



Balkan 2022
**Defence
Monitor**

**Defence
expenditure**



BCSP

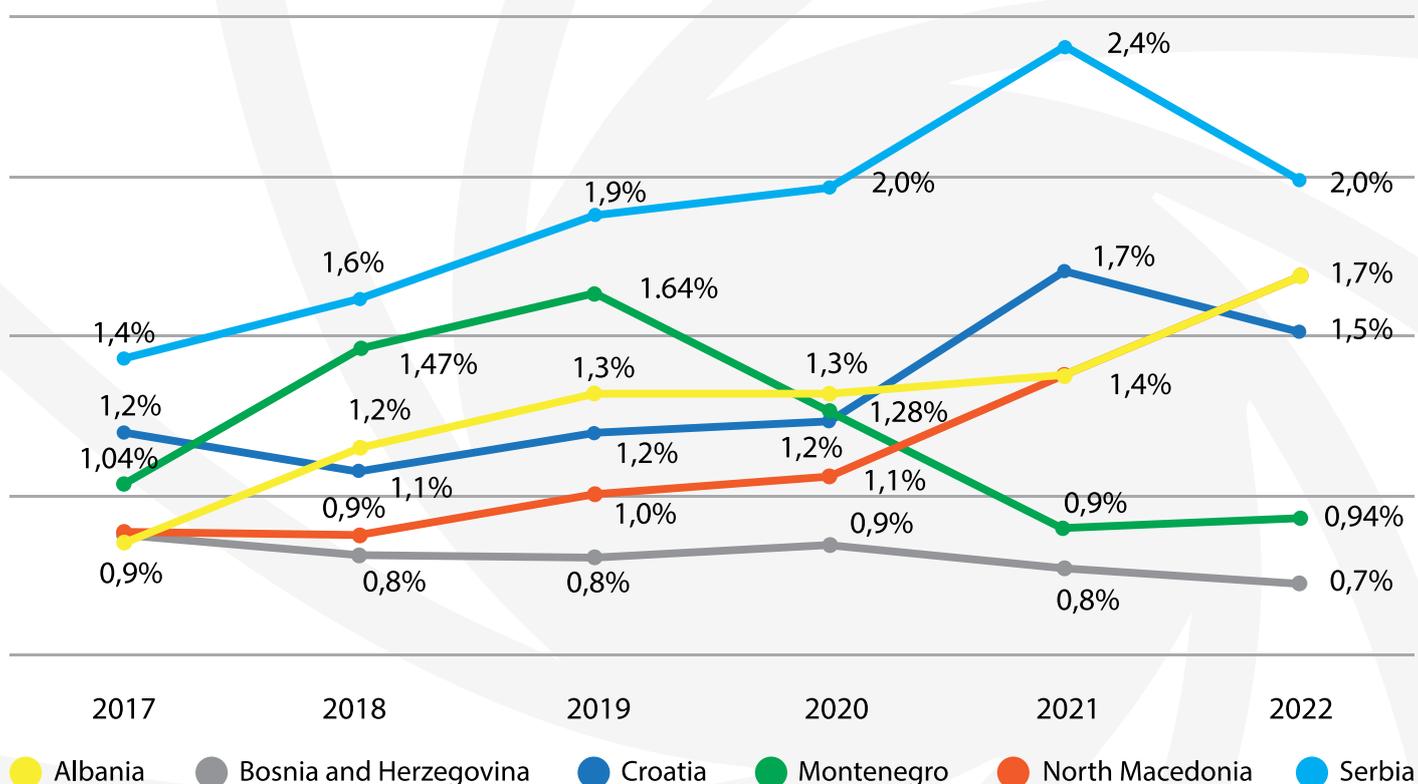
Belgrade Centre
for Security Policy

DEFENCE EXPENDITURE



Even though military expenditure in the Balkans region experienced a slow increase in the course of the last five years, only Serbia has surpassed the 2% GDP spending threshold. Serbia gradually increased its defence spending since 2016 and, along with Croatia, experienced a sizeable leap in 2021. Bosnia and Herzegovina has the lowest military expenditure in the region, maintaining it below 1% of GDP. ¹

Defence expenditure (% GDP)



