

# FRAUD AND IMPROVISATION IN SPANISH MILITARY EXPENDITURE



AN ANALYSIS  
OF THE SPANISH DEFENCE  
BUDGET FOR 2016

CENTRE DELÀS  
D'ESTUDIS  
PER LA PAU

REPORT

n. 26



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Barcelona, October 2015





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### EXECUTIVE SUMMARY

Every year, after the Spanish Government submits the proposal for the General State Budget, the Centre Delàs d'Estudis per la Pau analyses the military expenditure in this country in order to acquire an accurate knowledge of the real expenditure allocated to defence issues.

According to data provided by the Ministry of Defence in the budget development, the actual military expenditure in Spain in 2015 – until July, the date of publication of this report – surpassed the approved budget by 121%. Thus, there is no doubt that the military expenditure in the state is being undervalued in some occasions in order to increase it later on during the tax year, in accordance with particular needs of expense. Furthermore, there are some items clearly related to military activity that have been distributed or masked among other ministries. These practices are replicated every year and arise from an obvious objective: concealing the real military spending to the public and, at the same time, to the Congress of Deputies and the Senate that approve much lower budgets than the final, actual, military expenditure. This situation is especially relevant regarding two important items: the acquisition of big programs for new weapons and international military intervention missions.

This lack of transparency in military expenditure is particularly strong in terms of acquisition of armament and, more specifically, of Special Arms Programmes (PEAS) since its exorbitant cost of €37 billion made them become an “arms bubble” which has indebted the Ministry of Defence and, by extension, the state, with an amount of 30 billion. Those programs were launched in the mid nineties and are still getting income from R&D grants.

Another item that hides the real spending in defence is the one allocated to international military missions. Knowing full well that those interventions suppose an expenditure around 700 million, only 14.3 million is included in the budget. Later on, during the tax year, they are provided with new resources.

The initial budget for 2016 does not differ from the one executed in 2015 and it goes along the same lines. On account of the urgency and its unusual date of publishing (August), it has an improvised status that makes it an electoral strategy. General elections have been scheduled for December and the ruling party, the Popular party - a Christian conservative political party - submitted it as a “social” budget since they propose increasing social expenditure by 3.8% and rising wages and investment in civil service by 1%, after years of severe cost cuttings.

Not only is this budget electioneering, improvised and conservative, it is also socially regressive. The government announced that, in 2016, capital gain taxes will be reduced for companies but in July 2015, Income Tax was already diminished and now another reduction has been notified although it is not reflected on the budget.

**Improvisation and fraud are made visible after the request from the European Commission to Spain to review the 2016 proposal, which will deviate by seven tenths in the end and reach 7 billion**

Also, despite an increase in social spending, income from labour is still the one assuming higher tax burdens while capital gains taxes keep decreasing. Regarding the 2016 proposal, it is implied that the principal ministries of social expenditure have gone through investment diminutions since 2008: education, 15.3%; health, 9.7%; labour development, 32%; R&D contribution, 24.5% and infrastructures funding, 59.2%. Meanwhile, total military spending experienced a 17.6% reduction, so one can firmly state that the Ministry of Defence has been a privileged one in comparison with social, development or job creation ministries.

Improvisation and fraud are made visible after the request from the European Commission to Spain to review the 2016 proposal, warning that the estimated deficit for 2015 was 4.2% and it will rise now to 4.5%, to an amount of 3 billion. The 2016 budget will deviate by seven tenths in the end and reach 7 billion, taking into account that the new elected government will be forced to modify it. What we are warning for from Centre Delàs is that, without a doubt, we are confronted with fraud in military expenditure, which contributes to an increase of the negative budget balance of the Spanish state.

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# FRAUD AND IMPROVISATION IN SPANISH MILITARY EXPENDITURE

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**Pere Ortega** · researcher and president at Centre Delàs d'Estudis per la Pau  
**Xavier Bohigas** · researcher at Centre Delàs d'Estudis per la Pau

**The military spending in Spain surpasses, every year, by more than 105% (2007) or 121% (2015) the one approved by the Ministry of Defence**

## 1. THE FRAUD IN DEFENCE BUDGET PERSISTS

In order to carry out the analysis of the Spanish Defence budget, the Centre Delàs resorted to four resources with different criteria:

- The budget for the Ministry of Defence from the General State Budget;
- criteria recommended by NATO to member states of the organization that include all defence-related items which, for many reasons, are distributed among other ministries, as in the case of Spain;
- own criteria of the Centre Delàs, which also includes the National Intelligence Centre (CNI) and public debt interests in proportion to total military spending;
- difference between initial approved expenditure for the Ministry of Defence and the amount liquidated at the end of the year, which is always higher.

According to these four resources, the military spending in Spain surpasses, every year, by more than 105% (2007) or 121% (2015) the one approved at the beginning of the tax year. This happens because the military expenditure is distributed among several ministries and, sometimes, important items are assigned a very small cost and later on, during the year, they are provided with supplementary resources. This practice is habitual every year and arises from the aim of concealing the real military spending. Thus, when the budget for the Ministry of Defence is submitted and compared to the ones for other ministries, especially those allocated to social expenditure, their increase or decrease is quite similar. It is a strategy to hide the real spending to the public, the Congress of Deputies and the Senate.

This operation is replicated in the proposal of the Defence budget for the coming year 2016. The government uses the pretext of getting over the crisis to justify an increase in the budget of every ministry, including the Ministry of Defence, which is supposed to experience a 3.5% rise. With that rise, the government intends to show that they are paying special attention to military issues but that is not the whole true story. The defence budget won't rise 3.5%, as the media repeat over and over and as the government reflects in their reports, instead it will just rise 0.35% (reaching 5,787.89 million). If we add the autonomous organizations of defence, it will be a 0.66% higher (up to 6,899.22). However, if we follow NATO directives about how to calculate the military spending, instead of rising, it is reduced 0.14%. This happens because military items distributed among other ministries are lower than in 2015 such as military R&D, from the Ministry of Industry; the passive military establishments (Social Security); or military expenses in multilateral organizations such as NATO, from the Ministry of Foreign Affairs and Cooperation. Meanwhile, the military insurance company ISFAS and the Civil Guard (Ministry of the Interior) increased.

