

TRENDS IN SLOVAK REPUBLIC'S MILITARY SPENDING

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The article focuses on the amount of military spending in the Slovak Republic. In the first part, the terms of defense expenditure and military spending are defined. The second part focuses on the evolution of military spending in the Slovak Republic so far and the future prospects, as well as on the structure of military spending. The final part covers the amount of defense expenditure in relation to the objectives and tasks of the Armed Forces of the Slovak Republic.

Key words: *defense, system of defense, defense expenditure, military spending, structure of military spending, strategic evaluation of defense.*

1. INTRODUCTION

Security and defense are among the primary functions of a state. As a result, nations apportion assets like personnel, material and financial to provide security. This process has a direct impact on the economy of a nation, imposes great requirements and, to a certain extent, goes beyond the framework of a market mechanism. The imbalance between the defense requirements and the possibilities of a country's economic sector to meet them may lead to disproportion in the development of relevant areas.

From an economic point of view, defense refers solely to public goods and services, which are predominantly catered for by the public sector. Expenses stem from the

need to provide state defense (the so called defense expenditures), and are covered by the national budget, thus being part of the public expenses. These enable producing defense assets, the use of which represents a complex and demanding process in terms of their efficient allocation and use.

The amount of defense expenditures depends on the defense policy preferred by a certain country in a given time frame. For example, a state's defense policy could be more focused on providing defense and, thus, on allocating greater assets to defense rather than on the development of other areas. In other cases, a country's policy may be directed towards economic growth with a direct impact on the allocation of assets to the defense sector.

Therefore, finding a balance between the two options is a challenging task for the governments of individual nations. The solution is to actually make a compromise and provide for a high level of a country's defense, while also focusing on economic growth.

2. DEFINING BASIC TERMS

The term of "defense expenditures" or "defense spending" is often misinterpreted. A frequent mistake in this respect is that of identifying defense expenditures with military expenditures. The basic rule when defining the term is to actually take into account a government's given set of defense goals based on which a proper definition for defense expenditures can be identified.

As far as the definition of defense expenditure of the Slovak Republic is concerned, the definition of defense must first be analyzed. Thus, the National defense (following the act on the defense of the Slovak Republic) is defined as a set of measures the Slovak Republic takes to promote peace, provide security, sovereignty, territorial and border integrity and follow the commitments resulting from international agreements on joint defense against attack and further international agreements of military character. Defense is provided by an overall defense system of the Slovak Republic, comprising executive and support elements. The crucial executive element of the Slovak Republic defense system is

represented by the Armed Forces of the Slovak Republic. Other executive and support elements of the defense system of the Slovak Republic comprise strategic intelligence and defense diplomacy, state material reserves, defense infrastructure, armed security troops, civil protection, rescue squads, economic mobilization, civil emergency planning, training of citizens for defense, and the scientific base of the national defense. Defense expenditures are aimed at the overall system of national defense and they are expenditures on military and non-military elements of the defense system. Consequently, defense expenditures acquire a broader meaning than military expenditures, which include the sums allocated from the national budget to the Armed Forces of the Slovak Republic only.

By also taking into account international views on the two terms, the one of military spending appears to be the most suitable one for the purposes of this article. This is supported by the fact that military spending holds an important ground in the area of defense expenditures and represents about two thirds to three quarters of the total defense expenditures of developed countries [1].

3. MILITARY SPENDING

The government of the Slovak Republic has claimed in its program declaration to allocate at least 2% of the country's GDP to the

Armed Forces. The commitment stems not only from the NATO recommendations, but above all from the need of the Ministry of Defense (MoD) to prepare and run the reform process of the Slovak Republic's Armed Forces in line with the approved long-term plan of the structure and development of the Armed Forces of the Slovak Republic model 2010. Therefore, the 2% GDP allocation for military spending has become the primary planning financial limit for the implementation of the long-term plan [2].

The volume of the planned and allocated finance assets for the MoD is most commonly referred to as the percentage of the estimated GDP (for example, 1.24 % for 2010). This figure not always corresponds to reality for several reasons. Above all, it is necessary to realize that during a fiscal year the budget measures of the Ministry of Finance of the Slovak Republic result in adjustments to the overall limit of the MoD budget chapter spending, and that is typically reflected in a decreased budget allocation. Also, the real GDP may not reach the estimated amount in a given year.

