

Spending Review 2017

Defence Vote Group

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This paper has been prepared by staff in the Department of Public Expenditure & Reform in the context of the Spending Review 2017. The views presented in this paper do not represent the official views of the Minister for Public Expenditure and Reform or the Department of Defence.



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1. Introduction

1.1 Executive Summary

The Irish defence sector, funded through the Defence Vote Group, has only one broad programme: *‘To provide for the military defence of the State, contribute to national and international peace and security and fulfil all other roles assigned by Government’ (Department of Defence and Defence Forces Strategy Statement 2016-19, p. 3)*¹.

Much of this is contingency-based, which makes it difficult to segment or to capture by annual output.

It is, however, possible **(a)** to use comparative indicators to gain some insight into how Irish defence expenditure fits into international patterns, and **(b)** to identify present trends within Irish defence spending. This enables a baseline view of the Defence Vote Group.

This paper first provides a summary overview of Ireland’s defence sector, including a side-by-side comparison with New Zealand’s similarly-scaled defence establishment. Total Irish defence expenditure is then assessed against international indicators, before the same comparative approach is used to focus on specific categories of Irish defence expenditure, including spending on equipment, personnel and overseas operational deployment.

The key conclusions drawn are:

- That a definitive characterisation of Irish defence expenditure by means of international comparison remains difficult. It is low against some measurements, but closer to par on others. This is explicable by the highly subjective nature of defence as a state activity. There is ultimately no ‘one size fits all’ global or regional benchmark, either for overall defence spending or for individual categories of expenditure. This is true even for comparably-sized nations and militaries. Irish defence spending is relative to the size and purpose of the country’s defence establishment. In this regard, it appears broadly adequate at present.
- That the particular structure and orientation of Ireland’s defence establishment mean that the majority of annual Irish defence spending is accounted for by a small number of spending lines; most specifically personnel costs incorporating both pay and pensions. Ireland has a small, professional military which does not maintain much cost-intensive equipment or infrastructure.

¹ <http://www.defence.ie/website.nsf/Strategy2016aE>

- That significantly reducing present rates of Exchequer spending on the Defence Vote Group would be possible only through addressing headcount and/or pay and pension rates in this sector. Other categories of expenditure simply do not account for a large enough share of the Vote Group for their alteration to make any substantial difference to annual costs in this area.
- That a minimum of personnel expenditure is required to support Ireland's defence establishment in its dual roles of **(a) domestic security contingency and (b) international peace operations**.

1.2 Methodology

This is a desktop study. It is based on a comparative assessment of international indicators relating to defence expenditure.

The main sources for this paper are:

- Department of Public Expenditure and Reform Databank information on spending and staff numbers
- Department of Public Expenditure and Reform *Public Service Performance Report 2016*
- Department of Defence and Defence Forces publications (including the 2015 *White Paper on Defence* as well as annual reports)
- Annual Reports and Appropriation Accounts of the Comptroller and Auditor General
- Oireachtas Debate Records
- European Defence Agency international defence expenditure data
- World Bank international defence expenditure data
- Bonn International Centre for Conversion Global Militarization Index
- Stockholm International Peace Research Institute Military Expenditure Database

2. Irish Defence Sector Overview

2.1 Defence Vote Group

Irish defence funding is provided for by the Exchequer through two annual votes of expenditure. Together, these comprise the **Defence Vote Group**.

Vote 35 (Army Pensions)

Funds military pensions and post-service entitlements for retired members of the Defence Forces and (where applicable) their dependents.

Spending on Vote 35 is demand-driven and non-discretionary.

Vote 36 (Defence)

Funds pay and allowances for serving members of the Defence Forces, civilians employed by the Defence Forces and Civil Service staff of the Department of Defence, as well as all other capital *and* non-pay, non-pension current defence expenditure (including infrastructure, military equipment, operational and training costs, etc.). Also incorporates annual funding for the **Civil Defence** organisation and for the **Irish Red Cross**.

The Irish defence establishment (the *Defence Organisation*) funded through this vote group consists of twin civil and military elements: the **Department of Defence** and the **Defence Forces (Figure 2.1)**.

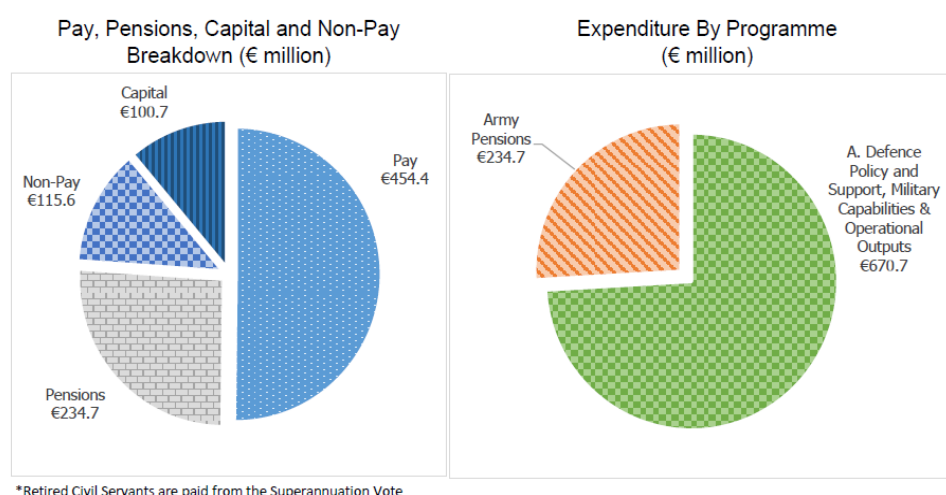
Figure 2.1: Defence Organisation Structure



Between them, at end-Q4 2016 the two components employed 339 civil servants and 9,614 public servants (the latter figure incorporating the full-time military personnel of the Defence Forces as well as 487 civilian staff employed by the Defence Forces).

In 2016, gross Defence Vote Group expenditure amounted to **€905.4 million (Figure 2.2)**. The largest single element of this spend was on pay costs of **€454.4 million**, representing **50.2%** of total gross expenditure on the two votes. Pension costs of **€234.7 million** accounted for a further **25.9%** of gross expenditure.

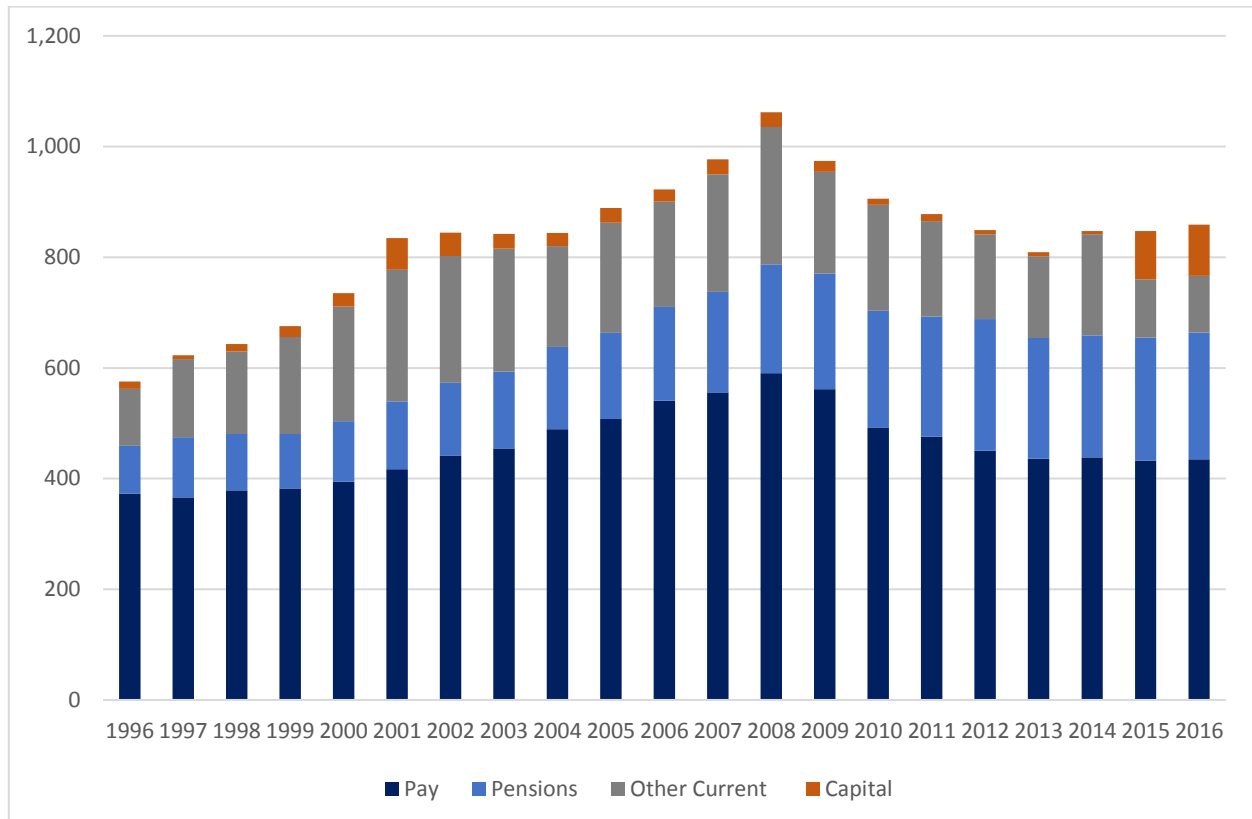
Figure 2.2: Defence Vote Group (Votes 35 and 36) Composition of Expenditure, 2016 [Source – Department of Public Expenditure and Reform *Public Service Performance Report 2016*]



At an overview level, the balance of annual Irish defence expenditure has been clearly weighted toward pay and pension costs over the last two decades (**Figure 2.3**).

Figure 2.3: Defence Vote Group (Votes 35 and 36) Gross Expenditure Breakdown, 1996-2016 (€ million)

[Source – Department of Public Expenditure and Reform Databank]



***Note – from 2015 onwards, military equipment was reclassified as capital expenditure rather than current expenditure (D/PER Circular 07/14)**

There has been a persistent Exchequer underfunding of military pensions expenditure through Vote 35 in recent years². This has resulted in an annual requirement for a *technical Supplementary Estimate*; whereby savings on Vote 36 have been redirected to cover the shortfall on Vote 35 (**Figure 2.4**).

² The shortfall has been repeatedly noted by the Comptroller and Auditor General (C&AG) in recent annual reports. In 2014, for instance, it was specifically observed that Vote 35 had required a supplementary estimate every year from 2010 to 2014 inclusive.

Figure 2.4: Vote 35 (Army Pensions) Technical Supplementary Estimates, 2010-16 (€ million)

	2010	2011	2012	2013	2014	2015	2016
Vote 35 (Army Pensions)	Original Estimate: €202.5 m	Original Estimate: €201.9 m	Original Estimate: €208 m	Original Estimate: €208.8 m	Original Estimate: €215.4 m	Original Estimate: €215.6	Original Estimate: €218.5 m
	Supp. Estimate: €9.5 m	Supp. Estimate: €15.6 m	Supp. Estimate: €30 m	Supp. Estimate: €9.4 m	Supp. Estimate: €4.8 m	Supp. Estimate: €6.5 m	Supp. Estimate: €11 m

This shortfall has owed much to the distinct nature of military pensions expenditure (which is demand-driven and non-discretionary). Military personnel can generally retire earlier and draw down on pensions and other post-service benefits immediately or near immediately. Numbers taking retirement each year are difficult to estimate with certainty.

Additional funding has been recently provided for Vote 35. The 2017 net allocation for Vote 35 of €224.6 million represents an increase of c. 2.8% on the 2016 provision and an increase of c. 7.5% on the 2013 allocation.