**This practice is habitual every year and arises from the objective of concealing the real military spending**

Although the Civil Guard is assigned to civil missions (traffic), it has a military structure and it is regulated by military ordinances.

## The total military spending is 17.4 billion

However, if we follow our own criteria (Centre Delàs) where we include the CNI budget – this organization whose director and 60% of its staff are soldiers previously depended on the Ministry of Defence but, nowadays it has been appointed to the government –, public debt interests in proportion to the total military spending and, finally, the difference between the approved military spending and the real spending at the end of the year, then, the total military spending is 17.4 billion, only 0.11% higher than the one in 2015. Thus, the conservative budget for 2016 experiences a very low increase but that does not mean that it is transparent. The biggest fraud is to be found in the final military spending, which is 121% higher than the official budget of the Ministry of Defence amounting to almost 6.9 billion (Table 1).

**Table 1. Initial military spending in Spain (2015/2016)**

(in millions of current euros)

Concepts	Year 2015	Year 2016	2015/2016	
Ministry of Defence	5,767.72	5,787.89	0.35%	increase
Autonomous Organisms of the Ministry of Defence	1,086.13	1,111.33		increase
<b>Total Ministry of Defence</b>	<b>6,853.85</b>	<b>6,899.22</b>	0.66%	increase
Military servants	3,294.96	3,268.34		decrease
Armed Forces Social Institute - ISFAS (other ministries)	600.33	624.12		increase
Civil Guard (Ministry of the Interior)	2,620.17	2,654.93		increase
R&D credits (Ministry of Industry)	563.92	468.14	-16.98%	decrease
International military agencies (Ministry of Foreign Affairs and Cooperation)	13.50	13.10		decrease
<b>Total Defence NATO criteria</b>	<b>13,946.73</b>	<b>13,927.85</b>	-0.14%	decrease
National Intelligence Centre (Ministry of the Presidency)	223.68	240.98		increase
Public debt interest	1,120.14	1,089.42		decrease
<b>Total initial military spending</b>	<b>15,290.55</b>	<b>15,258.25</b>	-0.21%	decrease
Difference between initial budget and final liquidation	2,154.35	2,206.75*		increase
<b>FINAL TOTAL MILITARY SPENDING</b>	<b>17,444.90</b>	<b>17,465.00</b>	0.11%	It will reach 19,000
Final military spending/GDP	1.62%	1.57%		> 1.6%
Initial military spending/ Total state budget	3.84%	4.00%		> 4%

\* Estimate calculated as average in 2012-2015 period.

Source: Own calculations compiled from the General State Budget



This military spending represents 1.57% of GDP estimated for 2016 and is 4% of the total budget. This is a daily spending of 4.78 million that turns into €376 provided by each citizen every year for the maintenance of armed forces (Table 2).

**The defence budget is approved under the fraud of intentionally underestimating some items**

**Table 2. Main indicators of military expenditure in Spain**  
(initial budget in current euros)

Indicators	2015	2016
Daily military expenditure	47.79 million	47.84 million
Annual military expenditure per capita	373.35 €	376.10 €
Military expenditure / GDP	1.62%	1.57%
Military expenditure / Total budget	3.84%	4.00%
Final military expenditure variation	1.69%	0.11%
Military investment	1,117.82 million	1,010.37 million
Military Investment / Total investment	8.53%	7.64%
Variation in investment from previous year	24.11%	-10.64%
Total military R&D	726.92 million	632.02 million
Military R&D / Total R&D	11.36%	9.83%
Variation in military R&D from previous year	43.51%	-13.05%

Source: Own calculations compiled from the General State Budget

The arrival of the crisis in 2008 brought a reduction in ministries' costs with it, including the Ministry of Defence, which was forced to diminish its budget significantly. In a ten year perspective (from 2007 to 2016) the expenditure of this ministry has been reduced by 38.8%, but according to our own criteria, this reduction was only 12.6% (Appendix: Table 1 and Graphic 5). This is due to a decisive fact previously mentioned that shows how the defence budget is approved in a fraudulent context in which some items are intentionally undervalued and then again, later along the tax year, will receive supplements. Thus, we can observe with clarity how the budget settlement in 2007 was 17% higher than the approved one, before the crisis arrival, whereas, in the past four years, when the cuts were really severe, the average budget settlement was 31% higher than the initial ones (Appendix: Table 2 and Graphic 6).

In order to be more precise, if we examine the government policies in terms of social spending (education and health), development, job creation (labour encouragement, infrastructures, civil investigation) or culture, it is obvious that the military expenditure holds a privileged position (Table 3 and Graphic 1). While defence spending has been reduced by 17%, labour encouragement investment diminished by 32%, public infrastructure by 59% and research by 24.5%, with these last ones being three important fields for economic development and job creation in the country.

That budget is, in this sense, socially regressive since the government announced that capital gain taxes will be reduced for companies but, in July 2015, Income Tax was already diminished and now another reduction has been notified although it is not reflected on the budget. Also, despite an increase in social spending, income from labour is still the one assuming higher tax burdens while capital gains taxes keep decreasing.

**That budget is, in this sense, socially regressive since the government announced that capital gain taxes will be reduced for companies**

**Improvisation and fraud around these numbers are made visible after the request from the European Commission to Spain to review the 2016 proposal**

Improvisation and fraud around these numbers are made visible after the request from the European Commission to Spain to review the 2016 proposal,<sup>1</sup> warning that the estimated deficit for 2015 was 4.2% and it will rise now to 4.5%, to an amount of 3 billion. The 2016 budget will deviate by seven tenths in the end and reach 7 billion, taking into account that the new elected government will be forced to modify it.

