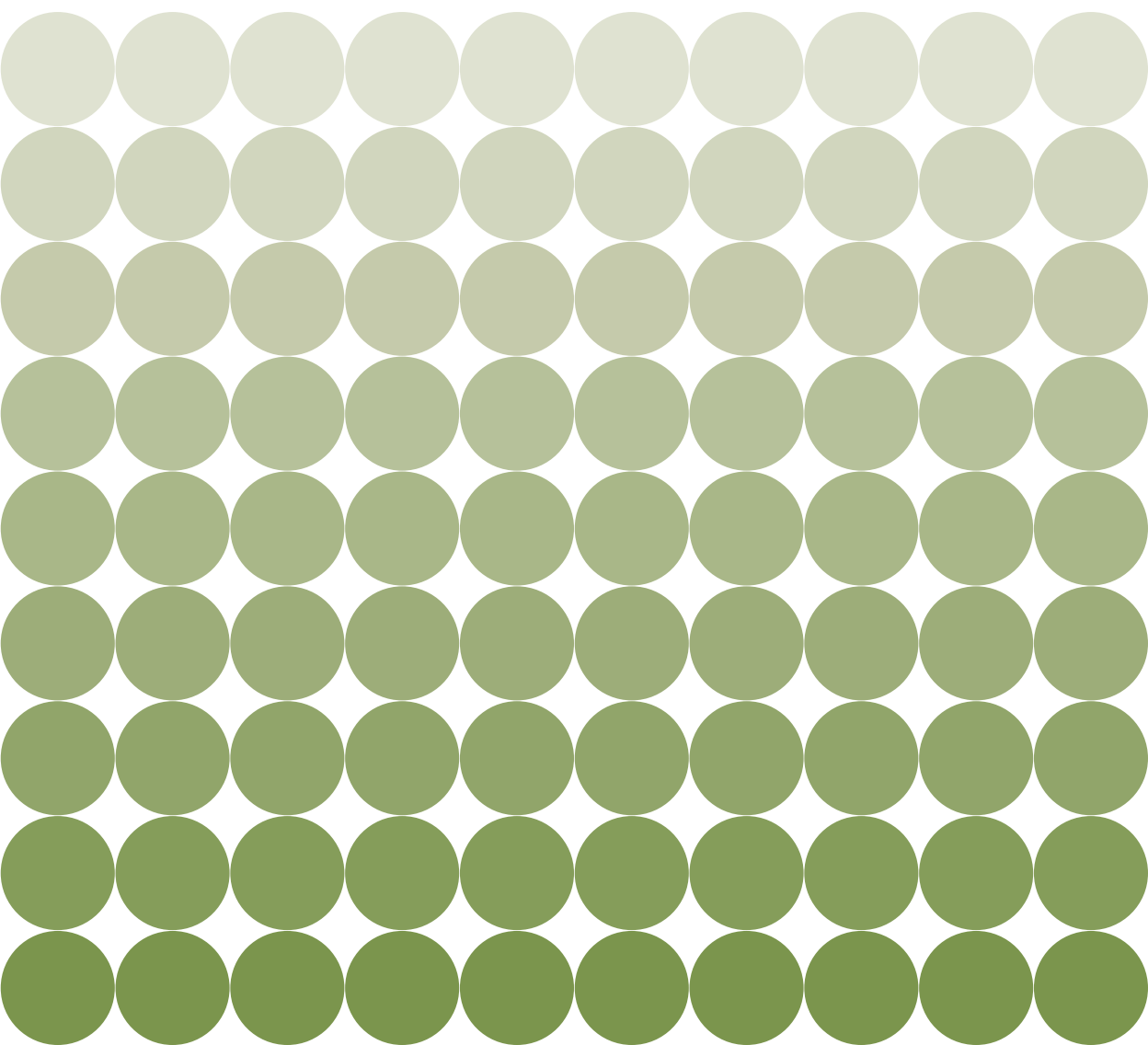


TRANSPARENCY IN MILITARY SPENDING AND ARMS ACQUISITIONS IN LATIN AMERICA AND THE CARIBBEAN

MARK BROMLEY AND
CARINA SOLMIRANO



STOCKHOLM INTERNATIONAL PEACE RESEARCH INSTITUTE

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Transparency in Military Spending and Arms Acquisitions in Latin America and the Caribbean

SIPRI Policy Paper No. 31

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Preface

Rising levels of military spending and arms acquisitions in Latin America and the Caribbean have raised concerns for regional stability and poverty reduction efforts. In this environment, the need for governments in the region to be more open and accountable regarding their military spending and arms acquisitions is greater than ever. This transparency should apply both at the national level and at the regional and international level to allow parliaments and civil society to engage effectively in debates about how resources are allocated and to ensure that spending and acquisition plans do not become sources of interstate tension and instability.

This unique study brings together elements of SIPRI's extensive regional and thematic expertise to produce the first detailed examination of transparency in military expenditure and arms acquisitions in Latin America and the Caribbean. At the national level, it surveys the ways in which governments make information about their military budgets and arms acquisitions available to the public. At the regional and international level, it examines states' records of reporting to relevant transparency instruments maintained by the Organization of American States (OAS) and the United Nations. The authors, Mark Bromley and Carina Solmirano, highlight that, although overall levels of transparency have improved in the region in recent years, far more efforts are needed to provide greater openness and accountability on the use of off-budget funding for arms acquisitions and to increase the comprehensiveness of reports on military expenditure and arms acquisitions to the OAS and the UN. In this paper, they provide examples of countries with good practices in transparency and point to some of the challenges found in others.

The paper intends to inform policymakers, academics, parliamentarians and civil society actors in Latin America and the Caribbean about ways to improve the current levels of transparency in the military sector. It is hoped that this paper will promote debate and open the door to further research on related topics, such as the decision-making processes for the military sector and the roles of parliamentarians and civil society in strengthening their oversight of the military and security-related spending.

The authors are to be congratulated for this original and thorough study, which adds to the growing body of SIPRI research on transparency in military matters.

Dr Bates Gill
Director, SIPRI
January 2012

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The authors are particularly grateful for the comments received from Iñigo Guevara and from SIPRI colleagues Dr Ian Anthony, Dr Bates Gill, Dr Paul Holtom, Dr Susan Jackson, Dr Sam Perlo-Freeman, Dr Elisabeth Sköns and Pieter Wezeman. Thanks are also due to César Marin for his comments on parts of chapter 3. Special mention should also be given to the invaluable advice and support provided by Dr David Cruickshank and colleagues in the SIPRI Editorial and Publications Department.

Summary

Over the past two decades democratic processes have strengthened in Latin America and the Caribbean following decades of authoritarian rule. The region faces no major external military threat and—other than a limited number of unresolved border disputes—relations between neighbouring states are peaceful. Nonetheless, military expenditure and arms acquisitions have increased significantly in recent years. These developments have sparked fears about their potential impact on regional stability as well as the possibility of a regional arms race developing. In addition, questions have been asked as to whether the increase in spending has been made at the expense of the social needs of the citizens of Latin America and the Caribbean. In this context, governments in the region have renewed efforts to improve the levels of transparency of their military spending and arms acquisitions.

Transparency in military spending and arms acquisitions is an important component of democratic accountability, good governance and confidence building. The publication of information on military expenditure and arms acquisitions is an important indicator of transparency. This can take place at the national level—via the publication of reports by government ministries—or at the regional and international level—via the submission of information to publicly accessible reporting instruments maintained by the United Nations and other bodies. When governments make available information about their military spending and arms acquisitions at either the national or regional and international level, they contribute to an environment of trust, both with respect to their own citizens and to their neighbour states.

At the national level, states provide information through defence policy documents and public annual budgets. Defence policy documents, such as defence white papers, are a good example of how governments can link policy, capabilities and resources. Many states in Latin America and the Caribbean have produced defence white papers, and in at least two cases these have been updated in recent years. Yet the information provided in these documents often has little value, as there is a general lack of connection between the stated policies and the resources allocated to meet them. The exercise of producing these documents can be a simple fulfilment of a series of confidence- and security-building measures (CSBMs) promoted by the Organization of American States (OAS) in the early 2000s.

All the countries surveyed make information on their defence budgets available, and the comprehensiveness of this information have improved in recent years. For example, most provide at least some degree of disaggregation in their budgets, and some present a high degree of detail, including of their arms acquisitions. The picture varies by subregion: South America has greater levels of transparency than the Caribbean. However, there is ample room for improvement. One of the principal obstacles to transparency is the practice of using off-

budget resources—often from sales of natural resources such as copper and natural gas—to fund the military, in particular for arms acquisitions.

At the regional and international level, the picture is less encouraging. Overall levels of participation in the relevant transparency mechanisms—the UN Standardized Instrument for Reporting Military Expenditures, the UN Register of Conventional Arms (UNROCA), and the 1999 Inter-American Convention on Transparency in Conventional Weapons Acquisitions (OAS Transparency Convention)—have weakened in recent years. The level of reporting to UNROCA peaked in the early 2000s and has been on a steady downward trajectory since, although there are signs that this trend may be reversing. Levels of reporting to the UN Standardized Instrument have fallen since 2008. Although 14 states in the region have ratified the OAS Transparency Convention, only 10 parties have submitted a report on at least one occasion. Again, the picture varies within the region, with lower levels of reporting in Central America and the Caribbean than elsewhere. The comprehensiveness of the information provided to these three instruments also varies, with states failing to report information that is publicly available in budget documents or some other official or unofficial source. It is uncertain why the levels of reporting to these instruments have fallen, but it could be due to lack of political commitment, technical difficulties, lack of staff or a combination of these.

Despite this, states in Latin America and the Caribbean remain strongly committed to the principle of sharing information on military spending and arms acquisitions via regional and international transparency mechanisms as a means of building mutual trust and confidence. Indeed, the Union of South American Nations (Unión de Naciones Suramericanas, UNASUR) is in the process of establishing a new set of CSBMs that will include additional commitments in these areas. Moreover, certain states in Latin America and the Caribbean demonstrate a strong commitment to the UN and OAS instruments and often submit more information than is required.

In addition to the improvements in public reporting of military expenditure and arms acquisitions that have already been achieved, more fundamental issues need to be addressed: in particular, transparency in the decision-making processes behind military spending and arms acquisitions, including the role of parliaments and civil society in monitoring and overseeing the military sector, requires further study.

Abbreviations

CSBM	Confidence- and security-building measure
FMA	Foreign military aid
GGE	Group of Governmental Experts
IMF	International Monetary Fund
OAS	Organization of American States
SALW	Small arms and light weapons
UN	United Nations
UNASUR	Unión de Naciones Suramericanas (Union of South American Nations)
UNODA	United Nations Office for Disarmament Affairs
UNROCA	United Nations Register of Conventional Arms

1. Introduction

Military spending has risen considerably in Latin America and the Caribbean in recent years and several states in the region are engaged in major arms acquisition programmes.¹ Despite generally positive interstate relations, fears have been expressed about the impact of these developments on regional stability as well as the possibility of an arms race or races developing.² In addition, questions have been asked as to whether the increase in military spending has been made at the expense of spending on health and education.³ These developments have focused attention on the levels of transparency in military expenditure and arms acquisitions in Latin America and the Caribbean—how the states of the region share information with each other and with their citizens.

In the political field, transparency refers to the extent to which ‘information about governmental preferences, intentions and capabilities is made [openly] available’.⁴ Public reporting is an important indicator of transparency. This reporting can take place at the national level—via the publication of reports by government ministries—or at the regional and international level—via the submission of information to publicly accessible reporting instruments maintained by the United Nations and other organizations.⁵

Transparency in military spending and arms acquisitions serves several objectives relating to democratic oversight, resource allocation and confidence building. First, transparency is essential for parliaments, civil society and the general public to gain oversight and influence over the way in which the national defence budget is spent. Such oversight is essential if a state is to make a rational allocation of its limited resources in a way that is responsive to democratic participation. Second, the military sector—in particular arms acquisitions—has been shown to be particularly prone to corruption.⁶ Greater transparency is a necessary—although not generally sufficient—condition for addressing such problems. Third, genuine national security goals will be better met if military budgeting and acquisitions are based on a transparent decision-making process, reflecting a clearly enunciated defence policy. Finally, transparency in the fields of military spending and arms acquisitions can serve to reduce suspicion between states as to each other’s intentions and capabilities. Mistrust can be provoked and instabil-

¹ This Policy Paper covers the states of South America, Central America (from Panama to Mexico) and the Caribbean.

² See e.g. ‘Costa Rica’s Arias slams arms race’, *Latin News Daily*, 25 Sep. 2009; Associated Press, ‘Uruguay and US fear arms race in South America’, *The Guardian*, 15 Sep. 2009; and ‘Perú inicia en Argentina una gira contra el armamentismo’ [Peru tour against the arms race begins in Argentina], *Infolatam*, 2 Nov. 2009, <<http://www.infolatam.com/2009/11/02/peru-inicia-en-argentina-una-gira-contra-el-armamentismo/>>.

³ See Perlo-Freeman, S., ‘Budgetary priorities in Latin America: military, health and education spending’, SIPRI Insights on Peace and Security no. 2011/2, Dec. 2011, <http://books.sipri.org/product_info?c_product_id=436>.

⁴ Finel, B. I. and Lord, K. M., ‘Transparency and world politics’, eds B. I. Finel and K. M. Lord, *Power and Conflict in the Age of Transparency* (Palgrave: New York, 2000), p. 3.

⁵ Information submitted to private intergovernmental exchanges of information is not considered here.

⁶ See e.g. Feinstein, A., Holden P. and Pace, B., ‘Corruption and the arms trade: sins of commission’, *SIPRI Yearbook 2011: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 2011).

ity sparked when understanding of the content and purpose of a neighbour's military spending and arms acquisitions is limited or if there is a perception that information is being hidden.

In recent years, levels of transparency in military spending and arms acquisitions have improved significantly in Latin America and the Caribbean. This has largely been driven by improvements in democratic governance in most of the region. For example, many states have adopted comprehensive freedom of information laws.⁷ The process has also been driven by regional attempts to promote the sharing of detailed security-related information as a means of building trust between states and reducing the risk of conflict. In particular, during the 1990s the Organization of American States (OAS) convened a series of meetings on confidence- and security-building measures (CSBMs) in the Americas. Meetings in Buenos Aires in 1994, Santiago in 1995, San Salvador in 1998 and Miami in 2003 produced a range of recommendations. These focused on the production of defence white papers, the sharing of information on military exercises, defence policies and doctrines, and increased participation in relevant UN information-exchange mechanisms.⁸

Nonetheless, while significant progress has been made, there continue to be significant weaknesses in states' practices. At the national level, military spending and, in particular, military procurement spending remain largely exempt from meaningful public and parliamentary scrutiny and debate. The practice of assigning a special status to national security has resulted in deeply ingrained habits of secrecy and has facilitated lower levels of transparency and oversight in the military sector than in other government sectors. At the regional and international level, states in Latin America and the Caribbean have created ambitious CSBMs via the OAS and have been strong supporters of relevant UN instruments. In addition, states in South America are currently creating a new set of mechanisms for sharing information on a range of security issues—including military spending and arms acquisitions—via the Union of South American Nations (Unión de Naciones Suramericanas, UNASUR). However, levels of participation in existing instruments remain varied and inconsistent, with several states failing to provide the information that they have agreed to share.

This Policy Paper assesses transparency in the fields of military expenditure and arms acquisitions in Latin America and the Caribbean at the national level and at the regional and international level, as reflected in public reporting. At the

⁷ Latin American Newsletters, *Transparency in Latin America*, LatinNews Special Insight Paper (Intelligence Research: London, July 2011).

