EUROPEAN DEFENCE AGENCY

DEFENCE DATA 2014

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I. INTRODUCTION

The European Defence Agency (EDA) collects defence data on an annual basis. The Ministries of Defence of the Agency's 27 Member States (MS)[1] provide the data. EDA acts as the custodian of the data and publishes the aggregated figures in this booklet.

The data is broken down, based on the list of indicators approved by the Agency's Ministerial Steering Board. The indicators are grouped under five sections, represented in the headings of the booklet:

TOTAL DEFENCE EXPENDITURE: illustrates how defence budgets relate to GDP and overall government spending.
DEFENCE PERSONNEL: shows the ratio between military and civilian personnel, as well as defence expenditure and investment per military.
DEFENCE EXPENDITURE BREAKDOWN: provides data on the major defence expenditure categories – personnel; investment, including research and development (R&D)/research and technology (R&T); operation and maintenance (O&M), and other – to show what defence budgets are spent on.
COLLABORATIVE EXPENDITURE: for defence equipment procurement and R&T, demonstrates to what extent the Agency's MS are investing together.
DEPLOYABILITY: shows the ratio between the military deployed in crisis management operations and the remaining military personnel, and provides data on sustainable and deployable forces, as well as costs of deployed operations.

1. All EU Member States, except Denmark.

In November 2007, the Agency's Ministerial Steering Board approved four collective benchmarks for investment:

Equipment procurement (including R&D/R&T): 20% of the total defence spending.
European collaborative equipment procurement: 35% of the total equipment spending.
Defence R&T: 2% of the total defence spending.
European collaborative defence R&T: 20% of the total defence R&T spending.

These benchmarks are **collective:** they apply to the total sum spent by all EDA MS together. They are **voluntary:** turning them into national targets is optional. There are **no timelines** for realising these benchmarks.

The results of the collective benchmarks are provided in the final section of the booklet. The definitions used for data gathering and some general caveats are listed at the end of the booklet.

II. EDA MEMBER STATES' AGGREGATED DEFENCE DATA 2014 AND 2015 (ESTIMATED)[2]

The figures refer to the total for all EDA 27 Member States[3], and if not otherwise stated, they are nominal.

Defence expenditure increased for the first time after six years of continuous decline

The year 2014 marked a turning point for the European defence expenditure, the results of the EDA 2014 Defence Data gathering exercise reveal. After a continuous six-year decline, which started in 2008 following the outbreak of the global economic and financial crises, total defence expenditure of the 27 EDA Member States increased in 2014 by 2.3% from EUR 190 billion to EUR 195 billion, compared to the previous year. This was sufficient to overcome inflation and achieve a 0.6% or EUR 1.1 billion real-term[4] growth. 2015 estimates suggest a further nominal increase of 2.6% or EUR 5 billion to EUR 200 billion, the level comparable to that before the crisis. In real terms, however, this increase translates into a 0.2% or EUR 0.33 billion decrease.

This is the first time to have a decade's perspective on the European defence spending, starting with 2005 data gathered through the pilot defence data exercise. From 2005 to 2015, although in nominal terms defence expenditure increased by 3.6% from EUR 193 billion to EUR 200 billion, in real terms there was a 10.7% or EUR 22 billion decrease.

2. During the 2014 Defence Data gathering round, Member States were asked to provide not only the actual defence expenditure of the previous year (i.e. 2014), but also the estimated defence expenditure of the current year (i.e. 2015). At the aggregate level, however, these estimates are only available for total defence expenditure. At the same time, a major effort has been undertaken by EDA to revise all the previous years' data, including 2005 data collected as part of the pilot exercise, to ensure the best achievable data accuracy and comparability across Member States and over time. Consequentially, numerous figures have been revised.
3. Data in this publication do not include Denmark, which is not an EDA Member State. 2005 data do not include Bulgaria and Romania, which joined EDA in 2007. 2006–2012 data do not include Croatia, which joined EDA in 2013.
4. In order to measure real growth and ensure a "real" comparison over years, inflation needs to be taken into account. Thus, data from 2005 to 2015 has been adjusted to 2010 economic conditions (Source of deflator: European Commission, DG ECFIN, based on the weight of the EU-28).

Counting from the peak of expenditure reached in 2007 with the EDA Member States collectively spending EUR 204 billion on defence to the lowest point of EUR 190 billion in 2013, total defence spending reduced by 6.8% (EUR 14 billion) in nominal terms or by nearly 12% (EUR 24 billion) in real terms. The share of defence expenditure in GDP [5] and in total government spending being as high as 1.81% and 3.86% in 2005, has been steadily decreasing since then, and in 2015, it is estimated to have dropped to the lowest recorded level of 1.40% and 2.95%, respectively.

Operation and maintenance expenditure further increased, while investment further decreased

As regards defence expenditure structure, the year 2014 further highlighted the trend that began to emerge back in 2011, namely that of increasing expenditure on operation and maintenance and decreasing investment. Operation and maintenance - the second largest component of total defence spend with the average share of 23% – appears to be on an upward trajectory as of 2011. During the years 2011 to 2013, it grew at an average annual rate of 2.3%, and in 2014, it jumped by 11.7% (9.8% real increase) to EUR 52.2 billion, the highest absolute and relative (26.8% of total expenditure) value since 2006. Overall, operation and maintenance expenditure increased in real terms by EUR 4.6 billion or 10.3% from 2006 to 2014.

By contrast, defence investment, comprising equipment procurement and R&D (including R&T), continues to decline – a trend that started with a sharp 11.6% real decrease in 2011 and was reinforced with another significant real fall of 9.1% in 2014. Given a relatively small volume of R&D expenditure, this result was largely driven by another component of investment – equipment procurement – which in 2014 dropped by EUR 4.3 billion or 15.0%, compared to the previous year, the largest real decrease since 2006. R&D expenditure that has been declining as well, appears to be on an upward trend since 2012. In 2013, it achieved a 1.5% increase, and in 2014, it jumped by another 16.0% to EUR 8.8 billion, the biggest

5. As of 2014, reduced defence expenditure shares in relation to GDP in most Member States can partially be explained by the new GDP accounting methodology implemented by Eurostat, following the introduction of the new European System of National and Regional Accounts (ESA 2010).

nominal increase observed so far. A real increase was slightly smaller, 0.8% in 2013 and 14.1% in 2014. From 2006 to 2014, R&D expenditure decreased by almost EUR 2 billion or 18.5% in real terms.

The share of investment in total defence expenditure, traditionally accounting for around 20%, shrank in 2014 by almost two percentage points to 17.8%. Within the investment category, the share of equipment procurement, amounting to around 16% on average, reduced by over two percentage points to 13.3%, while the share of R&D increased by 0.5 percentage points to 4.5% between 2013 and 2014. On average, R&D share in total investment stood at around 4.3% between 2006 and 2014, with the highest value of 4.9% reached in 2006, and the lowest – 3.9% – in 2012.

Personnel expenditure remains the largest component accounting for slightly above half – 51.2% – of total defence spend. Despite decreasing personnel numbers, personnel expenditure increased in some countries. At the aggregate EDA level, personnel expenditure has been gradually decreasing since 2006, but in 2014, it increased by 4.1% (2.4% real increase) to EUR 99.8 billion. During the entire period from 2006 to 2014, Member States' real expenses dedicated to personnel reduced by over EUR 19 billion or almost 17%.

Defence R&T expenditure at its lowest level

A slight increase (+3.2%) in R&T expenditure achieved in 2013, was lost the year after, as R&T spending dropped by 4.6% (-6.1% in real terms) back to 2012 level of EUR 2.0 billion, the lowest since 2006. R&T expenditure was highest in 2006 amounting to EUR 2.7 billion – the expected response to the ambitious goal set by the EU leaders at the Hampton Court summit in 2005 to achieve a paradigm shift in defence R&T by spending more and spending more together. However, it has been gradually decreasing since then, despite the repeated urge to invest in defence R&T now to have effective and credible defence capabilities in the future. A real-term decrease in R&T expenditure was rather dramatic, amounting to nearly EUR 1 billion or 32% from 2006 to 2014. The share of R&T in total defence spend has been gradually shrinking as well, from the biggest of 1.32% in 2006, to the smallest of 1.02% in 2014.

Collaboration increased in equipment procurement and European defence R&T[6]

Since 2012, it has not been possible to have a comprehensive picture of the total Member States' expenditure on collaborative (including European collaboration) defence equipment procurement and R&T projects and programmes, as several Member States were not in a position to provide this data. Nevertheless, although incomplete, 2014 data suggests slight improvements on three out of four collaborative expenditure categories, namely collaborative and European collaborative defence equipment procurement and European collaborative defence R&T.