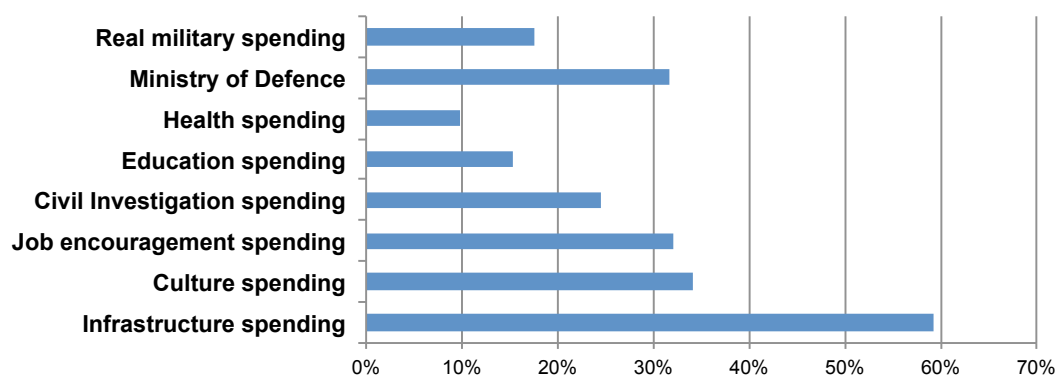
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**Table 3. Spending policies 2008-2016** (in millions of current euros)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	Decrease 2008-2016
Labour encouraging spending	7,684	7,584	7,751	7,329	5,765	3,772	4,073	4,746	5,214	32%
Health spending	4,434	4,623	4,635	4,264	3,976	3,856	3,840	3,861	4,002	10%
Education spending	2,933	2,988	3,092	2,843	2,220	1,945	2,150	2,273	2,484	15%
Culture spending	1,220	1,284	1,199	1,104	942	722	716	749	803	34%
Infrastructure spending	14,690	13,177	14,325	8,859	6,901	5,966	5,452	6,141	5,983	59%
Civil research spending	7,677	8,203	8,088	7,576	5,629	5,562	5,633	5,668	5,793	25%
Ministry of Defence spending	10,091	9,726	9,154	8,560	7,411	6,913	6,776	6,853	6,899	32%
<b>Total military spending</b>	<b>20,587</b>	<b>19,770</b>	<b>19,233</b>	<b>18,409</b>	<b>18,819</b>	<b>17,135</b>	<b>16,527</b>	<b>16,883</b>	<b>16,955</b>	<b>18%</b>

Source: Own calculations compiled from the General State Budget

**Graphic 1. Percentage of reduction in spending policies 2008-2016**



Source: Own calculations

1. *Expansion* 06/10/2015

## 2. THE HIGHEST NUMBERS

A deep look into the Ministry of Defence's spending will reveal, section by section, that just as in previous years, section 1, allocated to staff salaries, is the one assigned the highest amount to (65.6% of total expenditure) and it represents a 0.53% rise in comparison to 2015 (Table 4 and Graphic 2). With this growth, the government intends to increase salaries 1% for all the staff in the ministry. Along the same conservative lines, the amount of personnel is practically the same as last year's, with about 123,000 total active employees in armed forces. 79,000 of these agents are troop and naval professionals and the rest are commanding officers, in addition to 34,554 people in charge of administrative management in the ministry. These numbers are far from the ones established in Law 39/2007, which settled a maximum amount of 140,000 active employees, but the 2008 crisis that still prevails made them impossible to reach. In 2015, both troop and naval professionals were not more than 121,848 people. However, it is expected that, next year, 3,450 more officers will be hired which will present a challenge considering the fact that the rise in the staff section of the budget is very limited.

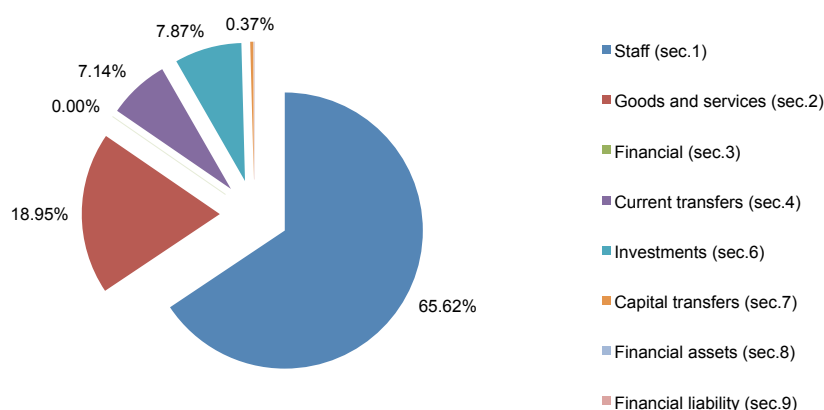
**There are about 123,000 total active employees in armed forces. 79,000 of these agents are troop and naval professionals and the rest are commanding officers. These numbers are far from the ones established in Law 39/2007 which settled a maximum amount of 140,000 active employees**

**Table 4. Distribution of the definitive initial budget – Ministry of Defence 2015-2016** (in millions of current euros)

Concept	2015	2016	Variation	% Total
Staff (sec.1)	4,503.12	4,527.40	0.53%	65.62%
Goods and services (sec..2)	1,280.95	1,307.66	2.04%	18.95%
Financial (sec.3)	0.11	0.11	0.00%	0.00%
Current transfers (sec.4)	486.65	492.67	1.22%	7.14%
Investment (sec.6)	553.90	542.23	-2.15%	7.87%
Capital transfers (sec.7)	25.32	25.51	0.80%	0.37%
Financial assets (sec.8)	3.62	3.46	-0.70%	0.05%
Financial liability (sec. 9)	0.18	0.18	0.00%	0.00%
<b>Total Defence</b>	<b>6,853.85</b>	<b>6,899.22</b>	<b>0.66%</b>	

Source: Own calculations compiled from the General State Budget

**Graphic 2. Distribution of 2016 initial budget of the Ministry of Defence**



Source: Own calculations

**There is a great disproportion between high commands and troop and naval professionals with 231 people being generals or admirals, 15,252 officers and 28,026 non-commissioned officers**

In Spanish armed forces there is a great disproportion between high commands and troop and naval professionals. The July 2015<sup>2</sup> Spanish armed forces report reveals the existence of 231 people being generals or admirals, 15,252 officers and 28,026 non-commissioned officers. This is to be analysed in comparison with the Civil Guard where there are 34 generals for 67,131 officers (one command for every 1,974 officers) while the armed forces have 231 generals (one for every 342 soldier) (Table 5).

