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Russian military expenditure in 2017 and 2018, arms procurement and prospects for 2019 and beyond

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The Ministry of Finance issued provisional data on the implementation of the 2018 federal budget (total spending, open plus classified, by budget chapter and sub-chapter) on 22 January, although a few days earlier it had already made available details of open spending by government departments during the year. Total spending was 16,709 billion roubles but revenues amounted to 19,455 bn. r., giving a substantial surplus of 2,746 bn.r., 2.7 per cent of GDP, although in the amended budget law the target was 2.1 per cent.[2]

As shown in Table 1, in nominal terms military spending increased to a modest extent compared with 2017, if settlement of past debt is excluded from spending in that year. As a share of GDP total military expenditure declined from 4.0 per cent to 3.8 per cent.

Table 1 Actual military expenditure in 2017 and 2018 (million roubles)

	2017 actual expenditure - final	2018 actual expenditure - provisional
'National defence' (budget chapter 2)		
Armed forces of the Russian Federation (2 01)	2 219 075	2 162 332
Ministry of Defence	876 963	869 861
Classified residual	1 341 211	1 292 471
Mobilisation and extra-forces training (2 03)	6 636	7 128
Mobilisation preparation of economy (2 04)	3 351	3 175
Nuclear weapons complex (2 05)	44 437	45 117
International obligations in mil-tech coopn (2 07)	8 823	10 080
	270 499	324 861
Applied R&D in field of national defence (2 08)	11 633	22 045
Open spending	258 866	303 816
Classified residual	299 454	273 589
Other questions in field of national defence (2 09)	132 938	95 878
	166 516	177 711
Open spending		
Classified residual		
Total 'national defence'	2 852 275	2 826 282
'National defence' less past debt payment	2 666 475	

[2] 'Predvaritel'naya otsenka ispolneniya federal'nogo byudzheta za yanvar'-dekabr' 2018 goda', *Website of the Ministry of Finance*, 22 January 2019, http://minfin.ru.

Arms recycling	8 935	8 373
Total 'national defence' less arms recycling & mobilisation preparation of the economy	2 839 989	2 814 734
Less payment of debt on past GOZ	2 653 189	
Other military expenditure		
Other Ministry of Defence expenditure:		
Housing	45 929	4 160
Environment	1 412	1 525
Education	73 777	80 649
Health	58 697	72 134
Culture and cinematography	3 761	3 922
Physical culture and sport	3 717	3 792
Mass media	2 305	2 810
Pensions	339 330	344 669
Social support	148 464	146 503
Fees to international agencies	9	8
Paramilitary forces		
Troops of National Guard (Rosgvard)	222 588	228 602
Open spending	199 191	215 772
Including state defence order (GOZ)	(23 417)	12 830
Border service of Federal Security Service	140 385	136 875
Support, closed towns of MOD, Rosatom	9 449	9 151
Support for Baikonur space centre	1 224	1 395
Total other military expenditure	1 050 711	1 035 195
Total military expenditure	3 891 222	3 849 929
Less debt payment for GOZ	3 704 422	
Total budget expenditure	16 420 303	16 709 277
'National defence' as % total expenditure	17.37/16.24[1]	16.91
Total military expenditure as % total exp.	23.70/22.56[1]	23.04
Gross domestic product (GDP)	92 089 300	103 626 600
'National defence' as % GDP	3.10/2.90[1]	2.73
Total military expenditure as % GDP	4.23/4.02[1]	3.72
Total classified 2 01 and 2 08	1 600 077	1 595 287
Debt settlement	186 800[2]	
Total classified 2 01 and 2 08 less debt settlement	1 413 277	
Total state defence order (GOZ)	c.1 400 000	c.1 500 000

GOZ: *gosudarstvennyi oboronnyi zakaz* – state defence order for new armaments, repair and modernisation of existing military hardware and weapons related R&D.

