities of government bodies.⁸⁰

Time frame for major weapons procurement. From inception to final acceptance of the product, procurement of major weapon systems may take as long as 15 years. Some flexibility needs to be built into the procurement process to take account of contingencies such as fluctuations in currency exchange rates. This long time frame also necessitates quality control throughout the procurement process, not just when the product is ready for delivery. In addition, it requires efforts to forecast spending farther into the future than in nondefense sectors; the United Kingdom, for example, has a 10-year “long-term costing” system for defense.⁸¹ Finally, arms procurement projects should take into account full life-cycle costs and support for the acquired systems.

The complexity of arms procurement. Because of the complexity of arms procurement, sound management of the procurement process requires interdisciplinary project teams with expertise in engineering, resource management, contracting, quality assurance, and design assurance. The particular complexity of major weapon systems procurement, which can involve a

substantial number of subcontractors, creates significant opportunities for corruption. These projects therefore require the highest level of management and scrutiny by government accountability mechanisms. For example, South Africa has three levels of approval for major arms procurement projects within its Department of Defence. For other major projects, parliamentary approval may also be required.

International arms control treaty regimes and national legislation governing arms procurement. Procurement in the military sector is distinct from general government procurement in being subject to international treaties and specific national legislation. Some defense budgeting specialists suggest that the oversight mechanisms associated with this national and international regulation increase transparency.

Recording and Reporting in Accounting

The assumption is that the security sector is part of the government's financial management information system (FMIS), which is central to the running of public finance. The FMIS in turn requires a high quality of data and accounting in order to be effective in capturing useful information. The kind of information an FMIS captures is listed in box O.17.

However, many countries have no FMIS, or at least none used by security line ministries, departments, and agencies. Many countries have to contend with weak human and institutional capacity for finance management in the security sector. Sometimes this weak capacity reflects a desire to shroud in secrecy decision making, levels of expenditure, and the way in which resources are allocated; but it also can simply reflect the nature of the general public finance system. Throughout the public sector, linkages between policy, planning, budget development and execution, and oversight may be inadequate; and the individual components of that chain are often weak. Thus the capacity to generate the type of information that is required for evidence-based diagnosis and policy making is limited.

Box O.17 Information Captured by a Financial Management Information System

- Approved budget allocations for both recurrent and capital outlays
- Sources of financing for programs and projects
- Budget transfers
- Supplementary allocations
- Fund releases against budgetary allocations
- Data on commitments and actual expenditures against budgeted allocations.

Source: World Bank 1998.

Box O.18 El Salvador—Weak Capacity to Generate Information

A 2012 Public Expenditure Review undertaken in El Salvador found that the “lack of reliable and comparable statistics makes it challenging to measure efficiency of spending. El Salvador has no unified system of crime statistics integrating the arrests by the police and citizens’ complaints to the Police and Attorney General’s Office. Consequently, crime statistics vary in the country (sometimes significantly) depending on the source consulted, not only in terms of numbers, but also in the definition and classification of crimes.”^a

a. World Bank 2012a, 11.

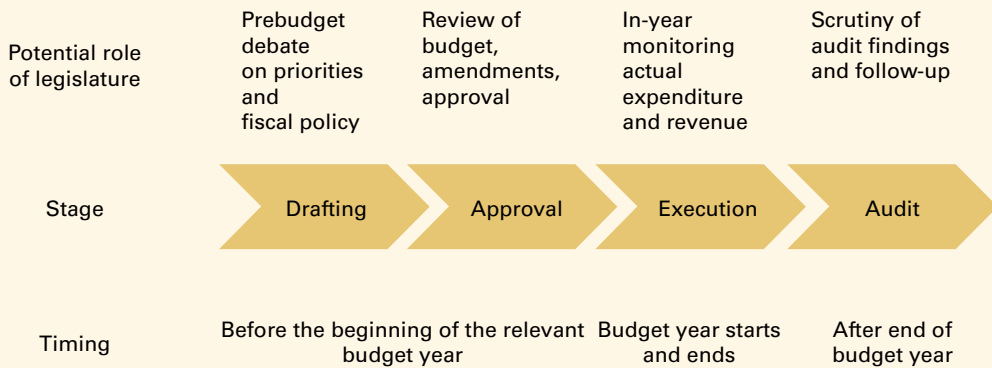
A PER of the criminal justice sector in El Salvador offers an example of such limited capacity (box O.18).