Table 1. Spending of the MoD of the Slovak Republic budget chapter from 1996 to 2011 [3]

Year	MoD SR spending (mil. SKK)	real GDP (mil.SKK)	% GDP
1996	13 588.1	606 100	2.24
1997	14 339.5	708 617	2.02
1998	14 628.3	775002	1.87
1999	13 835.8	835 721	2.02
2000	15 048.1	934 079	1.61
2001	18 463.8	1 009 839	1.83
2002	19 892.6	1 108 117	1.80
2003	21 674.5	1 222 483	1.78
2004	23 172.8	1 359 533	1.70
2005	25 549.9	1 484 609	1.72
2006	27 923.1	1 658 302	1.68
2007	28 528.0	1 854 167	1.54
2008	31 196.1	2 025 101	1.54
2009 (mil. €)	1 045.71	63 050,7	1.66
2010 (mil. €)	822.94	65 970	1.25
2011(mil. €)	759.774	70 160	1.08

Table 1 illustrates the spending of the MoD of the Slovak Republic budget chapter and the percentage within GDP from 1996 to 2011. As it can be seen in table 1, as well as in **Figure 1**, financing the MoD has been undersized in the long term. This stems from the view discrepancies and the lack of common approach to the questions of the integration of the Slovak Republic into NATO, backing or, on the other hand, opposing the MoD and its development by the government, different views concerning the form of our involvement in international crisis management operations, the outbreak and the aftermath of the world financial crisis, increasing the debt of the public finance and the resulting cuts, which have continued up to now. The gradual decrease in the military spending percentage reached a level that forced the MoD to start reorganization. The former governments had dealt with the matter of insufficient funding by means of rationalization and increasing efficiency in the area of asset management, enhancing transparency and effectiveness.

The matter of defense planning and asset management has become the key issue for the MoD. The total amount of funds allocated for the MoD for 2011 reaches 55 per cent of the real financial limit estimated in the Directive for the defense policy of the Slovak Republic. It is an alarming figure which requires no further comments. Less

and less money is allocated to defense from the national treasury, and the current figure is just 1.08 % of GDP. For 2013 the government projects to decrease the resources from the national budget to less than 1% of GDP. Presently, current expenditures make up a substantial part of military spending from the economic point of view (approximately 95%). (**Figure 2**).

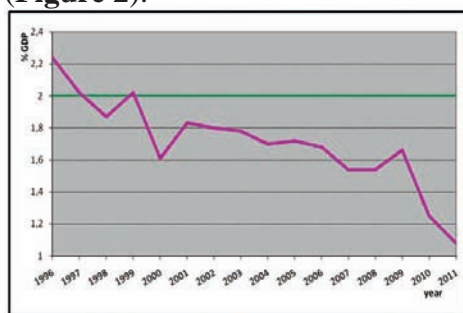


Figure 1. The trend of military spending from 1996 to 2010 (in % GDP)

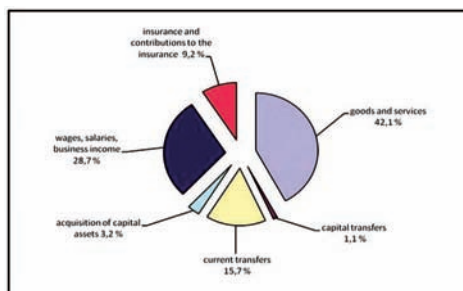


Figure 2. The structure of military spending according to economic classification (year 2009)

Source: MoD of the Slovak Republic

Almost the whole amount of financial assets comprise expenses on wages, salaries, goods and services, insurance, accommodation

benefits and other. Only a small part is spent on capital expenses, namely procurement of modern weapon systems, armament and equipment. A constant reduction in financial assets results in insufficient investment expenses. The real financial limits barely cover to maintain the current state of the Armed Forces of the Slovak Republic. As a result of budget cuts, procurements incurred by some projects are being halted. That leads to failure in meeting some set objectives either totally or partially and, inherently, to the poor performance of the defense system [4].

4. CONCLUSIONS

According to Stockholm International Peace Research Institute, in terms of the amount of "military burden" per capita (240 dollars), Slovakia is, alongside with the Czech Republic, in the group of nations whose military spending is two times higher than the world average. In this respect, the military spending of more than half of the world's nations is lower than the world average (for example Hungary, Bulgaria, Romania and other) [5].

Slovakia has been facing difficulties to meet its commitments to NATO and since 2007 its armed forces have been falling behind with modernization due to undersized budgets.

A financially unsustainable MoD, alongside with an ongoing decrease in asset allocation prevent Slovakia's armed forces from meeting the

tasks of national defense and widen the country's long term imbalance of tasks and capabilities to such a critical extent that the process of the Strategic evaluation of the defense of the Slovak Republic commenced. The Strategic evaluation of the defense of the Slovak Republic is the initiative of the current MoD, and can be characterized as a comprehensive analysis of the current condition and the projection of further development of the defense potential of the Slovak Republic including armed forces into the future. It must be seen as a unique opportunity to reach national consensus in the matters of defense policy and national defense, priorities, objectives, tasks and requirements of armed forces and the corresponding asset framework and its longer-term stability. Thus, the problem does not stem solely from the level of allocated funds, the long-term increase in the level of internal MoD debt or efficient management of existing assets, but also from absence of the MoD's long-term development approach based on tangible, and, above all, permanent resources.

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