⁸ For a list of the CSBMs in the region see Organization of American States, Committee on Hemispheric Security, 'Consolidated list of confidence and security building measures for reporting according to OAS resolutions', CP/CSH-1043/08 rev.1, 16 Jan. 2009, <<http://www.oas.org/csh/english/csbmlist.asp>>. While the term CSBM is consistently used to describe the mechanisms created in Latin America and the Caribbean, several authors maintain that it is more accurate to describe the systems that have been created as confidence-building measures (CBMs). On the distinction between CBMs and CSBMs see Lachowski, Z., *Confidence- and Security-building Measures in the New Europe*, SIPRI Research Report no. 18 (Oxford University Press: Oxford, 2004). On the history of CBMs and CSBMs in Latin America see Bromley, M. and Perdomo, C., *CBMs in Latin America and the Effect of Arms Acquisitions by Venezuela*, Working Paper 41/2005 (Real Instituto Elcano: Madrid, 22 Sep. 2005), pp. 6–7.

national level, it assesses the information that states publish in government budgets and other official documents. At the regional and international level, it assesses the information that states provide to relevant publicly accessible reporting instruments. In all cases, the availability and comprehensiveness of data are examined.

This Policy Paper continues in chapter 2 by examining the comprehensiveness of information made available by states in Latin America and the Caribbean on arms acquisitions and military spending at the national level. Three primary aspects of national transparency are measured: the availability and comprehensiveness of defence white papers; the availability and comprehensiveness of military budgets (including information relating to arms acquisitions); and the use of off-budget funding for military expenditure, in particular arms acquisitions. Chapter 3 examines the comprehensiveness of information on arms acquisitions and military spending that states in the region make available via regional and international reporting instruments, in particular those maintained by the UN and the OAS. Chapter 4 presents conclusions.

2. Transparency at the national level

Budgeting for the military sector should be subject to the same good budgeting practices as the rest of the public sector, including transparency. The military sector is frequently able to easily conceal its expenditure by citing the ‘national security exception’. However, it is possible to retain some degree of confidentiality without sacrificing the principle of transparency. While ‘a subject may be sensitive—off-budget activities, for example— . . . it should not be kept secret’.⁹ Furthermore, transparency in military budgeting allows civil society and other politically relevant actors—in relevant ministries, in the legislature and in national audit offices, among others—to be informed about government priorities, the ways in which resources are allocated and managed, and the purposes for which they are used.

This chapter continues with a discussion of the importance of defence policy documents, examining their availability in Latin America and the Caribbean and assessing whether they link policy to defence budgeting. It then provides an overall evaluation of reporting on military spending in the region, assessing the degree of transparency achieved. The final section deals with how off-budget funding for the military sector hampers transparency efforts in the region.

Defence policy documents

For budgeting for the military sector to meet basic standards of public expenditure management and security sector governance, an important prerequisite is the existence of a transparent and comprehensive defence policy, presented in either a policy document or white paper.¹⁰ Without such a document there can be no strategic planning or programming to implement the policy and its associated doctrine, which cannot then be reflected in operational capability; budgeting for the military is then conducted in a policy vacuum, with no basis in a threat assessment or a regular review of national security. Moreover, the lack of a defence policy impedes the development of a long-term plan for arms acquisitions appropriate to national security needs. As a result, military acquisitions can only be made on an ad hoc basis and bear no relation to security requirements.

Defence white papers and other defence policy documents are political instruments that involve debates within the armed forces, the defence ministry and civil society. The process of producing a defence white paper increases national transparency by incorporating defence issues in the public agenda.¹¹ Because

⁹ Ball, N. and Le Roux, L., ‘A model for good practice in budgeting for the military sector’, eds W. Omitoogun and E. Hutchful, SIPRI, *Budgeting for the Military Sector in Africa: The Processes and Mechanisms of Control* (Oxford University Press: Oxford, 2006), p. 15.

¹⁰ See World Bank, *Public Expenditure Management Handbook* (World Bank: Washington, DC, 1998), pp. 1–2; and Ball and Le Roux (note 9).

¹¹ See González Guyer, J., ‘Los Libros Blancos en los países del Cono Sur’ [Defence white papers of the Southern Cone countries], eds I. Sepúlveda and S. Alda, *La administración de la defensa en América Latina* [Defence administration in Latin America], vol. 3, *Estudios comparados* [Comparative studies] (Instituto Universitario General Gutiérrez Mellado–UNED: Madrid, 2008), p. 477.

defence policy documents such as white papers are published and debated at the national level, this paper treats them as elements of national transparency. However, states in Latin America and the Caribbean initially developed defence white papers as a way to reduce tensions with neighbouring states, not as a way to link defence policy with financial resources and to justify decisions to the public. This process was largely driven by the OAS, as part of its wider efforts to develop and improve CSBMs in the Americas. In 2002 the OAS Permanent Council adopted 'Guidelines on developing national defense policy and doctrine papers' in which it proposed an ideal model that OAS members could follow.¹² Previous resolutions from the OAS General Assembly had touched on the issue, and declarations following the hemispheric CSBM conferences in 1995 and 1998 had recognized that the development of such documents would foster confidence and security building in the Americas.¹³

According to the OAS guidelines and resolutions, the objective of defence white papers is to (a) provide governments with an agreed defence policy that reflects both the external security environment and the domestic context; (b) contain strategies to respond to security threats; and (c) outline the roles and missions of the armed forces, along with their capabilities. In order to link these elements, defence white papers must provide information on the financial resources that will be devoted to achieving the established defence policy goals, including an indication of future plans for military modernization and major weapon acquisitions.¹⁴

When the OAS adopted its guidelines in 2002, two states in Latin America and the Caribbean had already published defence white papers: Chile in 1997 and Argentina in 1999. Others followed soon after and, by 2011, 16 states in the region had published some type of defence policy document (see table 2.1). But the experience of drafting these documents has produced mixed results. Many do not link defence policies or goals to a budgetary framework and it has been argued that in many cases the exercise has created 'transparent obfuscation', with many documents that are 'replete with generalizations that say little about any given state's defense realities'.¹⁵

Based on the OAS guidelines, a 2008 study by Carlos Barrachina of the defence white papers published in Latin America assessed that, while some governments had presented some type of defence policy, they had failed to provide information about troop levels, materials or military capabilities. In addition, it noted an apparent lack of information about the distribution of the budget and future

¹² Organization of American States, Permanent Council, 'Guidelines on developing national defense policy and doctrine papers ("white papers")', appendix to Resolution CP/RES. 829 (1342/02), 6 Nov. 2002.

¹³ Organization of American States, Declaration of Santiago on confidence- and security-building measures, COSEGRE/doc. 18/95 rev. 3, Regional Conference on Confidence- and Security-building Measures, Santiago, 10 Nov. 1995; and Organization of American States, Declaration of San Salvador on confidence- and security-building measures, COSEGRE.II/doc.7/98 rev. 3, San Salvador Regional Conference on Confidence- and Security-building Measures in follow-up to the Santiago Conference, 28 Feb. 1998—both at <<http://www.oas.org/csh/english/csbmdeclar.asp>>.

¹⁴ Organization of American States (note 12), 'The content'.

¹⁵ Pion-Berlin, D. S., 'Political management of the military in Latin America', *Military Review*, Jan/Feb. 2005, p. 30.

Table 2.1. Defence policy documents published by states in Latin America and the Caribbean

Country	Type of document	Years published
Argentina	Defence white paper	1999, 2010
Belize	National security strategy	2009
Bolivia	Defence white paper	2004
Brazil	National defence policy	1996, 2005
	National defence strategy	2008
	Defence white paper	forthcoming 2012
Chile	Defence white paper	1997, 2002, 2010
Colombia	Consolidation of democratic security policy	2007
	Defence and democratic security policy	2003
Ecuador	Defence white paper	2002, 2006
El Salvador	Defence white paper	2006
	National defence documents	1998, 2004
Guatemala	Defence white paper	2003
Honduras	Defence white paper	2005
Jamaica	National security policy	2007
Mexico	The Mexican Army and Air Force	2004
Nicaragua	Defence white paper	2004–2005
Paraguay	Defence white paper	1999
Peru	Defence white paper	2005
Uruguay	Basis for a defence policy	1999

Sources: Organization of American States, Committee on Hemispheric Security, 'Defense policy and doctrine papers (White Papers)', <<http://www.oas.org/csh/english/docwhitepapers.asp>>; and National Defense University, 'White papers on defense', <<http://merln.ndu.edu/whitepapers.html>>.

acquisition needs as they relate to the country's defence needs.¹⁶ However, some of the white papers do contain information on the resources allocated to the military. For example, Chile's 1997 defence white paper contains a section that details the concepts and methodologies applied to the defence budget as well as the impact of expenditure on each department under the Ministry of National Defence.¹⁷ It also gives some budgetary information, including the funds from copper exports received by the three services (see box 2.1 below). While far from comprehensive, the financial information provided in the Chilean defence white paper provides an example of how to link policy to resources. Ecuador's 2002 defence white paper also gives information on the resources allocated to the military, although the information is rather general.¹⁸ The Peruvian 2005 defence white paper includes a section that explains and gives some figures on the

¹⁶ Barrachina, C., 'Programa interno de medidas de confianza mutua: los Libros Blancos en América Latina bajo una perspectiva comparada' [Internal programme of confidence-building measures: white papers in Latin America in a comparative perspective], eds Sepúlveda and Alda (note 11), p. 429.

¹⁷ Chilean Ministry of National Defence (MND), *Libro de la defensa nacional de Chile 1997* [National defence white paper of Chile 1997] (MND: Santiago, 1997).

¹⁸ Ecuadorean Ministry of National Defence (MND), *Política de la defensa nacional del Ecuador* [National defence policy of Ecuador] (MND: Quito, Dec. 2002).

resources devoted to defence.¹⁹ It also gives brief information on a fund created in 2004 to pay for arms acquisitions (see box 2.2 below) but does not provide information on the nature of this fund and the amount of money expected to be assigned to it. Given that the fund falls outside the annual state budget, this information should be published.

In his 2008 study, Barrachina also noted that the white papers of Bolivia (2004), Guatemala (2003), Honduras (2005) and Peru (2005) contain no specific information about force structure or armament requirements, although these four countries all acknowledge that their military apparatuses need to be modernized.²⁰ States should give information on their future acquisition plans; if not with the specific model or type of system they intend to acquire, then with at least a description of the capability required for an assigned task or mission.

More recent efforts seek to address some of these gaps. In early 2010 Chile presented its third defence white paper, the drafting of which involved a year-long programme of work with the participation of the military and civilians, including defence experts and academics. One section presents budget information based on official sources and discusses the budget priorities of the Chilean military and the current funding realities. This includes the debate about a new funding mechanism for arms acquisitions and trends in military expenditure and arms acquisitions in recent years.²¹ Argentina also carried out a series of meetings and workshops during 2010 to elaborate a new version of its defence white paper.²²

Despite having the largest military budget in Latin America and the Caribbean, Brazil has never issued a defence white paper, although it has published similar documents. Brazil announced in 2010 that it would publish its first defence white paper in 2012 and it has already conducted several meetings and workshops.²³ This change could be the result of the country's leading role in UNASUR, whose member states have agreed on the need to produce regular defence white papers.²⁴ Brazil's most recent defence policy document, its 2008 national defence strategy, established the need to develop strategic capabilities in cybernetics, space and nuclear technology. It also identified a series of vulnerabilities in the country's defence structure, including the limited involvement of civil society in defence issues, low and unpredictable defence budgets, and the absence of a

¹⁹ Peruvian Ministry of Defence (MOD), *Libro blanco de la defensa nacional* [National defence white paper] (MOD: Lima, Apr. 2005)

²⁰ Barrachina (note 16), pp. 438–41.

²¹ Chilean Ministry of National Defence (MND), *Libro de la defensa nacional de Chile 2010* [National defence white paper of Chile 2010] (MND: Santiago, 2010), pp. 214–222, 290–321.

²² See *Libro Blanco de la Defensa 2010*, <<http://www.libroblanco2010.gov.ar/>>; and Argentinian Ministry of Defence, *Libro blanco de la defensa: Argentina bicentenario 2010* [Defence white paper: Argentinian bicentennial 2010] (MOD: Buenos Aires, 2010).

²³ See 'Brasil elabora su libro blanco de la defensa a través de la celebración de seis seminarios en distintas ciudades' [Brazil produces its defence white paper through the holding of seminars in six cities], [infodefensa.com](http://www.infodefensa.com), 29 Mar. 2011, <<http://www.infodefensa.com/?noticia=brasil-elabora-su-libro-blanco-de-la-defensa-a-traves-de-la-celebracion-de-seis-seminarios-en-distintas-ciudades>>.

²⁴ International Institute of Strategic Studies (IISS), *The Military Balance 2011* (Routledge: London, 2011), p. 346.

long-term defence acquisition plan.²⁵ The defence white paper is intended to help remedy these issues.

A more striking case is Colombia, which has been engaged in a major armed conflict since the 1960s and which has never adopted an official defence policy. Two documents in recent years have been the cornerstone of its defence strategy: the 2003 policy on defence and democratic security and the 2007 policy on consolidation of democratic security.²⁶ These two documents established a series of goals and strategies to improve security in Colombia, but they fail to link the achievement of these goals to the availability of resources.

Transparency in military expenditure

Latin American and Caribbean states have greatly improved the availability of information on their defence budgets in the past decade and all 19 countries in the region that are included in the SIPRI Military Expenditure Database make their defence budgets publicly available.²⁷ However, the levels of transparency differ substantially from state to state and more remains to be done.

A survey of transparency in military expenditure in Latin America and the Caribbean reveals some patterns (see appendix A for full details of the survey).

1. While all countries in the region that are covered by the SIPRI Military Expenditure Database make information on their defence budget available in one or more formats (e.g. in budget laws, via transparency portals etc.), they do not always give information for all the components of the SIPRI definition of military expenditure. For example, military budget figures often do not include the costs of paying military pensions (see below) and of paramilitary forces. In the SIPRI definition, paramilitary forces are security forces that have an internal security role but which are judged to be trained, equipped and available for military operations. Examples of paramilitary forces worldwide include gendarmeries, coastguards and border guards. The inclusion of paramilitary forces in the definition of military expenditure is a matter of debate, and it should not be considered a failure of transparency if they are not included in the defence budget, provided that expenditure on them is made known elsewhere in the state budget.

2. While most countries give information on actual spending during the financial year in addition to information on budgeted spending, a closer look at the different sources of information (e.g. the finance ministry, the audit office or any

²⁵ Brazilian Ministry of Defence (MOD), *Éstrategia nacional de defesa: paz e segurança para o Brasil* [National defence strategy: peace and security in Brazil] (MOD: Brasília, 17 Dec. 2008).

²⁶ Colombian Presidency and Ministry of National Defence (MND), *Política de defensa y seguridad democrática* [Policy on defence and democratic security] (MND: Bogotá, 2003); and Colombian Ministry of National Defence (MND), *Política de consolidación de la seguridad democrática* [Policy on consolidation of democratic security] (MND: Bogotá, 2007).

²⁷ The SIPRI Military Expenditure Database includes 21 countries in Latin America and the Caribbean: Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela. Costa Rica and Panama are excluded from this survey since they do not have armed forces. Many of the small states of the Caribbean are not included in the database.

transparency portal) show that those figures differ from source to source. Moreover, as some of these documents only give a single figure for the executed budget (with no disaggregation), it is difficult to know why this differs from the original budget. Budget figures need to be compared with actual or executed figures to allow an assessment of whether resources have been properly allocated and efficiently spent. Overspending or underspending can be a sign of weak budgetary practices and incorrect evaluations of the government's priorities. In some cases, budgets are modified throughout the year, perhaps because more funds are available to the government in general or to the military in particular. For example, in recent years it has become common for several modifications to be made to the Venezuelan budget, including defence, perhaps because of surpluses from the sale of oil, resulting in executed defence spending being higher than the defence budget.²⁸ These modifications are generally noted in the Venezuelan official government gazette.