Collaborative defence equipment procurement of the reporting EDA Member States increased by almost EUR 1 billion or 20.5%, compared to 2013, to EUR 5.7 billion. The share of European collaboration within this category increased in absolute terms – from EUR 4.5 billion to EUR 5.1 billion – but decreased in relative terms – from 94.6% to 89.8% of total collaborative procurement – during the same period. In relation to total defence equipment procurement expenditure, the share of collaborative equipment procurement increased from 15.9% to 22.1%, suggesting that the remaining 77.9% were directed to non-collaborative procurements. The share of European collaborative equipment procurement in total defence equipment procurement grew from 15.0% to 19.9%, an achievement of almost five percentage points with respect to the corresponding benchmark.

As regards R&T, total collaborative defence R&T expenditure of the reporting Member States decreased by EUR 18.6 million or 9.2% to EUR 185 million from 2013 to 2014, while European collaboration part within this category increased in both absolute – from EUR 168 million to EUR 172 million – and relative – from 82.5% to 93.3% of total collaborative R&T – terms. In relation to total defence R&T, the share of collaborative R&T decreased from 9.7% to 9.3%, indicating that 90.7% were non-collaborative expenditure. Meanwhile, the share of European collaborative R&T in total defence R&T increased from 8.0% to 8.6% during the same period, signalling a minor progress in terms of the respective benchmark.

6. All 2012-2014 figures on collaboration are partial, as several Member States were not in a position to provide the data.

Defence personnel decline slowed down

Since 2006, defence personnel (military and civilian) has been steadily declining, mainly due to internal restructuring processes. Between 2008 and 2011, this was more evident (-4.9% annual average decrease), possibly due to unfavorable economic conditions. Thereafter personnel numbers continued to fall, thought at a slower pace, a rate of -1.7% per year on average. From 2013 to 2014, total civilian personnel reduced by almost 2% to 400,000, whereas military personnel - by half that (almost 1%) to 1,423,000. During the entire period from 2006 to 2014, total defence personnel shrank by almost 500,000 or 21.4%, where civilian personnel decreased by almost 85,000 or 17.5%, and military personnel – by almost 411,000 or 22.4%.

As total military personnel decreased, so did the numbers in each military personnel breakdown category. During the 2006-2014 period, Army reduced by 209,000 or 22.5% to 720,000, Maritime – by 36,000 or 16.0% to 191,000, Air Force – by 96,000 or 28.4% to 241,000, and military personnel not assigned to any of the above categories and nominated as "Other" – by 72,000 or 21.3% to 268,000. In relative terms, the shares of military personnel categories remained to a greater or lesser extent stable, with Army accounting for 52%, Maritime – for 13%, Air Force – for 18%, and Other – for 17% of the total military personnel, on average.

Investment (equipment procurement and R&D) per military has been increasing since 2006 (except in 2011) – a growth caused more by decreasing military personnel numbers, than increasing Member States' investment – but the last two years witnessed a decline resulting from faster diminishing overall investment. In 2014, investment per military stood at around EUR 24,000, a 6.8% reduction on the 2013 figure of EUR 26,000.

Deployment figures noticeably decreased

The average number of troops deployed outside the European Union territory decreased by almost 46%, from 58,000 in 2013 to 32,000 in 2014, mainly due to disbanded ISAF[7] security mission at the end of 2014 and withdrawal of participating Member States' troops from Afghanistan. In relation to the overall strength of the 27 Member States' military personnel, the share of deployed troops almost halved, from 4.0% in 2013 to 2.2% in 2014. During the period from 2006, when deployment figures were the highest, to 2014, the average number of troops deployed decreased by over 62% in absolute terms, and from 4.6% to 2.2% in relation to the total military personnel.

Total number of deployable (land) and sustainable (land) forces also decreased between 2013 and 2014 by over 13% and over 28%, respectively. In 2014, the 27 EDA Member States had in total 417,000 deployable (land) forces and 79,000 sustainable (land) forces, both numbers being the smallest since 2006. The ratio between the sustainable and a pool of deployable forces, which remained virtually stable during 2006-2013 at around 1:4, in 2014, equalled to 1:5.

After a five-year-long upward trend, costs of deployed operations decreased for the third year in a row, both in absolute terms and as a share of total defence expenditure. It reduced by over 25%, from EUR 7.4 billion (3.9% of total expenditure) in 2013 to EUR 5.6 billion (2.9%) in 2014, the lowest value and share since 2006, which is again largely a result of withdrawing Member States' combat troops from Afghanistan. Operations costs per military deployed followed the same pattern in 2012 and 2013, but it increased in 2014 by almost 38% to EUR 176,000. This may signal that deployments become increasingly expensive, and, in the case of some Member States, can be explained by the fact that countries continue contributing to international operations financially, without sending actual troops.

7. The International Security Assistance Force (ISAF) was a NATO-led security mission in Afghanistan, established by the United Nations Security Council in December 2001 by Resolution 1386, as envisaged by the Bonn Agreement.

Slight progress recorded on two out of four collective benchmarks

In 2007, EDA Member States agreed on a set of four collective benchmarks for investment. There is no obligation in terms of timelines or translation of these benchmarks into national targets.

Since 2012, due to incomplete collaborative data it is no longer possible to accurately measure progress towards two out of the four agreed benchmarks, namely European collaborative equipment procurement as a percentage of total equipment procurement (benchmark 2: 35%) and European collaborative defence R&T as a percentage of total defence R&T (benchmark 4: 20%). Nevertheless, the partial data suggests a slight increase in European collaboration in both equipment procurement (from 15.0% in 2013 to 19.9% in 2014) and R&T (from 8.0% in 2013 to 8.6% in 2014) among those countries that reported the data.

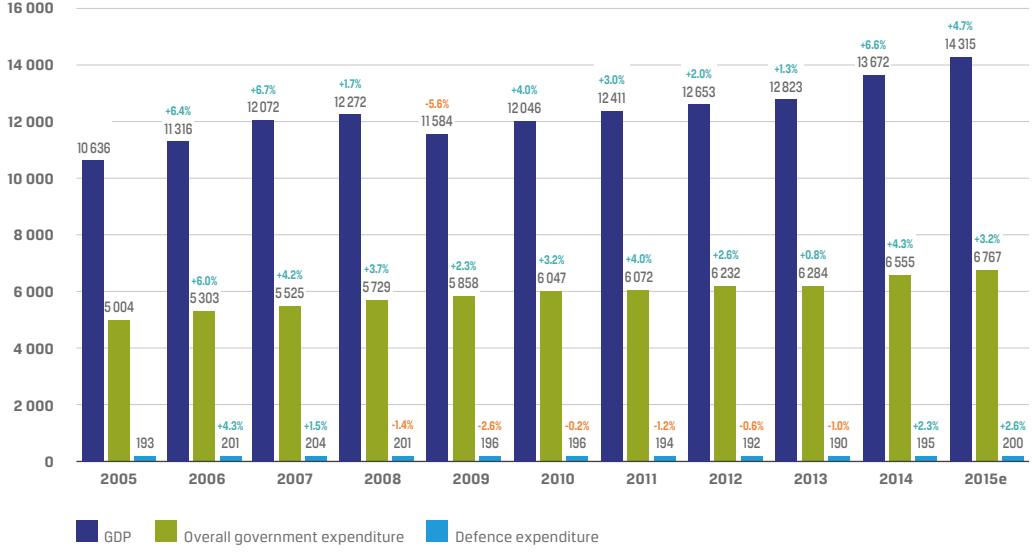
With regard to the benchmark 1 – defence equipment procurement and R&T (investment) as a percentage of total defence expenditure – the trend has been mixed. Since 2006, it has been slowly but steadily increasing, but after reaching its maximum of 21.9% in 2010, it appears to be on a decline. It stayed above the 20% benchmark from 2007 to 2012, except in 2011, but in 2014, it dropped to the lowest recorded level of 17.8%.

As for the benchmark 3, defence R&T expenditure as a percentage of total defence expenditure has been steadily declining since 2006, except in 2011 and 2013, when it slightly increased. In 2014, it dropped to the lowest level so far of 1.02%, which is barely above half of the 2% benchmark.