2.2 Irish Defence Policy

Ireland maintains a policy of military neutrality. This approach is characterised in the Department of Defence's 2015 *White Paper on Defence* as: '*... non-membership of military alliances and non-participation in common or mutual defence arrangements.*'³ In practice, it means that Ireland is not a member of any international military alliances and does not engage in unilateral military action abroad. As a result, Ireland's defence sector is fundamentally orientated to provide for the dual roles of **(a) domestic security contingency and (b) international peace operations.**

Overseas deployments of the latter sort have traditionally occurred under the auspices of the UN. Current UN operations involving significant numbers of Irish personnel include the United Nations Disengagement Observer Force (UNDOF)⁴ on the Israeli-Syrian border and the United Nations Interim Force in Lebanon

³Department of Defence, *White Paper on Defence*, p. 24. <http://www.defence.ie/WebSite.nsf/WP2015E>

⁴ Irish participation from 2013 to date. 136 Defence Forces members deployed as at June 2017.

(UNIFIL)⁵. Participation in EU-led overseas peace missions⁶ has more recently become an additional feature of Defence Forces activity. The ongoing Irish contribution to the European Union Training Mission (EUTM) in Mali is an example of this⁷. Though not, strictly speaking, an EU operation, the Naval Service's ongoing cooperation with Italian forces on the Operation *Pontus* migrant rescue mission in the Mediterranean also falls into this European category⁸.

Over the last year, a new and pronounced focus on cooperative European defence has emerged at EU level. In November 2016, the European Commission published the *European Defence Action Plan*⁹, which represents a proposed framework for significantly increased European investment in defence. This is one of a number of initiatives being pursued by the EU with the aim of enhancing defence expenditure and integration amongst member states. Subject to political decisions and the bounds of neutrality, these developments could in future lead to new defence expenditure pressures for the State.

2.3 Defence Forces

At the core of the Defence Forces is the **Permanent Defence Force (PDF)**. This is a small, professional military force with an authorised full-strength complement of 9,500 personnel¹⁰. The PDF is centred on a land component – the **Army** – which is an **all-arms, light / mechanised infantry based force**¹¹ with an authorised ceiling of 7,519 personnel. Augmenting the Army are limited air and naval components, the **Air Corps** and **Naval Service**, which have authorised ceilings respectively of 887 and 1,094 personnel (**Figure 2.4**).

Augmenting the PDF is the part-time **Reserve Defence Force (RDF)**. The RDF has an authorised personnel ceiling of 4,169 personnel but is currently operating with less than half that number of effective members (i.e.

⁵ Irish participation from 2011 to date. 380 Defence Forces members deployed as at May 2017.

⁶ Which occur under overall UN Security Council resolution.

⁷ Irish participation from 2013 to date. 18 Defence Forces members deployed as at February 2017.

⁸ Irish participation since 2015. LÉ *Eithne* (P31) currently (July 2017) deployed.

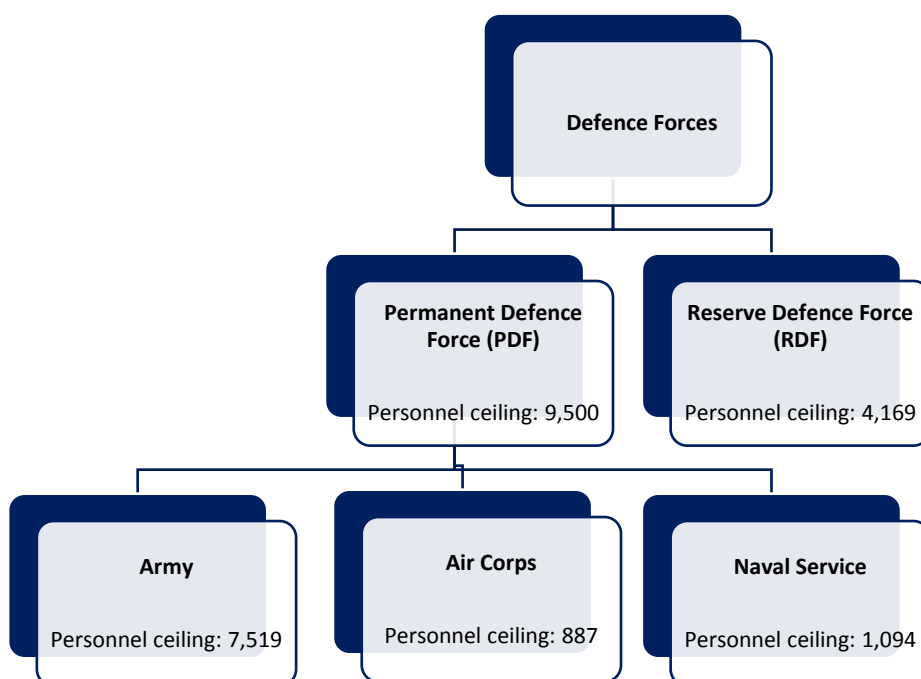
⁹ European Commission, *European Defence Action Plan: Towards a European Defence Fund* (30 November 2016). http://europa.eu/rapid/press-release_IP-16-4088_en.htm

¹⁰ The actual strength of the PDF may fluctuate year on year due to retirements, timing of recruitment campaigns etc. Savings arising are redistributed elsewhere in the Defence Vote Group.

¹¹ *All-arms*: a land force incorporating all major ground combat arms – infantry, cavalry and artillery. *Light infantry*: ground troops who either operate on foot or from soft-skinned vehicles like trucks. *Mechanised infantry*: ground troops who operate from armoured vehicles.

those regularly attending training, exercises etc.)¹². The annual cost of the RDF element is small in the context of total Defence Vote Group allocations. €2.1 million of the 2017 Vote 36 allocation is set aside for paid training of the RDF.

Figure 2.4: Defence Forces Structure



Larger militaries with more substantial striking power typically possess heavy assets like main battle tanks, jet fighters and naval platforms like frigates or carriers. These items are cost intensive. A significant portion of annual defence expenditure for militaries of this sort might therefore be expected to be devoted to heavy equipment procurement and upkeep.

By contrast, no 'big-ticket' items of this sort feature in the Irish military inventory. The size and configuration of the Defence Forces neither require nor permit them. The majority of Irish defence expenditure is accounted for by other spending areas. This distinction is borne out in more detail by the international comparators in **Chapters 3 and 4**.

¹² 1,970 effective personnel at end-February 2017. Dáil Debates Written Questions, Tuesday 2 May 2017. <http://beta.oireachtas.ie/ga/debates/debate/dail/2017-05-02/1291/>

2.4 International Defence Sector Comparison – New Zealand

An international example comparable with Ireland across a number of the key defence features above is **New Zealand** (Figure 2.5).

Figure 2.5: Ireland / New Zealand Defence Sector Comparison

	Ireland	New Zealand
Population	4,952,473	4,474,549
Regular Military Personnel	9,500 (authorised ceiling)	9,199
Regular Military Personnel per 1,000 Population (rounded)	2	2
Global Militarisation Index Score 2016¹³	508.52 (117 th out of 152)	536 (104 th out of 152)

Ireland and New Zealand share similar population sizes and the **New Zealand Defence Force (NZDF)** is a numerical match for the Defence Forces, with 9,199 serving regular personnel as of April 2016¹⁴. The land contingent, the New Zealand Army, similarly forms the central component of the NZDF's three services (although, with 4,584 regular soldiers in 2016, it is smaller overall than the Irish Army). Like the Defence Forces, the NZDF is a relatively light military force. It does not employ the sort of heavy assets like tanks or fighter aircraft previously mentioned. Both countries have identical numbers of regular military personnel per 1,000 of population, and both occupy a broadly similar level on the Bonn International Centre for Conversion's Global Militarization index, with New Zealand rated as slightly more militarized overall in 2016.

However, despite these similarities, the table at **Figure 2.6** illustrates that New Zealand appears to have consistently had a higher level of annual defence expenditure over the last decade. This is evident both in straight monetary terms and also when expressed as a percentage of each country's Gross Domestic Product.

¹³ The Global Militarization Index (GMI) is an index compiled annually by the Bonn International Centre for Conversion research institute. It aims to capture the level of militarisation in given states by assessing the degree to which national resources are directed to the defence sector versus other sectors.

¹⁴New Zealand Government, *Defence White Paper 2016*, p. 82. <http://www.defence.govt.nz/pdfs/defence-white-paper-2016.pdf>

Figure 2.6: Ireland / New Zealand Defence Expenditure, 2006-16

		Ireland	New Zealand
Annual Defence Expenditure (US \$ million, 2015 constant)¹⁵	2006	\$1,138	\$1,891
	2007	\$1,147	\$1,909
	2008	\$1,188	\$1,861
	2009	\$1,173	\$2,003
	2010	\$1,118	\$2,019
	2011	\$1,059	\$1,900
	2012	\$1,003	\$1,849
	2013	\$998	\$1,837
	2014	\$994	\$1,918
	2015	\$997	\$1,944
	2016	\$993	\$2,067
Annual Defence Expenditure as % of GDP¹⁶	2006	0.5%	1.3%
	2007	0.5%	1.2%
	2008	0.6%	1.2%
	2009	0.6%	1.3%
	2010	0.6%	1.3%
	2011	0.5%	1.2%
	2012	0.5%	1.2%
	2013	0.5%	1.1%
	2014	0.5%	1.1%
	2015	0.4%	1.1%

¹⁵ Expenditure figures drawn from the Stockholm International Peace Research Institute's Military Expenditure Database. <https://sipri.org/databases/milex>

¹⁶ Ibid.

	2016	0.3%	1.2%
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This disparity is useful in highlighting a key challenge for comparative assessments of national defence expenditure. Assessing comparably-sized countries and militaries side by side assumes corresponding defence policies, similar threats and matching defined roles for armed forces in each example. This is actually almost never the case in reality.

Although the basic configuration of New Zealand's defence establishment is very similar to Ireland, the former's defence policy is quite different. New Zealand is not a neutral country. While it commits personnel to the sort of international peace missions in which Ireland participates, New Zealand has also participated in recent years in military interventions such as the post-2001 conflicts in Afghanistan and Iraq. The NZDF's mission statement is clear about this more assertive defence orientation; noting that the organisation's responsibility is: *'To secure New Zealand against external threat, to protect our sovereign interests, including the Exclusive Economic Zone, and to take action to meet likely contingencies in New Zealand's area of strategic interest'*¹⁷. Therefore, even though the basic scale of its defence establishment is on par with Ireland, New Zealand's defence footing might reasonably be expected to mean that the country spends more overall on operational and training costs, medium-sized equipment acquisition, etc. A true 'like for like' assessment of the two countries is difficult, as indeed is the case with almost any given set of international examples.

¹⁷ New Zealand Defence Force – *What We Do*. www.nzdf.mil.nz/what-we-do/

3. Total Defence Expenditure

Definitions of *total* defence expenditure can vary internationally.

In Ireland, as in many other Western countries, including member states of both the North Atlantic Treaty Organization (NATO)¹⁸ and the European Defence Agency (EDA)¹⁹, the category of total defence expenditure incorporates both defence pay and pension spending, as well as all other lines of current and capital defence expenditure.

This permits Irish and international comparisons. In this chapter, a number of standard indicators for overall defence expenditure are assessed in order to better contextualise Irish spending.