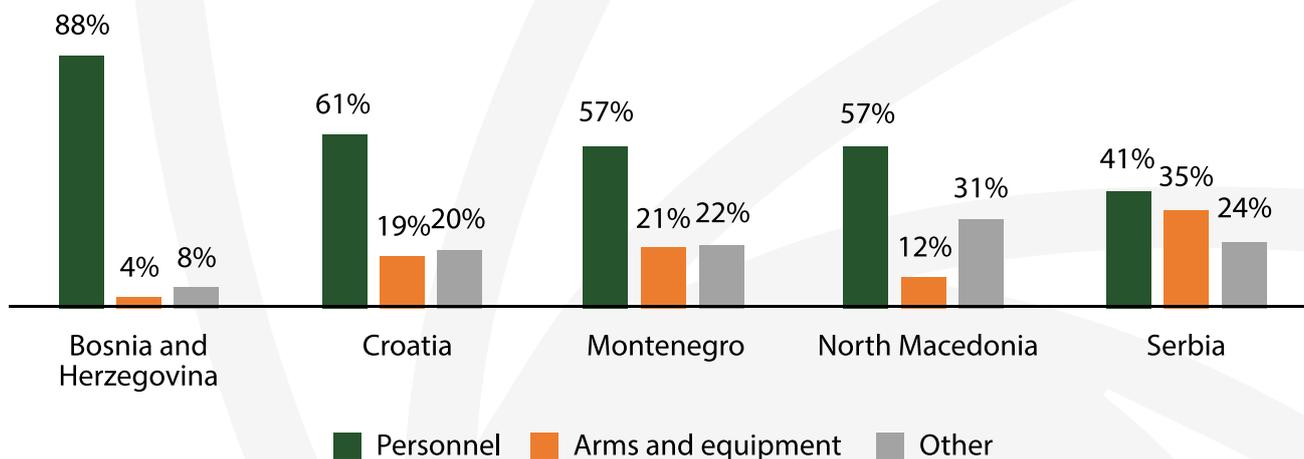
Data for 2021 and 2022 are based on the last changes in the 2021 budgets and the initial budget laws for 2022

All the countries in the Balkans publish their defence expenditure as part of government budgets and balance sheets of total government expenditure. However, different countries use different methods to present their defence expenditure, usually providing only the aggregated sums of larger categories and thus making it difficult to isolate and scrutinize individual costs. Albanian MoD budget is the least transparent in the region, showing only several general categories, while Croatian is the most transparent and detailed.

¹ The research team used publicly available data on defence expenditure (MoDs expenditure) that were included in the government expenditure documents. Defence expenditure was extracted from balance sheets (i.e. actual spending) wherever possible, while the most recent Budget Law amendments were taken into account for the year 2021. Data for 2022 are plans, based on initial budget laws. Letter p is used to mark plans in the graphs. Information on GDP in selected countries was taken from the database of the International Monetary Fund.

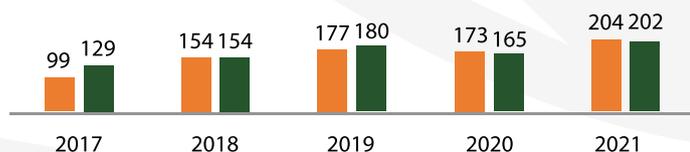
As regards the budget structure, if we look at the 2020 expenditure, Bosnia and Herzegovina stands out by spending almost 90% of its defence budget on personnel, whereas Serbia's portion of the budget going to personnel amounts to 35%. Only Serbia spent more than 20% of its defence budget on arms and equipment between 2017 and 2020. It should be highlighted that Serbia and Croatia significantly upped their planned arms and equipment expenditure in 2021, and based on plans, it should be 47% in Serbia, and 44% in Croatia.

Spending on personnel and equipment in 2020 (% of defence expenditure)²



With the exception of Albania, defence expenditure of Western Balkan NATO members reported to the Alliance differs to a great extent from the government balance sheets. The differences are predominantly present due to the NATO expenditure methodology that includes military pensions, which are not part of the funds for Ministries of Defence in national budgets.