In many countries, basic systems of security sector data and expenditure classification do not exist, or they may require significant reform to provide the type of information policy makers and budget holders require. Under these circumstances, it is unrealistic to assume that practices in the security sector will meet a high standard or that the security sector will necessarily advance more rapidly than other parts of the public sector. A general need to strengthen public finance systems therefore provides an opportunity to strengthen the security sector specifically.

External Scrutiny and Audit

The final aspect of the PFM system is ensuring external audit and oversight, which—accounting for national security considerations—should be the same for the security sector as for any other.⁸² The auditor general should have sufficient access to transactions and performance indicators in the security sector and to audit reports discussed in Parliament (if need be, discussions can be in closed committee and include only those individuals with the necessary security clearance).

Activities aimed at improving the capacity of legislative bodies to perform their mandated public expenditure oversight offer another avenue for engaging with the security sector. Legislatures are often constitutionally mandated to authorize and scrutinize security expenditures. Figure O.5 shows the potential roles legislatures can play during an annual budget cycle in democratic systems. In reality, of course, the actual responsibilities and level of authority vary among countries, as does the capacity of legislators to authorize and scrutinize government budgets. Legislatures frequently benefit from capacity-building activities. Activities aimed at public accounts committees can examine the specificities of security budgeting, while activities aimed at defense, security, or intelligence committees can incorporate finance

Figure O.5 Role of Legislature in the Budget Cycle

Source: Wehner 2007. © Joachim Wehner. Reproduced with permission from Joachim Wehner; further permission required for reuse.

management issues. It is important to note, however, that legislatures may need to strengthen their overall capacity to engage in financial oversight before they are able to address the specific challenges of engaging with the security sector.

The following are some helpful questions for assessing external scrutiny of the security sector⁸³:

- Are there clearly defined executive and legislative responsibilities for external and internal security?
- Are the security forces subject to democratic citizen control?
- Are parliamentarians, the media, and civil society free and able to participate in the security debate?
- Are the security forces able to exercise political influence?
- Are the security services open to unnecessary political interference through political reach into the promotion system?
- Are the security forces more loyal to the regime or to the people?
- Are there budgetary checks, balances, and internal and external audit, and are these transparent?
- Are the duties and responsibilities of the security services enshrined in legal statutes, military law, and codes of conduct?

Answers to these questions can be further corroborated by government-led surveys and opinion polls seeking public perceptions of the military, police, criminal justice institutions, and other actors. This information will shed light on the nature of state-society linkages in the sector.⁸⁴

In fragile and conflict-prone states, external oversight institutions will likely not be robust. Weak audit institutions identified by a 2012 PER in Mali are described in box O.19.

Box O.19 Mali—Security Forces Not Subject to External Oversight

According to the World Bank’s 2012 financial management assessment, Mali’s military and internal security forces are in practice not subject to external oversight; all of the external monitoring bodies avoid using their oversight powers for issues related to the security forces. The review determined that this situation encouraged the development of “extra-procedural practices” and should therefore be redressed.

The Office of the General Auditor, created in 2004, had never carried out a compliance verification in the Ministry of Defense, despite its large size and the fact that all other important departments had been the subject of such missions. One of the obstacles to external oversight, according to the General Auditor, was uncertainty surrounding the concept of an “official secret.”

The accounts section of Mali’s Supreme Court is responsible for assessing accounts maintained by the government accountants and determining whether they conform to the country’s finance laws. The office is understaffed, with only 13 counselors for more than 1,000 accounts per year. Moreover, personnel in the accounts section do not have the status of a judge and the wages are not attractive. In recent years, the accounts section has not specifically reviewed Ministry of Defense accounts, and only an aggregate administrative account is transmitted by the Ministry of Finance to the court when the finance law is examined. Even so, the accounts section was able to determine that CFAF 2 billion paid by the Ministry of Defense in 2011 was not supported by documentary evidence.