3.1 Total Defence Expenditure as Percentage of GDP

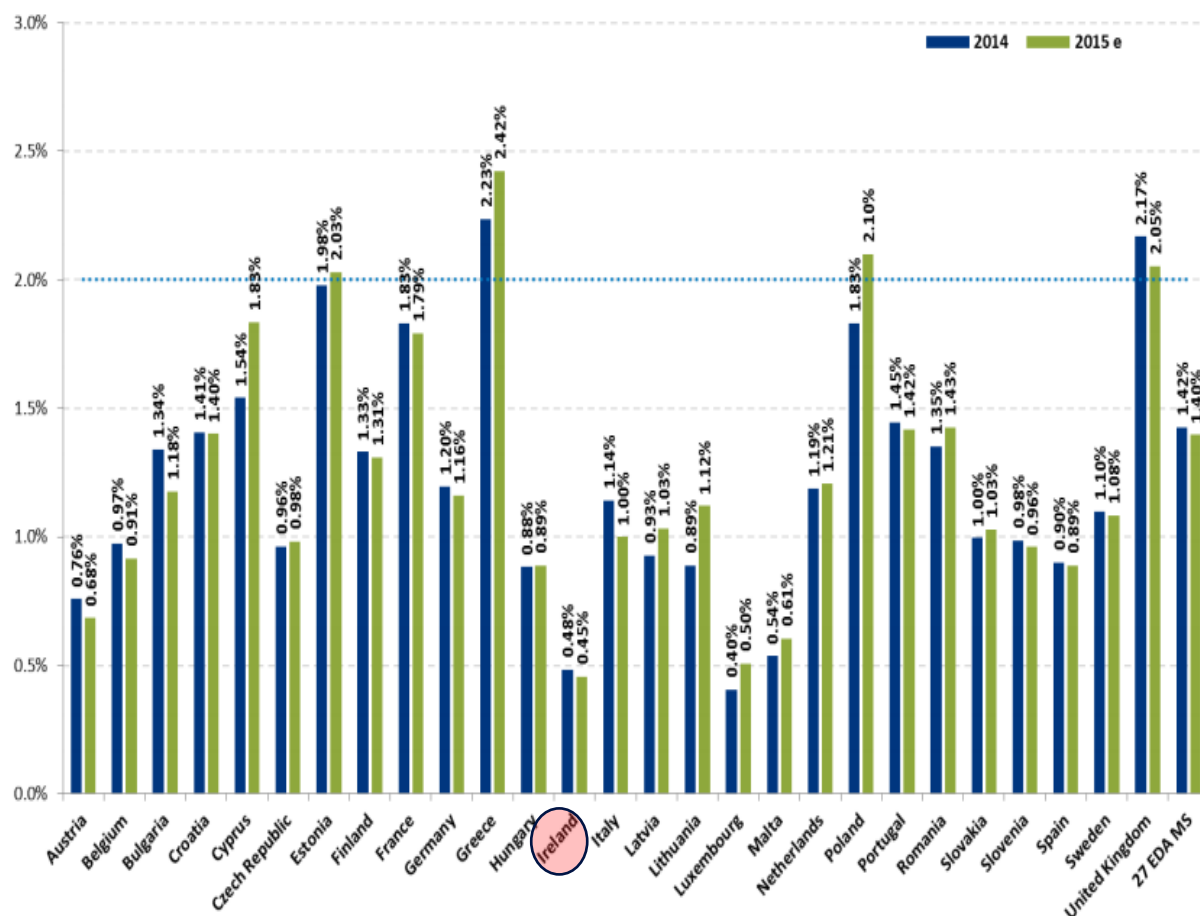
Total annual defence expenditure as a **percentage of Gross Domestic Product (GDP)** is a widely-used international benchmark for defence spending. NATO, in particular, has since 2006 emphasised a 2% of GDP target for annual defence expenditure by its member states. The same 2% GDP threshold has more recently been mooted at EU level as a possible future voluntary target for European states²⁰.

¹⁸ http://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2017_03/20170313_170313-pr2017-045.pdf

¹⁹ <https://www.eda.europa.eu/info-hub/defence-data-portal/definitions>. The European Defence Agency was established in 2004 to foster increased European defence cooperation. All EU member states except Denmark are part of the EDA framework (Denmark was granted 'opt-out' rights from four key areas of EU activity, including defence cooperation, as part of the process of ratifying the Maastricht Treaty in the early 1990s). Ireland has been a member of the EDA since the agency's creation. A majority of EDA member states (but not including Ireland) have dual-membership of both EDA and NATO.

²⁰ *European Parliament News*, 'Defence: MEPs push for more EU cooperation to better protect Europe' (23 November 2016). <http://www.europarl.europa.eu/news/en/press-room/20161117IPR51547/defence-meps-push-for-more-eu-cooperation-to-better-protect-europe>

Figure 3.1: EDA Member State Defence Expenditure as % of GDP, 2014-15 (€ million) [Source – European Defence Agency]



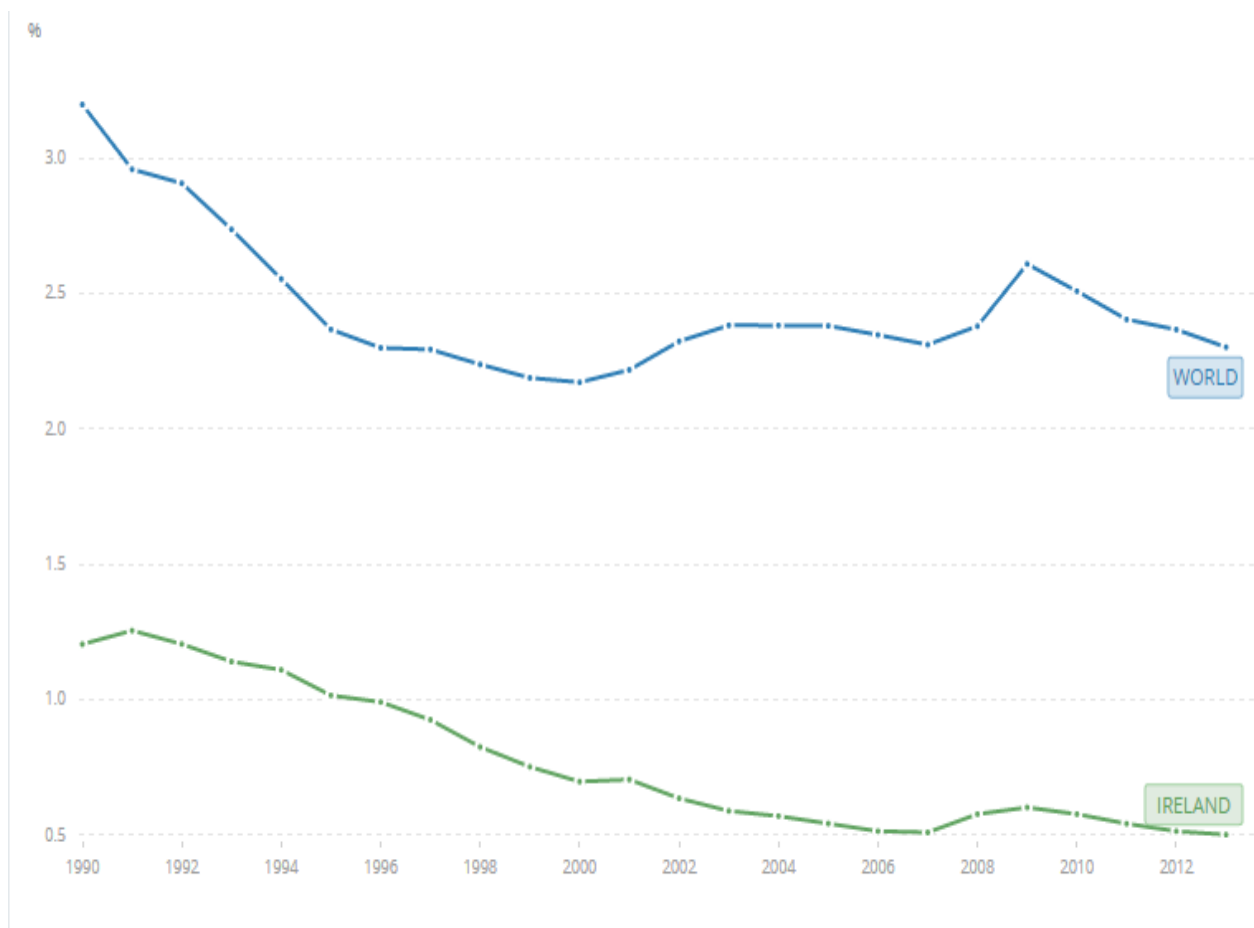
Assessed against recent European levels of defence spending as a proportion of GDP (**Figure 3.1**), Ireland ranks low overall, and well off a 2% of GDP benchmark. For the 2014-15 period, the Irish defence expenditure average of **0.46% of GDP** places it almost a full percentage point behind the EDA national average of 1.41 %. Ireland is second last out of EDA member states, ahead only of Luxembourg.

Although the overall EDA average is considerably higher than Ireland's figure, **Figure 3.1** also demonstrates that only four of the countries featured – the UK, Greece, Poland and Estonia – actually met a 2% of GDP spending level during this period. This is despite the fact that 20 out of the EDA's 27 member states are NATO members and are subject, in theory, to this annual target which has been in place for the past decade. Traditional European military heavyweights like France and Germany fell short. This suggests that the 2% benchmark is, in Europe, generally aspirational rather than a reality at present.

At a broader level, Irish defence expenditure has steadily fallen as a percentage of GDP over the last two and a half decades. This reduction mirrors a global trend. The collapse of the Soviet Union and the end of the Cold War initiated a general world decline in defence spending; albeit with a temporary rise as a result of the

changed security environment from 2001 (**Figure 3.2**). That decline has been exacerbated by the global economic downturn from 2008.

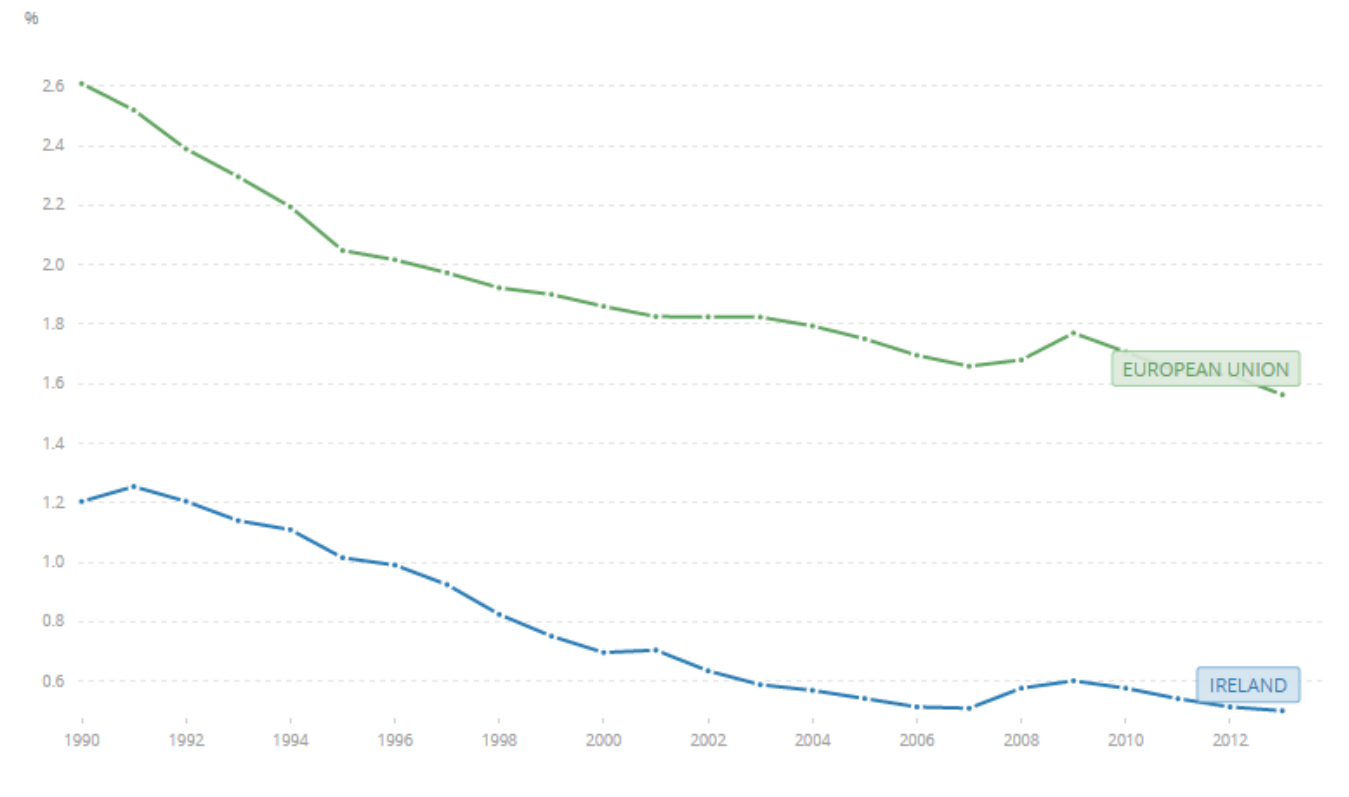
Figure 3.2: Irish and World Defence Expenditure as % of GDP, 1990-2013 [Source – World Bank]



The actual rate of decline has, however, been less severe in Ireland. Global defence expenditure as a percentage of GDP fell from the Cold War high of 3.198% in 1990 to 2.301% in 2013, a total fall of almost **0.9%**. Ireland's decline during the same period was from 1.204% to 0.5% in 2013, a fall of **0.7%**.