3. Although some of the largest spenders tend to make some information available on arms acquisitions, in most cases a lack of detail is prevalent (with the exceptions noted in table A.1).

4. Information on extra-budgetary and off-budget funding is, with a few exceptions, unavailable or difficult to obtain (see below).

5. Information on military pensions—which is included in the SIPRI definition of military spending—is patchy for many countries in the region, and in some countries it is only presented for more recent years. However, to allow a full assessment of the economic burden to society represented by the military it is important that defence budgets include pensions since they may constitute a significant part of the resources allocated to the military.²⁹ In South America, spending on retired personnel represents 20–40 per cent of total defence spending.³⁰ The omission of pensions from military budgets in some countries can be attributed to the fact that they follow the International Monetary Fund (IMF) methodology of reporting government budgets under a functional classification. In most cases, and in particular in Latin America, institutional classifications better represent the full levels of expenses allocated to the military, in particular military pensions, military education and military healthcare, which under the IMF's functional classification are allocated to other functional areas.³¹ In the case of a functional budget that includes both defence and security services, it is also difficult to know what portion of total spending corresponds to each of these functions. Functional classification of military spending thus tends to give a partial picture of a country's total military expenditure.

6. The level of disaggregation of budget information is highly variable. In some cases, particularly in Central America and the Caribbean, only a very basic dis-

²⁸ Donadio, M., 'Seguridad Nacional, Inc.', *Americas Quarterly*, fall 2007.

²⁹ Hagelin, B. et al., 'Transparency in the arms life cycle', *SIPRI Yearbook 2006: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 2006), p. 249.

³⁰ Donadio (note 28).

³¹ International Monetary Fund (IMF), *Government Finance Statistics Manual 2001* (IMF: Washington, DC, 2001), chapter 6.

Table 2.2. Extract from Brazil's national budget for 2011

Programme no.	Programme/action/product/location	Source ^a	Value (reais)
Agency: 52000 Ministry of Defence			
Unit: 52131 Navy Command			
0626	<i>Navy modernization and adaptation</i>		
0626.123	Deployment of the shipyard and naval base for the construction and maintenance of conventional and nuclear submarines	142	944 988 831
0626.123G.0001	Proportion executed: 14%		
0626.123H	Construction of nuclear-propelled submarine		183 301 605
		100	5 707 179
		149	177 594 426
0626.123H.0001	Proportion executed: 3%		
0626.123I	Construction of conventional submarines		747 416 753
		149	8 379 130
		142	211 186 180
		149	527 851 433
0626.123I.0001	Proportion executed: 7%		

^a Source refer to the source and type of funding: source 100 is ordinary state resources; source 142 is financial compensation for the exploitation of oil and natural gas; and source 149 is external credit.

Source: Extracted, adapted and translated from Lei Orçamentária [Budget act], Brazilian Act no. 12 381, 9 Feb. Jan. 2011, *Diário Oficial da União* (Brasília), Supplement, 10 Feb. 2011, p. 1475.

aggregation is presented. However, in other cases information availability and levels of disaggregation are very good. Brazil and Venezuela stand out in this regard. Brazil gives detailed information on most recent arms acquisitions; table 2.2 shows how some current Brazilian Navy projects are reported, with the amount allocated, the source of funds and the stage of completion. Information on Venezuela's defence budget has become increasingly more detailed. It now includes the types of resource allocated to each expense (i.e. ordinary resources, projects funded through external or internal public debt etc.), and each project contains a description with objectives, the responsible unit or department, and the sources of funding. From these documents, it is possible to obtain information on Venezuela's arms acquisitions, which can also be cross-referenced with the projects funded through the debt law (*ley de endeudamiento*). The debt law lists the main projects that require the use of internal or external debt, including arms acquisitions.³² In some cases, the information about the weapons is presented in detail (see table 2.3 for an example), while in other cases the debt law gives only a single line of information (e.g. in the case of maintenance of the Venezuelan Navy's operational units in the 2011 budget).³³

³² The use of debt to fund arms acquisitions has been common practice in Venezuela in recent years. E.g. the Venezuelan Congress approved the use of debt to fund arms acquisitions in 2000–2005 and 2008–11. See Venezuelan National Budget Office, 'Leyes, decretos, reglamentos e instructivos' [Laws, decrees, regulations and guidelines], <<http://www.ocepre.gov.ve/documentos-publicaciones/leyes-instruct.html>>.

³³ See e.g. Oficina Central de Presupuesto, 'Exposición de motivos Proyecto de Ley de Presupuesto 2011' [Explanatory notes on the budget law proposal], p. 124, <<http://www.ocepre.gov.ve/>>.

Table 2.3. Extract from Venezuela's Special Debt Law for 2005

Code	Description	Amount (bolivares)
<i>Ministry of Defence</i>		
MD-05-001	Acquisition of Tiuna tactical vehicles	107 500 000 000
MD-05-002	Acquisition of multipurpose helicopters (Project Pemon)	346 150 000 000
MD-05-003	Acquisition of assault rifles (Project Caribe)	280 000 000 000
MD-05-004	Acquisition of integrated surveillance system (three-dimensional long-range sensors phase II)	129 000 000 000
MD-05-005	Acquisition of advance trainer aircraft AMX-T	365 000 000 000
Total		1 227 650 000 000

Source: Ley Especial de Endeudamiento Anual para el Ejercicio Fiscal del Año 2005 [Special Annual Debt Law for Financial Year 2005], *Gaceta Oficial de la República Bolivariana de Venezuela*, no. 5742 extraordinario, 13 Dec. 2004.

The use of off-budget funds

While governments in Latin America and the Caribbean are improving the quantity of the information they report on their military budgets, a persistent problem continues to be the use of funds that are outside the budget and, as such, beyond public scrutiny. The use of these funds hinders both transparency and accountability in the military sector.

Off-budget military spending is spending on the military from sources of revenue outside the regular state budget. Funding can come from both formal and informal economic activities and can include business activities of the armed forces. For example, the armed forces of Guatemala, Honduras, Nicaragua, Paraguay and Venezuela have interests in the banking, transport, industrial and agricultural sectors.³⁴ The Ecuadorean military has interests in several industries that include steelwork, mining, explosives and agricultural products. In addition, the Ecuadorean Army operates franchises for automobile and tourist companies such as a car rental company and a hotel in Quito.³⁵ In Cuba, the military plays an important role in the economy, especially in tourism, civil aviation, foreign trade and retail operations.³⁶

In addition, funding can also come from special funds created through war levies or diversion of proceeds from state-owned companies (including those managing natural resources), barter trade and informal criminal activities.³⁷ Foreign military aid (FMA)—which SIPRI includes in the military spending figures of the donor country—is also often unreported in the recipient country.

³⁴ Cruz, C. and Diamint, R., 'The new military autonomy in Latin America', *Journal of Democracy*, vol. 9, no. 4 (Oct. 1998), p. 118.

³⁵ Donadio (note 28).

³⁶ US Department of State, Bureau of Western Hemisphere Affairs, 'Background note: Cuba', 7 Nov. 2011, <<http://www.state.gov/r/pa/ei/bgn/2886.htm>>.

³⁷ Hendrickson, D. and Ball, N., *Off-budget Military Expenditure and Revenue: Issues and Policy Perspectives for Donors*, Conflict, Security and Development Group (CSDG) Occasional Papers no. 1 (King's College: London, Jan. 2002), pp. 18–19.

Box 2.1. Chile's Copper Law

Chile's 1958 Copper Law imposes a tax on copper sales in order to generate funds for arms acquisitions.^a The original intention was to provide the military with a permanent source of funding that was not subject to political changes.^b Initially, the tax was set at 7.5 per cent of revenues, but it was raised to 10 per cent in 1973 by the military government of Augusto Pinochet, which also established the equal division of the revenues between the army, navy and air force. Each service has control of its own funds, thus eliminating the possibility of joint decisions for arms acquisitions.^c In 1985 the minimum annual revenue under the Copper Law was increased from \$90 million to \$180 million.

With arms procurement decisions made by the individual services, the choice of what equipment to buy is reserved to a few military officers. A special committee is formally responsible for authorizing funds for procurement, but in practice it 'is expected not to question proposals submitted by the different armed services'.^d The Copper Law also allows the military to borrow from future anticipated resources to finance high-cost purchases, reducing the transparency of actual expenditure on arms procurement, as only the revenues transferred under the law are made public.^e

Chile's Copper Law has long been controversial, representing one of the last remaining institutional privileges retained by the military following the return to democratic rule in 1990. In 2008 the chief executive of the National Copper Corporation (Corporación Nacional del Cobre, CODELCO) called for the law to be repealed, arguing that the 10 per cent tax could be used to improve the company's mining activities.^f In 2009 President Michelle Bachelete sent a proposal to the Chilean Congress seeking to repeal the law and replace it with a new funding system for military procurement.^g The proposal was not approved. In May 2011 President Miguel Piñera sent a new proposal to the Congress. The proposal takes into consideration some of the principles of the 2009 proposal and incorporates new ones, such as a role for the Congress in debates over strategic capabilities for defence.^h

^a Ley Reservada del Cobre [Restricted Law on Copper], Law no. 13.196 of 29 Oct. 1958 (most recently modified in 1987), unpublished.

^b Patillo, G., 'The allocation of resources to the armed forces in Chile: a case of limited transparency', eds J. Brauer and J. Dunne, *Arming the South: The Economics of Military Expenditure, Arms Production and Arms Trade in Developing Countries* (Palgrave: New York, 2002), p. 387.

^c Patillo, G., 'El presupuesto de defensa en Chile: procesos decisionales y propuesta de indicadores de evolución' [The defense budget in Chile: decision-making processes and proposed outcome indicators], *Security and Defense Studies Review*, vol. 1, no. 2 (winter 2001), pp. 136–37.

^d Rojas Aravena, F., 'Chile', ed. R. P. Singh, SIPRI, *Arms Procurement Decision Making*, vol. 2, *Chile, Greece, Malaysia, Poland, South Africa and Taiwan* (Oxford University Press: Oxford, 2000), p. 17.

^e Ruiz-Dana, A., *Commodity Revenue Management: The Case of Chile's Copper Boom* (International Institute for Sustainable Development: Winnipeg, July 2007), p. 13.

^f Gastine, A., 'CODELCO CEO questions Copper Law', *Santiago Times*, 25 June 2008.

^g 'Chile derogaría ley de cobre que financia compra de armas' [Chile would eliminate copper law that funds arms imports], *El Comercio* (Lima), 9 Sep. 2009; and Higuera, J., 'Chile submits draft for procurement funding reform', *Jane's Defence Weekly*, 7 Oct. 2009, p. 11.

^h Chilean Ministry of National Defence, 'Presidente Piñera firmó proyecto de ley que modifica financiamiento a las fuerzas armadas' [Piñera President signs bill amending military funding], 16 May 2011, <<http://www.defensa.cl/2011/05/16/presidente-pinera-firmo-proyecto-de-ley-que-modifica-financiamiento-a-las-fuerzas-armadas/>>; and e.g. Perlo-Freeman, S., Ismail, O. and Solmirano, C., 'Military expenditure', *SIPRI Yearbook 2010: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 2010), pp. 183–84.

In terms of transparency, there are at least two problems associated with off-budget expenditure: (a) it can lead to corruptive practices or fund programmes (i.e. arms acquisitions) that do not meet the country's security needs; and (b) it can create uncertainty with neighbouring states, which may feel threatened by

the lack of information on the size of these funds and the ways in which they are being spent.³⁸ A related issue is extra-budgetary funding of the military; that is, funding from parts of the state budget other than the defence budget. Where such spending is concealed within aggregated budget lines, and thus cannot be identified as additional military spending, this may represent a failure of transparency. Typical examples include military spending from the budget of the presidency; spending on military construction from national science or infrastructure budgets; and spending on dual civil–military research and development.³⁹

Another potential limitation on the transparency of states' military spending is the use of loans to fund arms acquisitions. Whether these constitute extra-budgetary spending depends on whether repayments are made from the defence budget or from another source (e.g. the finance ministry). Transparency is further reduced by such deals if the terms are not reported or if the payments are not disaggregated in the defence budget or another part of the state budget. Recent examples of major credit-funded arms acquisitions in Latin America and the Caribbean include Brazil's 2008 and 2009 deals to purchase French helicopters and submarines, and Venezuela's loans from Russia of \$2.2 billion and \$4 billion, announced in 2009 and 2010 respectively.⁴⁰ In the latter case, while information has been provided on the acquisitions paid for with the loans, the terms of the loan deal and how the repayments will be accounted for have not been reported.

The following subsections describe two main sources of off-budget military spending in Latin America: revenues from natural resources such as oil, copper and gas, and foreign military aid programmes.

Revenues from natural resources

Among the factors that have led to increases in military expenditure in Latin America and the Caribbean in recent years, revenues from natural resources are particularly important. Chile, Ecuador, Peru and Venezuela make or have made use of off-budget military funding from revenues from copper, gas or oil exports, mostly to fund arms acquisitions. The best-documented case is Chile, whose armed forces receive 10 per cent of the revenues from the export of copper (see box 2.1). In what has been called 'an attempt to match the copper revenues gener-

³⁸ Giraldo, J. K., 'Defense budgets, democratic civilian control, and effective governance', eds T. C. Bruneau, and S. D. Tollefson, *Who Guards the Guardians and How: Democratic Civil–Military Relations* (University of Texas Press: Austin, TX, 2006), p. 197.

³⁹ E.g. this could include development of a communications satellite system with commercial and national security applications.

⁴⁰ Brazilian Ministry of Defence, 'Senado aprova empréstimo francês para submarino de propulsão nuclear e novos helicópteros' [Senate approves French loan for nuclear-powered submarine and new helicopters], 2 Sep. 2009, <<https://www.defesa.gov.br/index.php/noticias-antiores-do-md/32512-2-09-2009--defesa---senado-aprova-emprestimo-frances-para-submarino-de-propulsao-nuclear-e-novos-helicopteros-.html>>; Abdullaev, N., 'Venezuela gets \$2.2b loan for Russian arms', *Defense News*, 21 Sep. 2009, p. 19; and 'Hugo Chavez says Russia lends Venezuela \$4 billion for arms', Reuters, 27 Nov. 2010.

Box 2.2. Peru's gas revenues and arms acquisitions

In December 2004 the Peruvian Congress approved a law that created a specific, permanent fund for the armed forces and the national police.^a The fund was to be composed of a one-time contribution from the National Treasury of \$25 million in 2005 followed by 20 per cent of revenue that the government receives from the exploitation of natural gas in Lot 88 of the Camisea field. Since 2006 the fund has received 40 per cent of revenue from Lot 88 and 30 per cent of the revenue from Lot 56, plus interest and other additional sources as decided by the president and Ministerial Council.^b Reportedly, Lot 88 is linked to one of the largest natural gas reserves in Latin America and in 2006 the funds generated from revenues reached almost \$29 million.^c

The fund was divided into equal quarter shares for each of the army, navy, air force and national police. The funds can only be used for the acquisition of military equipment, technological renovation, and repairs and maintenance. Indeed, the law explicitly prohibits the use of these funds for current expenses.^d

A committee consisting of the president of the Ministerial Council and the foreign, defence, interior and finance ministers administers the fund.^e It is responsible for allocating the resources in accordance with the strategic plans of the forces, which in turn are approved by the National Defence Council. In relation to the mechanisms of control, the law provides that the fund is monitored both by the Comptroller's Office and by the Congressional Defence Committee (which receives classified information about the fund).^f

Information about the amounts transferred each year to the armed forces is hard to find. Perupetro, the state-owned oil company, transfers the funds to the Ministry of Finance, which in turn transfers these funds to an account.

^a Ley que crea el Fondo para las Fuerzas Armadas y Policía Nacional [Law creating the fund for the armed forces and national police], Law no. 28 455, *El Peruano*, 30 Dec. 2004.

