



**Balkan** 2024  
**Defence  
Monitor**

**Defence  
expenditure**



**BCSP**  
Belgrade Centre  
for Security Policy

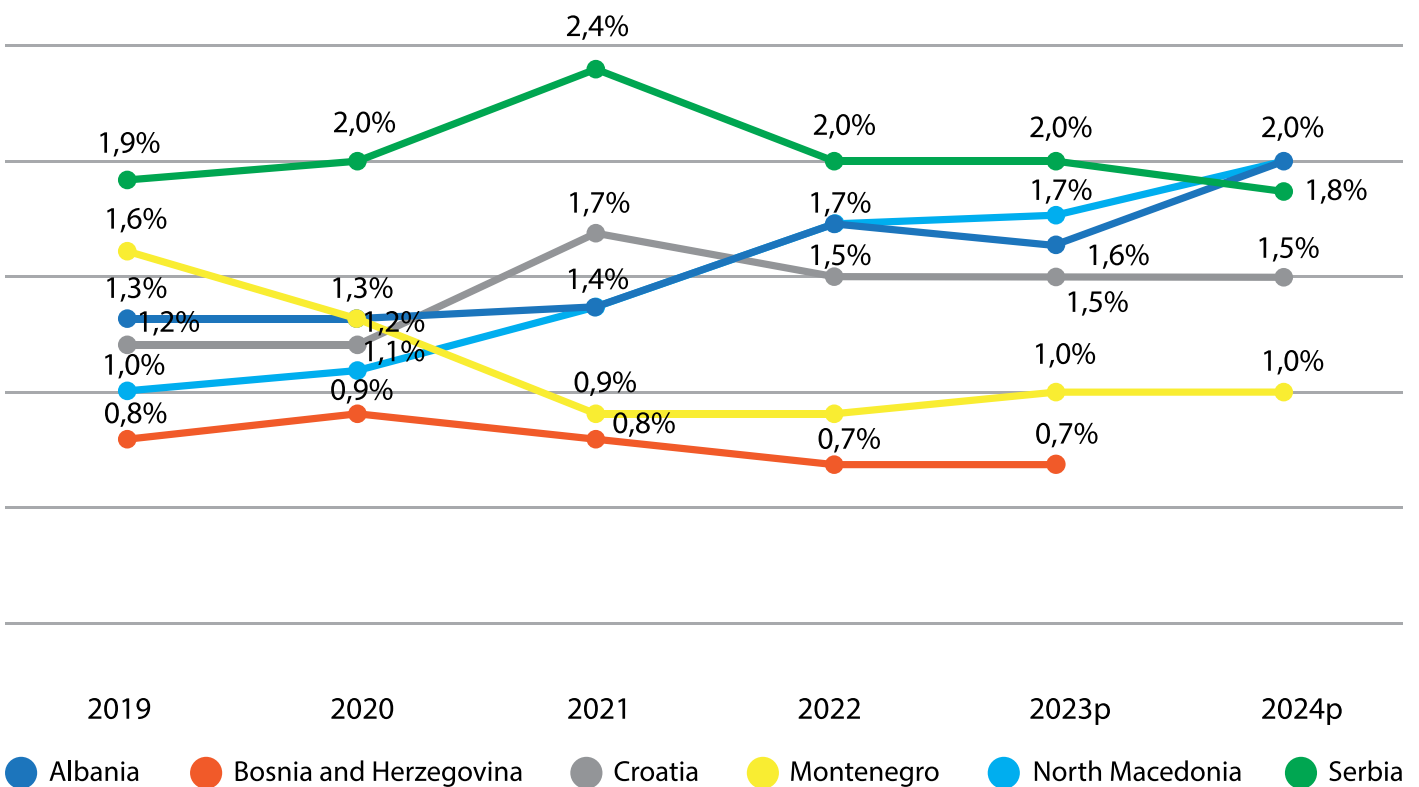
# DEFENCE EXPENDITURE

## REGIONAL OVERVIEW



Among the Balkan countries, Serbia still has the highest defence spending as the share of GDP (2,0%). None of the NATO member states in the region has reached the 2% GDP defence spending threshold in 2023. Although Albania and North Macedonia initially planned the budget for 2023 to reach the 2% GDP threshold, the actual expenditure in both countries appears to be below 2% of their GDP. Bosnia and Herzegovina has the lowest military expenditure in the region, maintaining it below 1% of GDP.

Defence expenditure (% GDP)