**Table 5. Personnel in the Ministry of Defence - 2015**

Generals and admirals	231
Officers	15,252
Non-commission officers	28,026
Troops and seamen	79,000
<b>Total armed forces</b>	<b>122,509</b>
Civil employees	34,554
<b>Total staff in the Ministry of Defence</b>	<b>157,063</b>

Source: Own calculations compiled from the General State Budget

Considering a report from JEMAD (Chief of the Defence Staff) in January 2014 presented by Pedro Morenés, the Spanish Defence Minister, which established a body of forces constituted by 27,000 officers to deal with emergencies – 15,000 of them as contingency forces for quick actions and 12,000 people for security and maritime surveillance in the territory – the actual number of armed forces, 123,000, is, without a doubt, excessive. Taking these total figures into account, 40,000 active employees would be, then, kept as reserve in case of greater needs and, finally, 53,000 of them would be support forces at the quarters. The personnel cut is planned, supposedly, among this last group.

The undeniable weakness of available resources made JEMAD conclude that only 27,000 active employees are necessary to deal with urgent needs, so the actual amount of 123,000 people could be called into question. In this regard, minister Morenés himself owns an internal study from the ministry in which a reduction of 15,000 officers is suggested although some raised this quantity to 40,000.

The reduction of effective employees is a reality in the reorganisation of the armed forces of several countries close to Spain and its allies in NATO. Some examples of this are the United States (reduced 130,000 officers between 2014 and 2015), France (planned a 50% reduction to go from 200,000 to 100,000 in 2020), Italy (expects to lower to 33,000 people by 2024), the United Kingdom (wants to eliminate 20,000 jobs by 2020) and Germany (already reduced 40,000 officers in 2014).

Section 2, dedicated to service maintenance, will be assigned 18.9% of the total budget with 1.3 billion. It is obvious that this amount is not sufficient to keep 123,000 armed forces officers operational. This is the reason why 53,000 people have been confined to the quarters and most of the major weapons (warships, armoured tanks, fighter-bombers, helicopters) aren't operating either. Most of the 239 Armoured Leopards and the 212 Armoured Pizarro's available are sheltered in warehouses with special maintenance measures and organized in pallets under controlled temperatures in order to prevent them from damage or rusting. Flight hours of several fighter aircrafts and helicopters have been reduced too and the same happens with some of the army warships.

**The United States reduced 130,000 officers between 2014 and 2015, France planned a 50% reduction to go from 200,000 to 100,000 in 2020, Italy expects to lower to 33,000 people by 2024, the United Kingdom wants to eliminate 20,000 jobs by 2020 and Germany already reduced 40,000 officers in 2014**

2. <http://publicaciones.defensa.gob.es/inicio/busqueda-avanzada?busqueda=personal%20militar&origen=>

Section 4, allocated to transfers, has been assigned 492.6 million, 7.1% of the budget, which is a little less than in 2015. It is destined to send resources to different areas such as the INVIED (Institute of Housing, Infrastructure and Defense Equipment), the sports installations for military commands (43.4 million), international organizations (76.7 million), staff training programs in defence university centres (16.6 million) and, finally, military health assistance (204.5 million).

**Investments assigned to infrastructures and, specially, to armament acquisition, in section 6, are receiving 542.2 million**

Investments assigned to infrastructures and, especially, to arms acquisition, in section 6, are receiving 542.2 million, 7.8% of the total budget, which is 10.6% less in comparison to last year. However, other funding should be considered an investment too, such as contributions to R&D from the Ministry of Industry, the 464B program that expects to gather about 468.14 million next year (analysed in the section allocated to military R&D). It is worth underlining that the amount can also be treated as contribution or aid on account of weapons in progress which would be yet another fraud, since instead of being resources funding research, they are pre-payments for major special programs of Defence.

This is all that the numbers state about military spending in 2016. But, getting back to the reason why the increase in military spending is so low (only 0.11%), all frauds come out into the open. Real military spending won't increase 3.5% nor 0,11%, as presented in the budget, instead it will increase around 30% according to our own analysis (Table 1).

### 3. THE GREATEST FRAUDS

**All frauds come out into the open**

The two main items where real military expenditure has been masked are:

- Payment of weapons for nineteen Special Arms Programs that will be executed, as in previous years, with an extraordinary credit surpassing €1 billion, as was announced by the Secretary of Defence Mr. Pedro Argüelles, in the Budget Committee.<sup>3</sup> However, in the budget proposal only 6.8 million was allocated.
- International missions provided with 14.3 million according to the budget. Although in July 2015 they had already received 710.2 million, a sum that will be increased by the end of the year for sure (Appendix: Table 3).

These practices are also applicable on other items. In July 2015, approximately 2.1 billion had already been added to the defence budget, 31% more than the initial ministerial budget and, by the end of the year, this amount will be even higher. The most significant items are the ones already mentioned above concerning estate sales. Every year, the Ministry of Defence gets rid of pieces of land, military houses and quarters and integrates this income into its budget for ordinary expenditure. By July 2015, that amount was around 200.8 million. The Ministry of Defence was – not anymore, since it has been selling estates for over 15 years – the one ministry with the highest patrimony of the state and it has been allowed to pass it into private hands over time (“Revenues generated by the Ministry” section in Table 6).