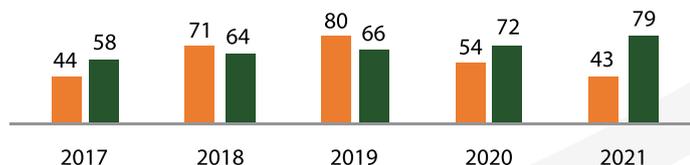
Albania



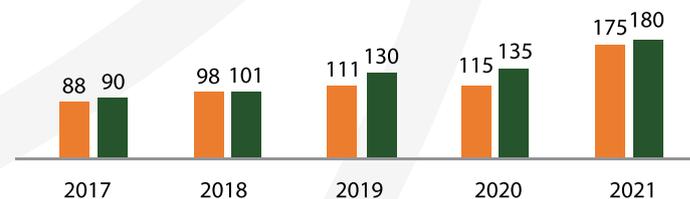
Croatia



Montenegro



North Macedonia



■ NATO database ■ Government balance sheets

(million EUR)

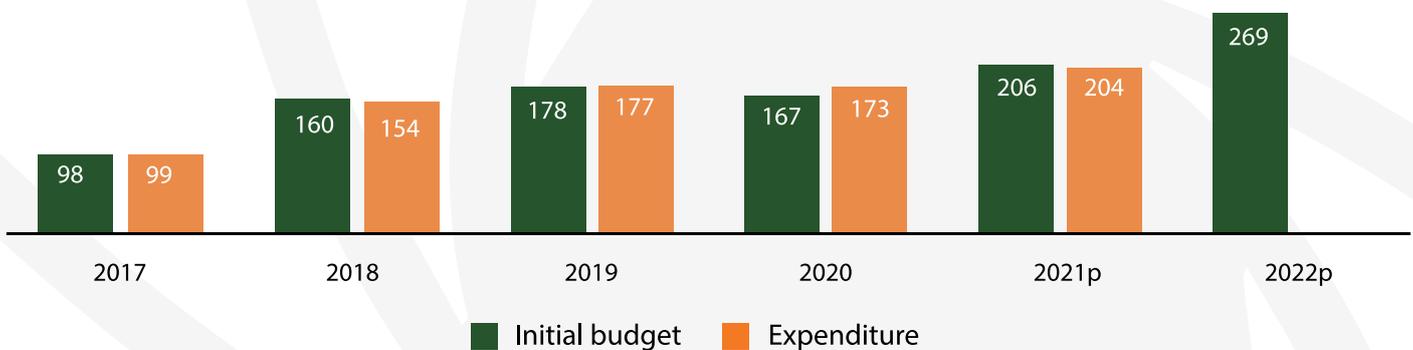
2 Category titled *Other* costs includes operations, maintenance, infrastructural investments etc and could not be derived into separate categories due to different national budgets. Albania is not included in the comparison of the defence budgets structure, because its budget and balance sheets show only highly aggregated categories of costs, hence, it was impossible to derive personnel and arms and equipment spending comparable to other countries. For more information on Albanian defence budget structure reported to NATO, see national chapter.

Albanian defence expenditure has experienced a steady increase since 2017, with the exception of 2020, when spending on defence stagnated. This stagnation can be attributed to the fight against the pandemic. Even though it has not reached the NATO goal of 2% of GDP, the defence expenditure's share of Albania's total government expenditure increased from 4.5% in 2017 to almost 9% that was planned for 2022.

2021
Share of GDP **1.38%**
Share of total government expenditure **6.82%**

The Albanian defence budget does not tend to change much in the course of a year, staying within the envisaged budget (+/- 4%). In fact, it is usually slightly underspent.

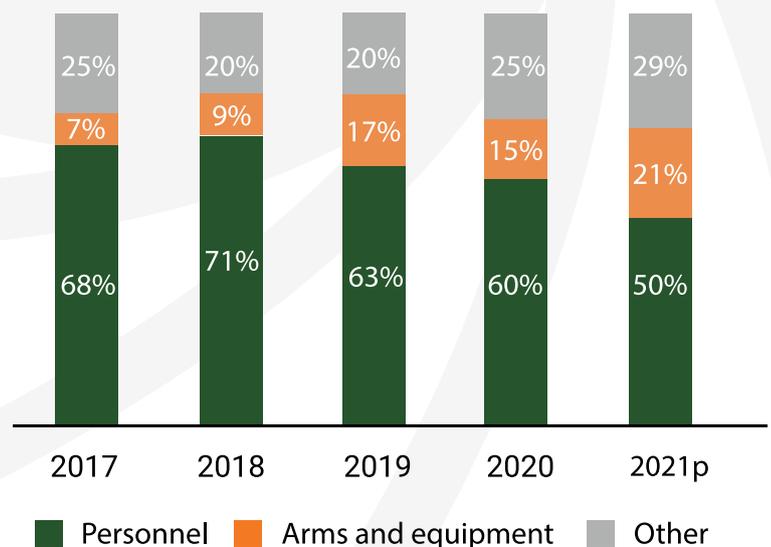
Initial budgets and defence expenditure (in milion EUR)



The Albanian defence budget is the least transparent and detailed in the region, as it shows only several general categories: Planning, Management and Administration, Combat Forces, Military Education, Combat Support and Health Support. Hence, the budget structure and the amounts spent on personnel, or arms and equipment, remain inconclusive from publicly available information.