1. First figure including payment of past debt relating to the state defence order (GOZ), second, excluding debt payment.
2. Website of the Ministry of Defence, 12 January 2910,
https://function.mil.ru/news_page/country/more.htm?id=12155560@egNews .
Source
2017 budget implementation: as law on implementation of 2017 federal budget,
http://www.roskazna.ru/ispolnenie-byudzhetov/federalnyj-byudzhet/
2018 provisional implementation: 'Predvaritel'naya otsenka ispolneniya federal'nogo byudzheta za yanvar'-dekabr' 2018 goda', and 'Byudzhetnye assignovaniya po raskhodam federal'nogo byudzheta na 2018 godu i na planovyi period 2019 i 2020 godov (po sostoyaniyu na 01.01.2019)', *Website of the Ministry of Finance*, 9 January 2019, http://minfin.ru.
GDP: http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/accounts/. 2018 GDP provisional.

Last year, fearing tough new sanctions and preparing for a relatively long period of relative isolation from the 'west', the government pursued an unusually tough budgetary and financial policy. Total federal budget expenditure was held at only 16.4 per cent of GDP, compared with the 19-20 per cent typical of 2014-16. This tough policy is set to continue in the next two-three years. Resources will be directed to the reserve National Wealth Fund, which reached more than 4 trillion rouble by the beginning of 2019 (3.8 percent GDP) and if the current policy is maintained could reach 14.3 trn. r. (12.1 per cent GDP) by the end of 2021.[3]

The law on the 2019 budget included provisional spending intentions for 2020 and 2021. As usual, apart from total budget expenditure for the year, the budget law showed only open spending, not classified, making it impossible to establish the volume of military expenditure set out in the budget as signed into law. However, total spending under the budget chapter 'national defence' was made public in December and differed to only a modest extent from the figures presented in the draft budget sent to the State Duma last autumn. More details of military spending in the 2019 budget should become available in February when the MOF's report of actual spending in January is published, probably before the end of the second week of the month. The available data permit a preliminary estimation of total military spending in 2019 and 2020-21, as shown in Table 2.

Table 2   Approximate military expenditure in the federal budget for 2019 and for the 'planned' years 2020 and 2021 (million roubles) (2018 for comparison)

	2018	2019	2020	2021
'National defence'	2 826 282	2 962 200	2 999 400	3 142 700
Less mobilisation of economy and arms recycling	2 814 734	2 956 248	2 993 448	3 136 701
Other military spending[1]	1 035 195	1 158 545	1 212 385	1 262 799
Total military expenditure	3 849 929	4 114 793	4 205 833	4 399 500
GDP	103 626 600	105 820 000	110 732 000	118 409 000
As per cent GDP - 'National defence' - Total military spending	2.73 3.72	2.75 3.84	2.73 3.82	2.67 3.73
Classified spending, 2 01 & 2 08 - Including state defence order (GOZ) - State programme 'development of defence industry'[2]	1 595 287 c.1 450 000 c.145 000	1 598 272 1 440 000+ c.158 000	1 700 743 c.1 500 000 c. 200 000	1 800 156 c.1 500 000 c.300 000

 1. All from budget law except final totals for the National Guard troops and the FSB Border Service, here as draft budget.
 2. Residual classified spending under sub-chapters 2 01 and 2 08 assumed to be under the almost totally classified state programme 'Development of the Defence Industry'. However, the increases shown for 2020 and 2021 are such that another item of classified spending may be involved.

[3] Anastasiya Bashkatova, 'Vlasti gotovyat otechestvennoi ekonomike finansovyi bronezhilet', *Nezavisimaya gazeta*, 25 January 2019.

Sources for 2019-21
'National defence': Ministerstvo finansov Rossiiskoi Federatsii, *Byudzhet dlya grazhdan k federal'nomu zakonu o federal'nom byudzhete na 2019 god i na planovyi period 2020 i 2021 godov*, Moscow, December 2019, p.7.
Other military spending and GDP: as budget law,
http://publication.pravo.gov.ru/Document/View/0001201811300026 except as note 1.
State defence order: as below.