**The two main items where real military expenditure is hidden are the payment of weapons for nineteen Special Arms Programs and international missions**

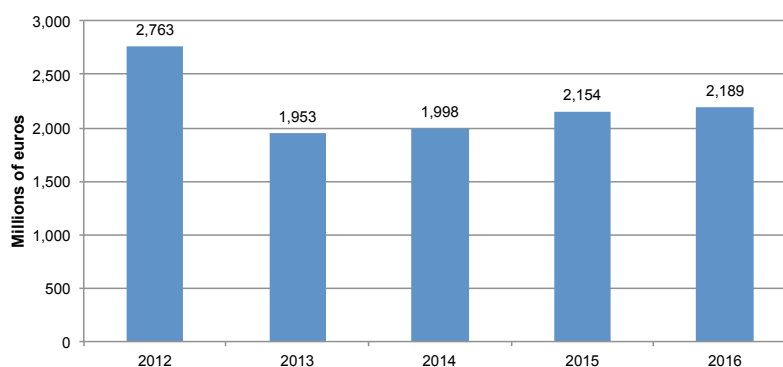
3. Congress of Deputies, Commissions n. 882, 20/08/2015

**Table 6. Increases in the budget of the Ministry of Defence (2012-2016)**  
(in millions of current euros)

Year	2012	2013	2014	2015*	Estimate 2016***
Extraordinary credits	1,782.77	879.48	927.74	920.40	1,100
Expandable items	753.08	782.47	733.94	959.74	807
Transfers	2.16	55.17	77.25	15.96	37
Revenues generated by the Ministry	192.31	213.10	211.95	206.80	206
Autonomous organisms	13.18	22.65	47.48	47.78	33
Other	19.23			3.67	6
<b>Total</b>	<b>2,762.73</b>	<b>1,952.87</b>	<b>1,998.36</b>	<b>2,154.35</b>	<b>2,189</b>

\* 2015 modifications are provisional; \*\* Announced by the government; \*\*\* Average for the last four years  
Source: Own calculations compiled from the General State Budget

**Graphic 3. Increase in the budget of the Ministry of Defence (2016)**



Source: Own calculations

Extraordinary credits experience the most significant increase with an amount of 4.5 billion allocated to Special Arms Programs payments in four years.

#### 4. NEW INVESTMENTS IN WEAPONS

Of all these tricks, the one that should sound most worrying to the opposition parties and public opinion is the one regarding new arms. Here the greatest budgetary scandal is to be found because of the high debts it generates. This is what we call the “arms bubble”.

It should be noted that, at the end of president José Luís Rodríguez Zapatero’s term, in 2011, the former Secretary of Defence, Mr. Constantino Méndez, declared, in his appearance at the Defence Committee<sup>4</sup> of the Congress of Deputies, that the Ministry was going through a critical situation because of a 26.6 billion debt from Special Arms Programs and he added that the solution was to renegotiate payments with military companies which would imply a €36.8 billion planned expenditure in 2015 (Appendix, Table 4).

**Of all those tricks, the one that should worry to the opposition parties and the public the most is the one assigned to new armament**

4. Congress of Deputies, Defence Committee, 06/10/2011

Afterwards, the current Ministry of Defence reprogrammed these numbers on several occasions, firstly in May 2013 when they were reduced to 29.5 billion.<sup>5</sup> Later on, they have been decreasing, inexplicably, since the new Secretary of Defence (SEDEF) carried out a rearrangement of some PEA in 2013 where he indicated that 8 billion was pending to be funded and 15 billion more was supposed to be allocated to advances delivered by the Ministry of Industry to companies in the context of R&D with 0% interest to be returned in 20 years.<sup>6</sup> Besides, the debt from PEA was, once again, reduced to 26 billion, through a tricky assumption, or a fraud: some of these programs were to be exported (13 planes A400M) and there was an intention to delay the manufacturing of 15 EF-2000 aircrafts.

Nowadays, the main priority of the Ministry of Defence is to find a way to return the 15 billion provided to military companies by the Ministry of Industry as an advance. According to those companies, when they deliver the weapons, they deduct the credits but the Ministry of Defence does not reimburse the loan to the treasury. The accounting mess is really difficult for them to resolve. If those 15 billion are cancelled, they will become part of the public deficit, which means that Spain will fail to fulfil the 2.8% deficit as established by the European Commission.

According to SEDEF, in the 2016 budget submission, Pedro Argüelles announced that, since he arrived to Defence, 3,542 million from PEA<sup>7</sup> has been paid. Hereafter, we deduced that around 30 billion is still in debt.

It is worth mentioning that it was Pedro Morenés, the current Minister of Defence, who activated PEAS when he was Secretary of Defence in the ministry led by Eduardo Serra during José María Aznar's presidency. In 1996, he was also Secretary of Science and Technology from 2002 to 2004. It is well known that Morenés has had a long career in the arms industry holding several executive positions: from 2005 to 2011, the year in which he took office, he had been a counsellor at Instalaza, a company manufacturing ammunition and bombs such as mines and cluster bombs that are not allowed in Spain. At the same time, he was the MD at a manufacturer of missiles called MBDA. He was also at Kutiver Estudios S.L., specialized in military R&D and he was director and counsellor at Segur Ibérica, a private security company hired to watch tuna fishing boats at the Indian Ocean in Operation Atalanta. Morenés appointed Pedro Argüelles as Secretary of Defence of the current government while, until that time, he was still director at a Spanish subsidiary of the American military company Boeing that supplies the Spanish Armed Forces with several aircrafts such as the EF-18 and Chinook helicopters. In other words, they are both people with a strong bond with the military industry and, consequently, in favour of its expansion.

Getting back to Constantino Méndez at the October 2011<sup>8</sup> Commission, he made a revealing statement about PEA: "We shouldn't have acquired systems we are not going to use for unreal scenarios of confrontation with money we did not and do not have." That means that the government started programs that did not comply with national defence objectives and were not approved by the highest authorities as was being claimed by some of them in the media. Thus, they only arose from political interests to help the big Spanish military companies from whom they ordered those projects.

These industries are very well known in the military production sector. They are only four and each one is in charge of one of the main four subsectors of produc-

5. Congress of Deputies, Defence Committee, 23/05/2013

6. Those credits granted by the Ministry of Industry were initiated in 1992 and reached €19,072 million but we do not know precisely how much has been returned to the public treasury. According to SEDEF, in 2013, 15,000 million were still pending but, since then, 1,800 more millions have been granted (Table 4 in Appendix).