The rate of Irish decline has also been less pronounced when contrasted on a regional basis against EU figures for the same period (**Figure 3.3**).

Figure 3.3: Irish and EU Defence Expenditure as % of GDP, 1990-2013 [Source – World Bank]



The EU defence spending national average decreased from 2.069% of GDP in 1990 to 1.563% in 2013, a fall of **1.046%** compared to Ireland's drop of 0.7%.

Though informative and in widespread use, the GDP percentage measurement in isolation is not a definitive indicator of total defence expenditure. For one thing, it fails to capture actual financial spend (see **Section 3.2** below).

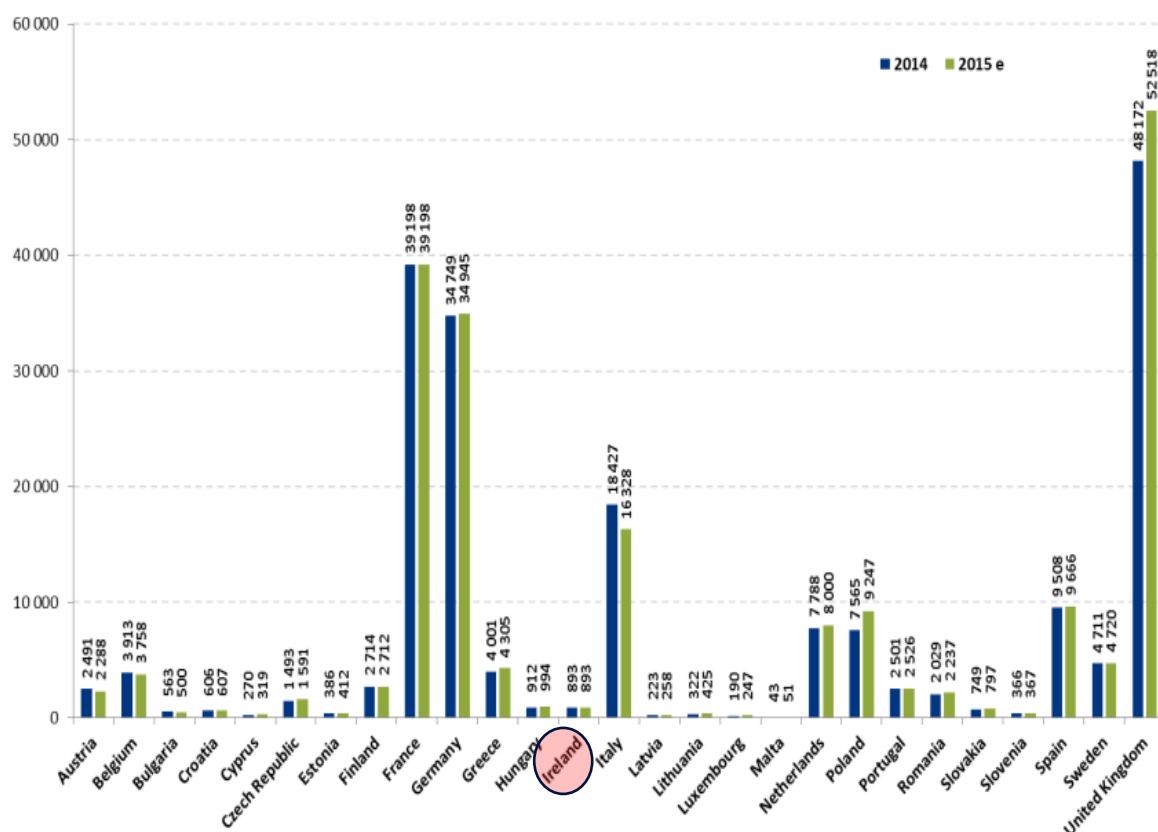
Using a country's GDP as the base for assessment is also potentially deceptive. GDP levels in countries like Ireland which host significant economic activity by multinational firms will often be inflated, making state expenditure of any sort appear lower when expressed as a percentage. Conversely, countries with smaller economies will find it relatively easier to meet a given GDP threshold for defence spending. This has been the case for recent Eastern European NATO members like Estonia and Poland, which now meet the organisation's 2% of GDP standard (see **Figure 3.1** above).

Gross National Product (GNP), which measures only actual national output, offers one alternative base for measurement. Ireland's GNP in 2014 was €163.4 billion. Irish defence expenditure that year of €893 million represents c. 0.54% of GNP, a slightly higher proportion than the GDP equivalent for 2014 of 0.46%.

3.2 Total Financial Defence Expenditure

When actual **total financial spend on defence** is examined in the same manner, Ireland's comparative position is less extreme (**Figure 3.4**).

Figure 3.4: EDA Member State Total Defence Expenditure 2014-15 (€ million) [Source – European Defence Agency]



Average Irish 2013-14 defence expenditure of **€893 million** places it within the middle third at 16th out of the 27 EDA nations. Ireland's position reflects the relatively modest scale of total spend required annually for a small regular force with minimal heavy equipment and infrastructure, as outlined with respect to the PDF in **Chapter 2**.

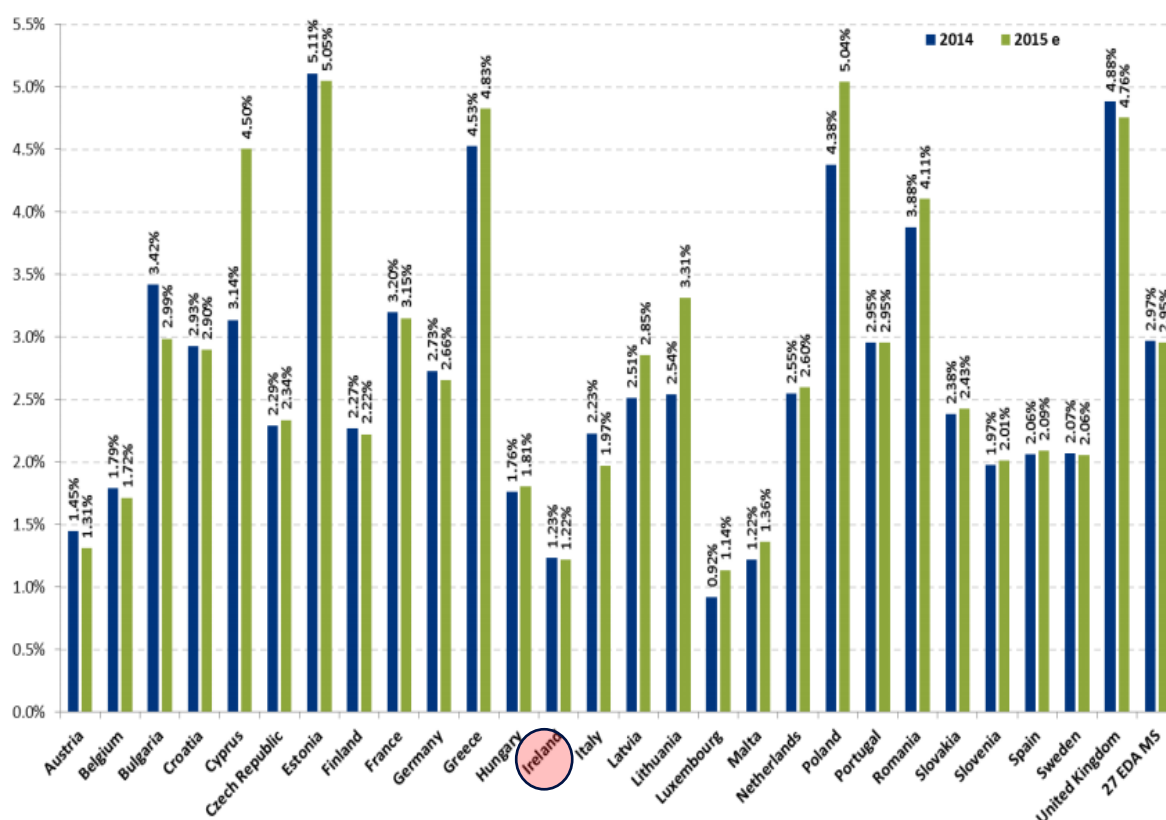
By contrast, the three highest spenders here – the UK, France and Germany – maintain defence establishments of a completely different nature. All have regular military personnel numbers in the six figures (see also **Section 4.3**) and all operate a full suite of heavy hardware including submarines, main battle tanks and fighter aircraft. Each also participates in a much broader range of military activity than Ireland; including, during this period, involvement in conflicts such as the wars in Afghanistan and Iraq.

Notwithstanding this, **Section 3.1** above has already demonstrated that only one of these top three spenders, the UK, actually meets a 2% of GDP defence spending NATO target. France and Germany fall below this threshold, though both are long-established NATO members.

3.3 Total Defence Expenditure as Percentage of Total Government Expenditure

Irish defence expenditure is low when assessed against peer nations as a **percentage of total government expenditure (Figure 3.5)**.

Figure 3.5: EDA Member State Defence Expenditure as % of Government Expenditure, 2014-15 [Source – European Defence Agency]



At an average of **1.2%** of total government expenditure across 2014-15, Irish defence spending is considerably beneath the EDA national average of 2.9%. Only Malta and Luxembourg rank lower. Some countries, like Poland, Greece and Estonia, do significantly better here relative to their placing for defence expenditure as a percentage of GDP (**Figure 3.1**). This implies that their overall levels of government expenditure are lower,

making their defence spend appear higher in proportion. Figures 3.6 and 3.7 capture the 2017 defence expenditure allocation in Ireland relative to all other categories of Government expenditure.

