

# Appendix 6D. Official data on military expenditure

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## I. Introduction

Military expenditure data are used for a wide range of purposes in academic analysis and international politics and are essential for the determination of the economic burden of military activities on society. Data on military spending can be used to measure and compare resource allocation between core government functions—such as defence, law and order, education, health and social security—as well as between military budget headings—such as operating cost, procurement, research and development, and construction expenditure. The defence budget can be the central instrument for transparency and accountability: the public can hold parliaments accountable, and parliaments can hold defence planners in the ministries of defence and the armed forces accountable. Military expenditure data can also serve as a confidence- and security-building measure (CSBM). Disclosure of military expenditure data within a transparent framework of public expenditure is therefore an important element of an open, democratic society.

In reality, however, public access to military expenditure data is generally poor. The reporting of military expenditure information by governments is far less comprehensive, detailed and standardized than is the case for general economic statistics. While most industrialized countries provide disaggregated data on their military expenditure, information on military budgets is especially poor in many developing and transition countries. A few countries regard military expenditure as confidential and refuse to provide any information at all, while others hide large portions of their military budget in different parts of the government budget. In addition, because there is no international standardized definition of military spending on which to base a set of budget methods, individual governments can basically define ‘military expenditure’ to suit their purposes. The choice of definition is reflected in the reported size of the military budget. Countries also often change their accounting procedures, which makes it extremely difficult to compare different time series. The quantity of information has increased over the years, but the availability and standard of information are still poor and differ substantially between countries and regions.

SIPRI has compiled data on military expenditure from open sources on a global scale since 1969. This appendix describes the responses to requests for military expenditure data by SIPRI and the United Nations and reviews initiatives introduced in 2001 to enhance transparency and reduce military expenditures.

## II. International reporting of military expenditure

When SIPRI began to compile information on military expenditure there was no international system for reporting data, with the exception of that of the North Atlantic Treaty Organization (NATO). Today, there are a number of such inter-

national reporting systems. They are of five different types and serve different purposes: (a) obligatory reporting within NATO as a collective defence organization; (b) voluntary reporting within the United Nations, as a general transparency measure; (c) exchange of information within regional organizations or initiatives, as part of a broader set of CSBMs; (d) the collection of national data by international statistical organizations, such as the International Monetary Fund (IMF);<sup>1</sup> and (e) the collection of data by research institutes and other organizations with an interest in issues related to armament and disarmament.<sup>2</sup> The first three of these mechanisms, all inter-governmental reporting systems, are described in this section.

The 19 NATO member states are obliged to report each year to the NATO Economics Directorate. The purpose of the reporting is for assessment of burden-sharing within the alliance. NATO provides some of these data in an annual press release. The data include figures in local currency, at current and constant prices, as a share of gross domestic product (GDP), on expenditure by category, and per capita.<sup>3</sup>

The 189 UN member states are requested to report annually, by 30 April, to the Secretary-General, their military expenditure for the most recent fiscal year for which data are available, using the standardized international reporting instrument for military expenditure adopted by the UN General Assembly in 1980.<sup>4</sup> The replies are reproduced in annual reports to the General Assembly.<sup>5</sup> The level of participation in this system continues to be low since it is a voluntary reporting system and there are few incentives to participate.<sup>6</sup>

Several initiatives have been made in the third type of reporting system, for CSBM purposes. In addition to the system of the Organization for Security and Co-operation in Europe (OSCE), similar systems have recently been initiated in South-Eastern Europe, Bosnia and Herzegovina, Latin America and Africa.

Since 1991, the 55 OSCE member states have exchanged data on military expenditures as part of a broader system of OSCE CSBMs, based on the Vienna Document 1994.<sup>7</sup> The member states are obliged to report their military expenditure to the Conflict Prevention Centre in Vienna. The circulation of the reports is restricted and they can be released only with the permission of the originating government. The exchange of information within the OSCE is better than the submission of reports to

<sup>1</sup> The main current example in this category is the IMF, which presents its data in *Government Finance Statistics Yearbook* (IMF: Washington, DC).