7. Congress of Deputies, Commission n. 882, 20/08/2015

8. Congress of Deputies, Defence Committee, 06/10/2011

**The main priority of this ministry is to find a way to return those 15 billion provided to military companies by the Ministry of Industry as an advance. That accounting mess is really difficult for them to resolve. If those 15 billion are cancelled, they will become part of the public deficit**

**Pedro Morenés has a long curriculum in holding several executive positions in the arms industry**

**"We shouldn't have acquired systems we are not going to use for unreal scenarios of confrontation with money we did not and do not have."  
– Constantino Méndez said**

**Despite the debt and all the difficulties facing them, the Ministry of Defence keeps planning to purchase new big weapons. Their funding and their maintenance could reach €10 billion**

tion: Navantia produces warships for the army; aircrafts are ordered with Airbus, Defence and Space; General Dynamics Santa Barbara manufactures tanks and missile launchers and, finally, Indra is responsible for the electronic components of all the big weapons, missile direction, flight simulator, electronic commands, software, etc.

That is the reason why, despite the debt and all the difficulties to face it, the Ministry of Defence keeps planning to add new big weapons to the nineteen PEA. In 2014, a new program was implemented:

- Two new BAM vessels (the army already had four) manufactured by Navantia for 333.5 million

And, in 2015, four new programs have been planned:

- A new frigate F110 for 800 million that could be raised to four and may reach 3.2 billion, also ordered with Navantia.
- 350 units of MOGAW Piranha 8x8 that would cost around 1.5 billion that have been ordered with General Dynamics Santa Barbara, which, associated to Sapa and Indra will develop the technology of the prototype for 89.2 million, as a part of the 2016 budget for R&D of the Ministry of Industry.
- Four unmanned aircrafts (drones) UAV/ RPAS Reaper that will cost 171 million purchased in the United States from General Atomics and implemented in Spain by Sener and Indra
- Three aerial refuelling tanker aircrafts 330 developed by Airbus Defence and Space.

In the next ten years, all these projects together with the technologic equipment that come with it, their funding and their maintenance could reach 10 billion.

This is why in the 2016 budget, as in previous years, the government plans to grant new loans with a zero interest rate to all those R&D companies that provide the Ministry of Industry (program 464B) with both the new prototypes and the ones already in execution, for a total value of about 468.14 million. As we already mentioned, instead of R&D contributions, here we are dealing with payments on account of the armament, which makes it a trick since they are hiding a significant amount of money allocated to PEAS under the guise of R&D (this is analysed in detail in R&D section).

Meanwhile, Defence only allocated 6.84 million to the following payments belonging to the compromises acquired from PEA:

- An EF-2000 fighter aircraft: €4.94 million.
- An A400M military transport plane: €1,165.67 million.
- Attack helicopters Tiger: €736 million.

Thus, all these big programs are left with a 0 euro provision, which we consider a fraud. As SEDEF already indicated in the 2016 budget they presented, an extraordinary credit will be granted to cope with the economic compromises from PEAS that will surpass 1 billion.<sup>9</sup> Nevertheless, first payments for new programs have been scheduled where drones will receive 25 million in 2016 and 8x8 Piranha tanks will be given 41 million in 2015.

**An extraordinary credit will be granted to cope with the economic compromises that will surpass 1 billion**

So even though the government does not know how to clear the 2015 debt, they still start new arms programs that will push the Ministry of Defence even further into a perpetual debt together with the industry and into a big mortgage that future government will inherit.

9. Congress of Deputies, Commission n.882, 20/08/2015



Who is the beneficiary of this enormous spending? Without a doubt the four big military companies previously mentioned (Airbus Defence and Space, Navantia, General Dynamics Santa Bárbara and Indra) the stockholder of which, except for Santa Barbara, is, curiously enough, the Spanish State through SEPI.

It owns 100% of Navantia, 20,4% of Indra and, 4% of the European consortium Airbus. These companies are a parasitic part of off the Ministry of Defence since they depend exclusively on their demands and work as an oligopoly due to a lack of competition in their area. They live thanks to the preferential treatment granted by the government.

## 5. MILITARY INVESTIGATION

Investigation and military development funding comes, as explicitly shown in 2016 GSB, from two budgetary programs: program number 464A (investigation and studies for the armed forces), within the Ministry of Defence allocation, with €163.89 million; and program 464B (support to technological innovation in defence areas), assigned to the Ministry of Industry, with €468.14 million. Thus, the military investigation will receive a total budget of €632.08 million in 2016 which represents a decrease of 13% with respect to 2015, when €726.92 million was budgeted.

Defence R&D activities seek to contribute to provide the Spanish armed forces with arms and equipment systems with the most appropriate technological level for their missions, as specified in the explanatory report of the 464A program. Most of the budget for the 464A program from the Ministry of Defence belongs to the National Institute for Aerospace Technology (INTA), with an amount of €137.41 million that represents 84% of the whole program. Nowadays, INTA holds<sup>10</sup> the research activities and services that were previously performed by CEHIPAR (Canal de Experiencias Hidrodinámicas de el Pardo), ITM (Centro de La Marañosa) and the Laboratorio de Ingenieros.

The specific goals of the 464A program from the Ministry of Defence are very similar to the ones in previous years. They actually continued with most of the programs that were initiated years ago. The main military R&D projects are:

- The PNOT program, whose objective is to develop a command and monitor system.
- Development of a microsatellite, a picosatellite and a Radar image gathering satellite which is "clearly strategic for the Ministry of Defence," as specified in the program description.
- Development of an aerial unmanned vehicle for the compliance of strategic interest missions.
- Design and development of alternative forms of oceanic escort warship careening.
- Two projects of avionics and applied electronics for aerial armament development.

In addition, a modernization of the CEDEA (El Arenosillo. Experimental Centre) and Airborne Research Centre of Rozas installations will be carried out.