Parliament was similarly ineffective. Staffing is inadequate, with only one staff assistant for the defense commission. Moreover, a request for an on-site oversight mission in 2011 was rejected by the Office of the President. Finally, the General Inspectorate of Finances, which has 17 agents and is tasked with monitoring the accountants and administrators, has not recently inspected the military or internal security forces, according to the best knowledge of the chief inspector.

Source: World Bank 2012b.

Conclusions

This overview has offered a brief outline of the role of security and justice institutions in a changing global context, and it has further pointed to a practical application of the security-development nexus—specifically, the emerging practice of including the public finance dimension in the policy dialogue on security and justice, generally by means of a PER. This approach is by no means the norm, but it has utility in addressing critical sector issues such as the affordability, effectiveness, efficiency, and accountability of services delivered.

A number of potential entry points are available for raising the public finance perspective in policy dialogue, with the expectation that over time the security actors (ministries, departments, and agencies) will participate in the regular budgetary process. In many countries, however, this path remains unlikely, and then the decision about whether to undertake a PER carries with it certain risks that need to be assessed and discussed with the government concerned. Ultimately, the conditions under which a PER proceeds will be contingent on the levels of trust among the key stakeholders, and their confidence that the PER will provide favorable outcomes for all involved.

In opening the dialogue among government stakeholders, most PER processes have followed some kind of road map. This overview considered context (political, security, gender, and economic) and institutional architecture before covering economic management policy issues and the principles and methodologies relating to PFM. This discussion lays the foundation for considering the three main subsystems of the security sector: defense, policing, and criminal justice.

Staff from the World Bank as well as from the UN have applied the framework described here to an evolving body of PERs undertaken in the last 10 years in about 20 countries. These PERs have varied in context (from rich and middle-income countries to those undergoing war-to-peace transitions), scope (from defense to justice), time frame (a few months to three years), cost (from one individual's time for a few staff weeks to a large team of experts and several hundred thousand dollars), and impact.

A number of lessons can be taken from this work:

- *Undertaking a process of engagement is critical to securing buy-in from the various stakeholders involved in the PER and hence to ensuring access to the right and most relevant counterparts and the best data.* This process may involve relatively high up-front transaction costs, such as holding a number of “expert workshops” with invitations to people from around the country, the region, and beyond, in order to share experience and expertise on the sectors, the issues related to confidentiality, and the objectives and expected outcomes of the exercise.
- *It is important to obtain a relatively good idea of the scope of work early on, given that the issues concerning security and justice can be so enormous.* A wide scope encompassing both the military and criminal justice sectors provides policy makers with an overview of all instruments available for delivering security and justice services. This wide scope is particularly important when examining critical questions about the balance between the military and the police, or about the criminal justice chain linking policing, judicial, and corrections functions. However, such a wide scope can be costly and take time, requiring the necessary expertise to cover all these subsectors. A narrow scope can be more manageable and produce more rapid results, though it risks missing links with other subsectors. Given the range of potential issues, an early agreement on the key questions that counterparts want help in answering is critical to defining the scope and ultimately the success of the PER.
- *The sharing of data can be challenging, particularly because much of the material may be sensitive if not confidential, and in some contexts there may be very little data to share.* What can help data exchange is a sharing of preliminary “stock-take notes” with key interlocutors that set out what is known; this can prompt a more intense sharing of information.

One final lesson is that a PER should be seen as the start of a process of engagement on public finance and the security and justice sectors, and not a one-off event. Some issues might be dealt with relatively immediately, such as determining the fiscal gap on various options for the composition and structure of the sector. But addressing issues where adaptation and reform are sought, such as those relating to PFM and integration into the national budget process, will take time. It is to these issues that we turn in the chapters of *Securing Development*.