Figure 3.6: Sectoral Expenditure in Ireland, Budget 2017 [Source – www.wheremyourmoneygoes.gov.ie]

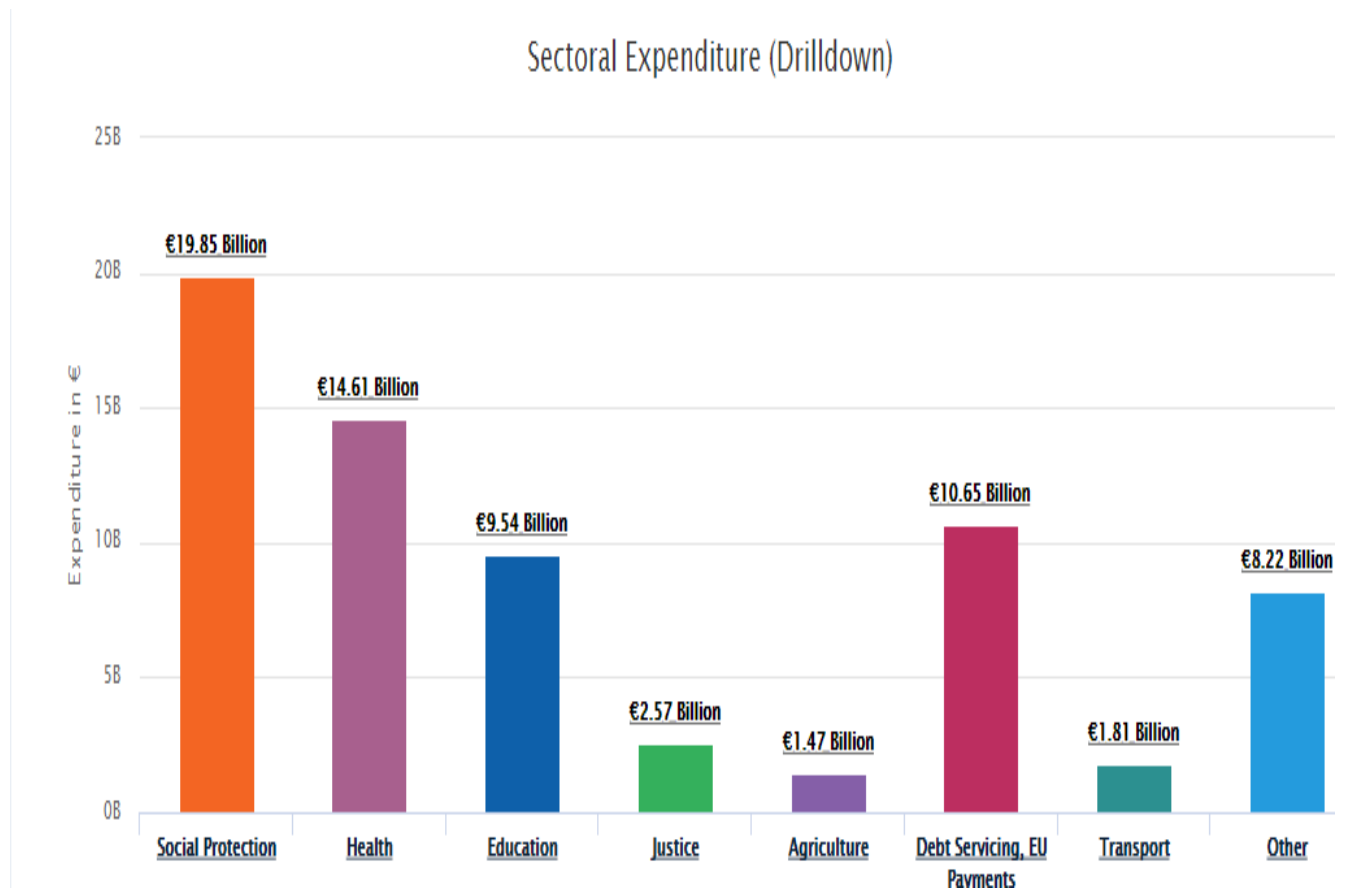
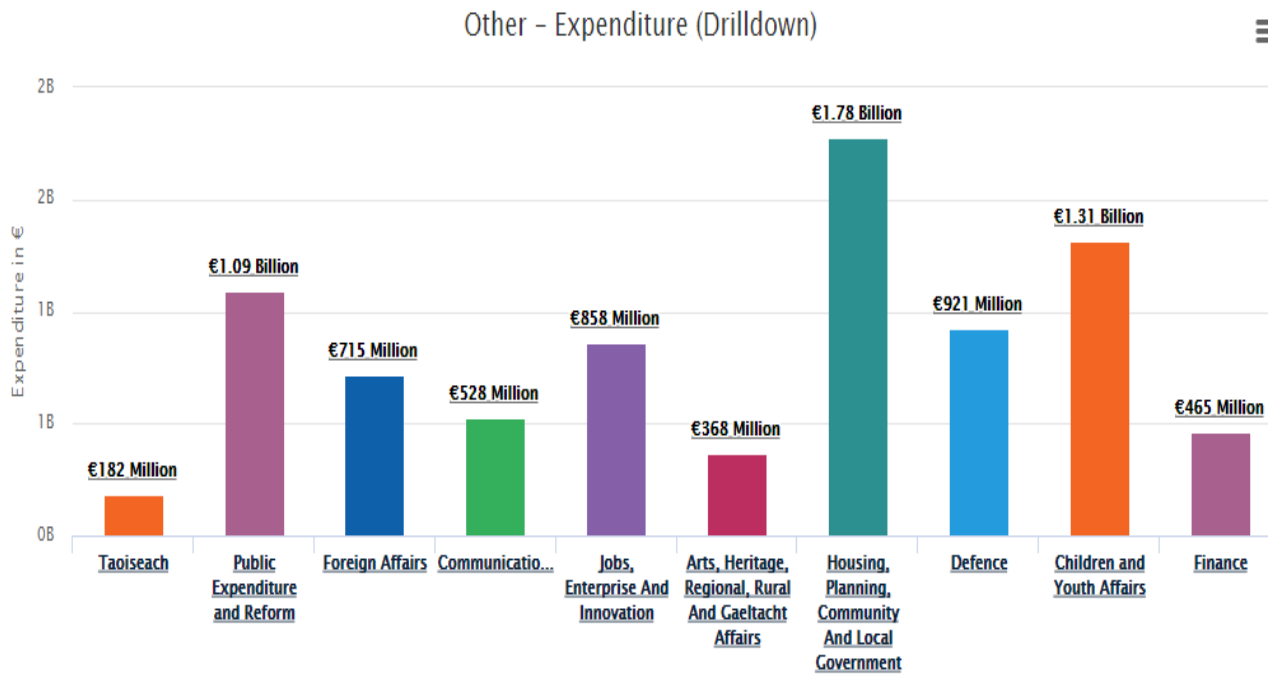
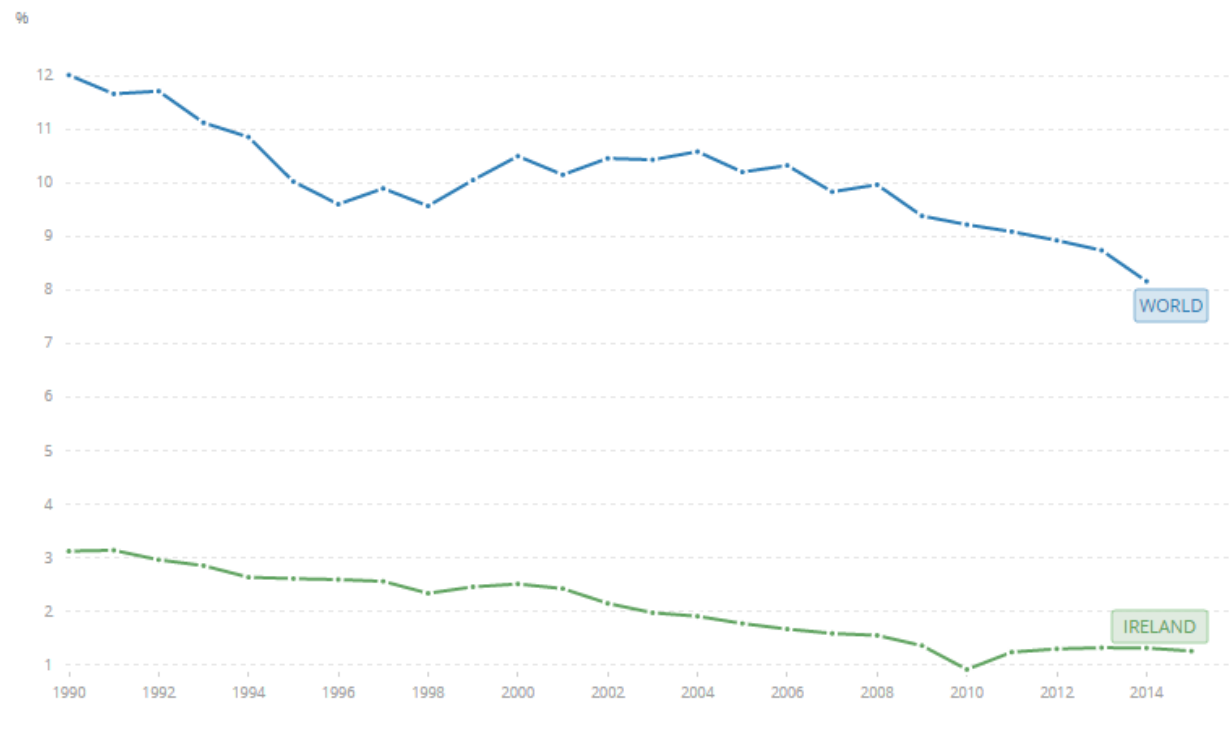


Figure 3.7: 'Other' Expenditure, Budget 2017 [Source – www.wheremyourmoneygoes.gov.ie]



As is the case with defence expenditure as a percentage of GDP, Irish defence expenditure in proportion to government expenditure has steadily declined over the last two and half decades. This has broadly corresponded to the global trajectory, but the Irish decline has again been less severe (**Figure 3.8**).

Figure 3.8: Irish and Global Defence Expenditure as % of Government Expenditure, 1990-2013 [Source – World Bank]

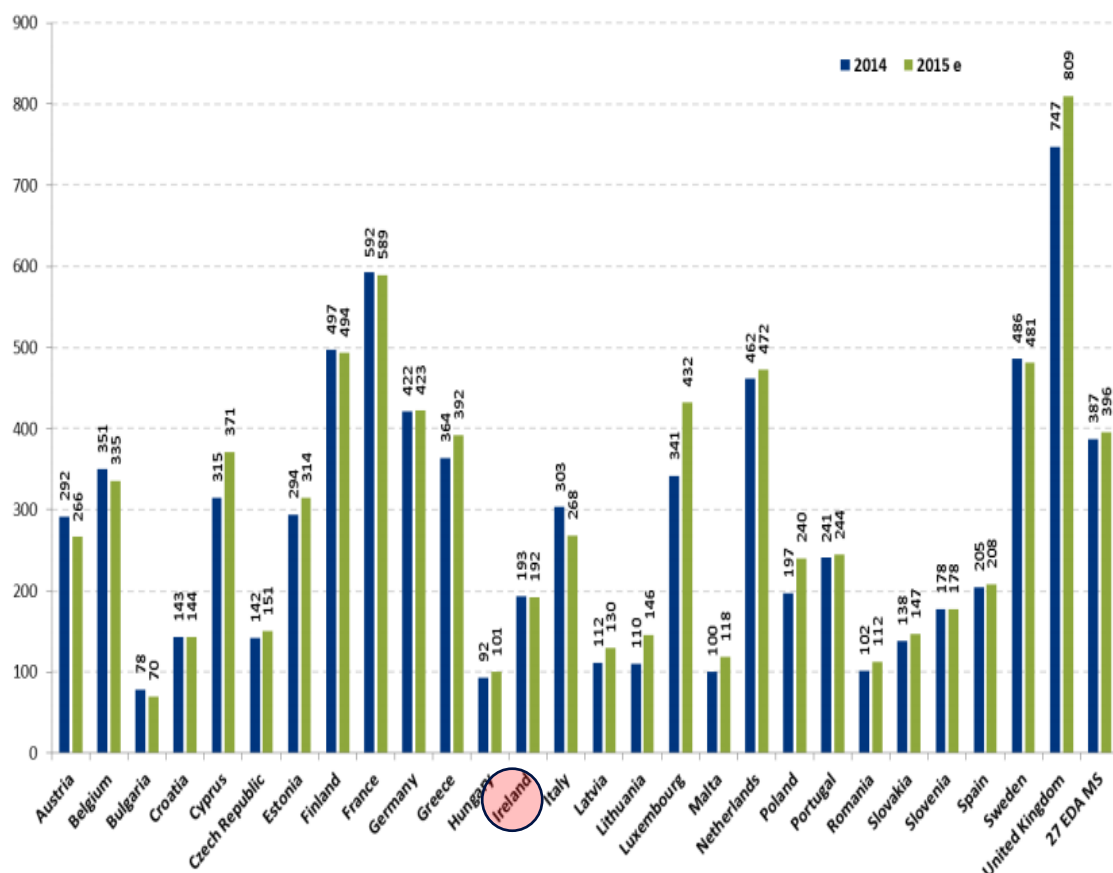


Global defence expenditure as a percentage of total government expenditure fell from 12% in 1990 to 8.2% in 2014; a decrease of **3.8%**. Irish defence expenditure by this measurement moved during the same period from 3.1% to 1.2%; a fall of **1.9%** - in other words, half the rate of wider global decline.

