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Armaments, Disarmament and International Security

Russian military expenditure, reform and restructuring

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III. Russian military expenditure, reform and restructuring

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The rising trend in Russia's military expenditure, which started in 1999, accelerated sharply in 2012, with a real-terms increase of 16 per cent compared with 2011. The draft budget for 2013–15 contains plans for a further rise in nominal terms of just over 40 per cent by 2015 (see table 3.5).¹ This would amount to a real-terms increase of approximately 17 per cent between 2012 and 2015, based on current inflation projections, and military spending as a share of gross domestic product (GDP) would rise to 4.8 per cent.² The increases come as Russia implements the ambitious 2011–20 State Armaments Programme (Gosudarstvennaya Programma Vooruzheniya, GPV), and undertakes a wide-ranging reform of its armed forces. This section summarizes the reforms and discusses widespread doubts as to how far they can be implemented.

The reform plans

The GPV aims to spend 20.7 trillion roubles (\$705 billion) on military equipment by 2020. Of this total, 19 trillion roubles (\$647 billion) is for the Ministry of Defence and the remainder is for other forces such as the Border Guards and troops of the Ministry of the Interior.³ The programme aims to replace 70 per cent of Russia's armaments with modern weapons and is part of a broader effort to reform and modernize the Russian armed forces.⁴

The reforms also include (a) changes in the structure of the armed forces to promote greater mobility and combat-readiness; (b) the replacement of a mass-mobilization strategy, which aimed to be able to mobilize up to 4 million troops over a long period in a major war situation, with a strategy based on a more readily deployable standing force of around 1 million troops and a much smaller reserve of around 700 000; (c) a major increase

¹ Russian State Duma, Draft law 'On the federal budget for 2013 and the planning period of 2014 and 2015', Bill no. 143344-6, 28 Sep. 2012, <[http://www.asozd2.duma.gov.ru/main.nsf/\(Spravka\)?OpenAgent&RN=143344-6](http://www.asozd2.duma.gov.ru/main.nsf/(Spravka)?OpenAgent&RN=143344-6)>.

² Cooper, J., 'Military expenditure in the Russian Federation during the years 2012 to 2015', Research note, 9 Oct. 2012, <<http://www.sipri.org/research/armaments/milex/publications/>>. The figure for military spending as a share of GDP is based on Russian Government projections of GDP. The equivalent figure for 2012 is 4.6% (see table 3.5). SIPRI estimates that Russian military spending in 2012 was equal to 4.4% of GDP, based on the International Monetary Fund's estimate of Russia's GDP. See also table 3.12 in section VII below.

³ The GPV is not a public document. See Westerlund, F., 'The defence industry', ed. C. Vendil Palling, *Russian Military Capability in a Ten-year Perspective—2011* (FOI: Stockholm, Aug. 2012); and Cooper, J., 'Can Russia afford to modernize its military?', Presentation, SIPRI, Stockholm, 8 Nov. 2012, <<http://www.sipri.org/research/armaments/milex/publications/>>.

⁴ Cooper (note 3).

Table 3.5. Russian military expenditure, 2011–15

Figures are billions of Russian roubles, in current prices.

	2011 ^a	2012 ^a	2013 ^a	2014 ^a	2015 ^a
Spending on 'National defence'	1 516	1 865	2 141	2 501	3 078
Other military expenditure ^b	786	933	912	888	895
Total military expenditure	2 302	2 799	3 053	3 389	3 973
Military expenditure as a share of total government expenditure (%)	21.07	21.83	22.80	23.86	25.44
Military expenditure as a share of GDP (%) ^c	4.22	4.57	4.59	4.58	4.79

^a Figures for 2011 are actual spending. Figures for 2012 are from the updated budget as of 1 Aug. 2012. Figures for 2013–15 are from the draft budget for 2013.

^b Other military expenditure includes spending on military housing, education and health, military pensions, paramilitary forces and military-related research and development.

^c These figures are based on the Russian Ministry of Economic Development's estimates of gross domestic product (GDP). SIPRI estimates are based on the International Monetary Fund's estimate of Russia's GDP. SIPRI estimates military spending to have been 4.1% of GDP in 2011 and 4.4% in 2012.

Sources: Cooper, J., 'Military expenditure in the Russian Federation during the years 2012 to 2015', Research note, 9 Oct. 2012, <<http://www.sipri.org/research/armaments/milex/publications/>>, based on: Russian State Duma, Draft law 'On the 2011 federal budget for the year 2011', Draft law no. 106468-6, 5 July 2012, <[http://www.asozd2.duma.gov.ru/main.nsf/\(Spravka\)?OpenAgent&RN=106468-6](http://www.asozd2.duma.gov.ru/main.nsf/(Spravka)?OpenAgent&RN=106468-6)>; Russian Federal Treasury, 'Information on execution of the consolidated budget of the Russian Federation and budgets of state extra-budgetary funds, as of August 1, 2012', <<http://www.roskazna.ru/the-information-on-execution-of-budgets/>>; and Russian State Duma, Draft law 'On the federal budget for 2013 and the planning period of 2014 and 2015', Bill no. 143344-6, 28 Sep. 2012, <[http://www.asozd2.duma.gov.ru/main.nsf/\(Spravka\)?OpenAgent&RN=143344-6](http://www.asozd2.duma.gov.ru/main.nsf/(Spravka)?OpenAgent&RN=143344-6)>.

in the ratio of contract soldiers and non-commissioned officers to conscripts; (d) a reduction in the number of senior officers in the current top-heavy structure; and (e) the outsourcing of a range of non-core tasks to civilian contractors.⁵

The motivation for modernization was Russia's intervention in the brief war in South Ossetia in 2008, which exposed severe weaknesses in Russian command, communication, mobility, readiness and equipment quality. The Russian armed forces had been in a state of decline since the collapse of the Soviet Union. It had procured almost no new major conventional armaments before 2008, leaving increasing proportions of its equipment obsolete or even non-functioning.⁶

⁵ Carlsson, M. and Norberg, J., 'The armed forces', ed. Vendil Palling (note 3).

