



**STOCKHOLM INTERNATIONAL
PEACE RESEARCH INSTITUTE**

MEDIA BACKGROUNDER
5 April 2016, 00:01 AM CET

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MEDIA BACKGROUNDER

MILITARY VERSUS SOCIAL EXPENDITURE: THE OPPORTUNITY COST OF WORLD MILITARY SPENDING

The headline estimate for total world military spending for 2015 amounts to \$1676 billion, or about 2.3 per cent of total world gross domestic product (GDP)—often referred to as the ‘military burden’.¹ It is a sum that many people would consider to be too high.

All government spending involves choices (opportunity costs) between different priorities and goals. Global military expenditure in particular often raises concerns about the opportunity cost in terms of spending on human, social and economic development.

This media backgrounder discusses two questions:

1. How *do* governments around the world prioritize military as compared to health expenditure, and how has this changed over the past 15–20 years?
2. What *could* be achieved at the global level if some of what is currently spent on military forces were reallocated to realizing the Sustainable Development Goals (SDGs) agreed by the United Nations in 2015?

Military and health expenditure compared worldwide, 1995–2015

A comparison of government military and health expenditure worldwide requires an analysis of appropriate and relevant data. SIPRI used data provided by the World Health Organization (WHO) for general government health expenditure as a share of GDP, which includes spending at all levels of government—central, regional and local. The WHO data, which covers 1995–2013, is slightly adjusted to ensure compatibility with SIPRI military expenditure data as a share of GDP (for further details see box 1).

Regional variations

The data shows that governments worldwide spend a lot more on health than on the military: 5.9 per cent of global GDP was allocated to public health spending in 2013, compared with 2.3 per cent to the military for that year. However, this conceals major regional variations (for further details of the methodology used for the regional and country comparisons see box 1). Figures 1 to 4 show the share of military and public health expenditure in GDP worldwide and by region. The share of GDP devoted to health spending in 2013 varied from 2.8 per cent in Africa to 8.1 per cent in North America. Likewise, the regional share of military spending in GDP in 2013 varied from

¹ See SIPRI Military Expenditure Database, <<http://www.sipri.org/databases/milex/>>.



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1.4 per cent in Latin America and the Caribbean to 4.6 per cent in the Middle East. Within the regions there are also considerable subregional variations; for example, the share of health expenditure in GDP in Central and South Asia was just 1.4 per cent in 2013. In general terms, military expenditure in 2013 was higher in Eastern Europe and the Middle East (as well as the subregions of Central and South Asia, and North Africa) than spending on public healthcare.

A clearer picture of health and military spending trends emerges at the country level. To avoid giving undue weight to one-year variations, and to include countries for which military spending data is not available for all years, SIPRI's analysis compares the average share of military and health spending in GDP for 2011–13. This analysis shows that of the countries for which data is available, 80 per cent had higher levels of health spending than military expenditure during that period. Eastern Europe and the Middle East each had a relatively large proportion of countries that spent more on the military than on health in 2011–13; as was also the case at the subregional level in North Africa and South Asia.

Democracy and health

Aside from regional variations, one interesting feature of the data is the type of countries more likely to prioritize health or military spending. Of the countries included in the comparison, 92 are classed as 'democracies' by the Center for Systemic Peace's Polity IV database on democracy and autocracy, whereas 20 are classed as 'autocracies', with the remainder somewhere in between.² Of the 92 democracies, 93 per cent spent more on health than the military between 2011 and 2013. While the data is much more limited for the autocratic countries, it indicates that almost half of those countries spent more on the military than on health. This suggests that when governments are at least somewhat accountable to their people, this accountability is reflected in their budget priorities.

Trends over time

Looking at trends over time, the global military burden barely changed between 1995 and 2015 (hovering at around 2.3 per cent), while over a similar timeframe (1995–2013) the share of health expenditure in GDP rose from 5.4 to 5.9 per cent (see figures 1 to 4). The increase in health spending is particularly notable in Africa (1.9 to 2.8 per cent) and Latin America and the Caribbean (3.2 to 4.3 per cent). Health spending as a share of GDP also rose in most other regions. However, there was virtually no change in Asia and Oceania, and there was a significant fall in Eastern Europe (5.2 to 3.2 per cent). At a subregional level, South East Asia showed a large increase. Meanwhile, the military burden declined noticeably between 1995 and 2015 in Western and Central Europe

² <<http://www.systemicpeace.org/polityproject.html>>.