Data provided to NATO show that the gradual rise of Albanian defence expenditure can be attributed to small increases in the arms and equipment spending each year.

Budget structure¹



* Data for 2021 and 2022 are based on the last changes in the 2021 budgets and the initial budget laws for 2022.

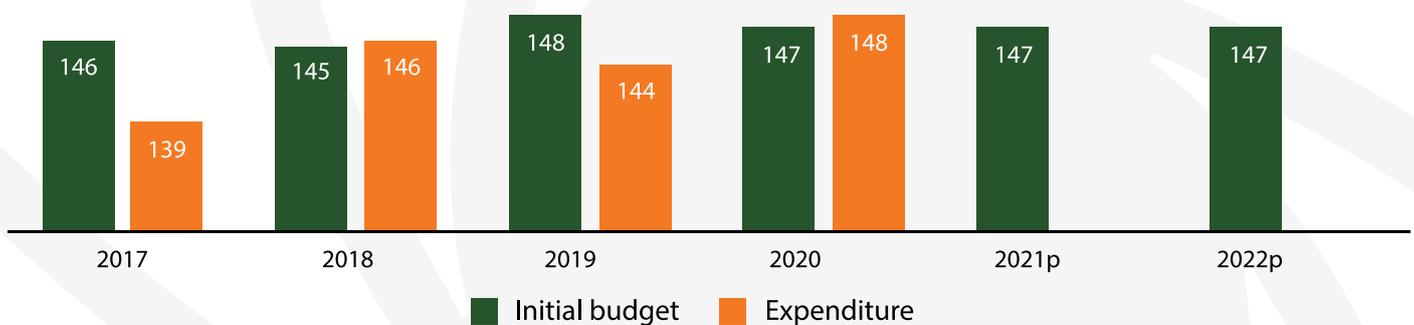
1 Albanian budget structure graph is designed with the information from the NATO database. Since it could not be derived from the government balance sheets or budgets due to the highly aggregated structure of the documents, it should not be directly compared with the budget structure of other countries in this report.

Military expenditure of Bosnia and Herzegovina has been almost the same in the past five years, both nominally and as the share of GDP.¹

2021
Share of GDP **0.78%**

The Parliamentary Assembly has not adopted a federal budget in a timely manner since 2018. The budget is usually adopted during, or at the end of, the year in to which it pertains. Due to a political crisis, the federal budget for 2021 and 2022 has not been adopted at all. Instead, quarterly decisions on temporary financing are adopted on the basis of the 2020 expenditure. Balance sheets, presenting the actual expenditure, are timely and regularly adopted.

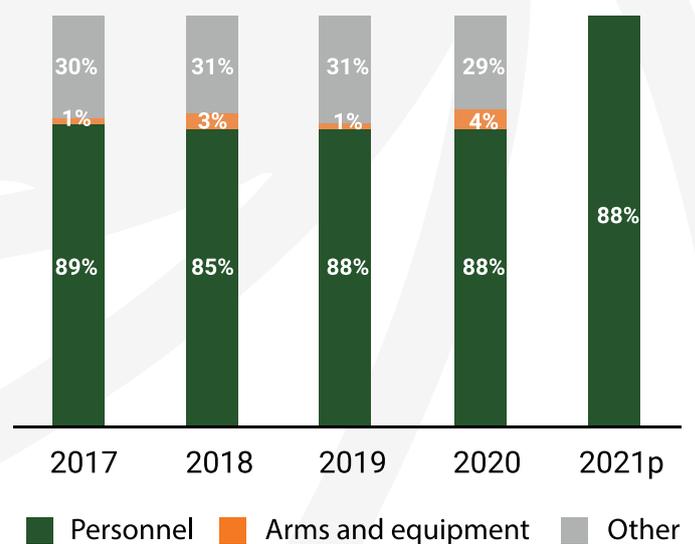
Initial budgets and expenditure (in milion EUR)



Almost 90% of the defence budget in 2021 was spent on personnel due to the political deadlock, which obstructed planning and according allocation of resources. Bosnia and Herzegovina generally spends the largest portion of its defence budget on personnel costs, while the arms and equipment share has not exceeded 4% since 2017.