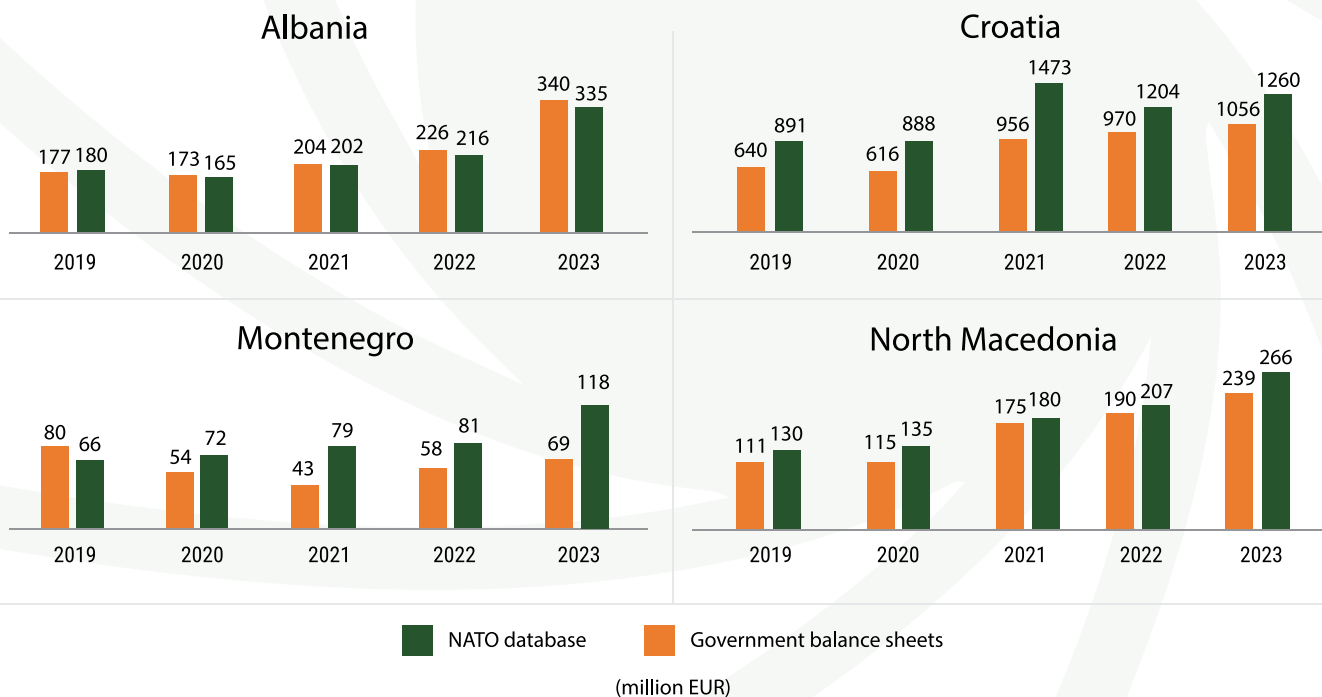
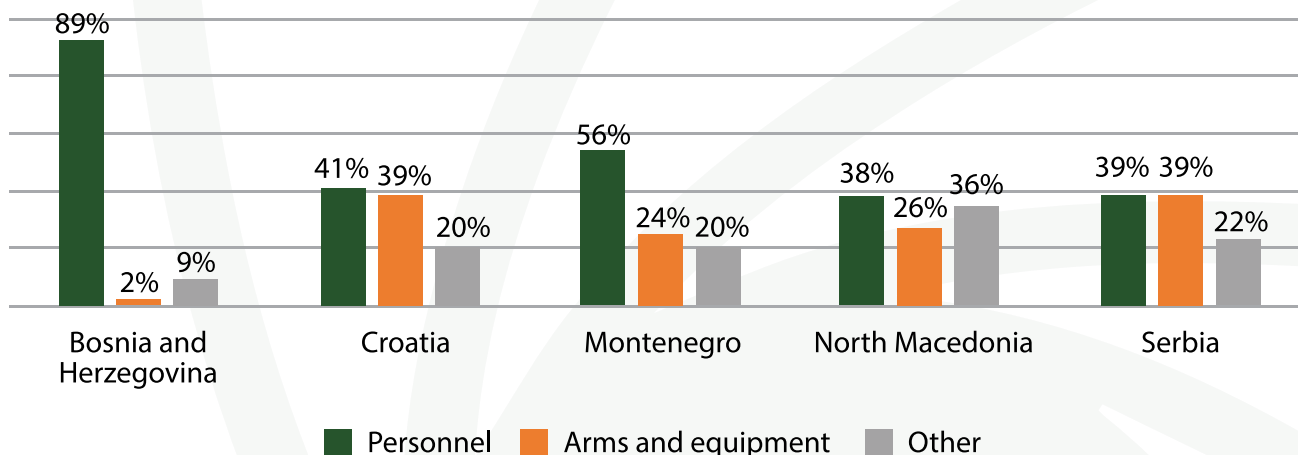
*\*Data for 2023 is based on the last changes in the 2023 budgets (due to the fact that the countries have not yet adopted balance sheets for 2023). Data for 2024 is based on the initial budget laws for 2024 and IMF projection of GDP.*

All the countries in the Balkans publish their defence expenditure as part of government budgets and balance sheets. 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 2023. Data for 2024 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.

The comparison below is based on the balance sheets from 2022, because most of the Balkan countries have not yet adopted their balance sheets for 2023. As in the previous years, Bosnia and Herzegovina's expenditure on personnel is the largest, while Croatia and North Macedonia significantly decreased the percentage of defence budget spent on personnel comparing to the year 2020. Albania was excluded from this comparison because of methodological reasons (explanation can be found in the chapter on defence expenditure of Albania).

## Spending on personnel and equipment in 2022 (% of defence expenditure)<sup>2</sup>



*Defence spending is presented in current EUR, calculated based on the exchange rate of the national currencies at the end of the given year.*

Apart from 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. The largest discrepancy between Ministry of Defence budget and the budget reported to NATO appears in the case of Montenegro.