Notes

1. World Bank, *Improving Public Financial Management in the Security Sector*, vol. 5 of *Afghanistan: Managing Public Finances for Development* (Washington, DC: World Bank, 2005).
2. Currently the Afghanistan National Defense and Security Forces cost international partners about \$5.1 billion per year. See Franz-Stefan Gady, “Afghanistan Won’t Be Able to Pay for Its Military Until 2024 (At Least),” *The Diplomat*, February 4, 2016.
3. World Bank, “Crime and Violence in Central America: A Development Challenge” (World Bank, Washington, DC, 2011).
4. “The Gangs that Cost 16% of GDP,” *The Economist*, May 21, 2016.
5. Congressional Research Service, “Central America Regional Security Initiative: Background and Policy Issues for Congress” (Congressional Research Service, Washington, DC, December 2015).
6. John Mueller and Mark Stewart, *Terror, Security, and Money: Balancing the Risks, Benefits, and Costs of Homeland Security* (New York: Oxford University Press, 2011).
7. John Mueller and Mark Stewart, “Fear and Budgets: Scrutinising the Costs of Counterterrorism,” *Canberra Times*, March 2, 2015.
8. The focus of the book is on the security sector as defined by the Organisation for Economic Co-operation and Development (OECD) and the United Nations, which includes the military and criminal justice institutions such as the police, prosecutors, and courts working under the criminal or penal laws of a country; it does not include wider justice or legal institutions.
9. World Bank, *World Development Report 2011: Conflict, Security, and Development* (Washington, DC: World Bank, 2011); and OECD, *Violence and Fragility: States of Fragility Report 2016* (Paris: OECD, forthcoming).
10. Paul Jackson, ed., *Handbook of International Security and Development* (Northampton, MA: Edward Elgar Publishing, 2015).
11. Stephen Pinker, *The Better Angels of Our Nature: Why Violence Has Declined* (New York: Penguin, 2011).
12. Battle deaths increased from 56,000 in 63 conflicts in 2008 to 180,000 in 42 conflicts in 2014. International Institute for Strategic Studies (IISS), *Armed Conflict Survey* (Routledge, 2015).

13. On average 508,000 died violently every year in the period 2007–2012, the majority outside conflict zones. Geneva Declaration Secretariat, *The Global Burden of Armed Violence 2015: Every Body Counts* (Cambridge, U.K.: Cambridge University Press, 2015).
14. UN Refugee Agency (UNHCR), “World at War: Global Trends in Forced Displacement” (UNHCR, 2014).
15. Violence containment spending is defined as economic activity that is related to the consequences or prevention of violence where the violence is directed against people or property. IEP, “The Economic Cost of Violence Containment (IEP, 2015), 4, <http://economicsandpeace.org/wp-content/uploads/2015/06/The-Economic-Cost-of-Violence-Containment.pdf>.
16. Ibid.
17. See for example Robert S. McNamara, “Reducing Military Expenditure in the Third World,” *Finance and Development* 28, no. 3 (September 1991).
18. Deepa Narayan, Raj Patel, Kai Schafft, Anne Rademacher, and Sarah Koch-Schulte, *Can Anyone Hear Us? Voices from 47 Countries*, vol. 1 of *Voices of the Poor* (Washington, DC: World Bank, 1999).
19. UN Secretary General, *In Larger Freedom: Towards Development, Security and Human Rights for All* (United Nations, A/59/2005, March 21, 2005).
20. World Bank, *World Development Report 2011: Conflict, Security, and Development* (Washington, DC: World Bank, 2011).
21. For every three years that a country is affected by major violence (battle deaths or excess deaths from homicide equivalent to a major war), poverty reduction lags by 2.7 percentage points. Ibid., based on 2008 poverty data in Chen Shaohua, Martin Ravallion, and Prem Sangraula, “Dollar a Day Revisited,” *World Bank Economic Review* 23, no. 2 (2008): 163–84. Data are available on POVCALNET, <http://iresearch.worldbank.org>.
22. See William Byrd and Stephane Guimbert, “Public Finance, Security, and Development: A Framework and an Application to Afghanistan” (World Bank Policy Research Working Paper, Washington, DC, 2009).
23. See for example John Samuel Fitch, *The Armed Forces and Democracy in Latin America* (Baltimore: Johns Hopkins University Press, 1998); and Anton Bebler, *Civil-Military Relations in Post-Communist States: Central and Eastern Europe in Transition* (Abingdon, U.K.: Routledge, 1997).
24. See for example Nicole Ball, “Spreading Good Practices in SSR: Policy Options for the British Government” (Saferworld, 1998), http://www.ciponline.org/images/uploads/publications/Spreading_Good_Practices_in_SSR_NB_Saferworld_1998.pdf.
25. Significant milestones include OECD, “The 2001 DAC Guidelines: Helping Prevent Violent Conflict” (OECD, Paris, 2001); UNDP, *Human Development Report 2002: Deepening Democracy in a Fragmented*