3.4 Total Defence Expenditure Per Capita

Total defence expenditure per capita is another common reckoner of total defence spending. At a crude level, this measurement shows the expenditure by states on defence on the basis of the average spend per individual citizen.

Figure 3.9: EDA Member State Defence Expenditure per Capita, 2014-15 [Source – European Defence Agency]



For 2014-15, Ireland's average defence spend per head of population was **€190.50 (Figure 3.7)**. This is below the EDA average of **€391.50**, but still places Ireland just inside the middle third, at 18th out of 27. Wide variations in national spending are evident here. By far the highest spender in this category, the United Kingdom, expended a per capita annual average of €778 on defence, while the lowest, Bulgaria, spent only €74.

4. Defence Expenditure by Category

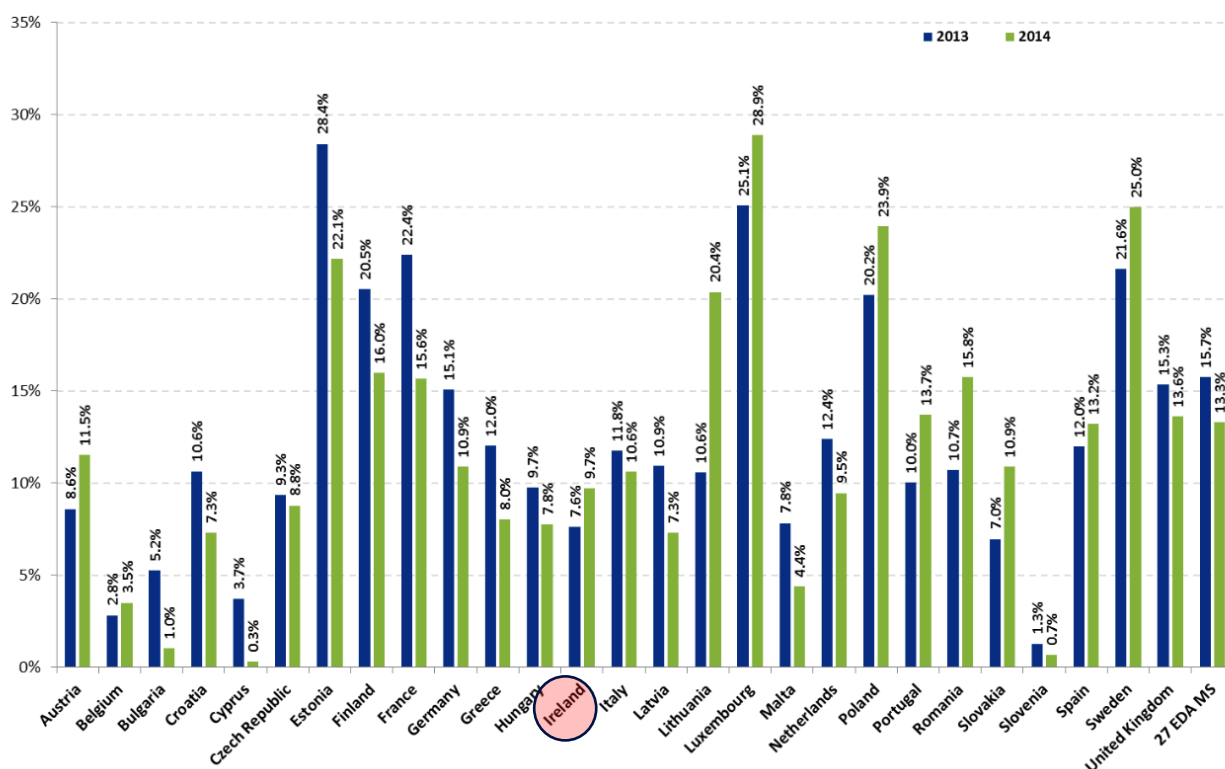
This chapter focuses on selected categories of defence expenditure in order to give an indication of Ireland's relative international position in these areas, as well as to suggest trends within Irish defence spending.

Ultimately, the defence expenditure categories that account for the bulk of annual Irish spending are dictated by the particular size, structure and orientation of Ireland's defence establishment, as summarised in **Chapter 2**. This will be the case for any given state.

4.1 Defence Equipment Expenditure

The level of Irish **defence expenditure devoted to the acquisition of equipment** is, unsurprisingly, small by international comparison; both as a proportion of overall defence spend and in financial terms.

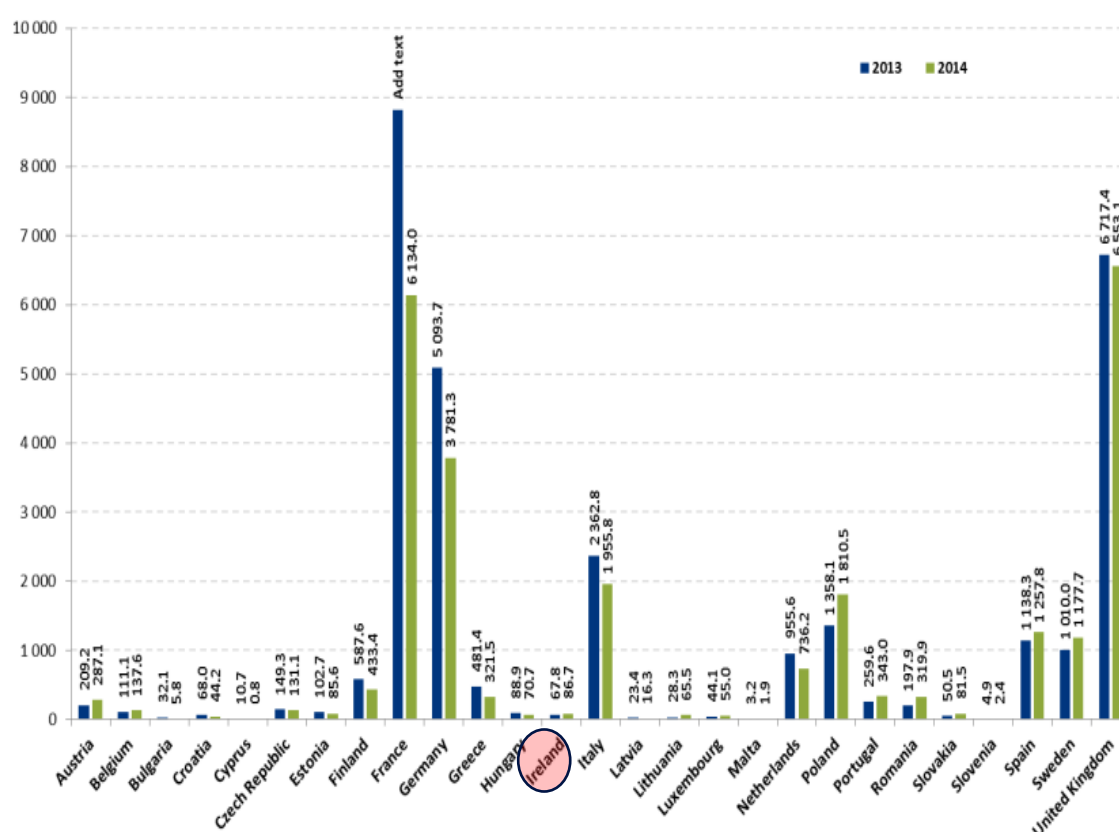
Figure 4.1: EDA Member State Defence Equipment Procurement as % of Total Defence Expenditure, 2013-14 [Source – European Defence agency]



In 2013-14, an annual average of only **8.65%** of Irish defence expenditure went toward the purchase of new equipment (**Figure 4.1**). This places Ireland 22nd out of the 27 EDA nations, well below the agency's national average of **14.5%**.

Of the five countries with the highest proportions of equipment expenditure during this period (Estonia, Lithuania, Luxembourg, Poland and the UK), it is of note that three are Eastern European countries which have land borders with the Russian Federation. Estonia, Lithuania and Poland have all significantly increased the proportion of their GDP devoted to overall defence expenditure since 2010²¹. In light of recent international tensions in this region, this strongly suggests that accelerated equipment procurement is taking place as part of a general prioritisation of national defence in these countries.

Figure 4.2: EDA Member State Equipment Procurement Expenditure, 2013-14 (€ Million) [Source – European Defence Agency]



In terms of actual financial spend, average annual Irish equipment expenditure in 2013-14 of **€77.25 million** places the country slightly higher, at 18th amongst EDA members (**Figure 4.2**). The UK, France and Germany are the highest EDA spenders here, as they are for total defence expenditure. As already noted, these countries each possess much more substantial defence establishments than Ireland, with a full range of heavy military assets. Notwithstanding this, two of the three still spend well beneath 2% of their GDP on defence. It is also

²¹ Estonia from 1.074% of GDP in 2010 to 2.034% in 2015, Lithuania from 0.88% to 1.14% and Poland from 1.83% to 2.19%.

to be noted that a capacity deficit has evolved in countries like Germany and France arising from years of post-Cold War low defence spending²².

Comparatively modest Irish rates of annual spend on equipment are in direct proportion to the size and structure of the country's defence establishment. Ireland has a small professional military which does not maintain an expensive inventory of heavy equipment.

4.2 Operational Expenditure

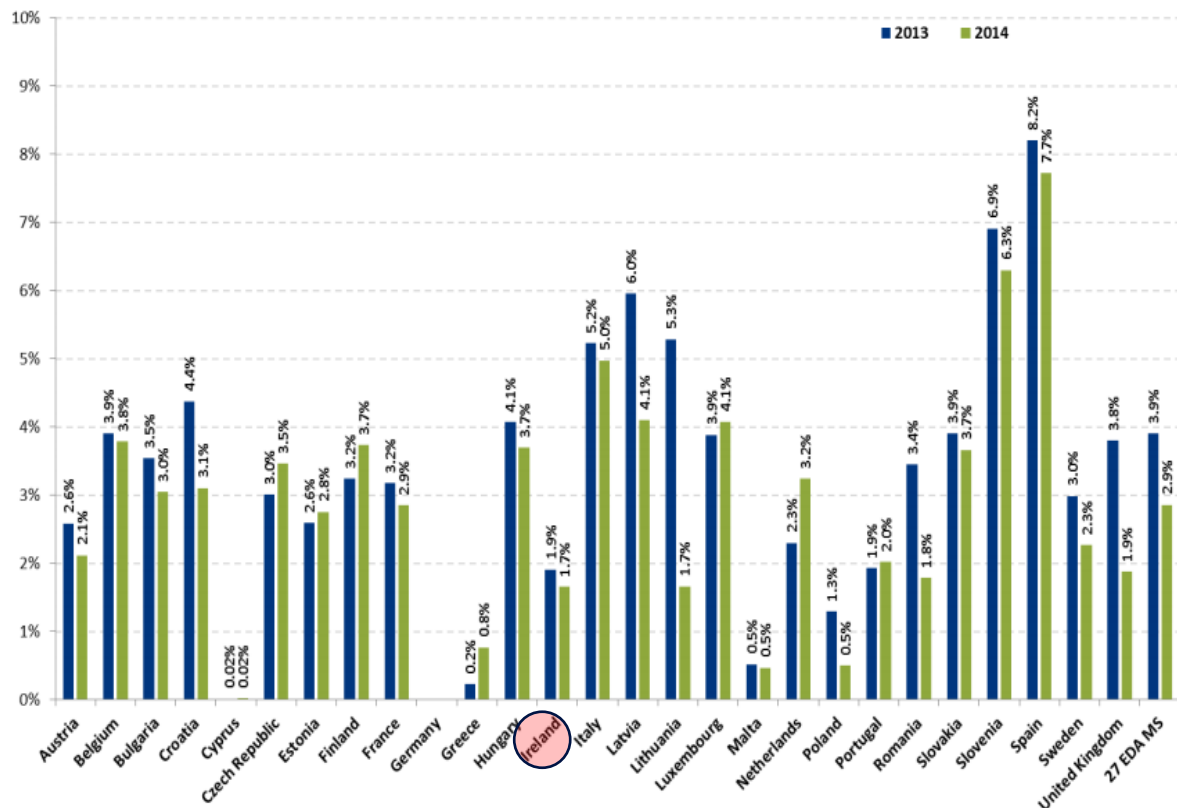
Operational expenditure (defined as all expenditure on deployed military operations *outside* national territory) forms an element of nearly all national defence budgets. Regardless of defence posture and foreign policy, almost all militaries have some form of annual overseas operational activity, whether through multinational peace missions or from other forms of military intervention. Ireland is no exception. During 2015, for example, some 1,383 members of the PDF served overseas across a range of missions²³.