Budget and balance sheets contain aggregated sums, and sources of funding for rather general categories of expenses. For instance, arms and equipment expenses can be found under the aggregated category Equipment procurement. The documents also include narrative reports with the rationale behind some general categories, i.e. monthly personnel turnover.

Budget structure



* Data for 2021 and 2022 are based on the last changes in the 2021 budgets and the initial budget laws for 2022.

1 Due to the complexity of the budget system, it is methodologically challenging to calculate the military expenditure of BiH as a share of the total government expenditure, comparable to other countries in the region. Namely, two entities have independent budgets that, then, allocate funds upward to the federal budget, which includes the defence budget.

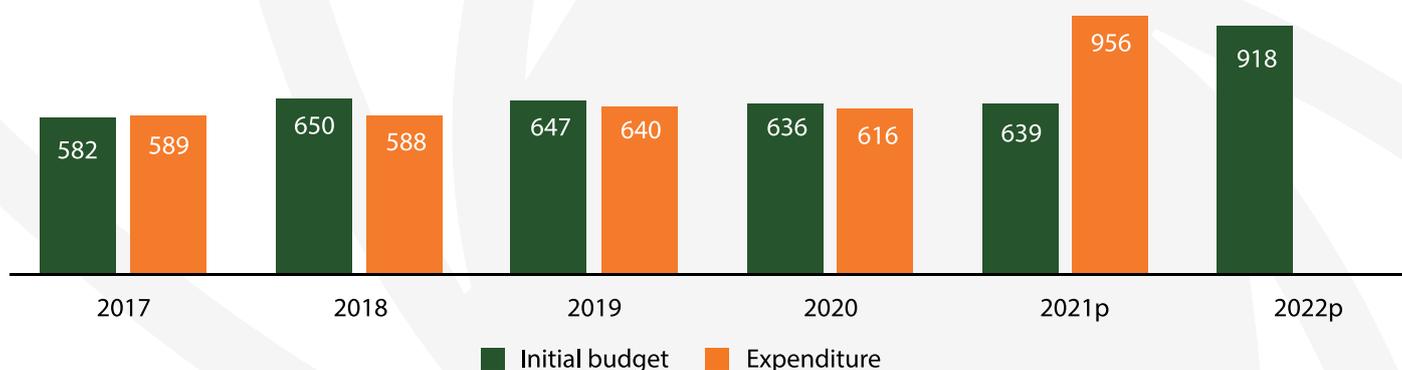
Croatian military expenditure had a sharp increase in 2021, due to the to the contract signed for the purchase of 12 French Dassault Rafale fighter jets at the end of the year. Before that, the expenditure did not experience any large changes, either nominally, or as a military burden. Defence expenditure has taken up around 3.50% of the total government expenditure until 2021.

2021

Share of GDP **1.71%**
Share of total government expenditure **4.30%**

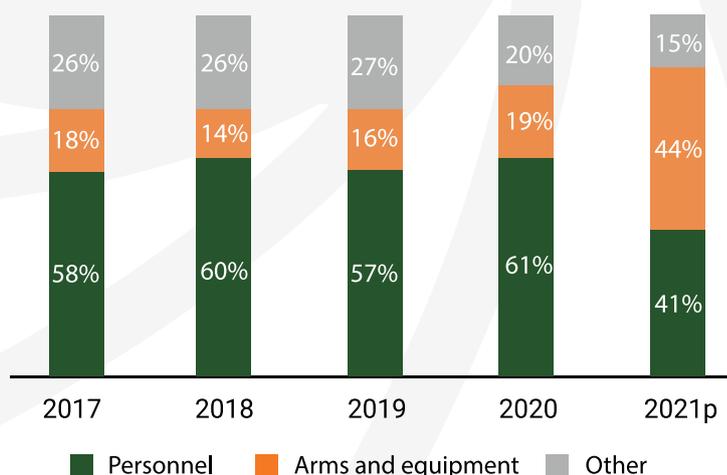
The Croatian Parliament regularly adopts the budget for the forthcoming year in late November or early December. The Parliament also regularly adopts balance sheets and yearly Reports on Defence.