The importance of the projects in the aeronautic sector and the satellite research projects in particular must be underlined. It is not a surprise, then, that the Secretary of Defence, Pedro Argüelles, stated several times<sup>11</sup> that satellites are essential

10. The government approves the inclusion of CEHIPAR, ITM and the Laboratorio de Ingenieros in INTA. *Infodefensa*, 22/09/2014

11. Benjamín Carrasco; Argüelles: "Satellites are essential to the operation of the Armed Forces", *Infoespacial*, 07/09/2015. <http://www.infoespacial.com/es/2015/09/07/noticia-arguelles-satelites-esenciales-operatividad-fuerzas-armadas.html>

**Who is the beneficiary of this enormous spending? Without a doubt, those four big military companies previously mentioned: Airbus Defence and Space, Navantia, General Dynamics Santa Bárbara and Indra**

**The military investigation will receive a total budget of €632.087 million**

**The importance of projects in the aeronautic sector and the satellite research projects in particular must be underlined**

**The current government intends to grant economic and institutional support to the military aeronautic sector development**

**It looks like a clandestine assistance to the defence industrial sector or a prepayment for the arms that will be delivered in the years yet to come**

**Those €632.08 million destined to military R&D in 2016 must be considered as an underestimation**

to the operation of the Spanish armed forces and are inalienable in Defence. It seems pretty clear that the current government intends to grant economic and institutional support to the development of the military aeronautic sector.

Regarding the 464B program of the Ministry of Industry, its aim, as reflected in its description, is supporting the involvement of Spanish companies in the development of technological and industrial projects related to defence. These are the projects that will be financed in 2016:

- S-80 submarine that will be manufactured by Navantia for €150 million.
- NH90 helicopters ordered with Airbus Helicopters España for €123.6 million.
- 5<sup>th</sup> and 6<sup>th</sup> offshore patrol vessels produced by Navantia for €108.4 million.
- Technological programs related to F110 frigate and 8x8 tanks with a €86.2 million cost.

We won't insist on the budgetary fraud that the 464B program represents, since it is explained in another section of this document. Its purpose should be R&D in the defence area but it looks like a clandestine assistance to the defence industrial sector or a prepayment for the arms that will be delivered in the years yet to come. One example should be enough: it is specified in the report of the program that €108.4 million will be allocated to the construction of two offshore patrol vessels, an activity (construction) that could hardly be classified as R&D.

The budgetary allocation to military research could be higher than the total amount of the two specific programs, 464A and 464B. Let's see: 467I programme (technological innovation for telecommunications) has a €670.17 million budget. This is the programme with the highest budgetary assignation of the Ministry of Industry and it dedicates a part of its investment to ICT development and, among them, we can find massive data processing and cyber security which are clearly linked to the defence sector.

Thus, some resources allocated to civil investigation could be used for military purposes. A fraction of the 467G program funds (Information society R&D) could also be assigned to military-related activities. The report of the 467C programme (Technological and industrial innovation promotion) highlights the importance of the aerospace sector. One of its goals is to involve the Spanish industry in projects of the European Space Agency (ESA). We should not forget the government's interest in this sector. It is also probable that some of the resources for this program are used for military R&D. There has been a similar precedent in the European project Galileo, which is a global navigation satellite system, promoted by the European Union. It was introduced as a civil development project but it has a military application now. Therefore, investment that was once considered for civil use becomes of military use, even if it is only a part of it. This can also occur with other resources. Industrial areas where there is a higher possibility of a military use of resources allocated for civil purposes are aerospace and telecommunications.

Consequently, the €632.08 million destined to military R&D in 2016 must be considered an underestimation since the allocation could be, indirectly, higher.

**Table 7. Military research** (in current millions of euros)

	PGE 2015	PGE 2016	Variation 2015/2016 (%)
Program 464A (Ministry of Defence)	163.00	163.89	+ 0.5
Program 464B (Ministry of Industry)	563.92	468.14	- 17.0
<b>Total (464A plus 464B)</b>	<b>726.92</b>	<b>632.03</b>	<b>-13.0</b>

Estimated investment of programs 464A and 464B for military R&D in 2016

**Table 8. Projects** (in current millions of euros)

	Allocation
S-80 submarine	150.0
NH90 Helicopter	123.6
Maritime action vessel	108.4
F110 frigate and armoured vehicles 8x8	86.2
<b>Total</b>	<b>468.2</b>

Detail of investment estimated for 2016 related to 464B program. Support to technological innovation in the defence area, from the Ministry of Industry

## 5.1 Military R&D versus Civil R&D

In the 2016 budget, research has been allocated more than €6.4 billion, from which 632.02 belongs to military R&D. That is 9.83% of the total sum. That percentage has decreased in relation to the 2015 budget, where 11.36% was dedicated to the same purpose. This variation is due to two factors: an increase in the assignment to civil R&D and a reduction of the military designation.

After consecutive years of severe cuts, the budget allocated to civil R&D increases again with 2.2%. Despite that rise, this amount is far from the nearly 8.2 billion estimated for that same purpose in 2009, when the maximum investment was reached. In Spain, research-funding represents 1.6% of GDP, a significantly lower number than the EU-states average, which is around 2% of GDP. Lately, the pretext used to justify civil R&D cuts has been the economic situation and the reduced income in the administration. However, in order to face this situation, other countries like Denmark, Finland, the United Kingdom, Germany or Sweden, responded with an increase in their investments in science, instead of resorting to budgetary cuts as was done in the Spanish case.

In addition to the low investment, Spanish civil research undergoes another funding-related problem. A big portion of the total amount assigned to civil R&D in the 2016 GSB, specifically a 56.6%, is allocated to returnable loans, while the other 43.4% is for direct aids. This percentage relation does not present significant variations in the last years. An important part of resources allocated to loans remained unexecuted over the past years because the research centres that could be granted these loans find it very difficult to cope with these credits. This is why the actual percentage used for civil R&D with respect to GDP is much lower than the amount budgeted. It is not a surprise, then, that the scientific community often complains and reclaims a better financing for science.