²² Germany's fleet of Leopard 2 main battle tanks, for instance, has shrunk from c. 2,500 vehicles at the end of the Cold War to c. 200 at present. *Foreign Policy*, 'Merkel and Whose Army?' (13 December 2016). <http://foreignpolicy.com/2016/12/13/merkel-and-whose-army-germany-military-nato/>

²³ Department of Defence and Defence Forces Annual Report 2015, p. 43.

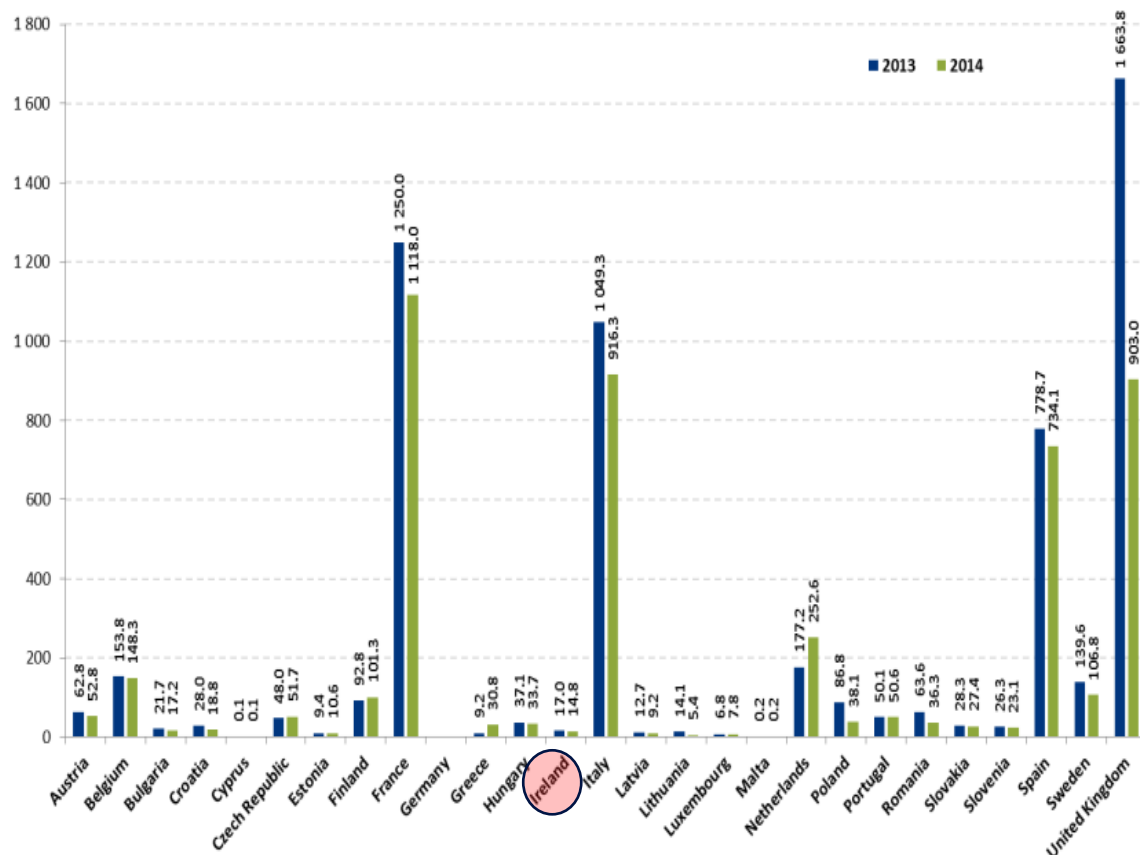
Figure 4.5: EDA Member States Operational Expenditure as % of Total Defence Expenditure, 2013-14

[Source – European Defence Agency]



In 2013-14, operational expenditure accounted for an annual average of only **1.8%** of Irish defence spending (**Figure 3.5**). This placed Ireland 23rd amongst the EDA 27, and below the EDA average of 3.4%.

Figure 4.6: EDA Member States Operations Cost (Deployed), 2013-14 (€ million) [Source – European Defence Agency]



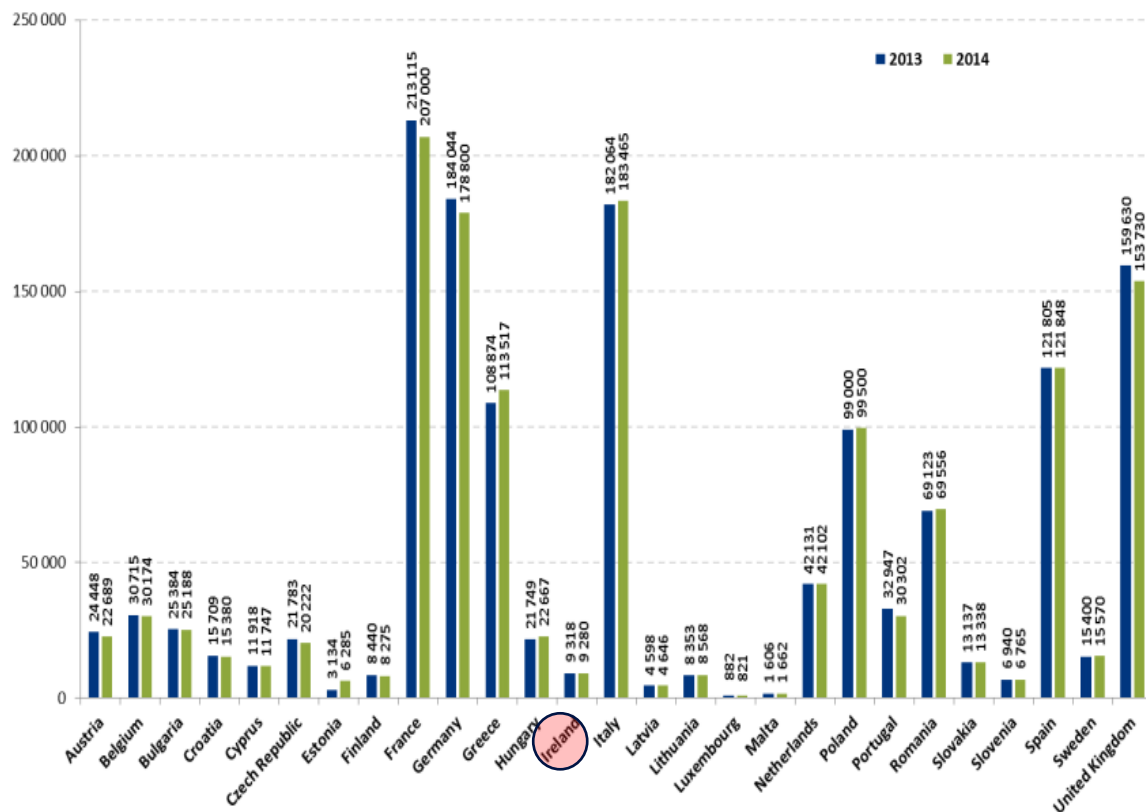
Ireland's actual average financial spend on operation costs during this period of **€15.9 million** places it 21st amongst EDA states (**Figure 3.6**).

These figures are once again a reflection of the nature and the outputs of Ireland's defence establishment. The two single highest spenders here, the UK and France, had large numbers of troops deployed on a much wider range of overseas military operations during this period. These ranged from UN peace missions to counter-insurgency operations in Afghanistan and sub-Saharan Africa.

4.3 Defence Personnel Expenditure

A high proportion of Irish defence expenditure on personnel costs is clear when contrasted internationally. Personnel costs in this case are defined as *all* military personnel expenditure: incorporating both pay for serving personnel as well as pensions and other post-service entitlements for retired personnel.

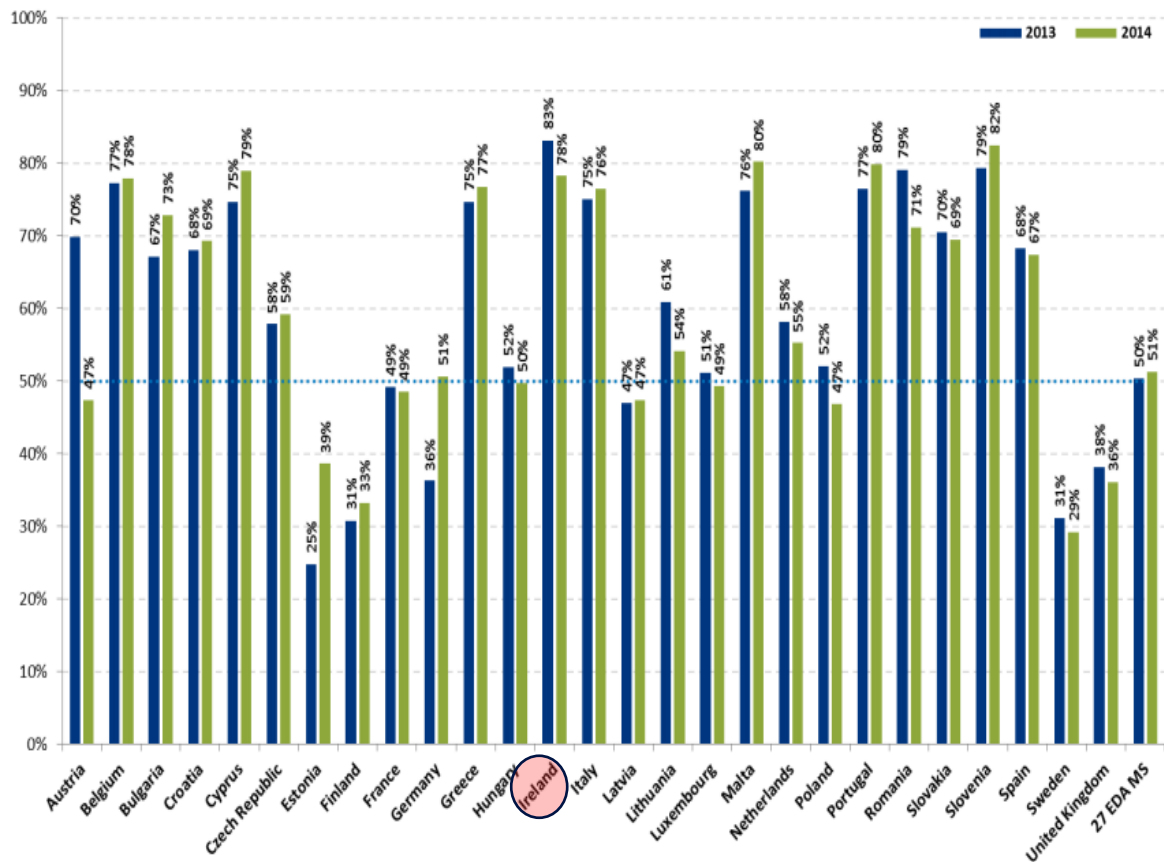
Figure 4.7: EDA Member States Total Number of Military Personnel, 2013-14 [Source – European Defence Agency]



With an average effective strength of only 9,300 regular military personnel in 2013-14 (**Figure 4.7**), Ireland ranks 20th out of the 27 EDA member states in terms of force numbers - ahead of other small nations like Luxembourg, Malta, Latvia, Estonia, Slovakia, Finland and Lithuania but well behind European countries with much larger military establishments like the UK, Germany and France.