Initial budgets and defence expenditure (in million EUR)



The 2021 increase is entirely attributed to the Rafale purchase at the end of the year, which resulted in a rebalance and a 49.7% rise in the planned budget. It should nevertheless be taken into account that the amount can be changed in the final balance sheet for 2021. Prior to that, there were no significant fluctuations during the year, and the initial budget was slightly underspent. Croatia spent the largest portion of its military budget on personnel; however, the above purchase might change the planned budget structure in favour of arms and equipment.

Budget structure



The Croatian defence budget is the most transparent and disaggregated in the region. Unlike the budgets of other countries, the Croatian budget shows major procurements individually and breaks them down into subcategories.

* Data for 2021 and 2022 are based on the last changes in the 2021 budgets and the initial budget laws for 2022.

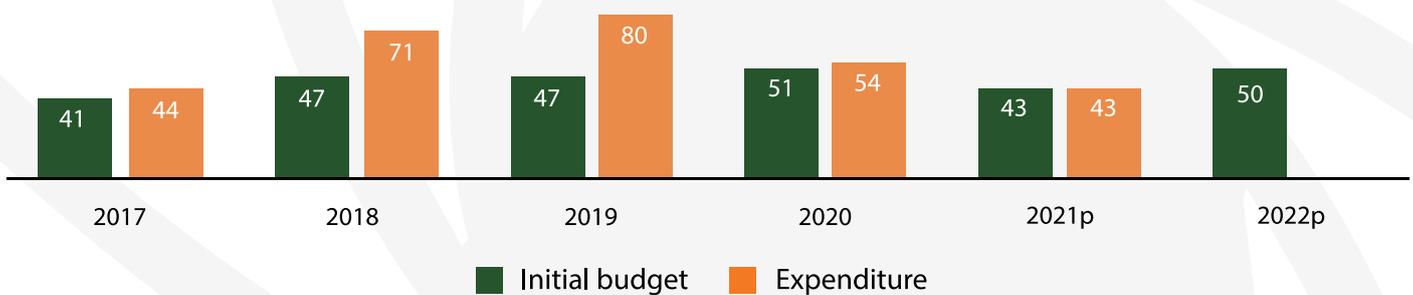
Montenegrin defence expenditure experienced a big increase right after the country joined NATO, in 2018 and 2019, caused by the attempt to meet the commitments made to the Alliance. However, it went back to its earlier level in 2020. Besides the pandemic, the change of government after the 2020 elections and the subsequent political crisis have certainly also influenced the overall budget and defence planning for the forthcoming period.

2021

Share of GDP **0.90%**
Share of total government
expenditure **2.15%**

The Parliament adopted the 2021 budget after a delay of more than six months. Earlier, the Government would usually provide a budget proposal to the Parliament one month before the start of the next budget year. The Parliament has never adopted any balance sheet submitted by the government even, though it is legally required to do so.

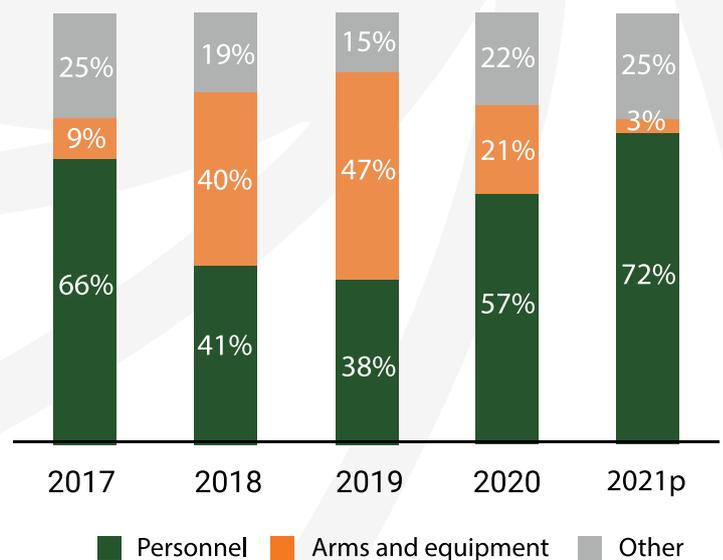
Initial budgets and defence expenditure (in million EUR)



Montenegro spends the greatest share of its defence budget on personnel. This trend was shortly interrupted by the increase in arms and equipment expenditure in 2018 and 2019, when Montenegro started the procedure to procure Bell helicopters and Oshkosh armored vehicles. Nevertheless, big leaps in defence spending during the year, allocated to arms and equipment, suggest general lack of long-term defence planning in Montenegro.