- World* (New York: Oxford University Press, 2002); the revised 2004 OECD guidelines, published in “Security System Reform and Governance: Policy and Good Practice” (OECD, Paris, 2004); the inclusion of several SSR elements in the definition of official development assistance in 2005; and the publication of *The OECD DAC Handbook on Security System Reform: Supporting Security and Justice* (Paris: OECD, 2007).
26. UN Secretary General, *Securing Peace and Development: The Role of the United Nations in Supporting Security Sector Reform* (United Nations, A/62/659; S/2008/39, January 2008).
 27. See for example UN Secretary General, *Civilian Capacity in the Aftermath of Conflict* (United Nations, A/67/312–S/2012/645, August 2012); UN Secretary General, *Peacebuilding in the Immediate Aftermath of Conflict* (United Nations, A/63/881-S/2009/304, June 2009).
 28. United Nations SSR Task Force, “Security Sector Reform Integrated Technical Guidance Notes” (United Nations, New York, 2012), <http://unssr.unlb.org/Portals/UNSSR/UN%20Integrated%20Technical%20Guidance%20Notes%20on%20SSR.PDF>.
 29. UN Secretary General, *Securing States and Societies: Strengthening the United Nations Comprehensive Support to Security Sector Reform* (United Nations, A/67/970–S/2013/480, August 2013).
 30. These organizations include (among others) the Geneva Centre for the Democratic Control of Armed Forces and its attached International Security Sector Advisory Team (ISSAT), the Centre for Governance and Security, and the African Security Sector Network.
 31. See for example Louise Andersen, “Security Sector Reform and the Dilemmas of Liberal Peacebuilding” (DIIS Working Paper 2011:31, Danish Institute for International Studies, Copenhagen, 2011); and Paul Jackson, “Security Sector Reform and State Building,” *Third World Quarterly* 32, no. 10 (2011).
 32. Nicole Ball and Jay Kayode Fayemi, eds., *Security Sector Governance in Africa: A Handbook* (Centre for Democracy and Development, 2003).
 33. For example, the capacity-based budgeting approach used by some advanced-country defense ministries is an advanced form of program and performance budgeting, with object metrics of “capacity.” This approach might be used to inform other sectors, but is often “secured” within the defense sector.
 34. OECD, *States of Fragility 2015: Meeting Post-2015 Ambitions* (Paris: OECD Publishing, 2015), doi:10.1787/9789264227699-en. The quotation is on p. 74.
 35. See the Security Assistance Monitor, which tracks U.S. military assistance, at www.securityassistance.org.
 36. African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank,