Despite this relatively small force size, the proportion of Irish defence expenditure devoted to personnel costs during the same period places the country in joint top position, along with Slovenia (**Figure 4.8**).

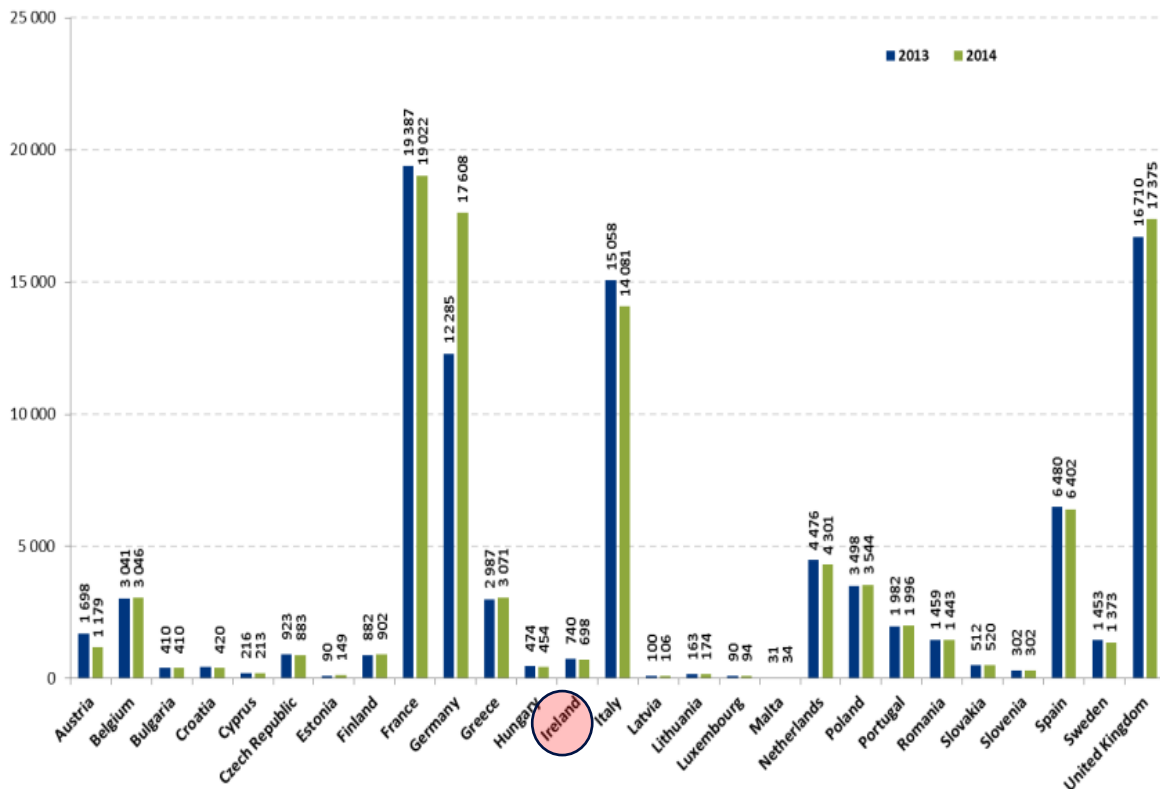
Figure 4.8: EDA Member States Personnel Expenditure as % of Total Defence Expenditure, 2013-14 [Source – European Defence Agency]



An average of **80.5%** of total Irish defence expenditure in 2013-14 went on personnel costs – significantly ahead of the overall European average for personnel expenditure of only 51%. This is almost the exact inverse of the position shown above in **Figure 3.1**. While Ireland there lies almost at the bottom of the EDA group for overall defence expenditure as a percentage of its GDP, it leads here on its defence personnel spending.

Naturally, these figures reflect only the proportionate relationship between personnel expenditure and overall defence expenditure, not actual financial spend. By this measurement, Ireland's position is closer to mid-ranking, at an annual average of €719 million, or 16th place. The top-spending nation, France, had an average annual defence personnel bill of €19.2 billion during this period (**Figure 4.9**).

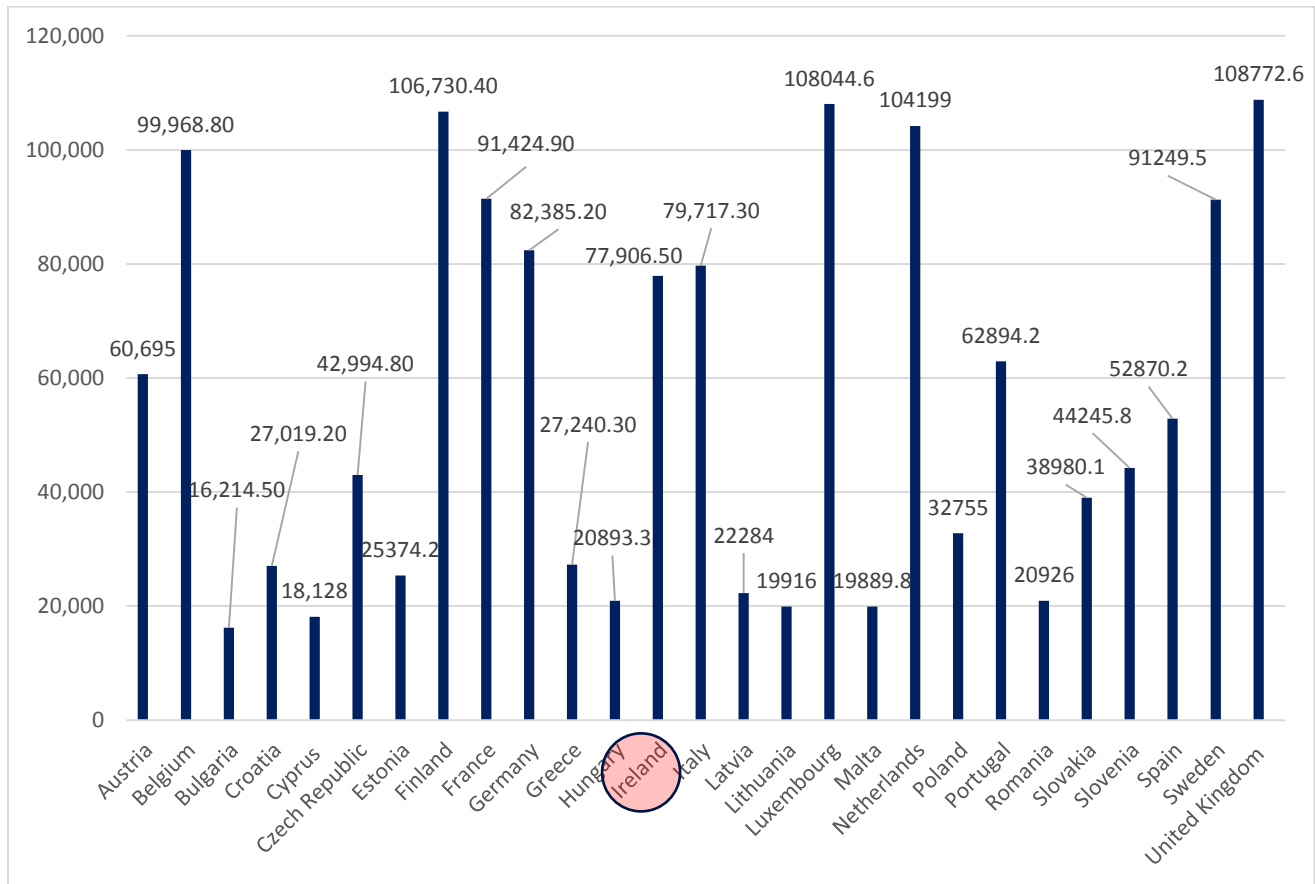
Figure 4.9: EDA Member States Personnel Expenditure, 2013-14 (€ million) [Source – European Defence Agency]



Regardless, even if Ireland's raw financial spend is eclipsed by states with much larger military forces (and thus inevitably higher pay and pensions costs), it remains clear that the *proportion* of the Irish defence budget committed to personnel costs is high.

Personnel expenditure figures can also be assessed against total regular force numbers for the same period to give an indication of the annual total personnel cost per individual serving regular military member (**Figure 4.10**). It is to be stressed once again that these figures incorporate all military personnel expenditure, including pensions – not just the pay of serving personnel.

Figure 4.10: EDA Member States Average Annual Total Personnel Cost per Military Serviceperson, 2013-14
(€ thousand) [Source – European Defence Agency data]



Ireland comes within the top ten of the EDA 27. The State spent an annual average of **€77,900** in overall personnel expenditure for each serving member of the PDF in 2013-14.

Of note is that the top ten European countries by this measurement, including Ireland, are all comparatively wealthy western European nations. Lower on the list are former Eastern Bloc states like Poland, Romania and Hungary.

5. Conclusions

Establishing a definitive placing for Ireland against international measurements of defence expenditure remains challenging.

This arises primarily from the nature of defence as a state activity. Individual national approaches to defence policy, which informs defence expenditure, are the result of a number of subjective and variable factors including history, geographic location and foreign policy.

This makes it difficult, if not impossible, to identify any single appropriate benchmark for national spending on defence, even within a given region like Western Europe.

In the case of Ireland, the country faces no immediate existential threat. Nor have Ireland's policies overseas ever been geared toward military intervention, beyond peace operations conducted under clear international sanction. A specific Irish approach to defence has developed accordingly.

The country's military is based on a relatively small and lightly equipped professional force. It is orientated toward the twin high level goals of providing domestic security contingency and contributing to international peacekeeping efforts.

5.1 Total Defence Expenditure

Unsurprisingly, in light of the above, the general recent level of Irish expenditure on defence appears low by a number of international indicators. Total defence expenditure as a percentage of Irish GDP, for instance, is consistently beneath the European average. So too is Irish defence expenditure as a percentage of total government spending.

However, Ireland's actual annual financial spend on defence places it closer to the middle of the road in European terms, as does the country's defence expenditure per capita. The rate of decline in Irish defence expenditure both as a percentage of GDP and as a percentage of total government expenditure has actually been less severe than the global *and* European fall in these measurements over the last two and a half decades.

5.2 Defence Expenditure by Category

The breakdown of annual Irish defence spending is also a direct reflection of the country's specific approach to defence, especially when contrasted with peer nations.

Irish expenditure on categories which might account for relatively significant defence spend in other countries, such as equipment and operations costs, is low in comparative terms. The Defence Forces do not maintain military assets or infrastructure of the sort which make large annual demands on the budgets of bigger forces with heavier footprints. Nor do they engage in overseas operational activity of the type and scale to result in regular large annual costs.

Instead, the biggest constituent element of Irish defence expenditure – consistently – is personnel spend; incorporating both pay and pensions.

5.3 Exchequer Implications

These patterns imply that any future adjustment to the general recent level of Exchequer expenditure on the Defence Vote Group could be achieved only through modifying defence sector headcount and / or pay and pensions rates. Other lines of expenditure within the Vote Group do not by themselves represent enough of a proportion of overall expenditure for their alteration to make any difference of note and are, in any case, a necessity in underpinning the functioning of the branches of the PDF.

Ultimately, the present level of Irish defence expenditure allows for the maintenance of a small regular military force with modest annual equipment, infrastructure and operational costs.

In this regard, and allowing for a recent persistent issue of additional funding being required each year for defence pensions costs through Vote 35, it would appear that the level of funding provision is fundamentally adequate for the high level purposes of the country's defence sector.

Quality Assurance Process

The author engaged with the Spending Review Working Group in drafting this paper.