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(2.1 to 1.5 per cent), as well as at the subregional level of Central and South Asia, and South East Asia.

In the past two to three years there have been particularly large increases in the military burden in Eastern Europe and the Middle East, as well as in the subregion of North Africa. Nonetheless, the military burden in the Middle East in 2015 (5.8 per cent) remained below its 1995 level (6.4 per cent).

Again, a clearer picture emerges at the level of individual countries. Of the countries for which data is available, 73 per cent showed an increase in the average share of health spending in GDP between 1995–97 and 2011–13, with the median health share of GDP rising from 2.6 to 3.5 per cent. However, a high proportion of countries in Eastern Europe and the Middle East reduced the average share of health spending as a share of GDP between 1995–97 and 2011–13. Meanwhile, of the countries for which data is available, 72 per cent reduced their average military burden between 1995–97 and 2013–15. However, four out of the seven countries in Eastern Europe increased their average military burden between those time periods.

Overall, the data suggests that the proportion of countries spending more on health than on the military increased from 61 per cent in 1995–97 to 80 per cent in 2011–13. Thus, the general trend over the past 20 years is that most countries have increased the priority they give to public health expenditure, while reducing the priority given to military spending. However, certain regions, in particular Eastern Europe and the Middle East, are notable exceptions.

It is unlikely, however, that this rise in health spending and decline in military spending as a share of GDP represents some sort of deliberate ‘peace dividend’ policy aimed at redirecting resources from the military to health. A preliminary analysis suggests that there is no clear relationship between a country’s increase or decrease in military spending and any change in health spending—countries that increased their average military burden between 1995–97 and 2011–13 were just as likely to also increase health spending as a share of GDP as countries that reduced their average military burden. Moreover, there is virtually no statistical correlation between the changes in the two variables.



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Box 1. Methodology

Further analysis and description of the methodology will be published in the forthcoming SIPRI *Yearbook 2016*.

Gross domestic product

The World Health Organization (WHO) provides statistics on general government expenditure as a share of gross domestic product (GDP), with comprehensive data from 1995–2013, which can be obtained through the World Bank World Development Indicators (WDI) database (<<http://data.worldbank.org/data-catalog/world-development-indicators/>>). However, because the WDI figures calculate percentages of GDP based on the GDP figures from the same WDI dataset, whereas SIPRI uses GDP data taken primarily from the International Monetary Fund (IMF) International Finance Statistics (IFS) (<<http://www.imf.org/en/Data>>), the figures for health spending as a share of GDP have been slightly adjusted so as to be based on the same GDP figures as SIPRI uses for calculating military spending as a share of GDP.

Regional and country comparison

Comparisons between military and health expenditure and between time periods are made based only on those countries for which data is available for all the concepts and time periods being compared. The average share of military or health expenditure in GDP for a three-year period (e.g. 2011 to 2013) is calculated provided that data is available for at least one of the three years. There are 159 countries for which health expenditure data is available in both 1995–97 and 2011–13; 137 countries for which military expenditure data is available in both periods; 147 countries in which both military and health data is available in 1995–97; and 153 countries in which both military and health data is available in 2011–13.

For further details of SIPRI's regional coverage see <http://www.sipri.org/research/armaments/milex/milex_database/regional_coverage>.

Figures 1 to 4. The share of public health and military expenditure in GDP worldwide and by region, 1995–2013/2015

Note: Regions appear on separate graphs for ease of comparison. Public health data covers 1995–2013; military expenditure data covers 1995–2015.