III. TOTAL DEFENCE EXPENDITURE

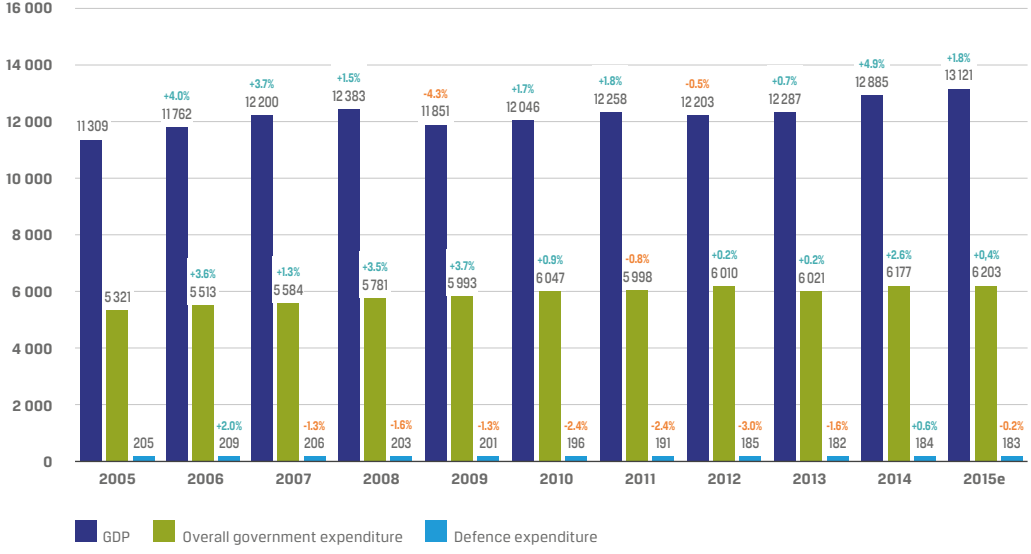
3.1. Nominal GDP, Overall Government Expenditure and Total Defence Expenditure

(billion EUR and % change on previous year)



3.2. Real[8] GDP, Overall Government Expenditure and Total Defence Expenditure

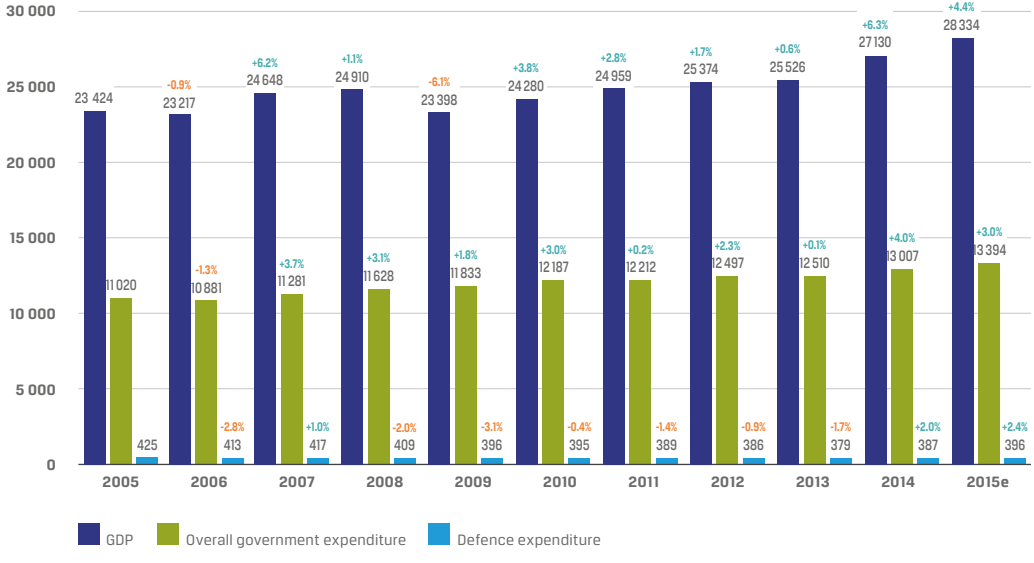
(billion EUR and % change on previous year)



8. In order to measure real gowth and ensure a "real" comparison over years, inflation needs to be taken into account. Thus, data from 2005 to 2015 has been adjusted to 2010 economic conditions. Source of deflator: European Commission, DG ECFIN - based on weight of EU-28.

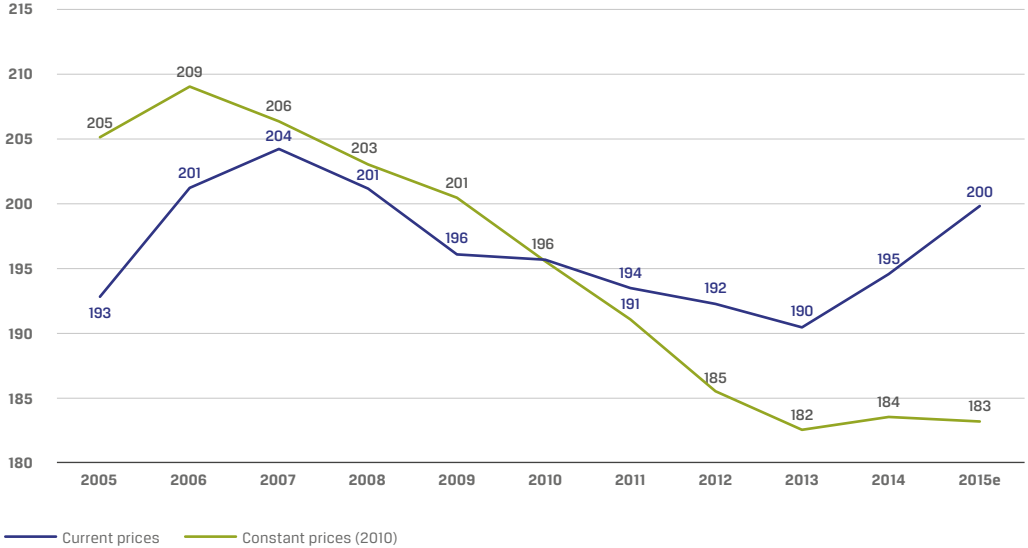
3.3. Nominal GDP, Overall Government Expenditure and Total Defence Expenditure per Capita

(EUR and % change on previous year)



3.4. Defence Expenditure in Current and Constant (2010)[9] Prices

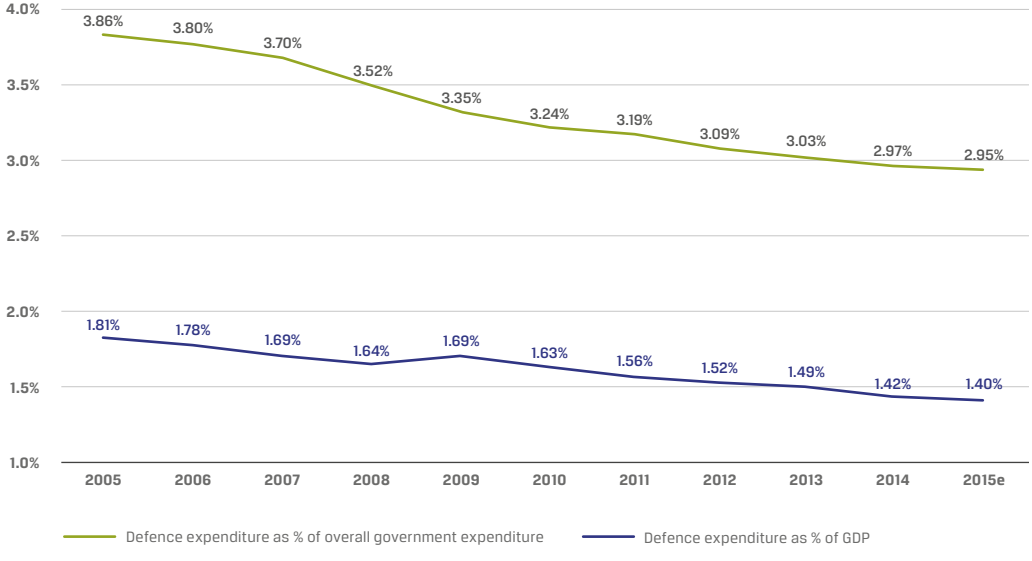
(billion EUR)



9. Data from 2005 to 2015 has been adjusted to 2010 economic conditions. Source of deflator: European Commission, DG ECFIN - based on weight of EU-28.

3.5. Defence Expenditure as a Share of GDP and Overall Government Expenditure

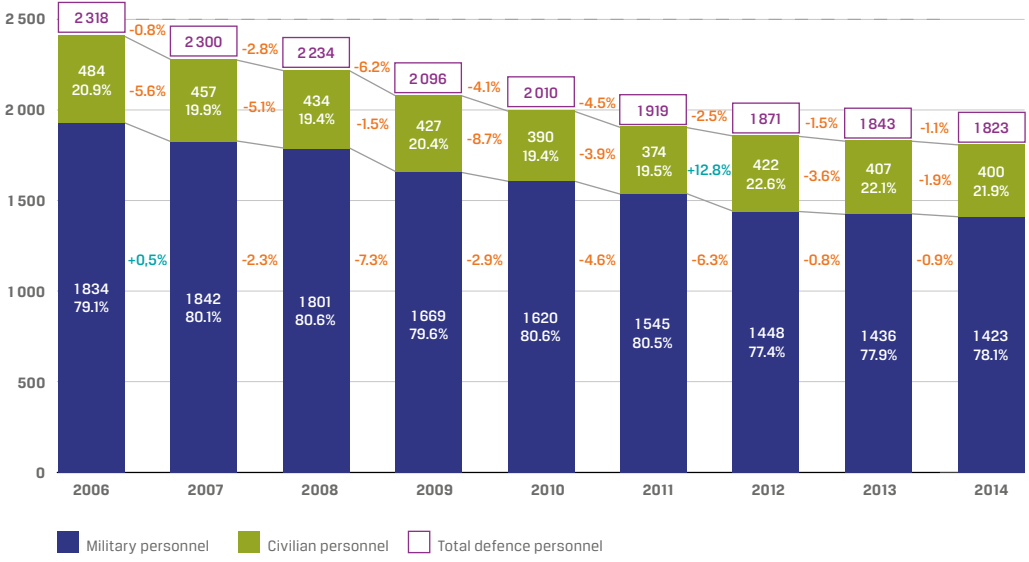
(%)