<sup>2</sup> Category titled Other costs includes operations, maintenance, infrastructural investments, etc. and could not be divided into separate categories because of 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 the Albanian defence budget structure reported to NATO, see the national chapter.

Despite the notable growth in Albanian defence expenditure over the last five years, the expenditure remains below the NATO commitment of 2% of GDP for defence spending. Nevertheless, the planned budget for 2024 indicates a substantial increase compared to 2023, suggesting that the NATO goal should be reached in 2024. The defence expenditure's share in Albania's total government expenditure is continuously increasing. Based on the latest Budget Law amendments from 2023, it is planned to reach 9.18% of total government expenditure.

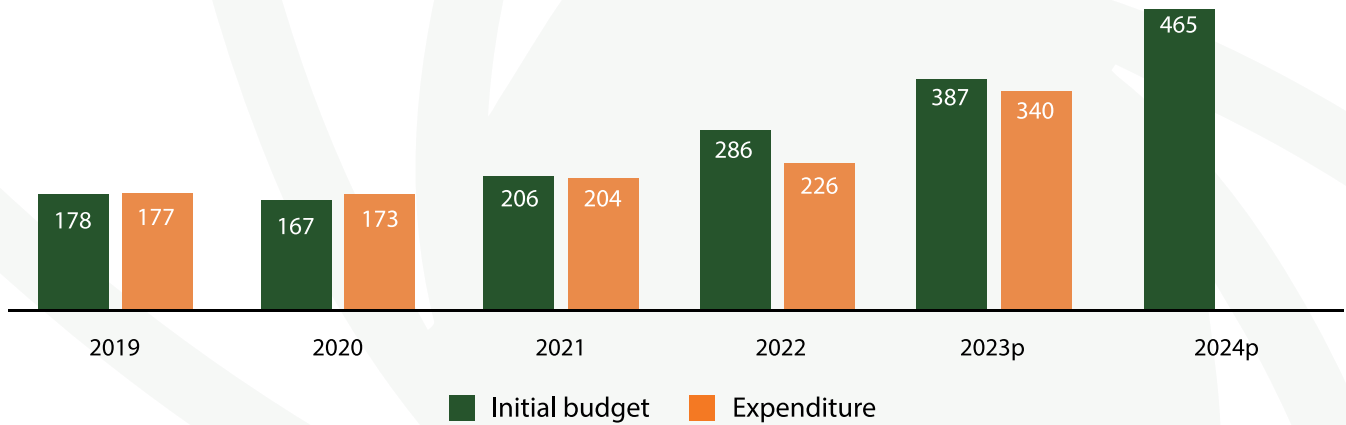
## 2023

Share of GDP **1.63%**

Share of total government expenditure **9.18%**

The balance sheet for the year 2022 (adopted in May 2023) indicates a significant deviation from the initial budget, a variance not observed in the preceding years. The budget is usually underspent, which is a trend that appears to persist in 2023.

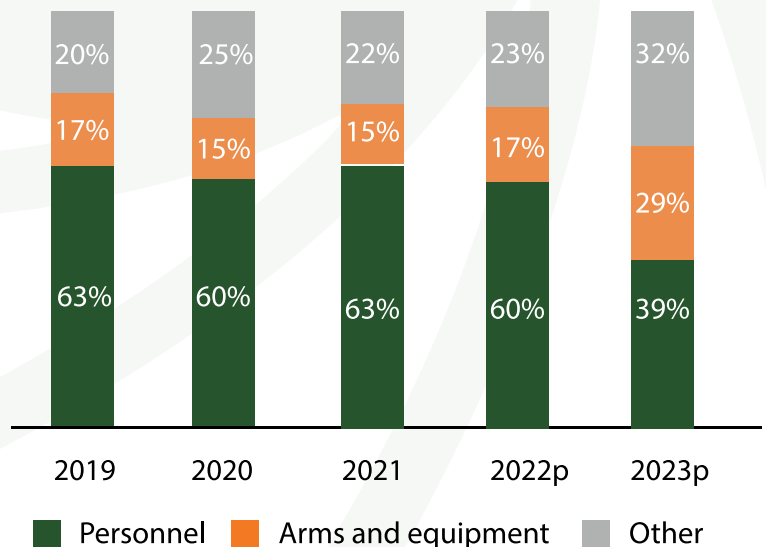
Initial budgets and defence expenditure (in million EUR)



The defence budget structure is not evident from Albanian official documents that are publicly available, which is why the NATO database was used for this purpose. Personnel spending has significantly decreased in 2023, while the increase in arms and equipment spending is considerable.

During 2022 the salaries of the Albanian armed forces were increased by 30%. The increase will continue in 2023 by 7% for all ranks, which explains the decrease in spending on personnel compared to 2022. In the beginning of 2023, Albanian Minister of Defence announced procurement of the unmanned combat aerial vehicles – TB2 armed drones, from the Turkish company “Baykar Technologies”, as well as building of the cyber field operational centre.<sup>2</sup>

Budget structure<sup>1</sup>



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.