The evidence presented above makes it possible to calculate the trend of military spending in real terms using the GDP deflator, as shown in Table 3.

Table 3 Trend of Russian military expenditure in real terms, 2011-21 (million roubles)

Year	GDP	GDP change, %	GDP Deflator	Total milex[1]	Real terms, %	Index 2010= 100	GDP 2010= 100	Milex As % GDP
2021B	118 409 000	103.1	103.7	4 399 500	99.5	121.3	118.8	3.72
2020B	110 732 000	102.0	102.6	4 205 833	99.6	121.9	115.2	3.80
2019B	105 820 000	101.3	103.3	4 114 793	103.5	122.4	112.9	3.89
2018	103 626 600	102.3	110.0	3 849 929	94.5	118.2	111.5	3.72
2017	92 089 300	101.6	105.3	3 704 422	91.8	125.1	109.5	4.02
2016	86 010 200	100.3	103.2	3 830 548	92.2	136.2	107.9	4.45
2015	83 101 100	97.5	108.0	4 026 284	115.6	147.8	108.1	4.85
2014	79 199 700	100.7	107.5	3 224 274	107.6	127.9	110.9	4.07
2013	73 133 900	101.8	105.4	2 787 420	105.6	118.8	110.1	3.81
2012	68 163 900	103.7	109.1	2 504 600	113.1	112.5	108.2	3.67
2011	60 282 500	104.3	115.9	2 029 000	99.5	99.5	104.3	3.37

1. Excluding payments to clear past debts.
2. Provisional estimate

Source
GDP data:
2019-21, as law on 2019-21 federal budget
2011-2018, http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/accounts/, accessed 4 February 2019 (latest revision of 2015-17; 2018 provisional).
Total military spending: for 2017-21 as current paper; earlier years as previous papers of author.

Thus, total military spending in real terms declined in 2018 by more than five per cent, following declines in both 2016 and 2017. The larger than forecast real decline in 2018 should lead to growth in real terms in 2019, followed by stabilisation in 2020 and 2021. This underlines the extent to which the years 2012 to 2015 were exceptional, with military spending exhibiting rapid growth at a time when the country's leadership was determined to implement the state armament programme to 2020 (SAP-2020) to the maximum extent.

The state defence order and state armament programme

In recent years, the exact scale of the annual state defence order (GOZ) has been classified, with only approximate estimates available. For 2019 and beyond defence minister Sergei Shoigu and deputy defence minister for economic matters, Tat'yana Shevtsova, have been more forthcoming than usual. According to the former, in 2019 the state defence order will be more than 1,440 billion roubles, of which 71 per cent (c. 1,020 bn.r.) will be devoted to the procurement of new armaments and other military hardware. This should give a share of modern armaments of 67 per cent, approaching the final goal of SAP-2020, namely a 70 per cent share of modern weapons and other equipment.[4] According to Shevtsova, during the 2019-21 budget period the state defence order will be held at a stable level of approximately 1,500 bn. r. a year as in 2018; after 2021, it will gradually decline.[5]

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[4] 'Na osnashchenie rossiiskoi armii v 2019 godu napravyat bolee 1,44 trln rublei', *Tass*, 15 January 2019, http://tass.ru/armiya-i-opk/5999641.
[5] Aleksei Nikol'skii, Svetlana Bocharova, 'Voennye zafikisruyut raskhody', *Vedomosti*, 18 December 2018, https://www.vedomosti.ru/politics/articles/2018/12/18/789654-rashodi-minoboroni.

With data available for earlier years, this permits an estimation of total budget spending on the annual state defence order under SAP-2020, as shown in Table 4.