<sup>2</sup> Apart from SIPRI, the main examples in this category are the International Institute for Strategic Studies (IISS), which presents its data in *The Military Balance* (Oxford University Press: London), and the US Department of State's Bureau of Arms Control (formerly ACDA), which presents its data in *World Military Expenditures and Arms Transfers* (US Government Printing Office: Washington, DC).

<sup>3</sup> SIPRI uses these data as the basis for its military expenditure tables. For 2001: 'Financial and economic data relating to NATO defence: defence expenditures of NATO countries 1980–2001', Press release M-DC-2 (2001) 156, 18 Dec. 2001, URL <<http://www.nato.int/docu/pr/2001p01-156.htm>>.

<sup>4</sup> United Nations, 'Objective information on military matters, including transparency and military expenditures', UN General Assembly Resolution 35/142, 12 Dec. 1980.

<sup>5</sup> United Nations, 'Objective information on military matters, including transparency of military expenditures', Report by the Secretary-General, UN document A/56/267, 3 Aug. 2001.

<sup>6</sup> United Nations, 'Objective information on military matters, including transparency of military expenditures', UN General Assembly Resolution A/53/218, 4 Aug. 1998.

<sup>7</sup> Conference on Security and Co-operation in Europe, Vienna Document 1994 of the Negotiations on Confidence- and Security-Building Measures, CCs document 113/94, 28 Nov. 1994, reproduced in *SIPRI Yearbook 1995: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 1995), pp. 799–820. Paragraph 15 of the document includes the rules for reporting of military expenditures.

the UN. One of the reasons is probably that OSCE member states are obliged to report within the CSBM system but not to the public.

Several new initiatives to enhance transparency and accountability and/or to reduce excessive military expenditure were introduced in 2001. Under the auspices of the Special Co-ordinator of the Stability Pact for South Eastern Europe, the Initiative for Transparency of Defence Budgeting was launched at a meeting in Vienna in March 2001.<sup>8</sup> The mission of this project is twofold: (a) to promote domestic and international transparency of military expenditure budgets, and the defence budgeting process, throughout South-Eastern Europe; and (b) to encourage good practice in defence decision making (policy making, planning, programming and budgeting), with particular reference to accountability.

In another initiative, launched in October 2001,<sup>9</sup> the OSCE Mission to Bosnia and Herzegovina aims to discourage what it considers excessive military expenditure by the country, tries to raise public awareness of spending levels, and encourages citizens to demand transparency and accountability in the budget process. According to the OSCE, Bosnia and Herzegovina, a country with two armies that include three military components<sup>10</sup> with different national bases, does not face an immediate security threat. The reallocation of funds away from military expenditure would significantly improve the economic situation in Bosnia and Herzegovina. Preliminary evidence indicates that the military budget of the Republika Srpska is also economically unsustainable. Therefore, a similar OSCE meeting will be held with the authorities of the Federation of Bosnia and Herzegovina in the Republika Srpska when a review of the entity's military audit has been concluded.<sup>11</sup>

Actions to improve transparency have also been initiated by the Organization of American States (OAS). A regional conference, held in El Salvador in February 1998, adopted the Declaration of San Salvador on Confidence- and Security-Building Measures. The declaration recommended, among other measures, 'studies for establishing a common methodology in order to facilitate the comparison of military expenditure in the region'.<sup>12</sup> As the first result of this initiative, in November 2001 Argentina and Chile introduced a common method for registering their military expenditures,<sup>13</sup> Paraguay and Peru expressed their interest in establishing such an

<sup>8</sup> 'Initiative for Transparency of Defence Budgeting', Joint meeting of the Multinational Steering Group (MSG) and the Academic Working Group (WAG) under the Stability Pact Working Table III, was held on 15–17 Mar. 2001, Vienna. URL <[http://www.stabilitypact.org/stabilitypactcgi/catalog/view\\_file.cgi?prod\\_id=5117&prop\\_unit=file&prop\\_type=en](http://www.stabilitypact.org/stabilitypactcgi/catalog/view_file.cgi?prod_id=5117&prop_unit=file&prop_type=en)>.