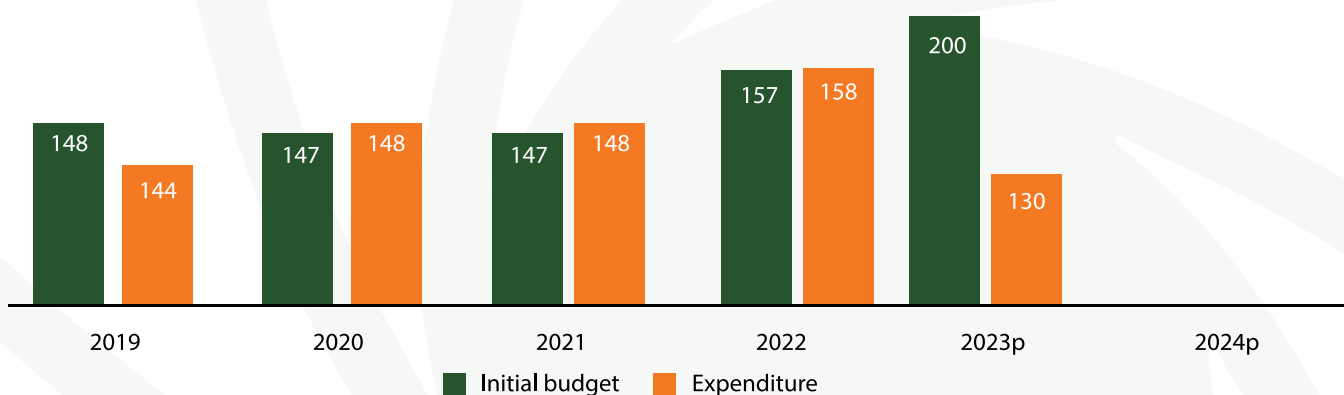
2 Republic of Albania, Ministry of Defence, “2022 achievements and 2023 goals, Peleshi: Strengthen cybersecurity, increase military salaries”, 8 January 2023, <https://www.mod.gov.al/newsroom-2/5870-arritjet-e-2022-dhe-objektivat-e-2023-peleshi-fuqizojme-sigurine-kibernetike-rrisim-pagat-e-ushtarakeve>

Although military expenditure of Bosnia and Herzegovina has increased comparing to previous years, it remains the lowest in the region – below 1% of GDP. <sup>1</sup>

**2022**  
Share of GDP **0.69%**

Based on the federal budget for 2023 (adopted in April 2023), the initial defence budget is increased by approximately 27%. However, the balance sheet for 2023 has not been adopted yet, but only the report on actual expenditure from January 1, 2023, until September 30, 2023. Based on that information, the military spending of Bosnia and Herzegovina does not seem to be significantly increased in 2023 either. The 2024 budget has not been adopted yet.

Initial budgets and defence expenditure (in million EUR)

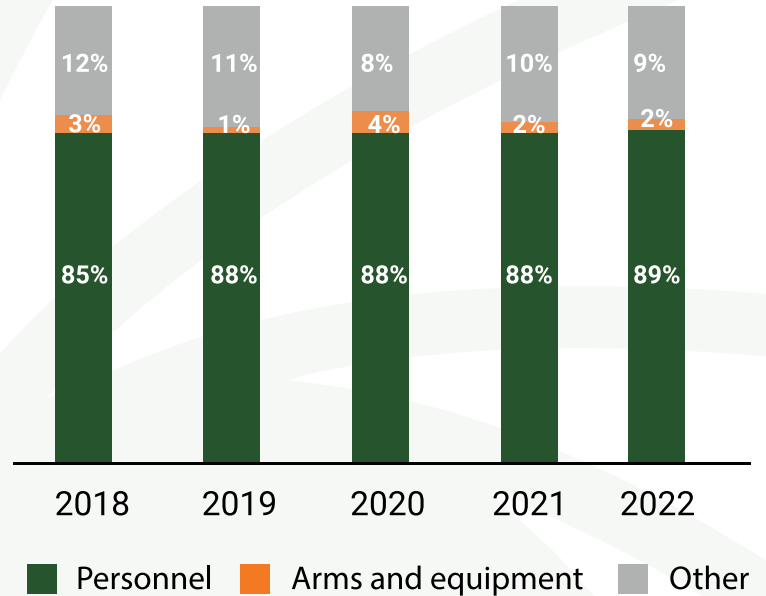


Traditionally, Bosnia and Herzegovina allocates the majority of its defence budget on personnel costs. The MoD has the largest number of employees among state institutions in the country and the highest share in the total amount of gross salaries. Still, the biggest turnover of personnel is evident at the MoD because of the implementation of provisions of the Law on the Armed Forces in Bosnia and Herzegovina related to the prescribed age limit. Namely, the Armed Forces of Bosnia and Herzegovina were in a transitional period starting from 2010 when the majority of military personnel were discharged from the Armed Forces due to age limit. The transition continued in the following years, which involves the dismissal of one generation of military personnel who reached the prescribed age limit and the admission of a new generation.<sup>2</sup> For instances, until the end of September 2023, the total of 501 employees were discharged from the MoD, while 225 new employees were hired.<sup>3</sup> The dynamics of hiring new military personnel significantly impacts the expenditure on personnel.