IV. DEFENCE PERSONNEL

4.1. Total Number of Military and Civilian Personnel

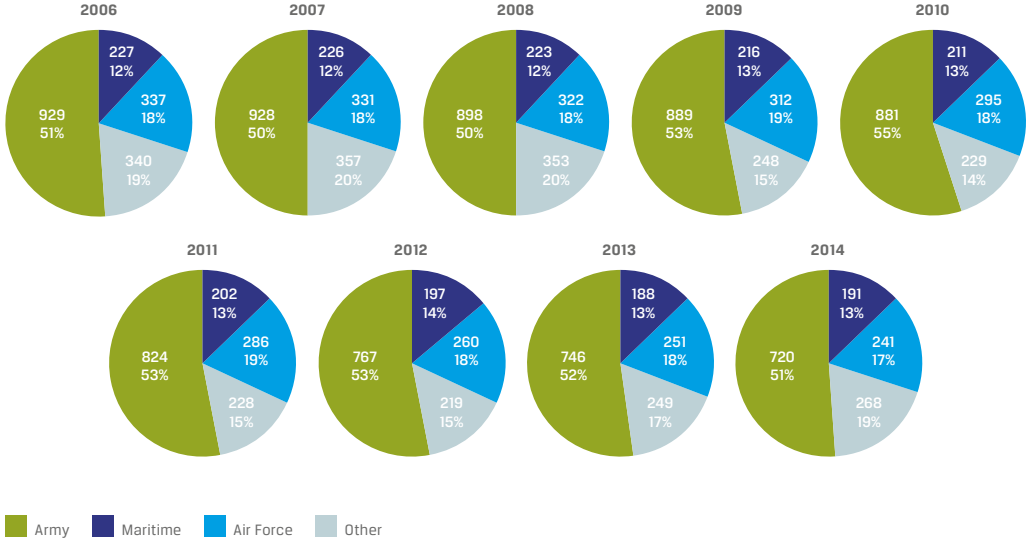
(thousand, %, and % change on previous year)



10. There was a significant increase in civilian personnel in 2012 due to changes in the measurement system of one Member States

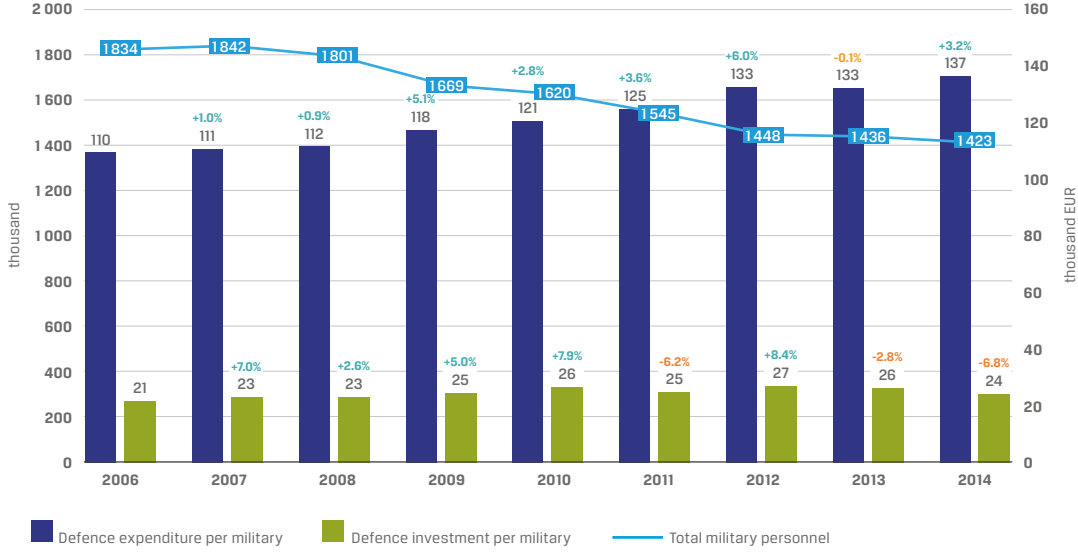
4.2. Military Personnel Breakdown

(thousand and %)



4.3. Total Military Personnel and Defence Expenditure and Investment [11] per Military

(thousand, thousand EUR, and % change on previous year)

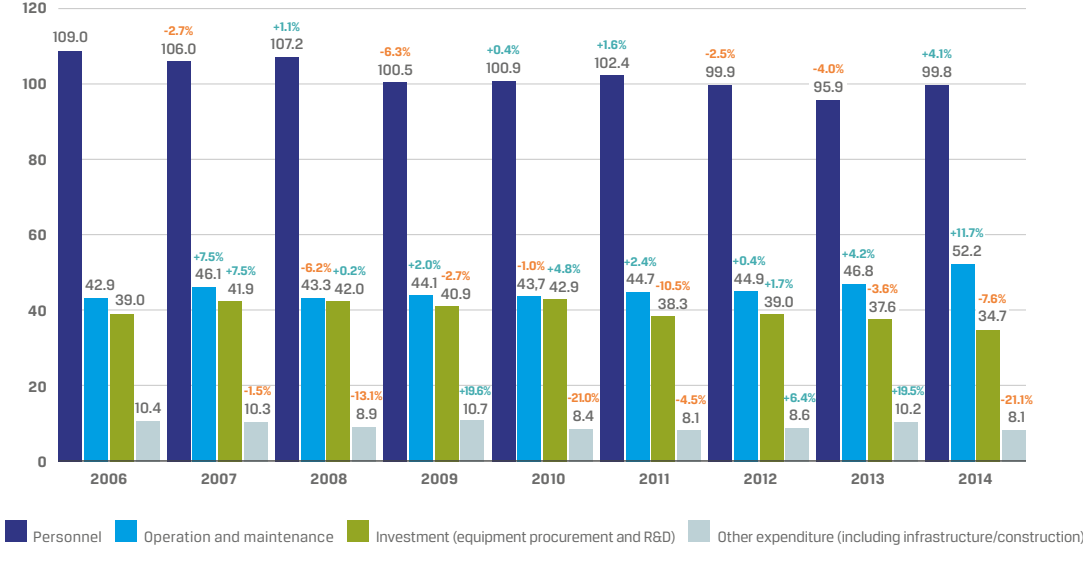


11. Investment includes defence equipment procurement and R&D.

V. DEFENCE EXPENDITURE BREAKDOWN

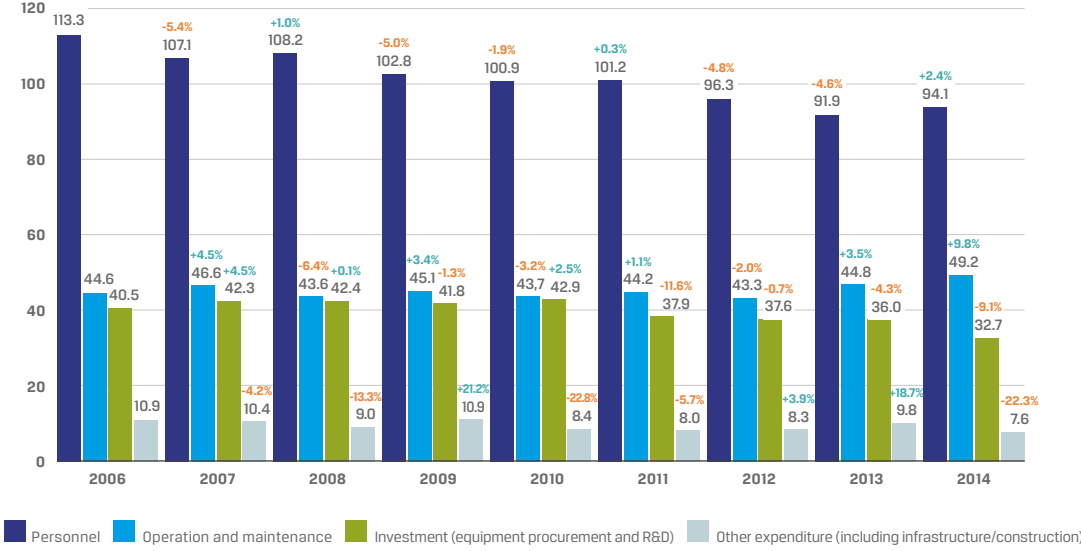
5.1. Nominal Defence Expenditure Breakdown