<sup>9</sup> 'Lower military expenditures—higher standard of living', Military expenditure reduction initiative launched by the Head of the OSCE Mission to Bosnia and Herzegovina, Robert M. Beecroft, Sarajevo, 9 Oct. 2001, available at URL <<http://www.oscebih.org/military/eng/military.htm>>.

<sup>10</sup> There are 2 armed forces in Bosnia and Herzegovina, as stipulated by the 1995 General Framework Agreement for Peace in Bosnia and Herzegovina—the Army of the Federation of Bosnia and Herzegovina and the Army of the Republika Srpska. The former is divided into 2 components, a Croat and a Bosniak.

<sup>11</sup> OSCE, Mission to Bosnia and Herzegovina, 'OSCE urges cuts in defence spending by Bosnia and Herzegovina', OSCE press release, 28 Jan. 2002, URL <[http://www.osce.org/news/generate.php3-news\\_id=2260](http://www.osce.org/news/generate.php3-news_id=2260)>.

<sup>12</sup> Organization of American States (OAS), Conference on Confidence- and Security-Building Measures (CSBMs), Declaration of San Salvador on Confidence- and Security-Building, San Salvador, 28 Feb. 1998.

<sup>13</sup> 'A common standardized methodology for the measurement of defence spending' presented at the Public Presentation and Intergovernmental Meeting on a Standardized Methodology for Comparing Defence Spending and on its Application in Argentina and Chile. Report submitted to the Governments of Argentina and Chile by the UN Economic Commission for Latin America and the Caribbean (ECLAC), Santiago, Chile, 29–30 Nov. 2001, pp. 1–60.

**Table 6D.** SIPRI and UN requests for military expenditure data, 2001Figures are numbers of countries.<sup>a</sup>

Regions	SIPRI coverage 1	SIPRI request 2	SIPRI replies 3 <sup>b</sup>	UN coverage 4	UN replies 5 <sup>c</sup>	Total replies 6 <sup>d</sup>
Africa	50	50	3	52	1	4
America, North	2	0	0	2	2	2
America, Central <sup>e</sup>	8	8	0	13	3	3
America, South	11	11	4	12	4	6
Asia, Central	5	5	2	5	2	3
Asia, East	16	16	6	16	3	8
Asia, South	6	6	1	6	1	2
Oceania	4	4	3	6	1	3
Europe, West	20	21	12	20	18	19
Europe, Central/East <sup>g</sup>	15	15	12	15	11	13
Europe, CIS	7	7	4	7	5	6
Middle East	14	13	1	15	2	2
Small states <sup>h</sup>	—	—	—	20	2	2
<b>Total</b>	<b>158</b>	<b>156</b>	<b>48</b>	<b>189</b>	<b>55</b>	<b>73</b>

<sup>a</sup> The number of replies actually received by SIPRI is higher than the number of countries because more than 1 reply was received from some countries.

<sup>b</sup> Albania, Australia, Austria, Azerbaijan, Belgium, Belarus, Bolivia, Brazil, Brunei, Bulgaria, Chile, Colombia, Croatia, Czech Republic, Denmark, Estonia, Fiji, Finland, Georgia, Greece, India, Italy, Japan, Jordan, Kazakhstan, North Korea, South Korea, Kyrgyzstan, Latvia, Lithuania, Luxembourg, Macedonia (FYROM), Malta, Mauritius, Moldova, Mongolia, New Zealand, Norway, Poland, Romania, Slovenia, South Africa, Switzerland, Taiwan, Tunisia, Turkey, United Kingdom and Yugoslavia.

<sup>c</sup> Austria, Belarus, Belgium, Brazil, Bulgaria, Burkina Faso, Canada, Chile, Costa Rica, Croatia, Cyprus, Czech Republic, Denmark, El Salvador, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Italy, Japan, Jordan, Kazakhstan, Kiribati, Latvia, Lebanon, Lithuania, Luxembourg, Macedonia (FYROM), Malta, Mexico, Moldova, Nepal, Netherlands, New Zealand, Peru, Philippines, Poland, Portugal, Russia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Thailand, Turkey, Ukraine, United Kingdom, United States, Uruguay, Uzbekistan and Vanuatu.