Table 4

Approximate budget spending on the annual state defence order and the budget chapter 'national defence' 2011-20, (billion current roubles)

Year	'National Defence'	SDO	SDO % ND	SAP-2020	% implementation
2020B	2 999	1 500	50.0		
2019B	2 962	1 440	48.6		
2018	2 826	1 450	51.3		
2017	2 666	1 400	60.0		
2016	3 147	1 700	54.0		
2016-20		7 690		13 100	58.7
2015	3 166	1 740	55.0		
2014	2 479	1 450	58.5		
2013	2 104	930	44.2		
2012	1 812	645	35.5		
2011	1 516	555	36.5		
2011-15		5 320		5 900	90.2
2011-20		13 010[1]		19 000	68.5

B Budget, provisional for 2020.
1. Note, in addition there was additional funding of the SDO by state guaranteed credits to a total volume of 1 345 bn.r., giving a total SDO of 14 355 during SAP-2020 and a potential 72% implementation.
Source
SDO: 2017-2020B, as Tables 1 and 2; 2014-2017, Nikol'skii & Bocharova, 'Voennye zafikisruyut raskhody', 2011-2013 and SAP-2020 intentions, Julian Cooper, *Russia's state armament programme to 2020: a quantitative assessment of implementation 2011-2015*, FOI-R-4239-SE, FOI, Sweden, March 2016, pp. 14 and 21.

Thus SAP-2020 was implemented with determination during the initial five years and with resort to state guaranteed credits the total funding target was met, but during the second five years is likely to be implemented to less than 60 per cent in terms of volume of budget funding. The SAP is presented in current prices; if considered in constant price terms the outcome will be less impressive. The structure of funding of the military activities of the MOD looks set to stabilise, with approximately half the total annual funding going to procurement and R&D. This will be larger share than during the early years of SAP-2020 but less than the peak years of 2014-17.

Weapons procurement in 2017 and 2018 and planned for 2019

Not surprisingly, moderation of the rate of growth of spending on the SDO since 2015-16 has resulted in a decline in the volume of procurement of some types of weaponry in the years 2017 and 2018. In particular, this applies to fixed wing aircraft and helicopters but also to ships for the navy. However, priority has been maintained for the strategic nuclear forces, air defence systems and UAVs, although a service-ready strike drone has yet to appear. As for the ground forces, analysis is difficult because little relevant information has been made available. Probably reflecting the procurement slowdown, the release of data on the implementation of the SDO for 2018 and plans for 2019 has been unusually limited, with attention diverted by claims made for new systems such as the 'Avangard' hypersonic glide vehicle, the 'Kinzhal' 'hypersonic' missile, 'Peresvet' laser system, 'Sarmat' ICBM and S-500 air defence system. Some of the available evidence is shown in Table 5. It is to be hoped that more will become available in the coming months.

Russia's decision to withdraw from the Intermediate-Range Nuclear Forces Treaty, following the prior move by the United States, has added to development plans for new weapons. It has been decided to develop a land-

based version of the 'Kalibr' naval cruise missile and the 'Tsirkon' hypersonic naval missile. According to Shoigu, the development of the former will be completed in 2019-20, probably realistic as the missile is a proven system already used in combat in Syria. The 'Tsirkon' is still under development. According to leaked US intelligence sources it was tested successful in December last year but is not expected to be ready for deployment until 2022 at the earliest. Shoigu assured President Putin that these two development programmes could be undertaken within the planned state defence order for 2019 and beyond without any need for additional budget resources. As they are additions to ongoing programmes, rather than new, and some slack probably exists in the agreed level of funding of SAP-2027, as noted below, this is credible.

Table 5 Arms procurement in 2017, 2018 and plan for 2019 (units, unless otherwise indicated)

	Total 2011-16	2017	2018	2019 plan	SAP-2020 total to end 2020
ICBMs	91	21	.	.[c]	}400+
SLBMs	c.113	.	.	.	}
Military satellites	c.60	5	9	.	100+
Fixed-wing aircraft	415	72	c.60	.	c.850
Combat	289	43	36	.	.
Trainers	80	6	14	.	.
Helicopters	c.700	83	c.60	.	1,150
Including combat	c.170	18	.	.	c.330
UAVs	c.860	.	c.300	c.300	4,000+
S-400 air defence systems (divisions)	21	8	4	4	56
Strategic nuclear submarines	3	-	-	1	8
Multi-role nuclear submarines	1	-	-	1	7
Diesel-electric submarines	6	-	-	-	6-10
Surface combat ships[a]	18	2	4	.	50
Main battle tanks (new)[b]	0[b]	0	0	.	2,300+
Modernised T-72, T-80 and T-90 tanks	950	160	.	.	.
'Iskander-M' missile systems (brigades)	8	2	1?	1	10