(billion EUR and % change on previous year)



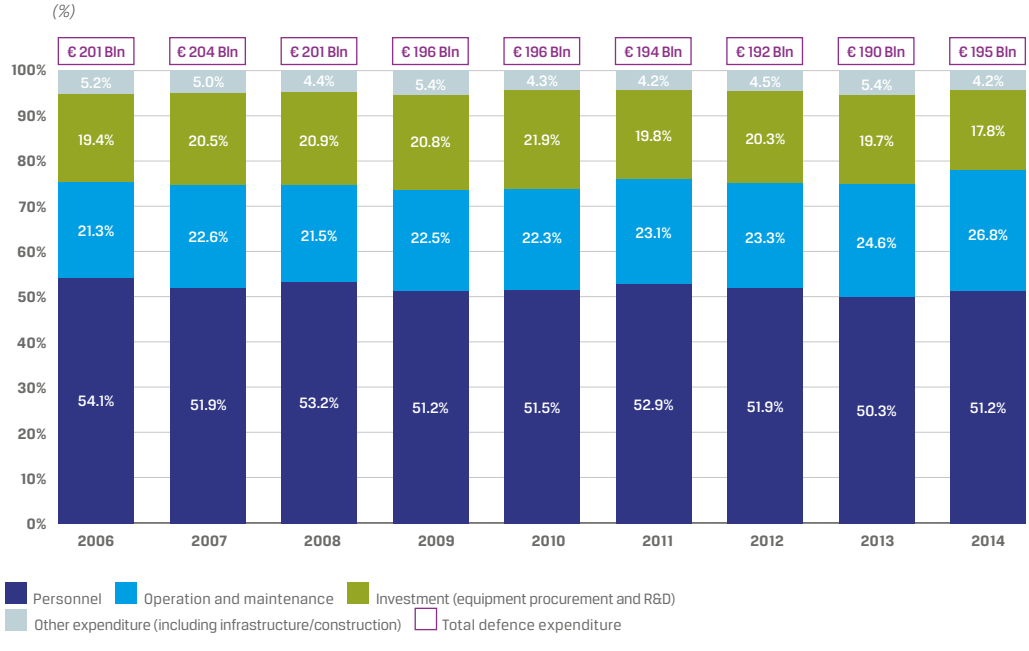
5.2. Real [12] Defence Expenditure Breakdown

(billion EUR and % change on previous year)



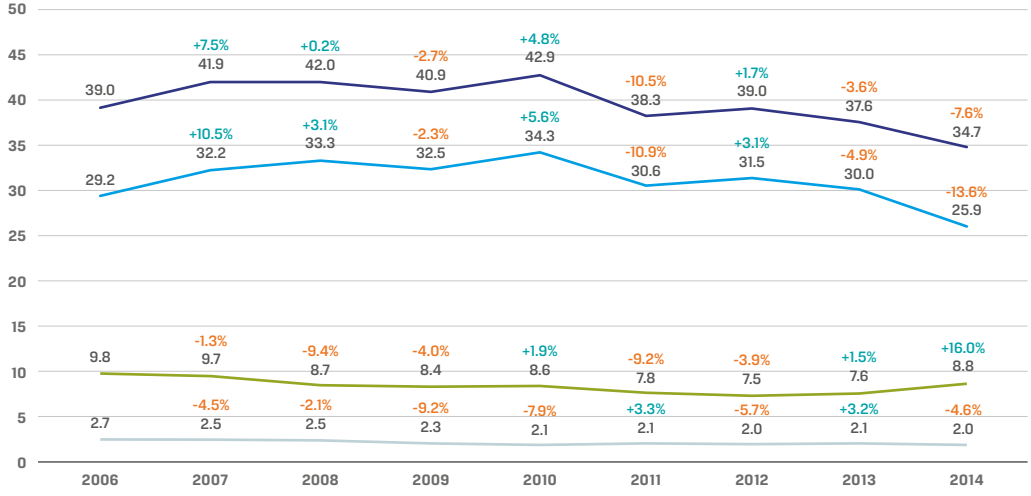
12. In order to measure real growth and ensure a "real" comparison over years, inflation needs to be taken into account. Thus, data from 2006 to 2014 has been adjusted to 2010 economic conditions. Source of deflator: European Commission, DG ECFIN - based on weight of EU-28.

5.3. Defence Expenditure Breakdown



5.4. Nominal Defence Investment Breakdown

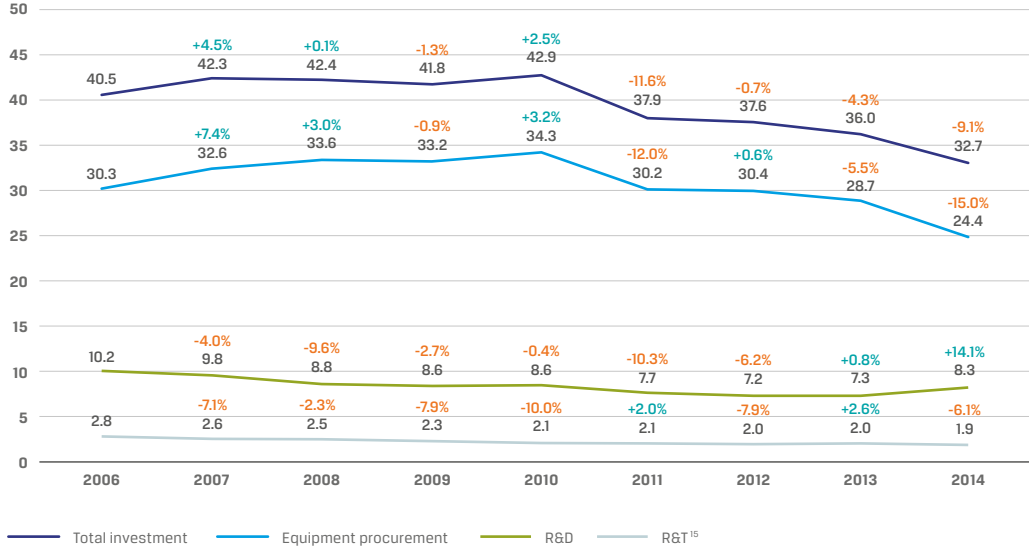
(billion EUR and % change on previous year)



13. R&T is a subset of R&D.

5.5. Real[14] Defence Investment Breakdown

(billion EUR and % change on previous year)

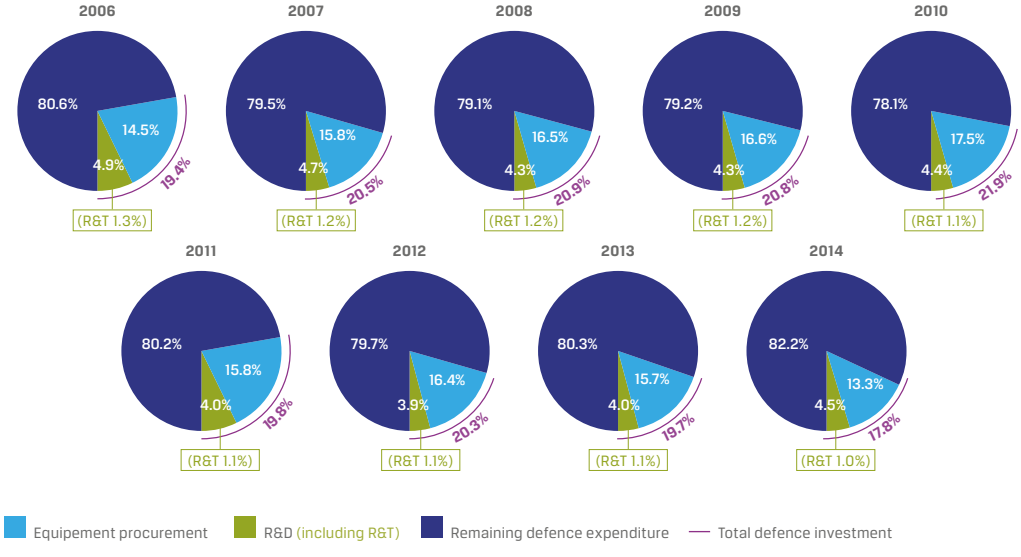


14. In order to measure real growth and ensure a "real" comparison over years, inflation needs to be taken into account. Thus, data from 2006 to 2014 has been adjusted to 2010 economic conditions. Source of deflator: European Commission, DG ECFIN - based on weight of EU-28.