^b Robles, J., 'Asignación de recursos para la defensa nacional: el caso del presupuesto 2003–2005' [Allocation of resources for national defence: the case of the 2003–2005 budget], RESDAL, July 2006, <<http://www.resdal.org/presupuestos/presupuestos-docs2.html>>, p. 73.

^c Donadio, M., 'Seguridad Nacional, Inc.', *Americas Quarterly*, fall 2007.

^d Robles (note b), pp. 74–75.

^e Decreto Supremo no. 017-2005-DE/SG modifican reglamento de la Ley no. 28 455 que creó el Fondo para las Fuerzas Armadas y la Policía Nacional [Supreme decree no. 017-2005-DE/SG modifying rules of Law 28 455 creating the Fund for the Armed Forces and National Police], *El Peruano*, 12 July 2005.

^f Law no. 28 455 (note a).

ated for the Chilean military', in 2004 Peru created a special fund from natural resource revenues for the armed forces and national police (see box 2.2).⁴¹

The Ecuadorean armed forces received revenues from the oil sector for many years.⁴² The size of this source of funding is unclear as it fluctuated with changes in oil prices and production. It began in 1972 and, while it was intended to expire in 2000, it nevertheless continued until 2008.⁴³ It is likely that the still fragile relations between the military and the civilian government may have influenced the extension of the fund.

⁴¹ Donadio (note 28).

⁴² García Gallegos, B., 'Transparencia del presupuesto de defensa en Ecuador' [Defence budget transparency in Ecuador], National case study, Seminar 'Towards transparency and quality in the defence budget, Managua, 2–3 Dec. 2002, <<http://www.resdal.org/presupuestos/caso-ecuador.pdf>>.

⁴³ Officials of the Ecuadorean Ministry of Defence, Communication with author, Sep. 2011; and García Gallegos (note 42).

The Venezuelan armed forces have also benefited from increasing revenues from oil. Not only did they receive annual budget increases at least until 2008, they are also beneficiaries of a fund that gives them undetermined funds from oil exports. In 2005 the Venezuelan Government created the National Development Fund (Fondo de Desarrollo Nacional, FONDEN) to carry out social and investment projects such as infrastructure, health, energy and education.⁴⁴ FONDEN receives funds from the Venezuelan Central Bank and from the state-owned oil company, *Petróleos de Venezuela (PDVSA)*.⁴⁵ It is managed by a state-owned bank run by a military officer allied to President Hugo Chávez.⁴⁶ Venezuelan arms imports are reportedly funded through FONDEN, but the lack of transparency makes it hard to find firm evidence for this.⁴⁷ However, it is plausible that some recent arms deals were paid for by FONDEN, since the fund can finance any project deemed necessary by the executive directors, with the approval of the president.⁴⁸

In 2009 the Venezuelan Government reported that the funds for FONDEN had reached \$53 billion.⁴⁹ This figure cannot be verified since FONDEN does not publish financial reports on its website. By 2011 FONDEN had funded 140 projects worth a total of \$66 billion.⁵⁰ The Ministry of Defence was reported to be the third largest beneficiary of these funds, receiving 7 per cent.⁵¹

Foreign military aid

Although SIPRI counts foreign military aid in the military expenditure of the donor country, not the recipient, it is relevant in discussions of transparency as it is another form of off-budget funding for the military. The USA is the largest provider of FMA to states in Latin America and the Caribbean. Its military aid comes in the form of foreign military financing (specifically for US arms transfers), military education and training, and support for peace operations, counter-narcotics, non-proliferation, counterterrorism, demining and related programmes.⁵²

⁴⁴ Decree no. 3854, *Gaceta Oficial de la República Bolivariana de Venezuela*, no. 38 261, 29 Aug. 2005; and FONDEN, <<http://www.fonden.gob.ve/>>.

⁴⁵ The central bank has to transfer funds from its reserves when these stand at more than \$29 billion, the figure officially deemed the optimum for Venezuela's economy. Morgan, J., 'Venezuela budget planners in quandary over oil price outlook', *Latin American Herald Tribune*, 17 Sep. 2009.

⁴⁶ Webb-Vidal, A., 'Chávez diverts \$20bn to fund favourite causes', *Financial Times*, 7 Apr. 2006.

⁴⁷ Peñalosa, P. P., 'Acusan a Chávez de usar el Fonden para comprar armas' [Chávez is accused of using Fonden to purchase weapons], *El Universal* (Caracas), 16 Feb. 2010

⁴⁸ Acta Constitutiva y Estatutaria del Fondo de Desarrollo Nacional Fonden [National Development Fund Constitutive and Statutory Act], *Gaceta Oficial de la República Bolivariana de Venezuela*, no. 38 269, 9 Sep. 2005.

⁴⁹ Venezuelan Ministry for Communication and Information, 'Fondo de Desarrollo Nacional cuenta con 53 mil millones de dólares' [National Development Fund has 53 billion dollars], 8 Jan, 2009, <<http://www.venezueladeverdad.gob.ve/noticias/fondo-de-desarrollo-nacional-cuenta-con-53-mil-millones-de-dolares-2319.html>>.

⁵⁰ Morgado, Y., 'Cuentas oficiales del Fonden entregadas a la AN revelan poca claridad en las cifras' [Official accounts of the funds given to the NA reveals lack of clarity in the figures], *El Mundo* (Caracas), 31 Aug. 2011.

⁵¹ Morgado (note 50).

⁵² See e.g. 'U.S. foreign military assistance', Federation of American Scientists, <<http://www.fas.org/asmp/profiles/aid/aidindex.htm>>.

In Latin America, Colombia is the largest recipient of US military aid via Plan Colombia, with the USA providing approximately 35 per cent of total spending under the programme.⁵³ Between 2000 and 2008, Colombia received over \$6 billion in US assistance, of which \$4.9 billion was to support Colombian counter-narcotics efforts led by the Colombian police and military.⁵⁴ When it comes to reporting the size and uses of these off-budget resources, the Colombian National Planning Department has exercised some oversight by providing reports on the development of the plan.⁵⁵ A former Colombian Government website for Plan Colombia is no longer available. A 2005 study highlighted that the Ministry of Finance plays no role with regards to the resources of Plan Colombia, nor does it have any influence over these contributions, which are usually delivered in kind.⁵⁶ Thus, the transparency regarding the resources acquired via Plan Colombia, and their accountability through regular democratic processes, is limited. However, the ongoing process to nationalize Plan Colombia—that is, to transfer to Colombia the responsibility to finance programmes currently funded by the USA—will hopefully change this situation, as the Ministry of Finance and the National Planning Department will assume a broader role.⁵⁷ The new resources should be available in the Ministry of National Defence budget, thus overcoming the current lack of accounting of those funds.

Other countries in Latin America and the Caribbean that received US military and police aid in 2001–10 include Mexico (\$1.6 billion), Peru (\$601 million), Bolivia (\$374 million), Ecuador (\$309 million) and Chile (\$123 million).⁵⁸ This aid covers more than 30 assistance programmes, including international narcotics control and law enforcement, foreign military financing, excess defence articles (i.e. surplus military equipment), international military education and training.⁵⁹

⁵³ Plan Colombia funding is estimated at \$10.7 billion for the period 1999–2005, with \$6.95 billion (64.8%) from Colombian resources and \$3.78 billion (35.2%) provided by the US Government. Colombian National Planning Department, *Plan Colombia Progress Report 1999–2005* (Imprenta Nacional de Colombia: Bogotá, 2006), p. 9.

⁵⁴ US Government Accountability Office (GAO), *Plan Colombia*, GAO-09-71 (GAO: Washington, DC, Oct. 2008), p. 14.

⁵⁵ Colombian National Planning Department, *Plan Colombia Progress Report, 1999–2005* (National Planning Department: Bogotá, Sep. 2006).

⁵⁶ Villamizar, A. et al., *Transparencia del Presupuesto de Defensa: El Caso de Colombia* [Defence budget transparency: the case of Colombia], Papeles de Investigación (RESDAL: Buenos Aires, July 2005), p. 65.

⁵⁷ US Government Accountability Office (note 54).

⁵⁸ Just the Facts, 'Grant U.S. aid listed by country, all programs, entire region, 2001–10', <http://justf.org/All_Grants_Country>.

⁵⁹ Just the Facts, 'Grant U.S. aid listed by program, all programs, entire region, 2001–10', <http://justf.org/All_Grants_Program>.

3. Transparency at the international and regional level

For the purposes of this paper, international and regional transparency in the field of military spending and arms acquisitions is examined by analysing states' submissions of information to relevant mechanisms maintained by the OAS and the UN. Sharing this type of information is viewed as an important component of several CSBMs aimed at reducing interstate tension and building trust and confidence. Although CSBMs cannot provide a solution for situations of real tension or resolve long-standing political disputes, they can serve to generate confidence and enhance understanding. As noted above, several states in Latin America and the Caribbean are currently engaged in major arms acquisition programmes, which have served to spark or exacerbate tensions in the region. The effective implementation of mechanisms for building confidence and sharing information on arms acquisitions is all the more important in such situations.

Many of the CSBMs developed in Latin America and the Caribbean focus on sharing information on either a bilateral or a multilateral basis.⁶⁰ The most relevant is the 1999 Inter-American Convention on Transparency in Conventional Weapons Acquisitions (OAS Transparency Convention).⁶¹ In addition, along with all UN members, states in Latin America and the Caribbean are asked to participate in the UN instruments aimed at improving transparency in arms acquisitions and military spending, including the UN Standardized Instrument for Reporting Military Expenditures (UN Standardized Instrument), established in 1981, and the UN Register of Conventional Arms (UNROCA), established in 1991.

This chapter assesses the levels of participation in the UN Standardized Instrument, UNROCA and the OAS Transparency Convention by states in Latin America and the Caribbean. Although these three mechanisms have distinct origins, they share the common aim of building trust and confidence between states through the publication and sharing of information on arms acquisitions or military spending. The chapter examines states' records in submitting reports to each instrument, as well as the comprehensiveness of the information provided. Efforts within UNASUR to create a new set of CSBMs in the field of military spending and arms acquisitions are briefly outlined in box 3.1.

The United Nations Standardized Instrument for Reporting Military Expenditures

The UN Standardized Instrument has been refined several times since its inception in 1981. Since the mid-1990s it has come to be seen principally as a tool of transparency and confidence building among states, rather than a means of

⁶⁰ For a list of the CSBMs in the region see Organization of American States (note 8).

⁶¹ Inter-American Convention on Transparency in Conventional Weapons Acquisitions, adopted 7 June 1999, entered into force 21 Nov. 2002, <<http://www.oas.org/juridico/english/treaties/a-64.html>>.

Box 3.1. UNASUR exchanges of information

In November 2009 the ministers of foreign affairs and defence of the Union of South American Nations (Unión de Naciones Suramericanas, UNASUR) member states made a commitment to establish an ambitious array of confidence- and security-building measures (CSBMs) regarding military spending and arms acquisitions. The proposed measures included the creation of systems for reporting on military spending 'in all of its stages' and registering the 'transfer and procurement of equipment and Conventional Weapons'.^a September 2011 was later set as the deadline for the creation of CSBMs which will enhance transparency and complement 'existing instruments in the framework of the OAS'.^b Argentina, Chile and Peru later agreed to lead a working group to develop instruments on military spending.

In 2010 the South American Defence Council (Consejo de Defensa Suramericano, CDS) approved a Plan of Action that incorporated the 2009 proposal. Indeed, 'a common format was worked out during the year to be used by all member states for classifying and notifying others of their defence capabilities and expenditures'.^c In November 2011, a new Plan of Action was agreed for 2012 and member states were encouraged to submit information on their military expenditure by the end of December 2011. The objective of the 2012 Plan of Action is to advance the creation of a South American Register of Military Expenditure. Both Argentina and Ecuador have already released information on military expenditure following the format approved in the 2010 Plan of Action.^d

Little thought appears to have been given to the development of a UNASUR reporting instrument in the field of arms acquisitions, as originally envisioned in November 2009. As of December 2011, no working group had been created to explore this issue.

^a UNASUR, Extraordinary meeting of the ministers of foreign affairs and defence, Resolution, 27 Nov. 2009.

^b UNASUR, Extraordinary meeting of heads of state and government, 26 Aug. 2010.

^c International Institute of Strategic Studies (IISS), *The Military Balance 2011* (Routledge: London, 2011), p. 343; and CDS, 'Tercer Taller sobre Metodología de Medición del Gasto Militar' [Third workshop on methodology for the measurement military spending], 2 June 2011, <http://www.unasurcds.org/index.php?option=com_content&view=article&id=387>.

^d Argentina has reported a historical series of military expenditure following the UNASUR format in its latest defence white paper. Argentinian Ministry of Defence (MOD), *Libro blanco de la defensa: Argentina bicentenario 2010* [Defence white paper: Argentinian bicentennial 2010] (MOD: Buenos Aires, 2010). Ecuador has provided SIPRI with information for the years 2008–10 following the UNASUR format.

reducing military spending, as originally intended.⁶² Under the UN Standardized Instrument, states are annually invited to submit information by 30 April on expenditure on military personnel, operations and maintenance, procurement and construction, and research and development in the previous financial year. States are provided with a standardized form, which also allows them to disaggregate data by service (strategic forces, land forces, naval forces, air forces, central support and command, paramilitary forces, and FMA). An alternative, simplified reporting form only seeks aggregate data on personnel, operations and procurement. States that do not maintain regular armed forces are encouraged to submit a simple 'nil' report. The United Nations Office for Disarmament Affairs

⁶² United Nations, Office for Disarmament Affairs (UNODA), and SIPRI, *Promoting Further Openness and Transparency in Military Matters: An Assessment of the United Nations Standardized Instrument for Reporting Military Expenditures*, UNODA Occasional Papers no. 20 (United Nations: New York, Nov. 2010), pp. 6–7; and Omitoogun, W. and Sköns, W., 'Military expenditure data: a 40-year overview', *SIPRI Yearbook 2006* (note 29).

(UNODA) collects the data submitted by states and publishes it in an annual report by the UN Secretary-General. It also publishes all the information received on the UNODA website.

Between 1981 and 2010, 24 of the 33 states in Latin America and the Caribbean submitted at least one report to the UN Standardized Instrument.⁶³ Following modest levels of reporting during the 1980s and 1990s, participation rose after 2001 (see table 3.1). In the period 2001–2005 the annual average number of reports was 13. However, since then, levels of reporting by states in Latin America and the Caribbean have fallen, in line with global trends. In 2006–10 the annual average number of reports dropped to nine. Five states—Costa Rica, Grenada, Panama, Saint Lucia, and Saint Vincent and the Grenadines—have only submitted nil reports since 2000.

Despite calls by governments in Latin America and the Caribbean for increased transparency in military spending, levels of reporting to the UN Standardized Instrument in the region are at their lowest levels since 2008.⁶⁴ Investigation into the reasons for such a low response rate would be worthwhile to determine whether it is due to a lack of political will, to technical reasons, or a combination of both. A 2011 UN Group of Governmental Experts (GGE) report concluded that the reasons for the low reporting rate could include incompatibility of national accounting systems with the reporting matrix, the complexity of the standardized reporting form, a lack of political commitment, interest or capacity, the sensitivity of reporting military expenditures, and a general lack of awareness at the highest political level.⁶⁵

Argentina, Brazil and Mexico have regularly submitted reports to the UN Standardized Instrument and have the most consistent records of reporting since the instrument was created. A second group of states reports intermittently: Costa Rica, El Salvador, Guatemala, Jamaica and Peru. Chile and Ecuador, which used to report but have stopped, can be classed as ‘former regular reporters’. A final group of states are those with very low records of reporting. This group includes Bolivia, Honduras, Nicaragua, Paraguay and Uruguay, among others. Finally, Colombia recently rejoined the group of states reporting their military expenditure to the instrument.