- Inter-American Development Bank, International Monetary Fund, and World Bank Group, “From Billions to Trillions: Transforming Development Finance,” April 2, 2015, 7, [http://siteresources.worldbank.org/DEVCOMMINT/Documentation/23659446/DC2015-0002\(E\)FinancingforDevelopment.pdf](http://siteresources.worldbank.org/DEVCOMMINT/Documentation/23659446/DC2015-0002(E)FinancingforDevelopment.pdf). Emphasis is added.
37. William Byrd, “The Financial Dimension of Security Sector Reform,” in *The Future of Security Sector Reform*, ed. Mark Sedra (Waterloo, Ontario: Centre for International Governance Innovation, 2010), 305.
 38. OECD, “Security System Reform and Governance” (OECD, Paris, 2004).
 39. Laurie Nathan, ed., “Local Ownership of Security Sector Reform: A Guide for Donors” (UK Global Conflict Pool, 2007), <http://www.lse.ac.uk/internationalDevelopment/research/crisisStates/download/others/SSRReformNathan2007.pdf>.
 40. See for example Daniel Brumberg and Hesham Sallam, “The Politics of SSR in Egypt” (U.S. Institute of Peace, Washington, DC, 2012).
 41. See for example Paul D. Williams, ed., *Security Studies: An Introduction* (Abingdon, U.K.: Routledge, 2008); and Christopher H. Hughes and Lai Yu Meng, *Security Studies: A Reader* (Abingdon, U.K.: Routledge, 2011).
 42. Barry Buzan, *People, States and Fear* (Harvester Wheatsheaf, 1991); cited in Paul D. Williams, ed., *Security Studies: An Introduction* (Abingdon, U.K.: Routledge, 2008), 2.
 43. Arnold Wolfers, “National Security as an Ambiguous Symbol,” in *Discord and Collaboration* (Baltimore: Johns Hopkins University Press, 1962).
 44. UNDP, *Human Development Report* (New York: Oxford University Press, 1994).
 45. World Bank, *World Development Report 2011: Conflict, Security, and Development* (Washington, DC: World Bank, 2011), 116.
 46. Patti Petesch, “How Communities Manage Risks of Crime and Violence” (*World Development Report 2014* background paper, World Bank, Washington, DC, 2014).
 47. See for example R. S. McNamara, “The Post–Cold War World: Implications for Military Expenditures in Developing Countries,” in *Proceedings of the World Bank Annual Conference on Development Economics 1991*, ed. Lawrence H. Summers and Shekhar Shah (Washington, DC: World Bank, 1992), 95–125.
 48. Hans Born and Albrecht Schnabel, eds., *Security Sector Reform in Challenging Environments* (Geneva Centre for the Democratic Control of Armed Forces, 2009).
 49. See Megan Bastick and Kristin Valasek, eds., “Gender and Security Sector Reform Toolkit” (Geneva Centre for the Democratic Control of Armed Forces, 2008); and Jennifer Erin Salahub and Krista Nerland, “Just Add Gender? Challenges to Meaningful Integration of Gender in SSR Policy and Practice,” in *The Future of Security Sector Reform*, ed. Mark Sedra (Waterloo, Ontario: Centre for International Governance Innovation, 2010), 263–80.