- <sup>1</sup> 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.
- <sup>2</sup> Ministarstvo finansija i trezora BiH, "Izveštaj o izvršenju budžeta institucija Bosne i Hercegovine i međunarodnih obaveza Bosne i Hercegovine za 2022. godinu," [Report on the execution of the budget of the institutions of Bosnia and Herzegovina and the international obligations of Bosnia and Herzegovina for the year 2022] April 2023 <https://www.mft.gov.ba/Content/OpenAttachment?id=538fd6f1-b65d-41e3-8f8e-7037868ca98e&lang=bs>
- <sup>3</sup> Ministarstvo finansija i trezora BiH, "Izveštaj o izvršenju budžeta institucija Bosne i Hercegovine i međunarodnih obaveza Bosne i Hercegovine za period I – IX 2023. godine [Report on the execution of the budget of the institutions of Bosnia and Herzegovina and the international obligations of Bosnia and Herzegovina for the period I – IX 2023] November 2023, <https://www.mft.gov.ba/Content/OpenAttachment?id=bc7ccedd-d913-4527-a21f-441445b73240&lang=bs>

Arms and equipment expenses are documented in the budget and balance sheets under the aggregated category Equipment procurement, without providing further details on types of procurement. The MoD initiated multi-year projects which include overhaul of helicopters (for instance, repairs and overhaul of Gazelle helicopters or procurement of spare parts for UH-1H helicopters) and purchase of specialized motor vehicles. However, additional funds for these projects were not provided in 2023.

## Budget structure



Military budget of Croatia has almost doubled since 2017, largely due to the procurement of 12 French Dassault Rafale fighter jets in 2021. Projections for 2024 and 2025 suggest steady further increase, partly attributed to procurements of Bradley armoured vehicles and Black Hawk helicopters from the USA. Defence expenditure as a percentage of total government expenditure ranges around 3.5 percent, albeit it surpassed 4 percent in 2021 and 2022.

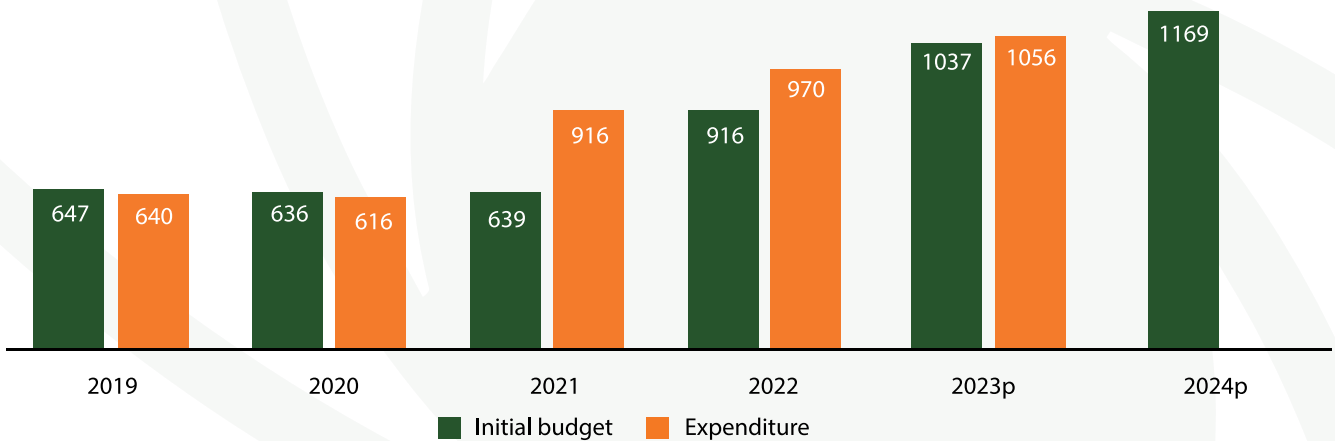
## 2023

Share of GDP **1.45%**

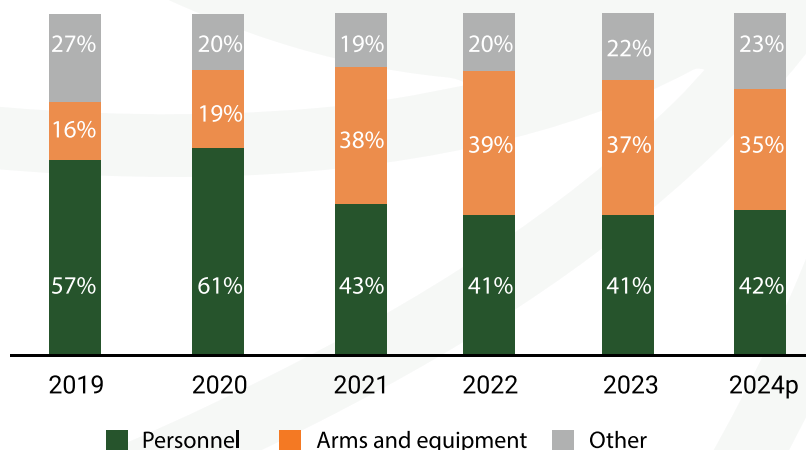
Share of total government expenditure **3.60%**

The Parliament regularly adopts budgets for the upcoming year, usually in November. Balance sheets and yearly Reports on defence are also regularly adopted by the Parliament, however the last one adopted was the Report for 2021, while the Report for 2022 is still in procedure, being submitted by the Government later than usual.