The comprehensiveness of data submitted to the UN Standardized Instrument

The submission of data to the UN Standardized Instrument can be an effective means of increasing transparency in the field of military spending and building

⁶³ United Nations and SIPRI (note 62), p. 30.

⁶⁴ ‘La OEA llama a transparentar la información pública, los gastos bélicos y las campañas políticas’ [The OAS calls for greater transparency of public information, military expenditure and political campaigns], Infolatam, 3 June 2010, <<http://www.infolatam.com/2010/06/03/la-oea-llama-a-transparentar-la-informacion-publica-los-gastos-b-elicos-y-las-campanas-politicas/>>; and ‘UNASUR agrees to boost defense expenditure transparency’, MercoPress, 10 May 2010, <<http://en.mercopress.com/2010/05/10/unasur-agrees-to-boost-defense-expenditure-transparency>>.

⁶⁵ See United Nations, General Assembly, Report of the Group of Governmental Experts on the Operation and Further Development of the United Nations Standardized Instrument for Reporting Military Expenditures, annex to A/66/89, 14 June 2011, p. 13.

Table 3.1. Participation in the United Nations Standardized Instrument for Reporting Military Expenditures by states in Latin America and the Caribbean, 1980–2010

An x indicates that the state submitted a report to the UN Standardized Instrument on its military expenditure in that year. An asterisk (*) denotes a nil report. Years refer to the financial year covered by the report, not the year of its submission.

	1980–1999 (nil reports)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 ^a
<i>Caribbean</i>												
Antigua and Barbuda	–	–	–	–	–	–	–	–	–	–	–	–
Bahamas	–	–	–	–	–	–	–	–	–	–	–	–
Barbados	5	–	–	x	–	–	–	–	–	–	–	–
Cuba	–	–	–	–	–	–	–	–	–	–	–	–
Dominica	–	–	–	–	–	–	–	–	–	–	–	–
Dominican Republic	–	–	x	–	–	–	–	–	x	–	–	–
Grenada	–	–	–	x*	–	–	–	x*	–	–	–	–
Haiti	–	–	–	–	–	–	–	–	–	–	–	–
Jamaica	–	–	–	x	x	x	x	x	–	–	–	x
Saint Kitts	–	–	–	–	–	–	–	–	–	–	–	–
Saint Lucia	2 (2)	–	x*	–	x*	–	x*	–	x*	–	–	–
Saint Vincent and the Grenadines	1 (1)	–	–	–	–	–	x*	–	x*	–	–	–
Trinidad and Tobago	–	–	–	x	x	x	–	–	–	–	–	–
Subregional total	8	–	2	4	3	2	3	2	3	–	–	1
Nil reports	3	–	1	1	1	–	2	1	2	–	–	–
<i>Central America</i>												
Belize	–	–	–	–	–	–	–	–	–	–	–	–
Costa Rica	1 (1)	–	x*	x*	x*	x*	x*	–	–	x*	–	–
El Salvador	2	–	x	x	x	–	–	x	x	–	x	x
Guatemala	–	–	x	x	x	x	–	x	x	–	–	–
Honduras	–	–	x	–	–	x	–	–	–	–	–	–
Mexico	7	x	x	x	x	x	x	x	x	x	x	x
Nicaragua	–	–	–	x	x	–	x	x	–	–	–	–
Panama	2 (1)	–	x*	–	–	x*	–	x*	x*	–	–	–
Subregional total	12	1	6	5	5	5	3	5	4	2	2	2
Nil reports	2	–	2	1	1	2	1	1	1	1	–	–
<i>South America</i>												
Argentina	15	x	x	x	x	x	x	x	x	x	x	x
Bolivia	–	–	–	–	–	x	x	x	–	–	–	–
Brazil	10	x	x	x	x	x	x	x	x	x	x	x
Chile	11	–	x	x	–	x	x	x	x	–	–	–
Colombia	4	–	–	–	–	–	–	–	x	x	x	–
Ecuador	3	x	x	x	x	x	x	x	–	–	–	–
Guyana	–	–	–	–	–	–	–	–	–	–	–	–
Paraguay	2	–	–	–	x	–	–	x	x	–	–	–
Peru	3	x	x	x	–	–	–	–	x	–	–	x
Suriname	1	–	–	–	–	–	x	–	x	x	–	–
Uruguay	1	x	x	x	–	–	–	–	–	–	–	–
Venezuela	–	–	–	–	–	–	–	–	–	–	–	–
Subregional total	50	5	6	6	4	5	6	6	7	4	3	3
Nil reports	–	–	–	–	–	–	–	–	–	–	–	–
Regional total	70	6	14	15	12	12	12	13	14	6	5	6
Nil reports	5	–	3	2	2	2	3	2	3	1	–	–
Global total	558	60	81	76	79	77	82	81	77	58	60	47
Nil reports	16	5	12	11	10	11	11	12	8	6	7	6

^a Figures for 2010 include reports submitted up to Sep. 2011; the final figures for 2010 may be higher.

Sources: United Nations, Instrument for Standardized International Reporting of Military Expenditures, <<http://unhq-appspub-01.un.org/UNODA/Milex.nsf>>; and United Nations, General Assembly, Report of the Group of Governmental Experts on the Operation and Further Development of the United Nations Standardized Instrument for Reporting Military Expenditures, annex to A/66/89, 14 June 2011, pp. 39–40.

trust and confidence between states. However, in order to serve this purpose, the data submitted must be comprehensive in order to be comparable to that submitted by other states.⁶⁶ In the case of Latin America and the Caribbean, the main problems that arise from an examination of reports submitted between 2006 and 2010 include (a) the exclusion of off-budget funding (e.g. Chile); (b) the exclusion of pensions (e.g. El Salvador); (c) the inclusion of internal security expenditure, such as on national police (e.g. Colombia); (d) under-reporting in comparison to the official budget due to the exclusion of some services (e.g. naval forces in the case of Mexico in 2006, land forces in the case of Peru in 2010 and all but naval forces in the case of Peru in 2007) or of some elements of the military expenditure definition (e.g. Brazil in 2006 and the Dominican Republic in 2007); and (e) the exclusion of paramilitary forces (e.g. the Carabineros in Chile). Yet at least one state, Colombia, has demonstrated an interest in improving the reporting instrument and has suggested ways to better define the components of military expenditure.⁶⁷

When comparing the data from the annual budget laws with that submitted to the UN Standardized Instrument it appears that some states have been more responsive to the main purpose of the register—fostering transparency—by giving detailed information about each of the elements of the UN standardized or simplified reporting forms. In other cases, it is not clear why states omit information or under-report their military expenditure in their annual submissions. It would therefore be interesting to see whether there are improvements in the reports by Latin American and Caribbean states if the recommendations of the 2011 GGE report are implemented in the future.

The United Nations Register of Conventional Arms

The UN General Assembly established UNROCA in December 1991 in order to ‘enhance confidence, promote stability, help States to exercise restraint, ease tensions and strengthen regional and international peace and security’ and ‘to prevent the excessive and destabilizing accumulation of arms . . . in order to promote stability and strengthen regional or international peace and security’.⁶⁸ States

⁶⁶ United Nations and SIPRI (note 62), p. 18.

⁶⁷ United Nations, Instrument for Standardized International Reporting of Military Expenditures, <<http://unhq-appspub-01.un.org/UNODA/Milex.nsf>>, Submission of Colombia for FY2009, ‘Views received from the Government of Colombia in accordance with paragraphs 6 (b) of General Assembly resolution 64/22’, 8 Apr. 2010.

⁶⁸ UN General Assembly Resolution 46/36L, 6 Dec. 1991.

Table 3.2. Participation in the United Nations Register of Conventional Arms by states in Latin America and the Caribbean, 1992–2010

An x indicates that the state submitted a report to UNROCA on its arms imports in that year. An asterisk (*) denotes a nil report. Years refer to the year covered by the report, not the year of its submission.

	1992–99 (nil reports)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 ^a
<i>Caribbean</i>												
Antigua and Barbuda	3 (3)	x*	x*	x*	x*	–	x*	x*	x*	x*	x*	–
Bahamas	2 (2)	–	x*	–	x*	x*	–	x*	–	–	–	–
Barbados	5 (5)	x*	x*	x*	x*	–	–	–	–	–	–	–
Cuba	8 (8)	x*	x*	x*	x*	x*	x*	x*	–	–	–	–
Dominica	5 (5)	–	x*	–	–	–	–	–	–	–	–	–
Dominican Republic	4 (4)	–	–	–	–	–	–	–	–	–	–	x
Grenada	5 (5)	x*	x*	x*	–	x*	x*	–	x*	x*	–	x*
Haiti	–	–	x*	x*	–	–	–	x*	–	–	–	–
Jamaica	6 (6)	x*	x*	x*	x*	x*	x*	x*	–	–	–	–
Saint Kitts	1 (1)	x*	x*	–	–	–	x*	–	–	–	–	–
Saint Lucia	4 (4)	–	–	x*	–	x*	x*	x*	–	–	–	–
Saint Vincent and the Grenadines	2 (2)	–	x*	–	–	x*	x*	x*	–	x*	–	–
Trinidad and Tobago	5 (5)	x	–	x*	x*	x*	x*	x*	–	–	–	x*
Subregional total	50	7	10	8	6	7	8	8	2	3	1	3
Nil reports	50	6	10	8	6	7	8	8	2	3	1	2
<i>Central America</i>												
Belize	4 (4)	x*	x*	x*	x*	x*	x*	x*	x*	x*	–	x*
Costa Rica	2 (2)	x*	x*	x*	x*	x*	x*	x*	–	x*	–	–
El Salvador	2 (2) ^b	–	–	x* ^b	x*	x* ^b	–	x*	x*	–	x* ^b	–
Guatemala	4 (4)	x*	x*	x*	x*	x*	x*	x*	x*	–	–	–
Honduras	4 (4)	x*	x*	x*	x*	–	–	–	–	–	–	–
Mexico	8 (4)	x	x	x	x	x	x*	x	x	x*	x	x*
Nicaragua	1 (1)	–	–	–	–	–	x*	x*	–	–	–	–
Panama	2 (2)	x*	x*	x*	–	–	–	x*	–	x*	–	–
Subregional total	27	6	6	7	6	5	5	7	4	4	2	3
Nil reports	23	5	5	6	5	4	5	6	3	4	1	3
<i>South America</i>												
Argentina	8 (1)	x	x*	x	x	x*	x*	–	x*	x	x	x*
Bolivia	2 (1)	x*	x*	x*	x*	x*	x*	x*	–	x*	x*	–
Brazil	8	x	x	x	x	x	x	x	x	x	x	x
Chile	8 (1)	x	x*	x	x	x	x	x	x	x	x	x
Colombia	1	–	–	–	–	–	–	–	x	–	x	x
Ecuador	4 (4)	x*	x*	x*	x*	–	x*	–	–	–	–	x
Guyana	4 (4)	x*	x*	–	x*	x*	x*	–	–	–	–	x*
Paraguay	6 (6)	x*	x*	x*	x*	x*	x*	x*	–	–	–	–
Peru	8 (2)	x*	x*	x	x*	x	–	–	–	x	x	x
Suriname	1 (1)	x*	x*	x*	x*	–	x*	x*	x*	x*	–	x*
Uruguay	2	x	x*	x	–	–	–	–	–	–	x ^b	x*
Venezuela	1 (1)	–	–	x*	–	–	–	–	–	–	–	–
Subregional total	53	10	10	10	9	7	8	5	5	6	7	9
Nil reports	21	6	9	5	6	4	6	3	2	2	1	..
Regional total	132	23	26	25	21	19	21	20	11	13	10	15
Nil reports	94	17	24	19	17	15	19	17	7	9	3	..
Global total	762	118	126	123	115	117	117	113	91	80	72	78
Nil reports	367	68	77	77	66	65	71	62	39	30	30	..

^a Figures for 2010 are those available as of Dec. 2011; the final figures for 2010 may be higher. No total for nil reports for 2010 is available since it is not known whether the reports of Colombia and Ecuador are nil reports.

^b El Salvador's reports for 1998, 2002, 2004 and 2009 and Uruguay's report for 2009 are only available on the OAS website.

Source: UNROCA database, <<http://www.un-register.org/>>.

believed that making the quantity and type of arms transferred by states more transparent could build confidence by reducing the risk of misperceptions and miscalculations about the military holdings and intentions of other states. Under UNROCA, states are requested to report annually on the import and export of seven categories of major conventional weapons: battle tanks, armoured combat vehicles, large-calibre artillery, combat aircraft, attack helicopters, warships, and missiles and missile launchers.⁶⁹ States are requested to provide information on the quantities and types of weapon and the exporting or importing state and are invited to provide a description of the item and any additional comments on the transfer.⁷⁰ In addition, states are invited to provide background information on military holdings, procurement from national production, national defence white papers, national export control systems and—since 2003—transfers of small arms and light weapons (SALW).⁷¹ States that have neither imported nor exported any item covered by UNROCA are requested to submit a nil report. States are provided with a standardized reporting form for submitting information on transfers and a simplified form for submitting nil reports. Since 2006 states have also been provided with a standardized form for submitting information on transfers of SALW.⁷²

UNROCA remains the key international mechanism for reporting on international arms transfers and has played an important role in promoting norms of transparency in this field in the post-cold war period. UNROCA acts as both an intergovernmental confidence-building mechanism and a public transparency instrument, since all submissions are reproduced on the website of the UNODA.⁷³ However, UNROCA has often been criticized for its limited focus and its lack of relevance for the security needs of many states, particularly those in the Global South. In its early years, commentators argued that the relevance of UNROCA for states in Latin America and the Caribbean would be enhanced if its coverage were expanded to include SALW, the trafficking of which was a source of many of

⁶⁹ For a full description of the UNROCA categories see <<http://www.un.org/disarmament/convarms/Register/>>.

⁷⁰ Holtom, P., Béraud-Sudreau, L. and Weber, H., 'Reporting to the United Nations Register of Conventional Arms', SIPRI Fact Sheet, May 2011, <http://books.sipri.org/product_info?c_product_id=424>, p. 2; and Holtom, P. and Bromley, M., *Implementing an Arms Trade Treaty: Lessons on Reporting and Monitoring from Existing Mechanisms*, SIPRI Policy Paper no. 28 (SIPRI: Stockholm, July 2011), pp. 5–7.

⁷¹ Holtom, P., Béraud-Sudreau and Weber (note 70), p. 2.

⁷² Holtom, P., *Transparency in Transfers of Small Arms and Light Weapons: Reports to the United Nations Register of Conventional Arms, 2003–2006*, SIPRI Policy Paper no. 22 (SIPRI: Stockholm, July 2008).

⁷³ United Nations, Office for Disarmament Affairs, 'UN Register of Conventional Arms', <<http://www.un.org/disarmament/convarms/Register/>>.

the region's security problems.⁷⁴ Indeed, Jamaica, Nicaragua and Panama all included information on transfers of SALW in their early submissions to UNROCA.

The UNODA is the depositary for submissions by states and collates them for the UN Secretary-General's annual report on UNROCA.⁷⁵ As part of its efforts to increase participation in UNROCA, the UNODA has held 20 outreach seminars—including 4 in the Americas—to raise awareness of UNROCA and explain the purpose and practicalities of reporting.⁷⁶

Between 1992 and 2010, all 33 states in Latin America and the Caribbean submitted at least one report to UNROCA (see table 3.2).⁷⁷ Following modest levels of reporting in the 1990s, participation peaked in 2002 when 26 states submitted reports on arms transfers in 2001. Since then, levels of reporting by states in Latin America and the Caribbean have fallen, and in 2010 only 8 states submitted data on their transfers in 2009.⁷⁸ While this decline was in line with global trends, the 69 per cent fall in reporting in Latin America and the Caribbean between 2002 and 2010 is greater than the 43 per cent global fall. As in the rest of the world, the decrease in reporting among states in Latin America and the Caribbean appears to be largely driven by a decrease in reporting by states that had previously submitted nil reports (see table 3.2).⁷⁹ The drop in reporting has been particularly steep among states in Central America and the Caribbean. Between 2007 and 2010, levels of reporting in Central America fell from 90 per cent to 10 per cent and in the Caribbean they fell from 60 per cent to 10 per cent. In contrast, levels of reporting among states in South America rose from 40 per cent to 50 per cent. There are initial signs that the fall in reporting across the region may be reversing. As of December 2011, 15 states had submitted reports on their arms transfers in 2010, a rise of 50 per cent on the previous year. This is significant, given that the global level rose by only 8 per cent.