15. R&T is a subset of R&D.

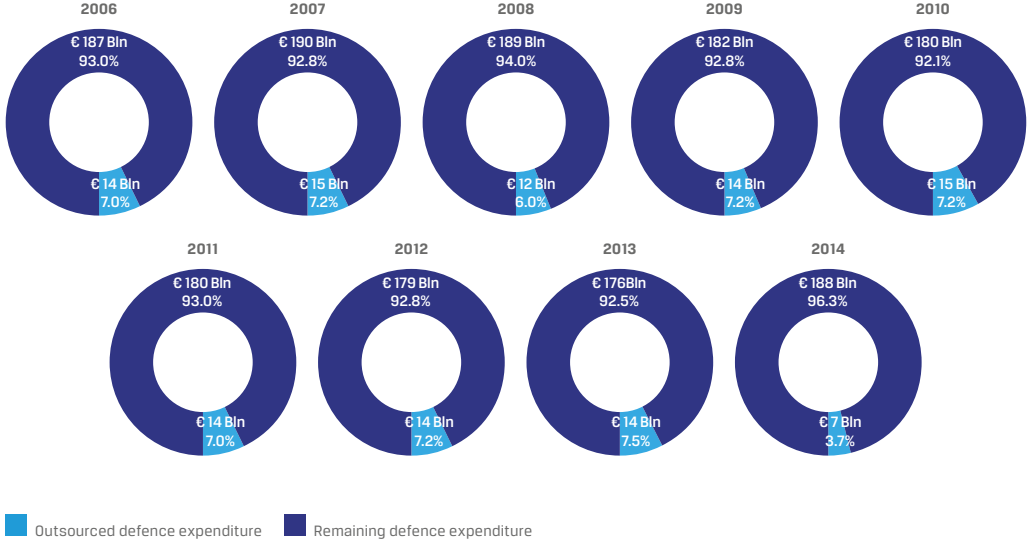
5.6. Defence Investment Breakdown

(%)



5.7. Outsourced Defence Expenditure

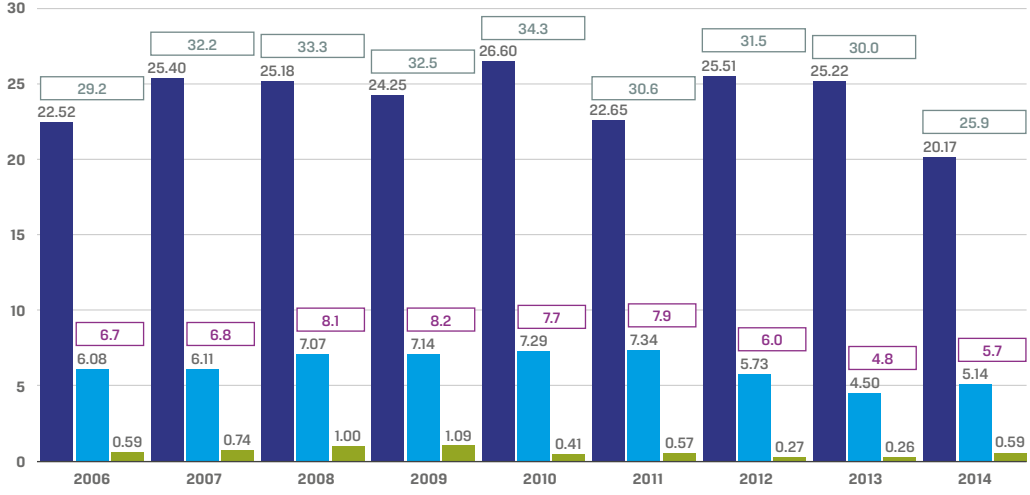
(billion EUR and %)



VI. COLLABORATIVE EXPENDITURE

6.1. National and Collaborative [16] Defence Equipment Procurement

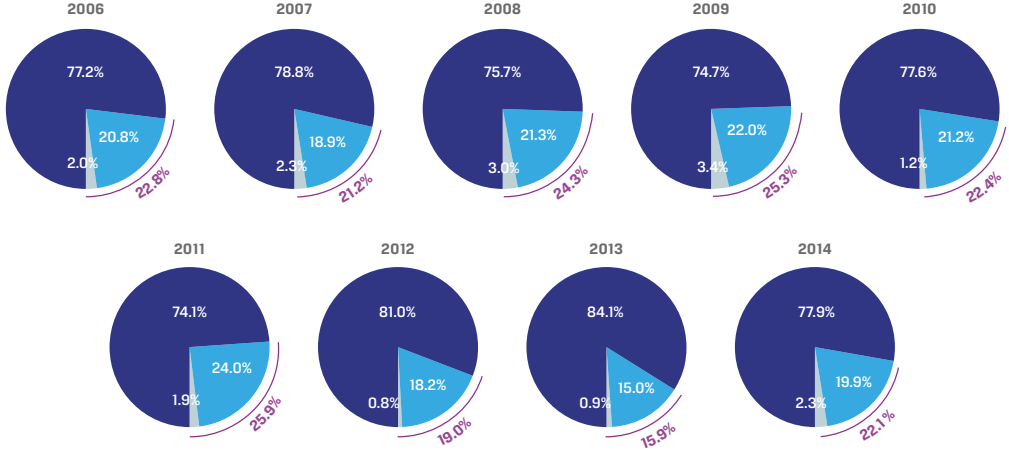
(billion EUR)



16. From 2012, collaborative expenditure figures are partial, as several Member States were not able to provide the data.

6.2. National and Collaborative [17] Defence Equipment Procurement

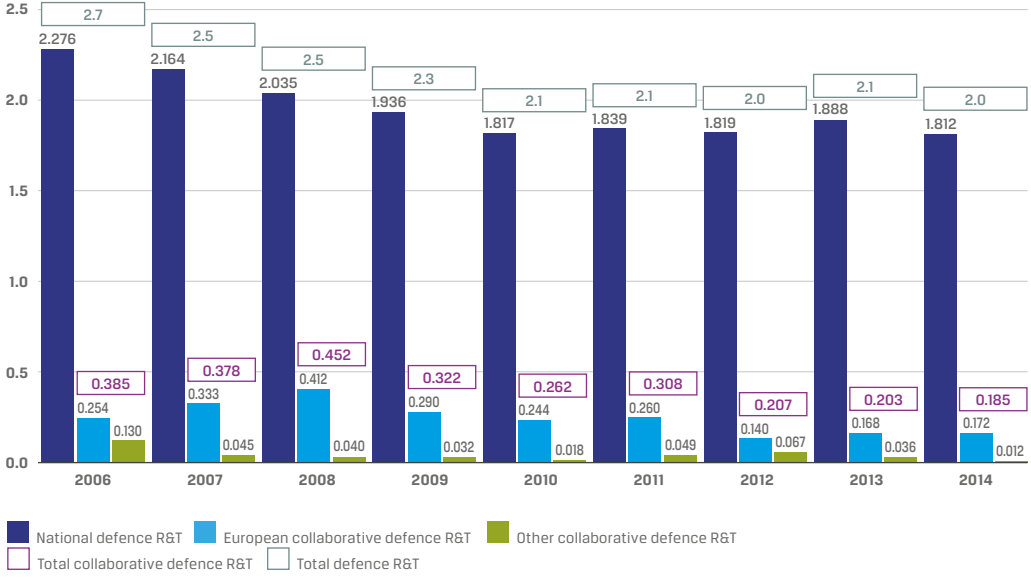
(% of total defence equipment procurement)



17. From 2012, collaborative expenditure figures are partial, as several Member States were not able to provide the data.

6.3. National and Collaborative[18] Defence R&T

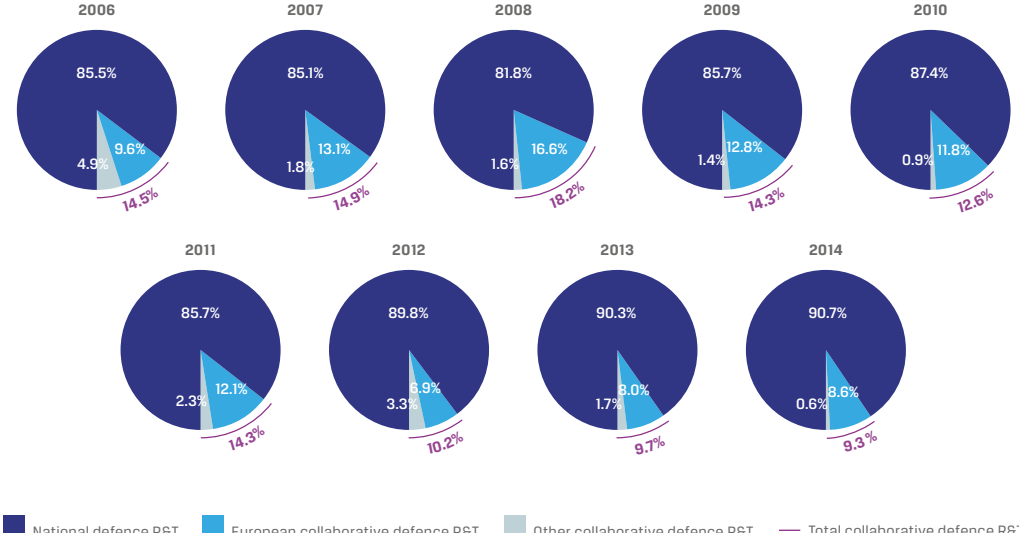
(billion EUR)



18. From 2012, collaborative expenditure figures are partial, as several Member States were not able to provide the data.