50. See for example Olara A. Otunnu, “‘Special Comment’ on Children and Security,” *Disarmament Forum* 3 (2002).
51. Inter-Parliamentary Union and UN Division for the Advancement of Women, “Women in Politics, 2008,” http://www.ipu.org/pdf/publications/wmmmap08_en.pdf.
52. See for example the resources of the UN Security Sector Reform Task Force (www.unssr.unlb.org/) and those of the International Security Sector Advisory Team (www.issat.dcaf.ch).
53. The OECD speaks of the “security system” rather than the “security sector.”
54. A. Adeyemi, “Crime and Development in Africa: A Case Study of Nigeria,” in *Essays on Crime and Development*, ed. U. Zvekcic (UN Interregional Crime and Justice Research Institute, 1990).
55. Richard Allen, Salvatore Schiavo-Campo, and Thomas Columkill Garrity, *Assessing and Reforming Public Financial Management: A New Approach* (Washington, DC: World Bank, 2004).
56. Richard Hemming, “The Macroeconomic Framework for Managing Public Finances,” in *The International Handbook of Public Financial Management*, ed. Richard Allen, Richard Hemming, and Barry Potter (New York: Palgrave Macmillan, 2013), 17–37.
57. The World Bank and the International Monetary Fund have developed a number of instruments for assessing and improving budget planning, implementation, and control. These include (i) PERs, (ii) Country Procurement Assessment Reviews and the OECD DAC MAPS (Methodology for Assessing Procurement Systems), (iii) Medium-Term Expenditure Frameworks, (iv) Review of the Observance of Standards and Codes, (v) Public Expenditure Tracking Surveys, (vi) Institutional and Governance Reviews, and (vii) Functional Reviews. Relevant materials include Allan Schick, *A Contemporary Approach to Public Expenditure Management* (Washington, DC: World Bank, 1998); Richard Allen and Daniel Tomassi, *Managing Public Expenditure: A Reference Book for Transition Countries* (Paris: OECD, 2001); and World Bank, *Tools for Evaluating Public Expenditures: Benefit Incidence Analysis* (Washington, DC: World Bank, 2010), <http://wbi.worldbank.org/boost/tools-resources/topics/sector-analysis/benefit-incidence-analysis>.
58. PEFA, “Framework for Assessing Public Financial Management” (PEFA Secretariat, Washington, DC, 2016), <http://www.pefa.org/en/content/pefa-2016-framework>.
59. Michal Brzoska, “World Military Expenditures,” in *Handbook of Defence Economics*, ed. Keith Hartley and Todd Sandler (Amsterdam: Elsevier, 1995); Stockholm International Peace Research Institute, Military Expenditure Database, <https://www.sipri.org/databases/milex>.
60. The question of the size of the overall defense budget has been a contentious one in relation to its overall impact on economic growth as well as its relationship with armed conflict. The PER policy outline

does not take a position on the recommended macroceilings for the security sector, but some of the current debates on these issues are outlined in annex 1B in the introduction.

61. Richard Hemming, "The Macroeconomic Framework for Managing Public Finances," in *The International Handbook of Public Financial Management*, ed. Richard Allen, Richard Hemming, and Barry Potter (New York: Palgrave Macmillan, 2013), 34.
62. Adapted from Nicole Ball and Malcolm Holmes, "Integrating Defense into Public Expenditure Work" (DFID, London, 2002), <http://www.gsdr.org/docs/open/ss11.pdf>.
63. William Byrd, "The Financial Dimension of Security Sector Reform," in *The Future of Security Sector Reform*, ed. Mark Sedra (Waterloo, Ontario: Centre for International Governance Innovation, 2010).
64. Some of the main reasons for deviations in public sector financing are identified in World Bank, *Public Expenditure Management Handbook* (Washington, DC: World Bank, 1998).
65. Peter J. Middlebrook and Sharon M. Miller, *Sierra Leone Security Expenditure Review* (London: DFID, 2006).
66. Dylan Hendrickson and Nicole Ball, "Off-Budget Military Expenditure and Revenue: Issues and Policy Perspectives for Donors" (CSDG Occasional Paper 1, International Policy Institute, King's College London, 2002), https://www.ciponline.org/images/uploads/publications/OP1_OffBudget_Military_Expenditure.pdf.
67. For more on *mano dura*, see for example Niels Uildriks, ed., *Policing Insecurity: Police Reform, Security and Human Rights* (Lanham, MD: Lexington Books, 2009).
68. United Nations Office on Drugs and Crime (UNODC) Statistics, "Data," <http://www.unodc.org/unodc/en/data-and-analysis/statistics/data.html>.
69. See World Bank, "Management Note (1991 Guidelines), SecM91-1563, Military Expenditure," December 1991.
70. See for example Rita Abrahamsen and Michael C. Williams, *Security beyond the State: Private Security in International Politics* (Cambridge, U.K.: Cambridge University Press, 2011).
71. See for example Mitchell Polinsky and Steven Shavell, "The Theory of Public Enforcement of the Law" (NBER Working Paper 11780, National Bureau of Economic Research, Cambridge, MA, 2005), which suggests that lower enforcement costs and higher fines would lead to less expensive but equally effective deterrence.
72. See the UN Integrated Technical Guidance Note on National Ownership of SSR, 2012, <https://unssr.unlb.org/Portals/UNSSR/UN%20Integrated%20Technical%20Guidance%20Notes%20on%20SSR.PDF>.
73. See chapter 4 on policing for a detailed discussion of measuring police performance.
74. See for example "Khaki Capitalism," *The Economist*, December 3, 2011, <http://www.economist.com/node/21540985>.