Initial budgets and defence expenditure (in million EUR)



Budget structure



In 2021 there was a shift in defence budget structure in favour of arms and equipment, attributed to the Rafale purchase which still takes the largest portion of capital expenditure. Modernisation of the army foresees several other purchases from the US, such as Patria armoured vehicles and Javelin anti-tank guided missile system, confirming this trend. Since 2021, spending on personnel ranges around 42 percent. Despite changes in budget display since 2023, making the budget slightly less disaggregated and transparent, Croatian defence budget is at the top in the region when it comes to these categories. It shows to specific procurements broken down into subcategories.

Defence budget of Montenegro has undergone fluctuations in the past years, both in terms of absolute increase and budget structure. This is partly a consequence of the country joining NATO and modernizing the Army to meet the NATO standards, but also due to political crisis and changes of governments.<sup>1</sup> Data for 2023 suggests a stabilization of defence expenditure compared to initial budget.

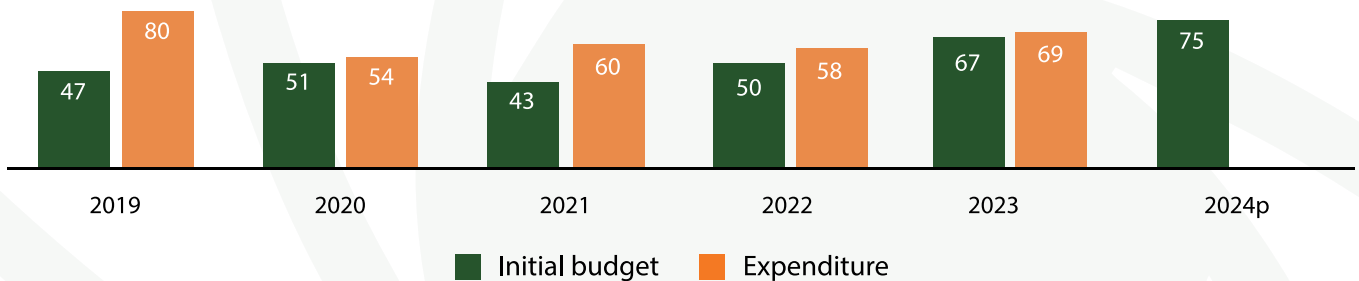
## 2023

Share of GDP **1.08%**

Share of total government expenditure **2.63%**

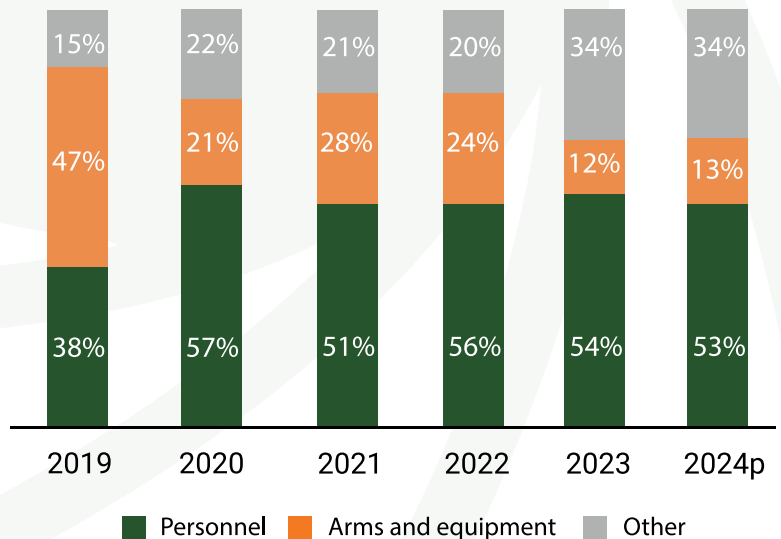
Budgets for the upcoming year are usually adopted by the Parliament in November or December, albeit the 2021 Budget was adopted with a six-month delay. Balance sheets submitted by the Government have never been adopted by the Parliament, with the 2021 Balance sheet failing to pass the competent parliamentary Board and 2022 Balance sheet still being in procedure.

Initial budgets and defence expenditure (in million EUR)



With the exception of 2018 and 2019, more than half of defence expenditure goes on personnel. Larger percentage of spending on arms and equipment in those two years is due to procurement of Bell helicopters and Oshkosh JLTV armoured vehicles. Except for 2023, expenditure structure greatly differs from initial budget structure – in 2022, 7.6 percent was planned for arms and equipment, but the balance sheet shows almost 24 percent of budget being spent. This gap was even larger in 2021. Upcoming procurements include 120mm vehicle-mounted mortar system from Israel worth 20 million USD. Montenegrin budget is among the most transparent in the region and has improved in 2023 by including NATO, EU and UN missions as specific budget activities. Transparency and disaggregation could be further improved, including by referring to specific procurements.