6.4. National and Collaborative [19] Defence R&T

(% of total defence R&T)

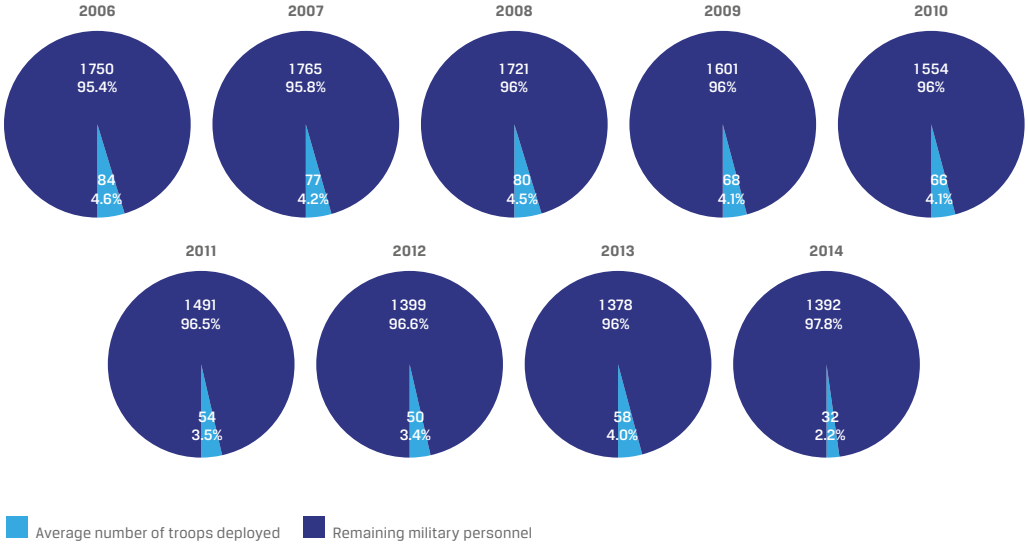


19. From 2012, collaborative expenditure figures are partial, as several Member States were not able to provide the data.

VII. DEPLOYABILITY

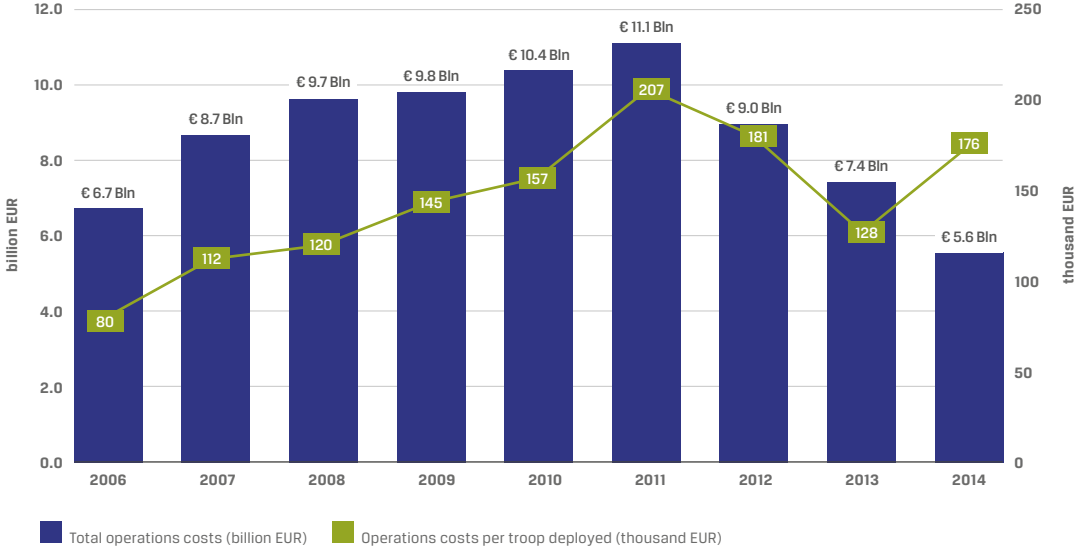
7.1. Average Number of Troops Deployed

(thousand and % of total military personnel)



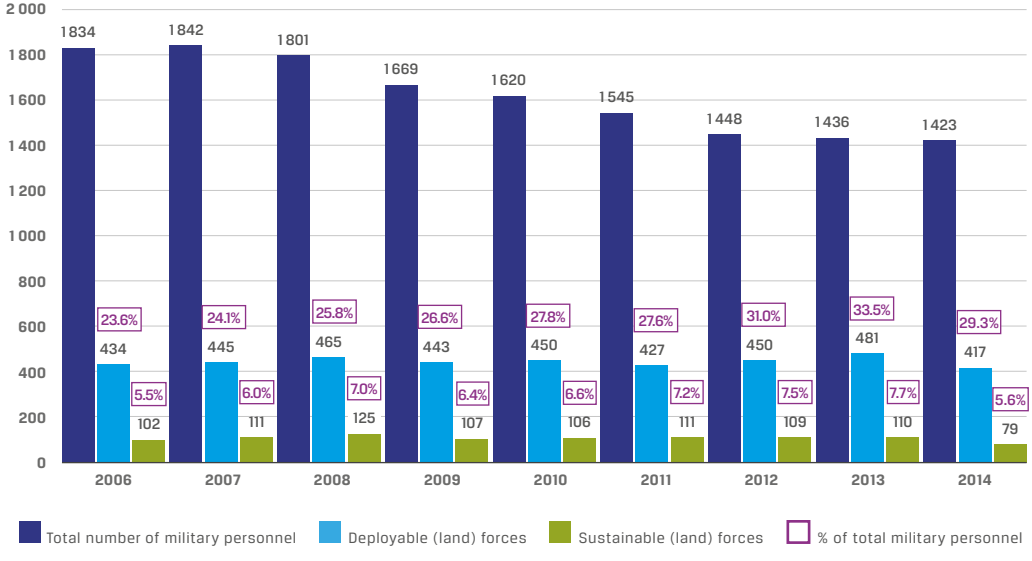
7.2. Costs of Deployed Operations

(billion EUR and thousand EUR)



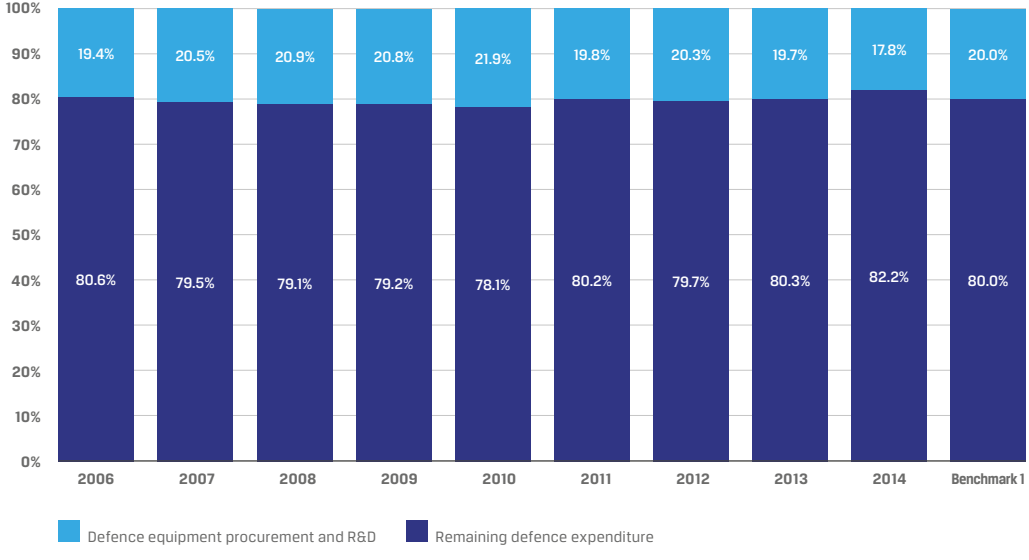
7.3. Total Number of Deployable and Sustainable (Land) Forces

(thousand and % of total military personnel)