75. Colin Shaw, *Mastering Military Maintenance* (London: McKinsey, 2010).
76. See for example the MAG (Mines Advisory Group) website at <http://www.maginternational.org/> (and contact MAG at info@maginternational.org for further information).
77. The discussion of procurement is adapted from Nicole Ball and Malcolm Holmes, “Integrating Defense into Public Expenditure Work” (DFID, London, 2002), <http://www.gsdr.org/docs/open/ss11.pdf>.
78. Some countries distinguish between the “procurement” of commercial goods and services and the “acquisition” of armaments. Others use the term “procurement” for both commercial goods and services and weapons or weapon systems. This discussion follows the latter practice.
79. South African Department of Defence, “Defence in a Democracy: South African Defence Review 1998” (Pretoria, 1998), <http://www.dod.mil.za/documents/defencereview/defence%20review1998.pdf>; and South African National Conventional Arms Control Committee, “White Paper on the South African Defence Related Industries,” Pretoria, December 1999, <http://www.dod.mil.za/documents/WhitePaperonDef/white%20paper%20on%20the%20SA%20defence%20related%20industries1999.pdf>.
80. South African National Conventional Arms Control Committee, “White Paper on the South African Defence Related Industries,” par. 68.
81. See British Army, *Design for Military Operations: The British Military Doctrine* (London: Ministry of Defence, 1996), <http://www.army.mod.uk/doctrine/branches/doc.htm>.
82. See Geneva Centre for Democratic Control of Armed Forces (DCAF), “International Standards for Financial Oversight in the Security Sector” (DCAF, Geneva, 2015).
83. Gregory F. Treverton and Robert Klitgaard, “Enhancing Security through Development: Probing the Connections” (paper presented at the Annual Bank Conference on Development Economics, Amsterdam, May 23–24, 2005).
84. See for example Nawaf Wasfi Tell, “Public Opinion, Terrorism and the Jordanian Security Sector” (Center for Strategic Studies, Jordan, July 2008), http://www.arab-reform.net/sites/default/files/Article_Nawaf_el_Tell.pdf.

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Securing Development is the first systematic attempt to apply economic and financial analysis to the security and justice sectors. Focusing on the military, police, and criminal justice system, this book is an indispensable tool for any defense planner, police strategist, or budget analyst in coming to grips with critical issues around affordability and effectiveness. While particularly relevant for crises like those in Iraq and Afghanistan, such a book is a good addition to the security practices for developed and developing countries alike.

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Transparency and accountability are essential for effective and responsible governance of the security sector. The World Bank and the UN bring the issues together in a practitioner's guide that is analytically sound and of great practical utility. Making the fruits of solidly grounded expertise available in an accessible format will contribute strongly to the spread of best practices in security sector development.

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Securing Development: Public Finance and the Security Sector highlights the role of public finance in the delivery of security and criminal justice services. This book offers a framework for analyzing public financial management, financial transparency, and oversight, as well as expenditure policy issues that determine how to most appropriately manage security and justice services.

The interplay among security, justice, and public finance is still a relatively unexplored area of development. Such a perspective can help security actors provide more professional, effective, and efficient security and justice services for citizens, while also strengthening systems for accountability.

The book is the result of a project undertaken jointly by staff from the World Bank and the United Nations, integrating the disciplines where each institution holds a comparative advantage and a core mandate. The primary audience includes government officials bearing both security and financial responsibilities, staff of international organizations working on public expenditure management and security sector issues, academics, and development practitioners working in an advisory capacity.



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