Budget structure



<sup>1</sup> In 2020 election, the Democratic Party of Socialist, which governed Montenegro for 30 years, lost the elections. The succeeding government lasted only until 2022, when it lost the Parliament's confidence, followed by another short-lived government which spend most of its governing in a technical mandate. The institutional deadlock caused by the controversial changes to the Law on the president and a non-functional Constitutional court soon followed. The incumbent government led by the movement "Europe now" was formed in October 2023, after the June 2023 parliamentary elections.



# North Macedonia

Defence budget of North Macedonia has experienced a substantial increase since the country joined NATO in 2020. The increase is also a consequence of a long-term plan of modernisation of the Army. Despite the budget being underspent in the last two years, the 2024 budget comes with a 38% increase compared to the previous year. Defence expenditure as a share of GDP also increased from 1% in 2019 to over 2% planned in 2024.

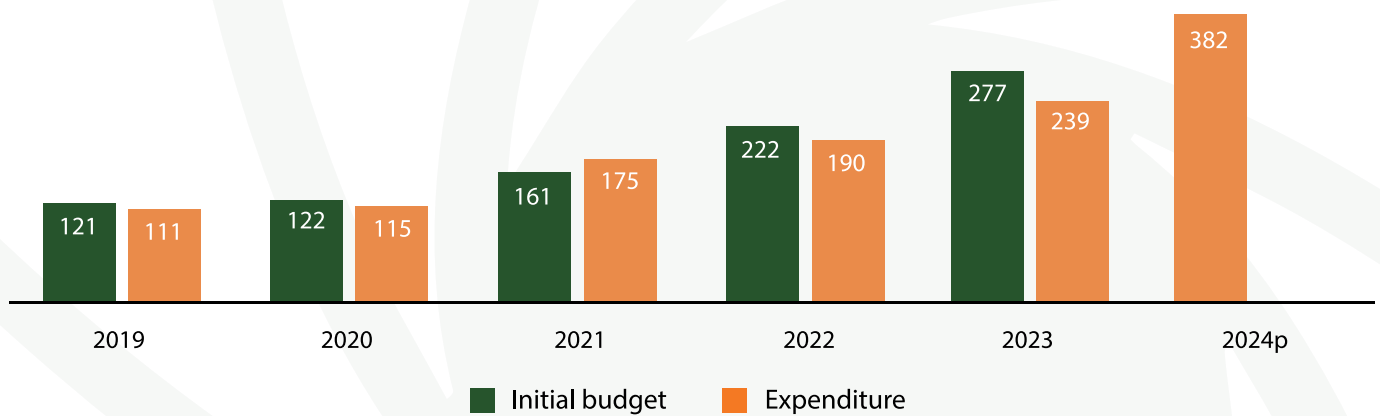
## 2023

Share of GDP **1.67%**

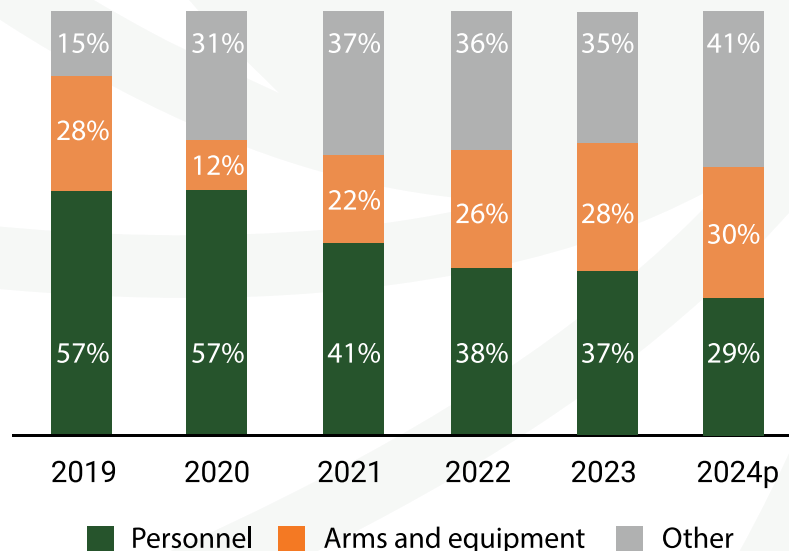
Share of total government expenditure **4.52%**

Budget laws for the upcoming year are regularly adopted by the Parliament of North Macedonia in late December. Balance sheets are usually adopted regularly as well. The Ministry of Defence publishes quartal budget realisation reports on its website.

Initial budgets and defence expenditure (in million EUR)



Budget structure



Until 2021, the largest percentage of the budget was spent on personnel. Following modernisation projects and equipment procurement, such as Stryker and Oshkosh armed vehicles, the share of arms and equipment budget started to slowly increase. By the 2023 budget, North Macedonia planned to spend 39% on this category, however it actually spent 11% less, or 28% of defence expenditure. In 2024 arms and equipment spending is expected to surpass personnel expenditure.

The large portion of other expenses accounts for goods and services excluding capital expenditure, and transfers to pension fund and local municipalities. The defence budget of North Macedonia is divided into programmes and its transparency and disaggregation could be improved.

The observed trend of rise in Serbian defence expenditure since 2016 halted in 2022, with expenditures falling below the figures recorded in 2021. As the balance sheet for 2023 has not been adopted yet, the actual military expenditure for the year remains unavailable. Nevertheless, based on the most recent amendments to the Budget Law, it is anticipated that military spending in 2023 will be on the rise again, constituting an 8.05% share of the total expenditure.