Since the standardized form for submitting information on SALW transfers was first circulated in 2006, an average of seven states in Latin America and the Caribbean have submitted information each year on SALW transfers. Participation has been particularly weak in the Caribbean. In 2007 five Caribbean states submitted reports on their transfers of SALW in 2006. Since then, the number of Caribbean states submitting reports has never risen above two.

A small number of states in Latin America and the Caribbean have submitted background information on their holdings of military equipment as well as their procurement from national production. Since 1994 the number of states submit-

⁷⁴ Rodriguez, R. M., 'Arms transparency in the inter-American security system', eds M. Chalmers, M. Donowaki and O. Greene, *Developing Arms Transparency: The Future of the UN Register*, Bradford Arms Register Studies no. 7 (University of Bradford: Bradford, 1997), pp. 183–84.

⁷⁵ Prior to 2007, the work was carried out by the UNODA's predecessors, the UN Centre for Disarmament Affairs (CDA, 1992–97) and the UN Department for Disarmament Affairs (DDA, 1997–2007).

⁷⁶ Holtom, Béraud-Sudreau and Weber (note 70), p. 6.

⁷⁷ On worldwide levels of reporting to UNROCA see Holtom, Béraud-Sudreau and Weber (note 70).

⁷⁸ UNROCA reports by El Salvador and Uruguay for 2009, which are only available on the OAS website, are not included in this total.

⁷⁹ United Nations, General Assembly, 'Continuing operation of the United Nations Register of Conventional Arms and its further development', Note by the Secretary-General, A/64/296, 14 Aug. 2009, para. 27.

ting information on military holdings has never risen above two in any year and the number of states submitting information on procurement from national production has never risen above one. Since 1999, the only states to have submitted this information to UNROCA are Argentina and Brazil, which are also the only two states in Latin America and the Caribbean to manufacture and export significant quantities of conventional weapons.

The most frequently cited reasons provided by GGE reports to explain non-reporting to UNROCA include political considerations, inadequate institutional capacity, the lack of relevance of UNROCA to states' national security concerns, changes in regional or subregional security or political situations, and concerns over the security implications of making the requested information public.⁸⁰

The UN General Assembly resolution that established UNROCA called on states to 'cooperate at a regional and subregional level ... with a view to enhancing and coordinating international efforts aimed at increased openness and transparency in armaments'.⁸¹ The OAS has been particularly active in raising the profile of UNROCA and in seeking to increase levels of participation in the Americas. The 1995 Declaration of Santiago recommended that all states in the Americas should participate in UNROCA.⁸² The OAS General Assembly regularly passes resolutions calling on member states to provide their submissions under UNROCA and the UN Standardized Instrument to the OAS Secretary General by 15 May each year.⁸³ In 2010, five states in Latin America and the Caribbean—Argentina, El Salvador, Mexico, Peru and Uruguay—made their UNROCA submissions available to the OAS. However, five states that had reported to UNROCA—Antigua and Barbuda, Bolivia, Brazil, Chile, and Colombia—did not make those submissions available to the OAS. More confusingly, two states—El Salvador and Uruguay—appear to have made UNROCA submissions available to the OAS without submitting them to the UN. These reports can be accessed via the OAS website but are not available on the UN website. Whether this is due to an oversight by the UN or the national government is unclear.

The comprehensiveness of data submitted to UNROCA

In order to assess the level of transparency achieved by states in Latin America and the Caribbean in the field of arms imports, the comprehensiveness of states' submissions to UNROCA must be verified. Here, comprehensiveness is understood to be the extent to which states' submissions accurately capture the full range of transfers covered by UNROCA. The focus below is on the period 2005–2009, divided into (a) an internal verification, where each state's UNROCA

⁸⁰ United Nations, General Assembly, 'Continuing operation of the United Nations Register of Conventional Arms and its further development', Note by the Secretary-General, A/61/261, 15 Aug. 2006, paras 35, 51.

⁸¹ UN General Assembly Resolution 46/36L (note 68).

⁸² Organization of American States, Declaration of Santiago (note 13).

⁸³ The first such resolution was passed in 1996. Organization of American States, General Assembly, 'Confidence- and security-building measures in the Americas', Resolution AG/RES. 1409 (XXVI-O/96), 7 June 1996. Similar resolutions are passed annually. The OAS makes UNROCA and UN Standardized Instrument submissions available at <<http://www.apps.oas.org/cshdocs/defaultENG.aspx>>.

submission on arms imports is compared with other states' UNROCA submissions on arms exports; and (b) an external verification, where each state's UNROCA submission on arms imports is compared with information contained in the SIPRI Arms Transfers Database.⁸⁴ For more details of the methodology applied, see appendix B.

The internal verification of comprehensiveness presents a mixed picture. For the majority of states in Latin America and the Caribbean, slightly more information has been provided to UNROCA by the importer state than the corresponding exporter state. Overall, there were 22 matching reports on transfers, 20 unmatched importer reports and 15 unmatched exporter reports.⁸⁵ However, the picture varies greatly from state to state. For four states—Brazil, Chile, Mexico and Peru—there were more unmatched importer reports than unmatched exporter reports; for two of these states—Mexico and Peru—there were no unmatched exporter reports. This means that all reported exports to Mexico and Peru are covered by those states' importer reports. The situation is reversed for Uruguay and Venezuela. Uruguay submitted only two reports to UNROCA for imports in 2005–2009; there were no unmatched importer reports and four unmatched exporter reports of transfers to Uruguay. Venezuela submitted no reports to UNROCA for 2005–2009; there were five unmatched exporter reports of transfers to Venezuela. Thus, the majority of information available from UNROCA on arms transfers to Uruguay and Venezuela in 2005–2009 was provided by exporter states.⁸⁶

As with the internal check, the external check reveals significant differences in the comprehensiveness of information supplied to UNROCA by states in Latin America and the Caribbean on their arms imports. In addition to Uruguay and Venezuela, three more states are revealed to have failed to submit information to UNROCA on their arms imports during 2005–2009—Bolivia, the Dominican Republic and Ecuador. This was not apparent from the internal check on compliance because the countries that exported weaponry to these three countries in 2005–2009—Argentina, Chile, India, Israel and Venezuela—did not report the transfers to UNROCA.⁸⁷ The external check on comprehensiveness underlines the importance of importer state reports to UNROCA since exporter state reports cannot be relied on to provide a complete picture of other states' acquisitions from abroad. The external check on compliance also reveals large differences

⁸⁴ The methodology used here is based on that in Holtom (note 72).

⁸⁵ Reports to UNROCA by an importer and an exporter are 'matching' if they report on the transfer of a particular weapon system, even if the numbers of items differ. An importer report to UNROCA is 'unmatched' if it includes information on the transfer of a particular weapon system but there is no corresponding exporter report to UNROCA. An exporter report to UNROCA is 'unmatched' if it includes information on the transfer of a particular weapon system for which there is no corresponding importer report to UNROCA.

⁸⁶ Belgium, Canada, Germany, Portugal and Russia reported on the transfer of armoured vehicles and ships to Uruguay in 2005–2009. China and Russia reported on the transfer of 30 aircraft, 10 helicopters and 2272 missiles to Venezuela in 2005–2009.

⁸⁷ While the Dominican Republic did not report on its arms imports in 2009 it did submit a report on its arms imports in 2010, including information on the transfer of 6 A-29 Super Tucano combat aircraft from Brazil.

between the information that states provide to UNROCA on their imports of missiles and the information in the SIPRI Arms Transfers Database, obtained from other open sources. For example, Brazil and Chile—while transparent in many areas—both appear to have under-reported their missile imports to UNROCA. Providing the exact number of missile deliveries to UNROCA has proven to be very sensitive for a number of states and those in Latin America and the Caribbean are not alone in being wary about providing complete information in this area.⁸⁸ Conversely, certain states also provided information to UNROCA on some missile systems—particularly anti-tank missiles—that are not covered by UNROCA (see the Chile case study below).

The Inter-American Convention on Transparency in Conventional Weapons Acquisition

The 1999 OAS Transparency Convention, which was modelled on UNROCA, is intended to promote ‘regional openness and transparency in the acquisition of conventional weapons by exchanging information regarding such acquisitions, for the purpose of promoting confidence among States in the Americas’.⁸⁹ It requires the governments of states parties to submit annual reports on all imports and exports of the seven UNROCA categories of major conventional weapons. As with UNROCA, the OAS Transparency Convention requires states to provide information on the quantity and type of weaponry, as well as the importing or exporting state. The OAS Transparency Convention expands on the provisions of UNROCA in three key respects. First, the reporting requirements cover both arms imports and acquisitions from national production. Second, states are required to submit reports on all acquisitions within 90 days of their incorporation into the armed forces. Third, the OAS Transparency Convention is a legally binding instrument: states parties must comply with its reporting requirements. However, unlike UNROCA, the OAS Transparency Convention contains no invitation to submit information on national defence white papers, national export control systems or transfers of SALW.

The OAS Transparency Convention grew out of a 1997 OAS resolution that the organization would consider the desirability of a legal commitment to provide advance notification of the acquisition of weapon systems covered by UNROCA.⁹⁰ The USA, which was one of the principal proponents of the regime, sought to retain the focus on advance notifications, but this was resisted by other states.⁹¹ Instead, as with UNROCA, the requirement is to provide information on acqui-

⁸⁸ United Nations, Office for Disarmament Affairs, *Assessing the United Nations Register of Conventional Arms*, UNODA Occasional Papers no. 16 (United Nations: New York, Apr. 2009), p. 21.

⁸⁹ Inter-American Convention on Transparency in Conventional Weapons Acquisitions (note 61), Article 2.

⁹⁰ US Department of State, Bureau of Western Hemisphere Affairs, ‘Inter-American Convention on Transparency in Conventional Weapons Acquisitions’, Fact sheet, 28 Mar. 2007, <http://www.archive.usun.state.gov/fact_sheet/ps2.pdf>.

⁹¹ ‘OAS Transparency Convention ready for signature’, *Arms Control Today*, vol. 29, no. 3 (Apr./May 1999).

Table 3.3. Participation in the Inter-American Convention on Transparency in Conventional Weapons Acquisition in Latin America and the Caribbean, 2000–10

An x indicates that the state submitted a report to the OAS Transparency Convention on its arms acquisitions in that year. An asterisk (*) denotes a nil report. Years refer to the year covered by the report, not the year of its submission.

	Ratified convention ^a	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 ^b
<i>Caribbean</i>												
Antigua and Barbuda	..	..	..	..	..	..	..	..	..	..	..	..
Bahamas	.. ^c	..	..	..	..	..	..	..	x*	..	..	..
Barbados	..	..	..	..	..	..	..	..	..	..	..	..
Cuba ^d	..	..	..	..	..	..	..	..	..	..	..	..
Dominica	Signed	..	..	..	..	..	..	..	..	..	..	..
Dominican Republic	2009	..	..	..	..	..	..	..	..	..	-	-
Grenada	..	..	..	..	..	..	..	..	..	..	..	..
Haiti	Signed	..	..	..	..	..	..	..	..	..	..	..
Jamaica	..	..	..	..	..	..	..	..	..	..	..	..
Saint Kitts	..	..	..	..	..	..	..	..	..	..	..	..
Saint Lucia	..	..	..	..	..	..	..	..	..	..	..	..
Saint Vincent and the Grenadines	..	..	..	..	..	..	..	..	..	..	..	..
Trinidad and Tobago	..	..	..	..	..	..	..	..	..	..	..	..
Subregional total	1	-	-	-	-	-	-	-	1	-	-	-
Nil reports		-	-	-	-	-	-	-	1	-	-	-
<i>Central America</i>												
Belize	..	..	..	..	..	..	..	..	..	..	..	..
Costa Rica	2011	..	..	..	..	..	..	..	..	..	..	..
El Salvador	2002	..	..	-	-	-	-	-	-	x	x*	x*
Guatemala	2001	..	-	-	-	-	-	-	-	-	x*	-
Honduras	Signed	..	..	..	..	..	..	..	..	..	..	..
Mexico	2010	..	..	..	..	..	..	..	..	x	-	x*
Nicaragua	2003	..	..	..	-	-	-	-	-	-	-	-
Panama	..	..	..	..	..	..	..	..	..	..	..	..
Subregional total	5	-	-	-	-	-	-	-	-	2	2	2
Nil reports		-	-	-	-	-	-	-	-	-	2	2
<i>South America</i>												
Argentina	2004	..	..	..	..	-	-	-	-	x	-	-
Bolivia	Signed ^c	..	..	..	..	..	..	..	..	..	..	x*
Brazil	2006	..	..	..	..	..	..	x	x	x	x	x
Chile	2005	..	..	..	..	..	x	x	x	x	x	x
Colombia	Signed	..	..	..	..	..	..	..	..	..	..	..
Ecuador	2001	..	-	-	-	-	-	-	-	-	-	x
Guyana	..	..	..	..	..	..	..	..	..	..	..	..
Paraguay	2002	..	..	-	-	-	-	-	x*	x*	-	-
Peru	2002	..	..	-	-	-	x ^e	x ^e	x ^e	x ^e	x	x
Suriname	..	..	..	..	..	..	..	..	..	..	..	..
Uruguay	2001	..	-	-	-	-	x	-	-	-	-	-
Venezuela	2005	..	..	..	..	..	-	-	-	-	-	-
Subregional total	8	-	-	-	-	-	3	3	4	5	3	5
Nil reports		-	-	-	-	-	-	-	1	1	-	1
Regional total	14^f	-	-	-	-	-	3	3	5	7	5	7
Nil reports		-	-	-	-	-	-	-	2	1	2	3

^a In this column, ‘.’ indicates that the state has not signed the convention and ‘Signed’ indicates that it has signed but not yet ratified the convention. States are only required to report to the OAS Transparency Convention after ratification.

^b Figures for 2010 include reports submitted up to Sep. 2011; the final figures for 2010 may be higher.

^c The Bahamas and Bolivia have submitted reports on arms acquisitions despite not being parties to the convention.

^d Cuba's membership of the OAS was suspended until June 2009; since then it has declined to participate in OAS activities such the OAS Transparency Convention.

^e Peru submitted a single report in May 2009 containing information for the period 2005–2008, including information on imports of small arms and light weapons.

^f In addition, Canada has signed and ratified the convention and the United States has signed but not yet ratified it.

Sources: Organization of American States, Permanent Council, Committee on Hemispheric Security, 'Catalogue of member states reports presented in compliance with general assembly resolutions on hemispheric security issues', <<http://www.apps.oas.org/cshdocs/defaultENG.aspx>>; and Organization of American States, 'Signatories and ratifications', <<http://www.oas.org/juridico/english/sigs/a-64.html>>.

sitions, although the provision of advance notifications on future requirements is not prohibited. The OAS Transparency Convention entered into force on 21 November 2002, 30 days after the sixth ratification. Initially, the OAS was not expected to release states' submissions to the public.⁹² However, all submitted reports are made available on the OAS website.⁹³

To date, 14 states from Latin America and the Caribbean have ratified the OAS Transparency Convention (see table 3.3). However—despite it being a legally binding instrument—only 12 states have provided an annual report on at least one occasion, including the Bahamas and Bolivia, which are not parties to the convention. Three parties have never submitted an annual report—the Dominican Republic, Nicaragua and Venezuela.⁹⁴ Among the states which have submitted reports, participation is patchy and inconsistent. In only one year have more than half of all parties submitted reports and only Brazil and Chile have submitted annual reports on a regular basis since becoming parties.⁹⁵ Brazil and Chile are also the only states that have submitted information on acquisitions within the 90-day deadline.