<sup>d</sup> Totals may be smaller than the sums of column 3 and 5 because the same country may appear in 2 columns.

<sup>e</sup> Excludes the Caribbean states.

<sup>g</sup> Excludes the Commonwealth of Independent States (CIS) member states.

<sup>h</sup> At least 20 UN member states are too small to have a defence force but are included here for the sake of completeness.

*Sources:* SIPRI questionnaires for 2001; and United Nations, Report of the Secretary-General on objective information on military matters, including transparency on military expenditure, UN document A/56/267, 3 Aug. 2001.

instrument. However, Brazil, the largest country in South America, has rejected the idea that the reporting of military spending by countries in the region should follow a common structure. Brazilian Defence Minister Geraldo Quintao emphasized the need

to preserve the difference in each country's military budget and financial management methods because of their geopolitical and strategic peculiarities.<sup>14</sup>

In Africa, the Conference on Security, Stability, Development and Co-operation in Africa (CSSDCA), an organization similar to the OSCE, has on its agenda, as part of its security 'basket', the reduction of military expenditure. The organization is still in its infancy; its first meeting took place in Pretoria in December 2001.<sup>15</sup>

### III. Reporting of military expenditure data to SIPRI and the UN

Each year SIPRI sends out a questionnaire to most countries of the world—except for the very small countries assumed not to have any sizeable armed forces—asking them to provide official data on their military expenditure for the preceding five years. The request is sent to their embassies in Stockholm or another nearby embassy as well as to relevant ministries, central banks and national statistical offices. The SIPRI questionnaire is much less detailed than the UN reporting instrument. SIPRI disaggregates military expenditure into six categories: (a) military and civil personnel, including retirement pensions and military personnel and social services for personnel; (b) operations and maintenance; (c) procurement; (d) military construction; (e) military research and development; and (f) paramilitary forces, when judged to be trained and equipped for military operations. Table 6D shows the rates of response to requests by SIPRI and the UN for military expenditure data for 2001.

The rates of response to both SIPRI and the UN continued to be low in 2001. While SIPRI received 48 replies (column 3), roughly one-third of the 158 countries covered in the SIPRI database, the UN received 55 replies (column 5), about 29 per cent of all 189 member states. A total of 73 countries (column 6) provided data in 2001. This was an increase compared to the reporting in 2000,<sup>16</sup> although the results are not entirely comparable because SIPRI did not send out requests to NATO countries in previous years. Responses to the UN increased from 32 in 2000 to 55 in 2001. Responses to SIPRI increased from 33 in 2000 to 48 in 2001, including five NATO countries which were not asked to report in 2000. The combined number of responses increased from 55 in 2000 to 73 in 2001. (The total increase differs from the sum increases of SIPRI and the UN because of overlaps.) Whether this increase in reporting in 2001 is the beginning of a new trend remains to be seen.

Of the regions listed in table 6D, only three countries in *Africa*—Mauritius, South Africa and Tunisia—replied to SIPRI's questionnaire. The UN received one reply, from Burkina Faso. Because of the low level of information available for Africa, SIPRI is conducting a study to assess the availability of military expenditure data in the African region.<sup>17</sup>

*Latin America* is a region with little transparency in military expenditure. A reporting lag of two years or more for the majority of countries makes accurate estimates of

<sup>14</sup> 'Brazil rejects Chilean proposal on military', *O Estado de Sao Paulo* (Internet edn WWW), 14 Nov. 2001, in Foreign Broadcast Information Service, *Daily Report—Latin America (FBIS-LAT)*, FBIS-LAT-2001-1114, 14 Nov. 2001, pp. 1–2.

<sup>15</sup> First Experts' Meeting of the Conference on Security, Stability, Development and Co-operation in Africa (CSSDCA), CSSDCA/Expt/RPT1, Pretoria, South Africa, 9–14 Dec. 2001.

<sup>16</sup> 'Sources and methods for military expenditure data', *SIPRI Yearbook 2001: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 2002) p. 301, table 4C.