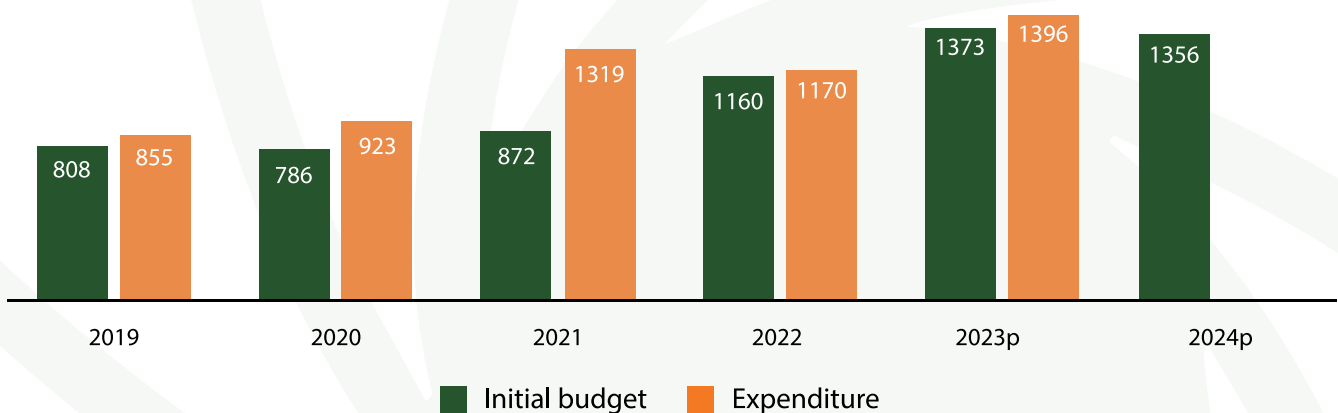
## 2023

Share of GDP **2.05%**

Share of total government expenditure **8.05%**

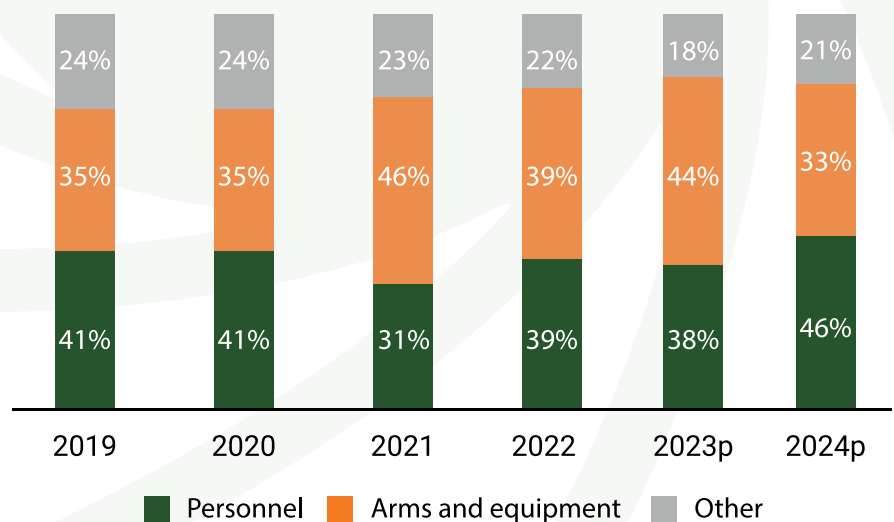
The National Assembly usually adopts the budget for the forthcoming year in early December. The planned budget for 2024 is decreased by almost 1.3% comparing to 2023.

Initial budgets and defence expenditure (in million EUR)



Serbian budget is broken down into programmes, presenting budget funds for specific areas as well as different sources of funds. Despite that, the budget is not sufficiently disaggregated and detailed, which prevents comprehensive oversight. For instance, arms and equipment costs are not disaggregated by concrete projects, and it is thus impossible to connect them to individual procurement projects. Within the programme “Functioning of the MoD and the Serbian Army” the largest part of the

Budget structure



budget is spent on the purchase of arms and equipment, without specifying which arms and which equipment. It should also be noted that the operating costs, including costs of maintenance, spare parts, fuel, and everything that is needed for training, exercise, and general building capabilities, are relatively low compared to the amount spent on purchase of arms and equipment. The information about the procurements can usually be found in MoD’s announcements, such as the announcement about procurement and modernization of 92 complex combat platforms for the needs of the Serbian Armed Forces, but even in those sources of information further details cannot be found.

1. Ministarstvo odbrane Republike Srbije, “Potpisani ugovori za nabavku i modernizaciju složenih borbenih platformi u vrednosti od oko 13,5 milijardi dinara,” [Contracts signed for the procurement and modernization of complex combat platforms in the value of about 13.5 billion dinars], 28 September 2023, <https://www.mod.gov.rs/lat/20524/potpisani-ugovori-za-nabavku-i-modernizaciju-slozenih-borbenih-platformi-u-vrednosti-od-oko-13-5-milijardi-dinara20524>