

## Terms of Reference: Defense spending review

The review of defense spending will assess expenditure covering 1.7% of GDP annually. The goal of the review is to analyze expenditure and propose measures to improve the effectiveness of all defense spending, including the increase in investment expenditure in line with the general government budget.

### Results

The basic objective of the Slovak Republic's defense policy is to preserve the sovereignty, territorial integrity, and inviolability of borders, which are essential for maintaining the security of the state and its inhabitants. The Defense Strategy of the Slovak Republic calls for a strategic adaptation of national defense in a deteriorated security environment by increasing its own defense capabilities and contributing to the enhancement of NATO and EU's ability to act.

According to the White Paper on Defense, the main indicator of success of the Armed Forces of the Slovak Republic will be the increase of their combat capabilities. The operational readiness of the Armed Forces, the deployability and sustainability of land and air forces, and the number of troops deployed on international crisis management operations, represent indicators that contribute to the achievement of the objective. The review will propose further indicators to better inform of the results of defense.

TABLE 1 – Defense expenditure

		Aim	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Defense expenditure as a share of GDP</b>	<b>SK</b>	2	1,09	1,09	0,98	0,99	1,13	1,12	1,10	1,21*	1,73**	1,81**	1,91**
(in %, constant 2010 prices)	<b>NATO</b>	2	2,97	2,81	2,64	2,48	2,39	2,39	2,32	2,36*			
<b>Major equipment expenditure and R&amp;D devoted to major equipment as a share of defense expenditure</b>	<b>SK</b>	20	7,15	9,56	7,39	11,12	18,28	15,32	17,74	22,27*			
(in %, constant 2010 prices)	<b>NATO</b>	20	24,39	24,36	23,50	23,39	23,00	22,77	23,64	23,92*			

\* estimate \*\* according to PAB 2019-2021

Source: NATO, Public Administration Budget 2019-2021. Processing: Value for Money Division

### Fiscal objectives and review areas

The task of the review will be to assess the expenditure of the Ministry of Defense of the Slovak Republic (MoD SR) and defense-related interdepartmental programs<sup>1</sup> with an emphasis on achieving greater effectiveness of both planned investments and operations and maintenance expenditures. An important prerequisite is compliance with the approved level of defense spending as a share of GDP and with the commitments undertaken by NATO member states. The review will propose measures to increase expenditure effectiveness through reallocation. The first prerequisite is identification of cost-saving measures. On the other hand, the review will offer measures to improve the results of the MoD SR. It will also evaluate the planned investments of the MoD SR.

The review will examine the effectiveness of all defense spending, i.e. the Ministry of Defense, the Armed Forces, their subordinate organizations, and the related interdepartmental programs. It will focus on assessing the planned investments as part of increased defense spending, and on expenditure covering operations and maintenance. Particular emphasis will be placed on the remuneration system of civilian and military personnel of the MoD SR.

### Responsibilities and deadlines

The MoF SR is responsible for the final report, which will be prepared in cooperation with the MoD SR. For the purposes of the analysis, the MoD SR and MoF SR are committed to cooperating in the timely provision of complete and detailed data, with special regard to sensitive and classified information. The analytical phase of the review will begin in the second half of 2019, preceded by data collection and review conceptualization. The spending review will be prepared and published by the end of April 2020.

<sup>1</sup> 06E Defense support, 06H Economic mobilization, 0AU Deployment of civilian experts on international crisis management activities