Even though the Montenegrin budget demonstrates a slightly higher level of transparency than those of most countries in the region (i.e. it shows individual projects or procurement), it still lacks sufficient transparency and disaggregation.

Budget structure



* Data for 2021 and 2022 are based on the last changes in the 2021 budgets and the initial budget laws for 2022.

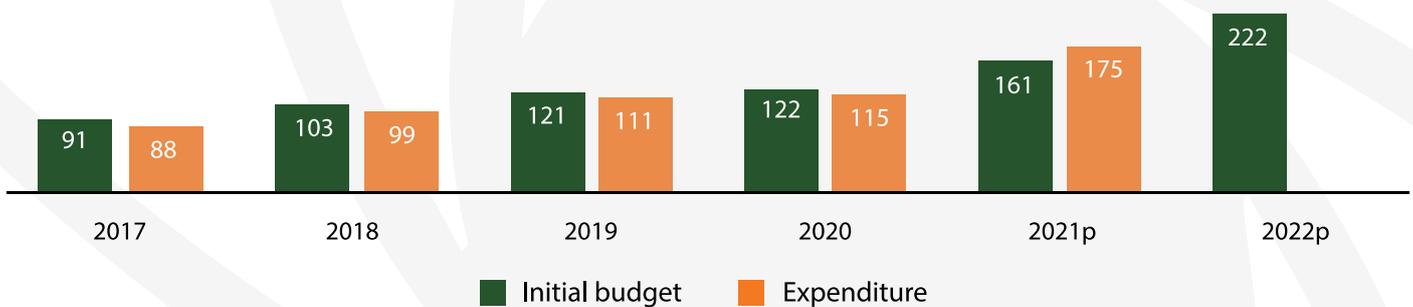
North Macedonian defence expenditure increased around 30% between 2017 and 2020. Further increases have been planned after the country became a member of NATO in 2020. Before that, it was spending roughly 1% on the military. Defence expenditure has taken up an increasing portion of the total government spending, from 2.7% in 2017 to 5% that was planned for 2022.

2021

Share of GDP **1.43%**
Share of total government expenditure **4.02%**

The Assembly of the Republic of North Macedonia usually adopts budget laws in late December, while balance sheets are adopted regularly, with some occasional delays. The MoD regularly publishes semi-annual budget realisation reports.

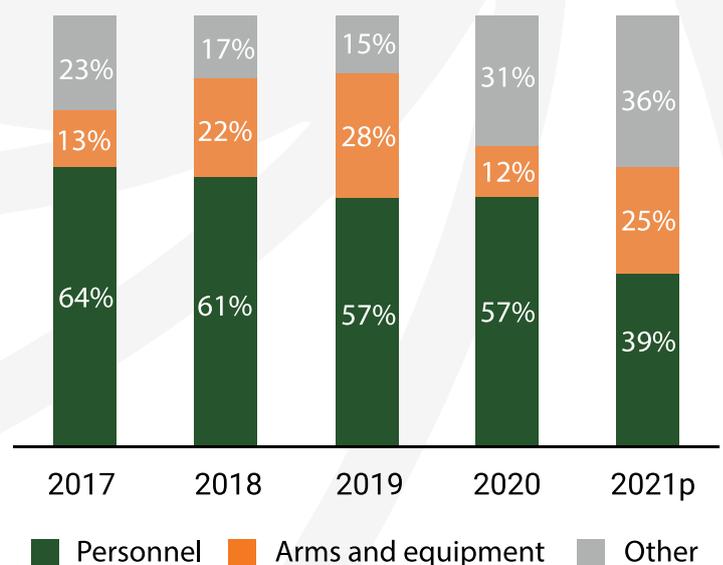
Initial budgets and defence expenditure (in milion EUR)



North Macedonian defence budget changed in 2021, as the country signed the contract to buy Stryker light armoured vehicles. This purchase altered the budget structure in favour of arms and equipment.

Similar to other countries in the region, North Macedonia uses programme budgeting, which is not sufficiently disaggregated. Budgets and balance sheets show highly aggregated sums for different programmes, and sources of funding are presented for the entire MoD budget.

Budget structure



* Data for 2021 and 2022 are based on the last changes in the 2021 budgets and the initial budget laws for 2022.