In 2010 the OAS Secretariat for Multidimensional Security announced that it was seeking enhanced cooperation with the UNODA, which administers UNROCA, to strengthen links between the two transparency instruments.⁹⁶ This included efforts to 'synchronize the functioning and operation of the Convention and the UN Register'. As already noted, there appears to be a lack of consistency in how states comply with the call to submit their UNROCA submission to the OAS. In addition, in certain cases it appears that compliance with the OAS Trans-

⁹² 'OAS Transparency Convention ready for signature' (note 91).

⁹³ These reports are available from Organization of American States, Permanent Council, Committee on Hemispheric Security, 'Inter-American Convention on Transparency in Conventional Weapon Acquisition (CITAAC)', <<http://www.oas.org/csh/english/conventionalweapons.asp>>.

⁹⁴ In addition, Costa Rica, which ratified the convention in 2011, has yet to submit a report. However, it has until Dec. 2012 to submit its first report, for 2011.

⁹⁵ Holtom and Bromley (note 70), pp. 16–17.

⁹⁶ Organization of American States, Committee on Hemispheric Security, 'Presentation by the Secretariat for Multidimensional Security on steps taken to collaborate with the United Nations Office for Disarmament Affairs to strengthen the implementation of the Inter-American Convention on Transparency in Conventional Weapons Acquisitions (6 April 2010)', Doc. OEA/Ser.G CP/CSH-1204/10, 8 Apr. 2010.

parency Convention has affected states' participation in UNROCA, even though reporting requirements for the two instruments are largely identical. For example, Guatemala and Paraguay seem to have stopped reporting to UNROCA after they began reporting to the OAS Transparency Convention (see tables 3.2 and 3.3).

Participation in UNROCA and the OAS Transparency Convention: case studies

This section provides a brief analysis of national records of submitting reports to UNROCA and the OAS Transparency Convention by Chile, Uruguay and Venezuela. All three states were recipients of weapons covered by UNROCA and the OAS Transparency Convention in 2005–2009. However, while Chile regularly submitted reports on arms imports to both UNROCA and the OAS Transparency Convention, Uruguay failed to do so for much of the time and Venezuela never did. The case studies examine the methods that each country used for collecting information for their submissions and the possible reasons for non-reporting.

Chile

Chile has submitted reports to UNROCA on its arms transfers in every year since 1992 and to the OAS Transparency Convention since 2005. Chile's information on arms imports often appears to be based on details of its orders of military equipment rather than actual deliveries. For example, in its 2010 submission on transfers during 2009, the Chilean Government reported on the import of 12 self-propelled guns from the USA.⁹⁷ This appears to refer to an order for 12 M-109A5 155-mm artillery pieces that was discussed in 2009 but not placed until 2010, with delivery due to take place in 2012.⁹⁸ Reporting on weapon systems ordered as opposed to weapon systems delivered is a common practice.⁹⁹ Indeed, for UNROCA to serve its potential as an early-warning and confidence-building mechanism, information on orders is more useful than information on deliveries. However, making it clear in a state's submission whether information relates to orders or deliveries can improve transparency and avoid misunderstanding.

Chile has also submitted reports on the import of weapon systems that are not covered by UNROCA. For example, the category of 'Missiles and missile launchers' covers 'Guided or unguided rockets, ballistic or cruise missiles capable of delivering a warhead or weapon of destruction to a range of at least 25 kilometres'. However, in 2005–2009 Chile reported on the import of Spike-LR anti-tank missiles, which have a maximum range of 4 km.¹⁰⁰

⁹⁷ United Nations, General Assembly, 'United Nations Register of Conventional Arms', Report of the Secretary-General, Addendum, 23 Nov. 2010, A/65/133/Add.2.

⁹⁸ US Department of Defense, 'Contracts', Press release, 17 Aug. 2011, <<http://www.defense.gov/Contracts/Contract.aspx?ContractID=4601>>.

⁹⁹ E.g. information supplied by Peru on transfers of A-37B aircraft from South Korea, Spike missiles from Israel and Fokker-50MP aircraft from the Netherlands in 2010 all seem to relate to orders of weapon systems rather than actual deliveries.

¹⁰⁰ Euro Spike, 'Three missiles satisfy all claims', <<http://www.eurospike.com/family.html>>.

Uruguay

Uruguay submitted a report to UNROCA on its transfers in 2009 and submitted a nil report for 2010. These were Uruguay's first submissions to UNROCA since 2002. Confusingly, the 2009 submission—which provided information on the transfer of 103 armoured vehicles from Canada—is available on the OAS website and not the UNODA website. It is unclear whether this is due to an oversight by the UN or the Uruguayan Government.

Although Uruguay ratified the OAS Transparency Convention in 2001, it has made only one submission: in 2006 it submitted information on the transfer of two warships from Germany in 2005.

The Ministry of Defence is responsible for compiling Uruguay's submissions to UNROCA and the OAS Transparency Convention.¹⁰¹ According to a Uruguayan official, the main reason for the country's failure to submit reports between 2002 and 2009 was a lack of time and not any opposition to the reporting instruments. Indeed, according to the official, Uruguay would favour the expansion of UNROCA to include a requirement for information on transfers of SALW, ammunition and components. Uruguay was able to make submissions to UNROCA for 2009 and 2010 without creating specific mechanisms to improve practices in this area.¹⁰²

Venezuela

Venezuela has only submitted two reports to UNROCA, both nil reports: one covering transfers in 1997 and one covering transfers in 2002. The 1997 submission included information on military holdings, providing the number of units in each of the seven categories of UNROCA.

Although Venezuela ratified the OAS Transparency Convention in 2005, it has never submitted a report.

According to a 1997 study, Venezuela wanted to participate in UNROCA but was unable to do so because of military secrecy laws.¹⁰³ The exact nature of these restrictions is unclear, as is the extent to which they are still in place and whether they continue to be responsible for Venezuela's failure to make submissions to UNROCA and the OAS Transparency Convention. However, Venezuela continues to maintain comparatively tight restrictions on the public dissemination of information on military spending and military capabilities. The 1999 Venezuelan Constitution gives the National Executive the right 'to classify and control disclosure of matters directly relating to the planning and execution of operations concerning national security'.¹⁰⁴ In addition, in September 2009 the Venezuelan National Assembly approved a law to maintain the confidentiality of

¹⁰¹ Uruguayan Government official, Communication with author, 6 May 2011.

¹⁰² Uruguayan Government official (note 101).

¹⁰³ Rodríguez (note 74), p. 182.

¹⁰⁴ Constitución de la República Bolivariana de Venezuela [Constitution of the Bolivarian Republic of Venezuela], *Gaceta Oficial*, no. 36.860, 30 Dec. 1999, Article 325.

military agreements between Venezuela and Russia.¹⁰⁵ Since 2006 Venezuela has signed a series of arms deals with Russia for the acquisition of a range of weapon systems covered by the seven UNROCA categories. Russia has reported to UNROCA on the deliveries under these agreements, including 24 combat aircraft, 44 attack helicopters and 2272 missiles and missile launchers, including 1800 man-portable air-defence systems (MANPADS). However, Venezuela has supplied no information on these transfers to either UNROCA or the OAS Transparency Convention.

¹⁰⁵ 'Acuerdos militares Venezuela-Rusia mantendrán confidencialidad' [Venezuela–Russia military agreements remain confidential], *El Universal* (Caracas), 23 Sep. 2009.

4. Conclusions

The availability and comprehensiveness of information provided by states in Latin America and the Caribbean on military spending and arms acquisitions have improved substantially in recent years. Nonetheless, this study highlights areas where substantial improvements are needed in order to increase transparency, thereby improving oversight and accountability at the national level and strengthening trust and confidence at the regional and international level. It is hoped that this analysis will pave the way for more in-depth studies on these issues. A future study on transparency at the national level could focus on the decision-making processes behind military budgeting and arms procurement, their levels of rationality, openness and accountability, and the degree of participation of parliament and civil society. In addition, this study hopes to catalyse new interest in improving and strengthening states' participation in CSBMs, both those covered by this study and others in which states in Latin America and the Caribbean participate.

With regard to transparency at the national level, most states in Latin America and the Caribbean with significant armed forces have produced at least one defence white paper or are in the process of producing one. States that have yet to produce a white paper have released defence or security policy documents in other formats. All countries surveyed make at least basic information on their defence budgets available online in a timely fashion. The great majority provide at least some disaggregation of data and make available actual expenditure figures for past years. In some cases, the budget and expenditure figures are disaggregated to a high degree. The treatment of arms acquisitions in budget documents varies, but most countries give at least the total amount spent and some give very detailed information on specific procurement programmes.

However, the information provided by many states reveals significant deficiencies in certain areas. In defence policy formation, many of the defence white papers appear to provide little information of real value; the primary purpose of these white papers may be to fulfil a formal requirement, rather than to conduct a serious evaluation of security needs and the appropriate means of meeting them. Moreover, there is little evidence of a clear connection between such policy documents and the process of allocating resources to meet stated policy goals via budgeting and acquisition processes.

A related conclusion is that the main deficiency in military spending transparency in Latin America and the Caribbean is the prevalence of off-budget spending—spending from sources of revenue outside the regular state budget, such as natural resource sales. While a few countries provide limited information on their off-budget military spending, in general no information is available on its full scope and extent. This represents a serious gap in the otherwise positive picture on transparency. Whether or not figures are available, off-budget financing falls wholly outside the regular budget-formation and democratic processes, which seriously undermines open and rational processes for resource allocation.

Nonetheless, there are some signs of improvement in this area, notably the ending in 2008 of Ecuador's practice of giving oil revenues directly to the military and moves in Chile to abolish the Copper Law, which provides funds for arms procurement.

The picture at the regional and international level is less encouraging than at the national level, with low participation in reporting mechanisms and weaker commitments to the norm of transparency in arms procurement and military expenditure. Many parties to the Inter-American Convention on Transparency in Conventional Weapons Acquisitions do not fulfil their obligations by submitting reports on arms acquisitions, while levels of reporting to the UN Register of Conventional Arms and the UN Standardized Instrument for Reporting Military Expenditures have fallen in recent years. However, in the case of UNROCA this is largely caused by a drop in the number of nil reports. Moreover, given the relatively narrow range of weapon systems covered by UNROCA and the rarity of purchases of such major equipment by most countries in the region, it appears that—with some key exceptions—the countries that have something to report to UNROCA do in fact report. Levels of reporting to UNROCA have actually increased in 2011, indicating that the recent fall in participation may be reversing.

Nonetheless, there are deficiencies in the comprehensiveness of reports to the international transparency mechanisms. Comparison with the SIPRI Arms Transfers Database shows that there are omissions in national reports to UNROCA. In reports to the UN Standardized Instrument, some countries leave out significant categories of military spending, such as pensions, as well as off-budget spending, even when figures are available. In some cases, countries have even left out entire armed services from their reports, which suggests that those completing the reports are not paying adequate attention to detail. With such deficiencies, the extent to which the reporting mechanisms can fulfil their purpose as regional confidence-building measures is severely limited, as they do not enable states to obtain a clear and reliable picture of developments in their neighbours' military capabilities.

Despite the negative aspects highlighted above, the improvements in transparency in military expenditure and arms acquisitions in Latin America and the Caribbean are real and tangible. Countries are, in the main, meeting the basic standard of making information available, and this information is often quite detailed. Meanwhile, activity within UNASUR indicates an ongoing commitment at the subregional level in South America to deepen information-sharing and transparency mechanisms as a means of building confidence between states and preventing arms races. This activity should be encouraged, particularly as the development of such subregional mechanisms can address the concerns of member states far more directly than global instruments ever can, as shown by the way in which the OAS Transparency Convention built on and adapted UNROCA to regional needs. However, South American states should try to synchronize UNASUR reporting requirements with existing commitments under UN and OAS instruments in order to avoid extra work for national officials. In particular, the types of information requested and the format of the reporting

templates should be harmonized as much as possible, although they need not match exactly. In addition, states need to streamline their national reporting processes in order to ensure that they do not submit reports to one instrument but not another, as has apparently happened in recent years in the case of UNROCA and the OAS Transparency Convention. Most importantly, UNASUR member states need to avoid creating a reporting requirement that only some states comply with, lest the new reporting instrument becomes a cause of distrust and loss of confidence rather than the reverse.

Looking ahead, a true deepening of transparency needs to bring attention to the processes that lead to decisions on military spending and arms acquisitions. A detailed analysis of these processes is beyond the scope of this study. However, the region lacks parliamentary and civil society participation in defence matters and, as this Policy Paper shows, the link between the formation of defence policy and the allocation of resources remains unclear. Moreover, the prevalence of off-budget expenditure seriously undermines any such link. As a result, virtually all the governments and citizens in Latin America and the Caribbean can say this about their countries' military spending: 'we know what we spent, but not why we spent it'.¹⁰⁶ Answering the second question—'why we spent it'—and opening up the decision-making processes around it are the next important steps for military transparency in this region, and should be a goal of political engagement by Latin American and Caribbean states, their parliaments and their societies.

¹⁰⁶ Giraldo (note 38), p. 184.

Appendix A. Regional survey of transparency in military expenditure

This survey is based on the information on military spending that is readily available through the websites of the finance or defence ministry, the national accounting office or the parliament of states in Latin America and the Caribbean.¹⁰⁸ Thus, although it seeks to be as comprehensive and detailed as possible, relevant information may be available through other channels and so the survey may not present the full picture of military expenditure information availability in Latin America and the Caribbean. For that purpose, work in the region would be necessary, including on-site visits to finance and defence ministries and a thorough review of the figures publicly available in print.

The comprehensiveness of the available information was assessed first by comparing it with the SIPRI definition of military expenditure. This includes all current and capital expenditure on the armed forces (including peacekeeping forces), the defence ministry and other government agencies engaged in defence projects; paramilitary forces when judged to be trained, equipped and available for military operations; and military space activities. This expenditure should include personnel (all expenditures on current military and civil personnel, pensions of military personnel, social services for personnel and their families); operations and maintenance; procurement; military research and development; military construction; and military aid (in the military expenditure of the donor country).¹⁰⁹

Two particular indicators of the comprehensiveness of the military budget are the inclusion of spending on military pensions and on arms procurement in the official figures. Military pensions may be clearly included in the budget or may appear elsewhere in an identifiable form. Details of arms acquisitions may be given or may be presented only under a general heading of 'procurement'; payments for arms acquisitions may not appear in the budget at all. Table A.1 indicates whether this is done for each country.

Three other indicators of the comprehensiveness of the official military budget are also given in the table: the publication of executed budget figures and the degree and type of disaggregation. While many countries have public military budgets, not all reveal their actual military spending figures at the end of the financial year; and only some make annual reports with analysis of executed budgets available. Disaggregation refers to the level of breakdown provided in the different budget documents. Some countries give a single figure for military expenditure, while others provide information on the various subcategories of expenditure. There are two principal ways in which government expenditure may be classified by spending area: by institution and by function. An insti-

¹⁰⁸ In addition, a field trip was made to Colombia in 2010.

¹⁰⁹ See 'The SIPRI definition of military expenditure', <http://www.sipri.org/research/armaments/milex/resultoutput/sources_methods/definitions>.

tutional classification is any breakdown of government spending by ministry, department or any other spending institution. A functional classification is any system intended to give a breakdown according to the purpose of the spending, regardless of which institution does the spending (e.g. 'defence', 'defence services' or sometimes 'defence and security services'). In most cases, and in particular in Latin America, institutional classifications better represent the full levels of expenses allocated to the military.