Figure 1

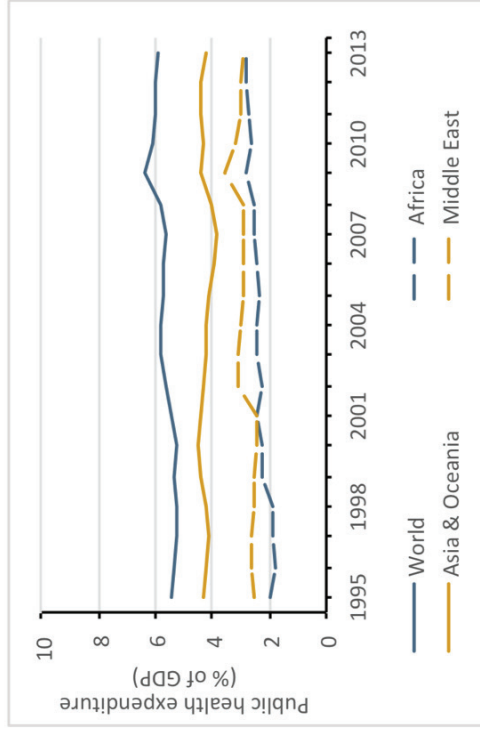


Figure 2

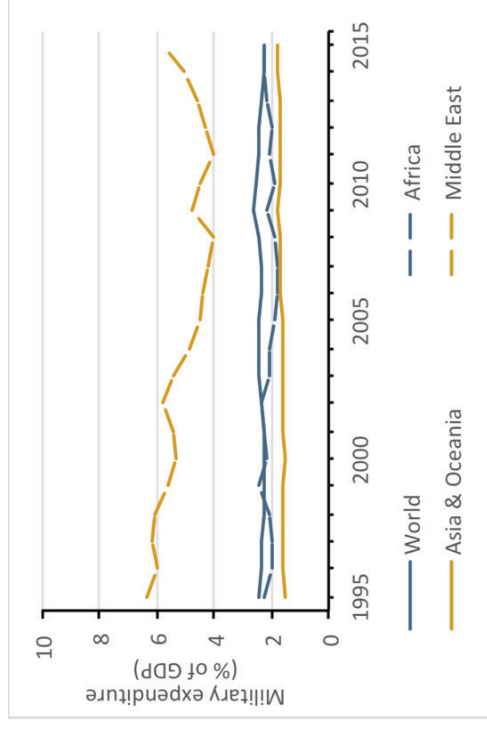


Figure 3

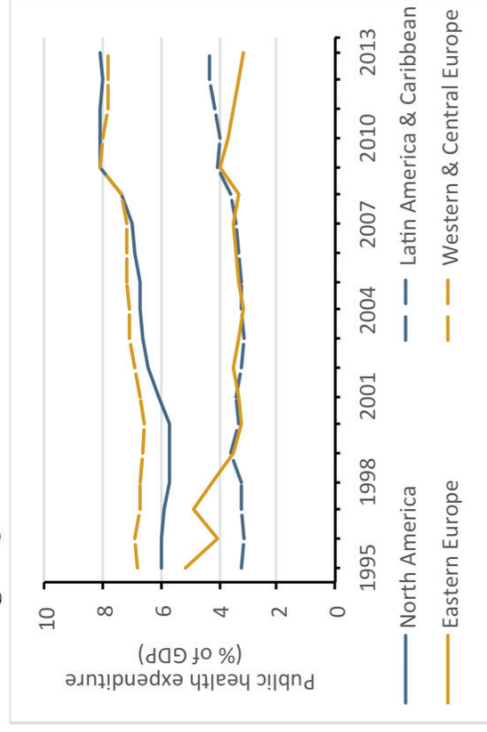
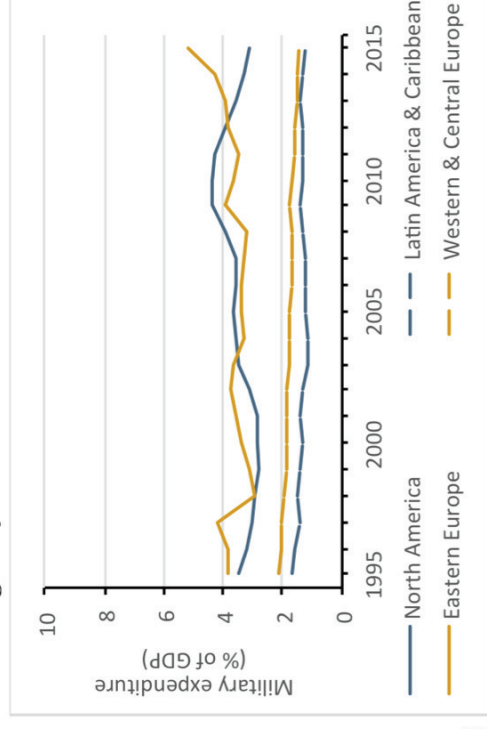


Figure 4





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Military expenditure and the UN's Sustainable Development Goals