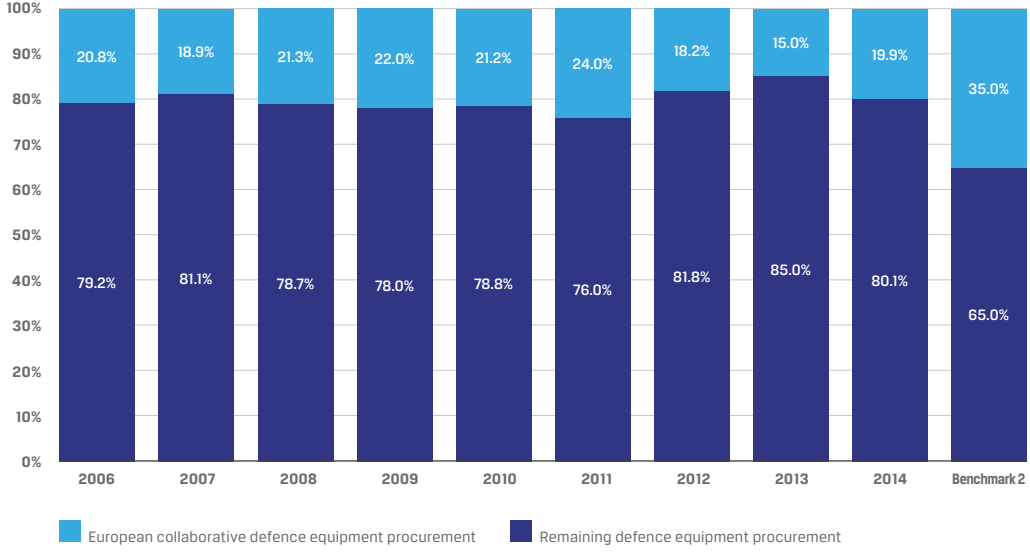


VIII. BENCHMARKS

8.1. Benchmark 1 - Defence Equipment Procurement and R&D as % of Total Defence Expenditure

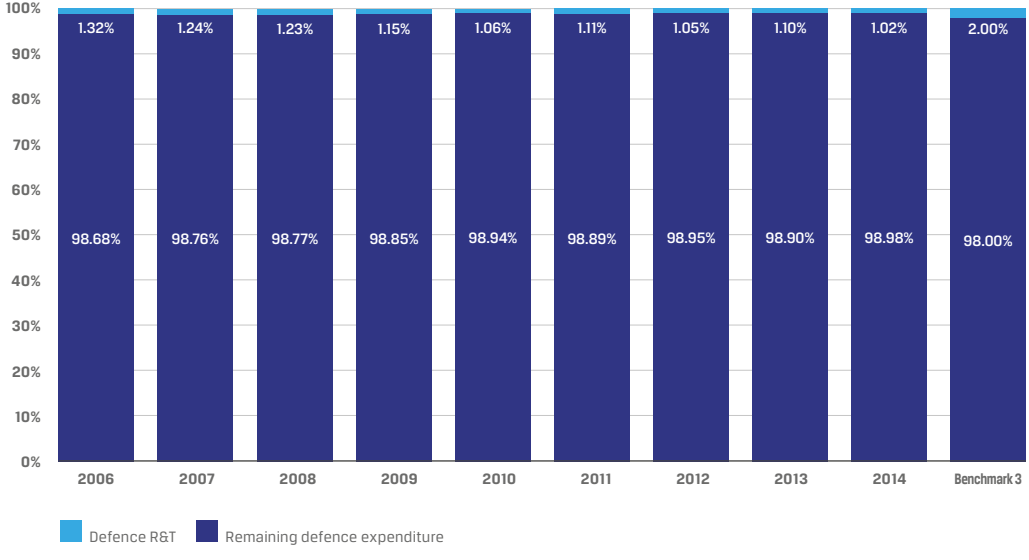


8.2. Benchmark 2 - European Collaborative Defence Equipment Procurement as % of Total Defence Equipment Procurement [20]

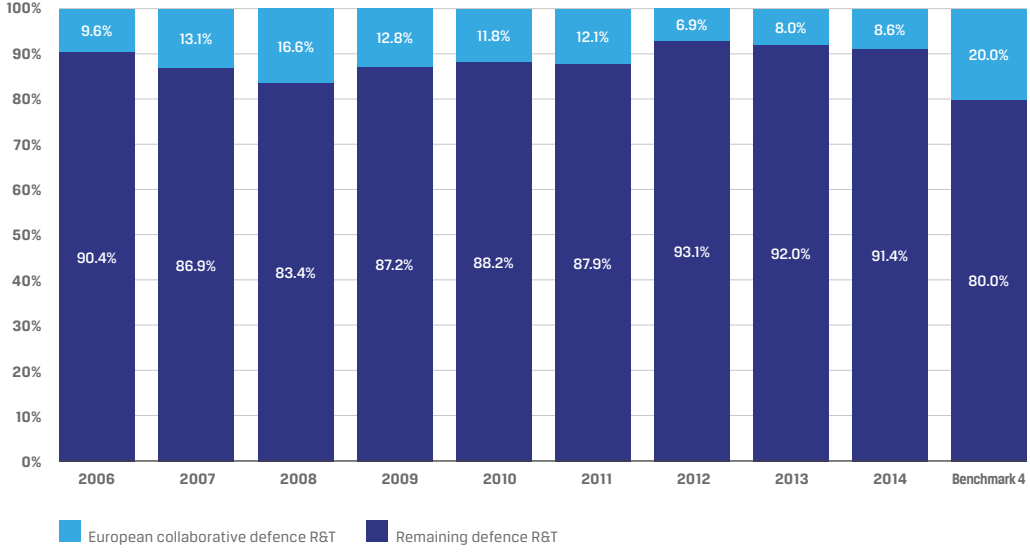


20. From 2012, data is partial, as several Member States were not able to provide the data.

8.3. Benchmark 3 - Defence R&T as % of Total Defence Expenditure



8.4. Benchmark 4 - European Collaborative Defence R&T as % of Total Defence R&T [21]



21. From 2012, data is partial, as several Member States were not able to provide the data.

IX. ADDITIONAL NOTES

EDA receives data from the Ministries of Defence of its 27 Member States (MS). On occasions, national data is revised, and this may have an impact on the overall aggregated figures. Please check Defence Data Portal on the EDA's website regularly for updates:

http://eda.europa.eu/info-hub/defence-data-portal

In the course of the 2014 Defence Data gathering round, a major effort has been undertaken to revise all the previous years data, including the 2005 data collected during the pilot exercise, to ensure data accuracy and comparability across MS and over time. As a result, a large part of the data has been updated compared to the last year's edition.

For most indicators, comparisons are made for 2006 to 2014. Data on total defence expenditure is available from 2005 to 2015 (estimated). Significant changes in the exchange rates with the euro has had a considerable impact on the 2008 data: the lower amount of defence expenditure is partly caused by significant drops of some of the MS currencies exchange rates to the euro.

Data in this booklet is at aggregate level, and it may differ from other sources due to, *inter alia,* rounding.

For some spending categories, a margin of error exists, as accounting systems of the MS differ. Nevertheless, the data provided in the booklet represents the best publicly available figures.

Data on GDP, general government expenditure, population and price deflator is taken from AMECO, the annual macro-economic database of the European Commission's Directorate General for Economic and Financial Affairs (DG ECFIN). This data is occasionally revised, thus may impact some of the data calculated by EDA.

X. DEFINITIONS

Data collection is based on the list of indicators and their definitions approved by the Agency's Ministerial Steering Board. The definitions provided below have been shortened and edited for the purpose of this publication.

Total defence expenditure: total Ministry of Defence (MoD) expenditure plus other defence-related expenditure allocated by other governmental institutions (other Ministries' special budgetary lines).

Civilian personnel: the authorised strength of all civilian personnel on 31 December of each year employed by all military establishments and the Armed Forces.

Military personnel: the authorised strengths of all active military personnel on 31 December of each year.

Personnel expenditure: all personnel-related expenditure for military and civilian personnel, including from non-MoD sources.

Defence equipment procurement expenditure: expenditure for all major equipment categories.

Research and development (R&D): expenditure for any R&D programmes up to the point where expenditure for production of equipment starts to be incurred.

Research and technology (R&T): expenditure for basic research, applied research and technology demonstration for defence purposes. It is a subset of R&D.

Investment: defence equipment procurement and R&D (including R&T) expenditure.

Operation and maintenance (O&M) expenditure: covers O&M (spare parts and supplies) of major equipment, other equipment and supplies, and costs related to maintaining utilities and infrastructure.

Other expenditure: all other expenditure that cannot be attributed to any of the above expenditure categories.

Outsourced expenditure: defence expenditure for which services have been contracted at central level with service suppliers from outside the MoD and/or Armed Forces.

European collaboration (a subset of collaboration): agreement between at least two EU Member States' Ministries of Defence for project or programme contracts. Possible non-EU partners' share in such contracts is lower than 50%.

Other collaborative expenditure: all collaborative expenditure that does not fall under the European collaboration definition.

Average number of troops deployed: average number of troops (all Armed Forces) deployed throughout the year for crisis management operations.

Deployable (land) forces: number of (land) forces troops structured, prepared, and equipped for deployed operations.

Sustainable (land) forces: number of (land) forces troops undertaking or planned for sustained operations (mid- to long-term). It is a subset of Deployable (land) forces.

Operations costs (deployed): all national expenditure to cover incremental (extra) costs linked to deployed operations outside the EU Member States' territory.

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