In table A.1, the time series refers to the period for which data is reported according to a consistent, comparable reporting system. In almost all cases, some data is also available for earlier years but is often reported according to a different system, and often with less disaggregation.

Table A.1. Transparency in military expenditure in Latin America and the Caribbean, 2001–10

Country	Reporting agency	Time series	Pensions included	Arms acquisitions included	Executed figures available	Disaggregation	Classification
Argentina	Ministry of Economy and Public Finance, National Budgetary Office	2001–10	Yes	Yes, but with little detail	Yes	Broken down (by service) into <ul style="list-style-type: none"> • personnel and non-personnel expenditures, • consumer goods, • fixed assets, and • others 	Both functional and institutional
	Ministry of Defence	2001–2009					
Belize	Ministry of Finance	2001–10	Not available	Not available, although there is one budget heading on 'arms and ammunition' without further information	Yes	Broken down for each service of the Belize Defence Forces into <ul style="list-style-type: none"> • personnel, • material and supplies, • maintenance costs, • operating costs (with a subheading for arms and ammunition), and • others 	Institutional
Bolivia	Ministry of Economy and Public Finance	2001–10	Yes, presented separately	Yes, in annual reports published by the Ministry of Finance	Yes	Broken down into <ul style="list-style-type: none"> • personnel and non-personnel services, • materials and supplies, • real assets and financial assets, • transfers, and • other expenses 	Institutional

Brazil	Ministry of Planning, Budget and Management Court of Audit	2001–10	Yes	Yes, and for more recent years with much detail of the project under which acquisitions fall, including the state of execution and sources of funding	Yes	Broken down (by service) into <ul style="list-style-type: none"> • programme, • function, • sub-function and • expense group 	Both functional and institutional
Chile	Ministry of Finance, Budget Directorate Ministry of National Defence	2001–10 2006–10	Yes, presented separately	Not available, protected by the Copper Law, although there is information on funds transferred each year by the state-owned copper company CODELCO; however, the MOD has published a time series of military expenditure date for 2006–10 in which it includes in the investment section a heading for weapon systems, without further detail	Yes	Broken down (by service) into <ul style="list-style-type: none"> • personnel expenses, • consumer goods and services, • current and capital transfers, • loans, and • others 	Institutional
Colombia	Ministry of Finance and Public Credit Ministry of National Defence	2001–10	Yes	Yes, in an annex to the main budget document, including source of funding	Yes	Broken down into <ul style="list-style-type: none"> • current expenditure (personnel expenses, general expenses, current transfers, capital transfers and production costs) and • investment expenditure (construction, maintenance and arms acquisitions) 	Institutional
Cuba	National Statistics Office	2003–2009	Not available	Not available	Yes	No disaggregation	Functional

Country	Reporting agency	Time series	Pensions included	Arms acquisitions included	Executed figures available	Disaggregation	Classification
Dominican Republic	Ministry of Finance, Budget Directorate-General	2001–10	Yes	Yes, for more recent years; for example, payments for the acquisition of the Super-Tucano aircraft from Brazil is included	Yes	Broken down into <ul style="list-style-type: none"> personnel and non-personnel services, materials and supplies, current and capital transfers, financial and non-financial assets, and others 	Both functional and institutional
Ecuador	Ministry of Finance	2003–10	Yes, for most recent years; information not clear if they were included before	Yes; for most recent years, there is information on arms acquisitions in the investment budget	Yes	Broken down (by service) into <ul style="list-style-type: none"> personnel expenses, goods and services, financial expenses, current expenses, and others 	Institutional
El Salvador	Ministry of Finance	2002–10	Yes, presented separately	Not available	Yes	Broken down (by service) into <ul style="list-style-type: none"> personnel, goods and services, financial expenditures, current transfers, and other expenses 	Institutional
Guatemala	Ministry of Public Finance	2001–10	Yes	Yes, for some years but with no details; presented as 'military and security equipment' or 'modernization and military equipment'	Yes	Broken down mainly into <ul style="list-style-type: none"> programme, current and investment expenses, and function 	Both functional and institutional

Honduras	Secretariat of Finance	2001–10	Yes, presented separately for some years	Not available	Yes	Broken down into <ul style="list-style-type: none"> • personnel and non-personnel, goods and supplies, transfers, programmes and activities, and function 	Both functional and institutional
Jamaica	Ministry of Finance	2001–10	Not available	Not available	Yes	One line item, broken down into recurrent and capital expenditure	Functional
Mexico	Secretariat of Finance and Public Credit	2001–10	Yes, presented separately	Yes, especially detailed in the investment budgets, including payments and state of execution of projects	Yes	Broken down into <ul style="list-style-type: none"> • current and investment, by programme, by sector, and by investment projects. 	Institutional
Nicaragua	Ministry of Finance and Public Credit Citizen Consultation Portal	2001–10	Yes	Not available	Yes	Broken down into <ul style="list-style-type: none"> • current expenditure (personnel and non-personnel, materials and supplies, current transfers) and capital expenditure. 	Institutional
Paraguay	Ministry of Finance	2005–10	Yes, presented separately	Yes, although without details; only one line under acquisitions of military and security equipment	Yes	Broken down (by service) into <ul style="list-style-type: none"> • personnel and non-personnel expenses, goods and services, investment, transfers, and other expenses 	Institutional

Country	Reporting agency	Time series	Pensions included	Arms acquisitions included	Executed figures available	Disaggregation	Classification
Peru	Ministry of Economy and Finance Ministry of Defence Economic Transparency Portal	2002–10	Yes	Yes, in main budget document and also presented separately as investment projects on the MOD website	Yes	Broken down by function, project and activities and into <ul style="list-style-type: none"> • current expenditure (personnel and pensions, goods and services, donations and transfers, and other), • capital expenditure, and • debt service 	Institutional
Uruguay	General Accounting Office Office of Budget and Planning	2001–10	Yes, separate from main budget document	Yes, under investment budget by project for each ministry; little information is provided	Yes	Broken down into current and investment expenditure and into <ul style="list-style-type: none"> • personnel and non personnel, • consumption goods, • transfers, and • others 	Institutional
Venezuela	Ministry of Planning and Finance, National Budget Office	2001–10	Yes	Yes; for those years where Venezuela used debt for arms acquisitions, details are available; for more recent years, the information is less clear as many publicly announced arms deals have never been signed	Yes	Broken down (by service) into <ul style="list-style-type: none"> • personnel expenses, • materials and supplies, • non-personnel services, • assets, • transfers, and • debt service when applicable. 	Institutional

MOD = Ministry of Defence.

Appendix B. Verifying the comprehensiveness of reports to UNROCA

Internal verification

Table B.1 presents the reported number of items transferred to states in Latin America and the Caribbean broken down by UNROCA importer and exporter reports and the seven UNROCA categories. It also presents the number of matching reports on transfers, unmatched importer reports and unmatched exporter reports and the total number of reports on transfers recorded by UNROCA.¹¹⁰

Comparing states' submissions on arms imports with other states' submissions on arms exports is not foolproof. In particular, there are likely to be arms transfers covered by UNROCA that appear in neither the importing state's submission on arms imports nor the exporting state's submission on arms exports. In addition, differences in states' submissions may be due to one state reporting on the transfer of a weapon system which falls outside the scope of UNROCA (e.g. transport helicopters or trainer aircraft) and another remaining within the instrument's boundaries.¹¹¹ To minimize distortions created by states reporting on transfers which fall outside the scope of UNROCA, these transfers—whether reported by the importer or the exporter—are largely excluded from table B.1. However, such an exclusion can only be made if the submission contains a description of the items being transferred, which is not always the case.

Differences in submissions could also be due to different interpretations of when a particular transfer took place. For example, one state may report on the year that a contract was signed while another may report on the year that a delivery took place.¹¹² To minimize distortions created by differences in reporting year, data on transfers in 2005–2009 are aggregated. For example, if one state reports on an import in 2006 and another state reports on a corresponding export in 2007, they are treated as matching reports. Similarly, some transfers have been grouped together. For example, if the USA reported on transfers of F-16 combat aircraft to Chile in both 2008 and 2009, this is counted as a single transfer.

¹¹⁰ See note 86.

¹¹¹ Any information provided by a state to UNROCA on transfers of weapon systems that fall outside the scope of the instrument—which regularly occurs—is included in the reports published by the UN. United Nations, Department for Disarmament Affairs, *United Nations Register of Conventional Arms: Guidelines for Reporting International Transfers—Questions & Answers* (United Nations: New York, 2007).

¹¹² The UN guidelines on the submission of reports to UNROCA note that 'Each State will determine this date based on its national criteria and determine when a transfer becomes effective. States are invited to indicate such national criteria when submitting their exports and imports data to the Register.' United Nations (note 111). Despite this request and additional guidelines on how to assign transfers to particular years, there are still substantial differences in states' practices and the information provided on what criteria a state uses for deciding when a transfer took place is often limited.

External verification

Table B.1 presents the reported number of items transferred broken down by UNROCA importer report and SIPRI Arms Transfer Database entry and the seven UNROCA categories. It also presents the number of matching reports on transfers and unmatched SIPRI reports and the total number of reports on transfers recording by UNROCA and the SIPRI database.¹¹³

The SIPRI Arms Transfers Database contains information on all transfers of seven categories of major conventional weapons from 1950 to the present day. The database is maintained by the SIPRI Arms Transfers Programme and is based on information contained in UNROCA and a wide variety of open government, industry and media sources.¹¹⁴ While the coverage of the SIPRI Arms Transfers Database closely resembles that of UNROCA, there are significant differences. In particular, while UNROCA focuses on arms that can be used in offensive military operations, the SIPRI database seeks to cover all major conventional weapon systems. For example, the SIPRI database includes transport aircraft and helicopters, trainer aircraft, sensors, air defence systems, engines and certain components, none of which is covered by UNROCA, as well as a wider range of ships. Conversely, UNROCA includes certain unguided rockets and missile launchers that are not covered by the SIPRI database, as well as a wider range of artillery systems. The external verification of comprehensiveness only covers weapon systems that are included in both UNROCA and the SIPRI Arms Transfers Database.

As with the internal verification of comprehensiveness, there are likely to be arms transfers that appear in neither a states' submission on arms imports to UNROCA nor the SIPRI Arms Transfers Database. In addition, as with the internal verification of comprehensiveness, to minimize distortions created by differences in reporting year, data on transfers in 2005–2009 are aggregated and transfers have been grouped together.

¹¹³ Reports to UNROCA by an importer and an entry in the SIPRI Arms Transfers Database are 'matching' if they report on the transfer of a particular weapon system, even if the numbers of items are not the same. An entry in the SIPRI Arms Transfers Database is 'unmatched' if it includes information on the transfer of a particular weapon system but there is no corresponding importer report to UNROCA.

¹¹⁴ On the coverage and methodology of the SIPRI Arms Transfers Database see <<http://www.sipri.org/research/armaments/transfers/databases/armstransfers>>.

	Tanks	Armoured combat vehicles	Large-calibre artillery systems	Combat aircraft	Attack helicopters	Warships	Missiles and missile launchers	Comparison
<i>Transfers to Peru</i>								
Importer reports	0	0	0	8	0	2	3 220	UNROCA submissions by importer
Exporter reports	0	0	0	0	0	4	0	Matching reports on transfers
								Unmatched importer reports
								Unmatched exporter reports
								Total reports on transfers
<i>Transfers to Uruguay</i>								
Importer reports	0	103	0	0	0	0	0	UNROCA submissions by importer
Exporter reports	0	95	0	0	0	3	0	Matching reports on transfers
								Unmatched importer reports
								Unmatched exporter reports
								Total reports on transfers
<i>Transfers to Venezuela</i>								
Importer reports	0	0	0	0	0	0	0	UNROCA submissions by importer
Exporter reports	0	0	0	30	10	0	2 272	Matching reports on transfers
								Unmatched importer reports
								Unmatched exporter reports
								Total reports on transfers
External verification								
<i>Transfers to Bolivia</i>								
Importer reports	0	0	0	0	0	0	0	UNROCA submissions by importer
SIPRI database	0	37	0	0	0	0	0	Matching reports on transfers
								Unmatched importer reports
								Unmatched exporter reports
								Total reports on transfers
<i>Transfers to Brazil</i>								
Importer reports	29	12	6	23 ^a	5	1	17	UNROCA submissions by importer
SIPRI database	29	23	6	35	6	2	167	Matching reports on transfers
								Unmatched SIPRI reports
								Total reports on transfers

<i>Transfers to Chile</i>									
Importer reports	258	387	24	30	0	8	108	UNROCA submissions by importer	5
SIPRI database	172 ^c	289	24	32	0	9	479	Matching reports on transfers	19
								Unmatched SIPRI reports	4
								Total reports on transfers	23
<i>Transfers to Colombia</i>									
Importer reports	0	0	13	10	0	0	98	UNROCA submissions by importer	2
SIPRI database	0	8	53	35	0	1	65 ^d	Matching reports on transfers	3
								Unmatched SIPRI reports	4
								Total reports on transfers	7
<i>Transfers to the Dominican Republic</i>									
Importer reports	0	0	0	0	0	0	0	UNROCA submissions by importer	0
SIPRI database	0	0	0	2	0	0	0	Matching reports on transfers	0
								Unmatched SIPRI reports	1
								Total reports on transfers	1
<i>Transfers to Ecuador</i>									
Importer reports	0	0	0	0	0	0	0	UNROCA submissions by importer	1
SIPRI database	0	0	0	0	6	2	96	Matching reports on transfers	0
								Unmatched SIPRI reports	7
								Total reports on transfers	7
<i>Transfers to Mexico</i>									
Importer reports	0	0	2	0	0	0	0	UNROCA submissions by importer	5
SIPRI database	0	0	15	0	0	0	2	Matching reports on transfers	1
								Unmatched SIPRI reports	2
								Total reports on transfers	3
<i>Transfers to Peru</i>									
Importer reports	0	0	0	8	0	2	30	UNROCA submissions by importer	2
SIPRI database	0	0	0	8	0	4	42	Matching reports on transfers	5
								Unmatched SIPRI reports	1
								Total reports on transfers	6

	Tanks	Armoured combat vehicles	Large-calibre artillery systems	Combat aircraft	Attack helicopters	Warships	Missiles and missile launchers	Comparison
<i>Transfers to Uruguay</i>								
Importer reports	0	103	0	0	0	0	0	UNROCA submissions by importer
SIPRI database	0	95	0	2	0	3	20	Matching reports on transfers
								Unmatched SIPRI reports
								Total reports on transfers
<i>Transfers to Venezuela</i>								
Importer reports	0	0	0	0	0	0	0	UNROCA submissions by importer
SIPRI database	0	0	1	30	10	1	2 200	Matching reports on transfers
								Unmatched SIPRI reports
								Total reports on transfers

^a Brazil's report on the transfer of 7 F-5 combat aircraft from France in 2008 is excluded since a mistake was probably made in compiling the submission.

^b This figure is for Uruguay's report to UNROCA for 2009, which is only available on the OAS website.

^c SIPRI's figure for the number of Leopard-2A4 tanks delivered to Chile from Germany in 2005–2009 is lower than the figure reported by Chile to UNROCA. It appears that Chile has reported on the delivery of spare units—which are not covered by the SIPRI Arms Transfers Database—as well as units ordered but yet to be delivered.

^d SIPRI's figure for the number of missiles delivered to Colombia in 2005–2009 is lower than the figure reported by Colombia to UNROCA. The SIPRI Arms Transfers Database has information on transfers of missiles from Israel prior to 2005 which may correspond to Colombia's report on transfers in 2005–2009.

Sources: UNROCA database, <<http://www.un-register.org/>>; and SIPRI Arms Transfers Database, <<http://www.sipri.org/databases/armstransfers/>>.

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in Latin America and the Caribbean**

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