2021

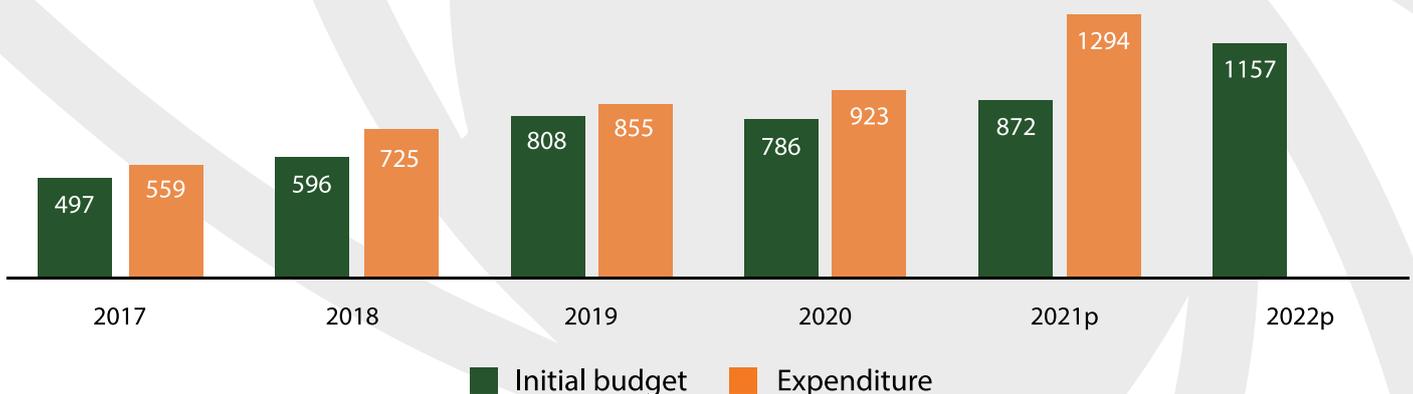
Share of GDP **2.42%**
Share of total government
expenditure **8.61%**

Serbian defence expenditure gradually kept rising since 2016, to experience a sharp increase in 2021. Military spending took up an increasing share of the total expenditure, from 4% in 2017 to 8.6% the past year.

The National Assembly usually adopts the budget for the forthcoming year in early December. Balance sheets presenting the actual budget spending were late for 16 years, and the National Assembly retroactively adopted all of them in 2019.

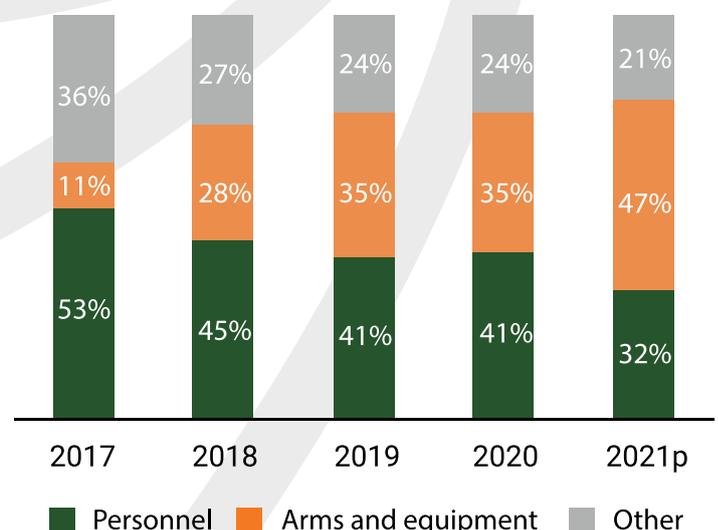
The Serbian defence budget undergoes major changes in the course of the year. Resources are allocated from budget reserves, predominantly for arms and equipment. In the absence of extraordinary circumstances that would require extreme measures, such radical increases indicate lack of comprehensive defence planning.

Initial budgets and defence expenditure (in milion EUR)



Serbia has been applying programme budgeting since 2015. The budget is therefore separated into programmes, presenting budget funds for specific areas as well as different sources of funds. Nevertheless, the budget is not sufficiently disaggregated and detailed, which prevents comprehensive oversight. For instance, arms and expenditure costs are not disaggregated by concrete projects, and it is thus impossible to connect them to individual procurements. As can be seen from the budget structure, the upsurge in the military budget is the result of increasing arms and equipment costs.

Budget structure



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