<sup>17</sup> Omitoogun, W., *Military Expenditure of African States*, SIPRI Research Report no. 17 (Oxford University Press Oxford, forthcoming 2002).

military expenditure difficult. Of the 11 *South American* countries from which SIPRI has requested information, only Bolivia, Brazil, Chile and Colombia have responded during recent years, while Argentina has never replied to SIPRI's questionnaire; none of the Central American countries replied in 2001. The UN received returns from Costa Rica, El Salvador and Mexico in Central America and from Brazil, Chile, Peru and Uruguay in South America.

Two of the five states of *Central Asia* replied to both SIPRI and the UN. Military expenditure data in this region are particularly uncertain since their coverage is not known and economic statistics are in general unreliable. SIPRI provides data based on the official data available, although these constitute only very rough indicators of actual military expenditure.

The countries in *East Asia* which replied to SIPRI were Brunei, Japan, Mongolia, North Korea, South Korea and Taiwan; Japan, the Philippines and Thailand reported back to the UN. The largest country in the region, China, did not reply to SIPRI or the UN; the official Chinese military budget that is publicly available substantially understates its total expenditure on national defence.<sup>18</sup>

In *South Asia* only India reported back to SIPRI and only Nepal to the UN. In *Oceania* three of the four countries—Australia, Fiji and New Zealand—responded to the SIPRI request in 2001.

Most, although not all, governments in Europe provide aggregate data on their military expenditure. In *Western Europe* 12 of the 21 countries covered by SIPRI responded to the questionnaire; 18 countries responded to the UN reporting system. For *Central and Eastern Europe* 12 countries—Albania, Bulgaria, Croatia, the Czech Republic, Estonia, Latvia, Lithuania, Macedonia, Poland, Romania, Slovenia and Yugoslavia—out of 15 reported back to SIPRI. Of the members of the Commonwealth of Independent States (CIS) in Europe, Azerbaijan, Belarus, Georgia and Moldova reported to SIPRI, each reporting for the first time. The largest country, Russia, did not reply to SIPRI but did report to the UN for the year 2000.

For the *Middle East*, the response rate is extremely low: only one country, Jordan, replied to SIPRI, and only three countries—Jordan, Lebanon and Turkey—reported to the UN.

#### IV. Conclusions

There is a clear need for better access to public information on military budgets. This is a fundamental precondition for strengthening the institutions of accountability and control. In spite of the fact that sensitive military expenditure information is more widely available in some parts of the world as a by-product of the global information revolution, not all societies place equal importance on the collection and dissemination of military expenditure data. It is usually difficult to obtain military data from states with autocratic systems, as well as from countries at war or in local armed conflict, for example, in Africa, Central America, Central Asia and the Middle East. Other possible reasons for the low response rate are that there is often insufficient basic skill and expertise in the appropriate government departments, and that the demand for accountability of financial resources allocated to the military from the public is low. In some countries, providing military expenditure information to

<sup>18</sup> Wang, S., 'The military expenditure of China, 1989–98', *SIPRI Yearbook 1999: World Armaments and Disarmament* (Oxford University Press: Oxford, 1999), appendix 7D, p. 335.

potential adversaries runs counter to traditional thinking about the protection of national security.

Despite these reservations, transparency is accelerating in other regions, for example, Central and Eastern Europe. One reason may be that many of these countries aspire to NATO membership and have been supplied with information about and training in NATO standards in military expenditure reporting. More information on military expenditure is also provided in some parts of the CIS in Europe. However, while some material on the Russian military budget is made available on the Internet, at the national level deputies still regard the budgetary procedure as highly unsatisfactory and demand greater transparency and parliamentary control over the military budget.<sup>19</sup>

If widely adopted as policy, transparency measures can further reduce the risks of destabilizing military activities and achieve mutual confidence and security at lower costs.

<sup>19</sup> Cooper, J., 'Russian military expenditure and arms production', especially 'Transparency and parliamentary control', *SIPRI Yearbook 2001* (note 16), pp. 316–17.