The Global Campaign on Military Spending has called for a global reduction of 10 per cent in military spending, with resources redirected to development purposes.³ This would amount to \$167.6 billion in 2015, more than total official development assistance provided by the Organisation for Co-operation and Economic Development's (OECD) Development Assistance Committee (DAC) members, which in 2014 stood at \$137.2 billion.⁴ On a more modest scale, Kazakhstan's President Nursultan Nazarbayev has called for all countries to donate 1 per cent of their military spending to the UN Special Fund for Global Development.⁵

The UN agreed a set of 17 new SDGs in 2015 as successors to the Millennium Development Goals.⁶ Many of these would require substantial financial investment by both developing and donor countries, as well as political and social changes. How far could cuts to world military spending go towards achieving some of the SDGs if the resources freed were devoted to these goals (see figure 5)? A number of studies have examined the cost of achieving some of the SDGs. A few examples are given below, with the estimates compared to the current level of world military spending.

- According to a 2015 OECD report on climate finance, a number of high-income developed countries have pledged to raise aid to developing countries to \$100 billion a year by 2020 to fund green technology and to help deal with the consequences of climate change (SDG 13).⁷ This amounts to 8.3 per cent of high-income developed countries' military spending in 2015.
- A 2015 report from the UN Food and Agriculture Organization suggests that eliminating extreme poverty and hunger sustainably by 2030 (SDGs 1 and 2) would require an estimated additional \$265 billion per year on average (2013 prices).⁸ This would be made up of additional annual social payments of \$67 billion from public funds and \$198 billion in public-private investment to improve agriculture and rural infrastructure in poor communities. Of this \$198 billion investment, \$89–147 billion would need to come from public funding, putting total annual public spending requirements at \$156–214 billion.

³ <<http://demilitarize.org/>>.

⁴ <<http://www.oecd.org/dac/stats/data.htm>>.

⁵ <<http://astanatimes.com/2015/09/kazakh-president-outlines-mdg-successes-calls-for-portions-of-defence-budgets-to-be-diverted-to-development/>>.

⁶ <<https://sustainabledevelopment.un.org/sdgs>>.

⁷ <<http://cancun.unfccc.int/financial-technology-and-capacity-building-support/new-long-term-funding-arrangements/>>.

⁸ <<http://www.fao.org/documents/card/en/c/91014696-3723-4df5-b729-2b4e55b22e8f/>>.



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When converted to 2015 prices, this amounts to 9.5–13 per cent of global military spending in 2015.

- The 2015 Education for All Global Monitoring Report found that providing universal primary and early secondary education of adequate quality by 2030 (SDG 4) would require an additional \$239 billion a year in spending (2012 prices).⁹ However, the report envisages that much of this additional spending will come from countries' domestic resources. Based on the projection that education spending as a percentage of GDP will continue to increase in 2015–30, the report calculates an annual average financing gap—which would need to be covered by donors—of \$22 billion. However, if low and lower-middle income countries only maintain their current share of education spending in GDP, then this gap more than doubles to \$52.5 billion per year. Converted to 2015 prices this represents 3.2 per cent of world military spending in 2015.
- A 2015 report by the Sustainable Development Solutions Network found that achieving the SDG targets in agriculture and food security; health; education; clean water and sanitation; access to modern energy; telecommunications and transport infrastructure; ecosystems; and emergency response and humanitarian work (SDGs 2, 3, 4, 6, 7, 9, 11, 13, 14 and 15), including in each area additional sums to allow for climate change mitigation and adaptation, would require further spending from public sources of \$760–885 billion a year (2013 prices) between 2015 and 2030.¹⁰ Converted to 2015 prices this amounts to 46–54 per cent of world military spending in 2015.

Reallocating only around 10 per cent of world military spending to finance key SDGs would be enough to achieve major progress, supposing that such funds could be effectively channelled towards these goals and that major obstacles, such as corruption and conflict, could be overcome. Even President Nazarbayev's more modest proposal of 1 per cent (which does not presuppose a reduction in military spending) would go a long way to removing the 'financing gap' to achieving universal education.

⁹ <<http://en.unesco.org/gem-report/report/2015/education-all-2000-2015-achievements-and-challenges>>.

¹⁰ <<http://unsdsn.org/resources/publications/sdg-investment-needs/>>.

Figure 5

Note: The 12% of military spending referred to under 'Education, *SDG 4*' is based on the report by the Sustainable Development Solutions Network.