. no data available
a. Frigates, corvettes and small artillery ships.
b. Excluding a batch of T-14 'Armata' main battle tanks now in trial use.
c. Including 2 UR-100N UTTKh (SS-19) ICBMs with 'Avangard' glide vehicles.
Source
Compiled from numerous Russian press, journal and Internet sources, including the annual reviews of Andrei Frolov, CAST, Moscow. Approximate.

It is likely that a more modest annual rate of procurement will characterise the years ahead as Russia achieves the goal of 70 per cent modern weapons in 2020, a target that is clearly now in reach.[6] This will prepare the ground for annual upgrades of the stock of armaments to maintain this level, clearly regarded as acceptable by the political and military leadership of the country. Meanwhile, the defence industry will focus increasingly on the development and manufacture of high technology civil goods, a process already underway. The government is now working on measures to promote diversification, including a system of budget support to take effect from 2020.[7] It is possible that the additional classified funding shown at the bottom of Table 2 in the years 2020 and 2021 is linked to plans for aiding the defence industry in its reorientation.

The Russian economy has exhibited only modest growth in recent years and has been attempting to minimise the impact of sanctions imposed by the US, EU and their allies. This raises the question of whether the trend of spending on the military as a whole and on arms procurement in particular represents a response to these limitations or a policy choice of the country's leadership based on its perception of national security

[6] As indicated by Shoigu, December 2018, 'Vooruzhennye Sily Rossii prevoskhodyat vse armii mira po dole sovremennogo oruzhiya', *Website of the Ministry of Defence*, 24 December 2018, https://function.mil.ru/news_page/country/more.htm?id=12209498@egNews.
[7] 'Perechen' poruchenii po itogam soveshchaniya po voprosu diversfikatsii oboronno-promyshlennogo kompleksa', *Website of the Presidential Administration*, 18 December 2018, http://www.kremlin.ru/acts/assignments/orders/59448

requirements. Budget constraints have indeed been challenging but there is little evidence that arms procurement has been affected to any significant degree by sanctions. More serious has been the breakdown of supply relations with Ukraine, which has had a notable impact on the naval ship building programme. The problem of securing an adequate supply of ship power units and power chains is being tackled but it will be some time before it is resolved. Meanwhile, the commissioning of a number of new surface combat ships keeps being postponed, probably creating some scope for the reallocation of funding. As has been argued in earlier publications, the general trend of procurement spending was established by policy decisions some time ago, with a strong likelihood of a reduced rate of growth spending of procurement as the end of SAP-2020 approached.[8]

This lower rate has been embodied in the new SAP-2027 now being implemented. However, it is possible that the extent of the reduction in military spending in real terms since 2015 has been accentuated by economic constraints, leading to a more rapid slowdown of the rate of growth of spending on procurement than originally envisaged. Nevertheless, the rate of renewal of the weaponry of the Russian armed forces over the past five-six years has been impressive and there is no doubt that the country's overall military capability has been enhanced to a significant degree. And that notwithstanding many problems, the defence industry has been upgraded and is now able to develop and build a wider range of modern weapon systems than was the case a few years ago.

Contact Details

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[8] See Julian Cooper, 'Finding the "Golden Mean": Russia's Resource Commitment to Defence', *Revue Défense Nationale*, No. 802, Summer 2017, pp.103-108; Julian Cooper, 'The Russian budgetary process and defence: finding the 'golden mean', *Post-Communist Economies*, vol.29, no.4, December 2017, pp. 476-90.