⁶ Cooper (note 3).

Challenges to implementation

The reform and modernization plans face several challenges. First, as has been well documented, the Russian arms industry remains in a weak state, with ageing machinery, two decades of low levels of research and development, a lack of new recruitment of skilled engineers and scientists, and inefficient organizational structures.⁷ The industry's relationship with government has been increasingly strained by its inability to deliver advanced weapons in many areas, leading to Russia beginning to import certain weapons as a means of obtaining modern military technology.⁸ As part of the GPV, the government is investing 2.3 trillion roubles (\$78 billion) in the industry to help it modernize. How quickly it will be able to overcome decades of atrophy is open to question.

Moreover, there is rampant corruption in the Russian arms industry. Dmitry Medvedev is reported to have said that it led to the loss of 20 per cent of procurement funds while he was president (in 2008–12).⁹ In November 2012 allegations of corruption led President Vladimir Putin to remove Anatoly Serdyukov, the architect of the military reform process, from the post of Minister of Defence. Whether the direction of the military reform will be affected by Serdyukov's removal is as yet uncertain.¹⁰

Second, the spending levels planned for the GPV, which was designed on the basis of economic conditions prevailing before the 2008 global financial crisis, may be unrealistic. A simulation by Professor Julian Cooper of the University of Birmingham suggests that, unless military spending as a share of GDP were to rise even higher than is planned, the defence budget would only be sufficient to fund around 80 per cent of the GPV by 2020.¹¹ Moreover, some independent projections of Russian GDP growth are considerably lower than those of the Russian Government, which are the basis of this simulation.¹² Concerns over the financial sustainability of Russia's military and other spending plans led to clashes between the Minister of

⁷ Westerlund (note 3). See also Perlo-Freeman, S. et al., 'Military expenditure', *SIPRI Yearbook 2011*, pp. 163–66; and e.g. Cooper, J., 'Developments in the Russian arms industry', *SIPRI Yearbook 2006*.

⁸ E.g. Cooper (note 3); and Holtom, P. et al., 'International arms transfers', *SIPRI Yearbook 2011*, pp. 289–91.

⁹ Putilov, S. and Savina, Yu., 'Neither give nor take?', *Novye Izvestiya*, 15 Nov. 2012, Translation from Russian, Open Source Center.

¹⁰ Various commentators give opposite views on this. E.g. Felgenhauer, P., 'Serdyukov has been disgraced, but his reforms will continue', *Eurasia Daily Monitor*, 6 Dec. 2012, <[http://www.jamestown.org/single/?tx_ttnews\[tt_news\]=40209](http://www.jamestown.org/single/?tx_ttnews[tt_news]=40209)>; and Mikhaylov, A., [Defeat of the Russian army], *Gazeta.ru*, 10 Dec. 2012, <http://www.gazeta.ru/comments/2012/12/09_a_4884697.shtml>, Translation from Russian, Open Source Center.

¹¹ Cooper (note 3).

¹² Cooper (note 3).

Finance, Alexei Kudrin, who opposed the plans, and President Medvedev, leading to the former's sacking in October 2011.¹³

Third, structural reforms of the armed forces are threatened by deficiencies in personnel recruitment. Russia's population is shrinking and ageing, leading to an ongoing fall in the available pool of recruits, as either conscripts or contract soldiers.¹⁴ Moreover, there are serious problems of poor education, health and nutrition among young Russian men. Current plans involve a considerable reduction in the number of conscripts, and an increase in the number of contract soldiers; but poor terms and conditions, including issues such as violent initiation of new recruits, make the armed forces an unattractive career for many.¹⁵

This combination of economic, industrial, demographic and institutional problems has produced a clear consensus among observers both within and outside Russia that the ambitious goals of the GPV will not be fulfilled in their entirety.¹⁶ Nonetheless, the major increases in military spending, involving increased investment in both new equipment and human capital, will lead to some increased capability of the Russian armed forces by 2020, whether or not the fundamental structural problems are successfully addressed.

¹³ Alexandrova, L., 'Kudrin, dismissed from all posts, offers his own plan for preventing new crisis wave', Itar-Tass, 18 Oct. 2011, <<http://www.itar-tass.com/en/c39/250177.html>>.

¹⁴ Oxenstierna, S. and Bergstrand, B.-G., 'Defence economics', ed. Vendil Palling (note 3), pp. 53–56.

¹⁵ Carlsson and Norberg (note 5), pp. 103–104.

¹⁶ E.g. ed. Vendil Palling (note 3); Cooper (note 3); McDermott, R., 'Russia's armed forces: reflections on 2012', Eurasia Daily Monitor, 8 Jan. 2013, <[http://www.jamestown.org/single/?tx_ttnews\[tt_news\]=40274](http://www.jamestown.org/single/?tx_ttnews[tt_news]=40274)>; and 'Russian pundits assess successes, failures of military reform', Rossiya 24, 23 Nov. 2012, Transcription and translation from Russian, Open Source Center.