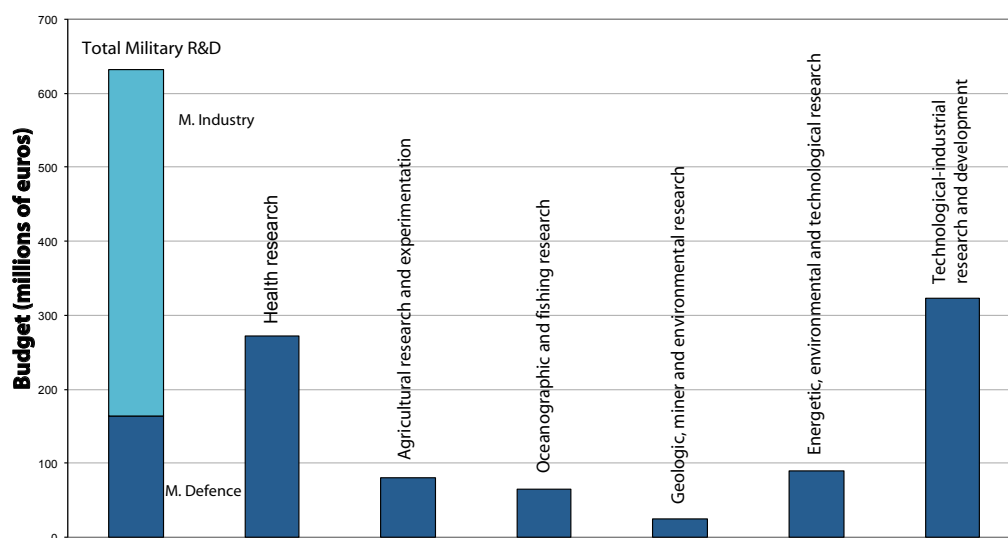
**This amount is far from the nearly 8.2 billion estimated for that same purpose in 2009. It is not a surprise, then, that the scientific community often complains and reclaims a better financing for sciences**

**Military R&D represents 9.83% of the total assignation for research and development in 2016. It is 2.3 times higher than the one budgeted for health research**

Military R&D represents 9.83% of the total assignation for research and development in 2016. This may seem a small amount, but this perception changes when we compare these numbers with the allocation for other specific research programmes. For example, military R&D allocation is 2.3 times higher than the one budgeted for health research (Program 465A), 7 times higher than the one for technological, environmental and energetic research (467H programme) and 25 times higher than resources for environmental, geological and mining research (467F programme).

In chart 1 we show budgets for some specific R&D programmes, corresponding to several ministries. It is clear that the government prioritizes military research over investigation in other civil-related areas.

**Graphic 4. Spending estimate related to some R&D programs, according to 2016 GSB**



Source: Own calculations

## 6. CONCLUSIONS

### 6.1 Reducing the military establishment

At a political-institutional level, when someone talks about defence or security-related issues, an alleged superior value is invoked: the National Interest. This concept has a great pejorative charge intended to silence the population that, being ignorant of that value, must comply with its call since it does not understand such a high command. For the political elites, appealing to the National Interest is like calling on a supreme value that can not be questioned by anyone and, much less, by the population. This is what happens when it comes to the armed forces or to the plans and strategies for security and defence. Hence we can see how politicians in charge of these issues that belong to the main political parties that have been in the Spanish government, often resort to the concept of National Interest in order to silence the rest confronted with such a significant value. But given the enormous military spending, the contracting of expensive military programs and the oversized armed forces there are no "National" Interests to prevent criticism on the security and defence policies that contributed to a disproportionate indebtedness of the State which endangers the country's development.<sup>12</sup>

**There are no "National" Interests to prevent criticism on the security and defence policies that contributed to a disproportionate indebtedness**

12. Spanish public debt is 97% of GDP (€1.04 trillion)

**Suspicious appear of prevarication, forgery, insider trading, rigged tenders or kickback**

When the National Interest is called upon to justify security measures that cost such an important wastefulness (almost 17.5 billion in 2015) one must wonder: Aren't housing, health, education, unemployment and many other issues of vital security part of the National Interest too? Shouldn't those issues be addressed with the same or more attention? Or maybe human security only consists of deterring and preventing external attacks?

Frequently, the concept of National Interest is used to hide or cover up irregularities, perversions or even corruption from the inside of the armed forces. The opacity and lack of transparency in the Ministry of Defence is a habitual practice in almost every area. Thus, concessions, contracting, property sales, arms exportations from the Ministry itself are, often, under a lack of transparency and suspicions appear of prevarication, forgery, insider trading, fraudulent tenders or kickback. Perversion and corruption are often reported in media or even worse crimes like vexations, sexual harassment and assaults to men and women. These crimes are very common inside the armed forces and become known to the public opinion because of the opacity and corporative defence of the military establishment.

Two recent examples in the development of arms and services acquisition in the Ministry of Defence are:

- A report about Instalaza<sup>13</sup> elaborated in response to a question posed by a Member of Parliament, Jon Iñarritu (Amaiur), in the Congress of Deputies related to the contracts of this company with the Ministry of Defence, revealed that information about 23 contracts with an amount of 29.7 million was withheld from the public, an amount that was not reported in the reply given by the Ministry of Defence. Instalaza is a company that was directed by the former counsellor and consultant Pedro Morenés between 2007 and 2011. The firm requested a compensation of 40 million euros from the State after the government signed a treaty on the prohibition of Cluster Munitions that this company manufactures. Ever since, endless contracts with Instalaza rained down on the Ministry of Defence, headed by Morenés.
- The imputation of thirteen Defence contractors for bribery,<sup>14</sup> as well as two lieutenant-colonels who charged commissions to those companies operating in private security, insurance policies, food or cleaning areas.

This happens because the Ministry of Defence is lacking transparency in its contracts. The armed forces are a very corporative, inward looking establishment that conceals its irregularities and miseries; endogamous even since everything is cooked up and resolved behind closed doors and nothing transcends to the outside, especially not to the mass media; patriarchal and misogynous too, because women cannot compete under the same conditions as men; it is also hierarchical due to the fact that the subordinates can do nothing but obey and their opinion is worthless to their supervisors. At last, the most alarming issue is that an own military judicial body, that is special and separate from the civil jurisdiction, drives it. This fact allows biased sentences since there are no ordinary courts judging crimes, which gives way to a situation in which felonies cannot be stopped nor can corruption be attacked from its roots.

To this the high costs (1.6% of GDP, according to the Centre Delàs) of maintaining the oversized armed forces as confirmed by the Minister himself who is in possession of reports that consider their reduction should be added. With a part of these high costs for arms acquisition (the ones belonging to PEAS) being somewhat ineffective for the national defence with weaponry such as tanks, submarines and fighter-bombers that will, predictably, never be used. Those armament programs, as previously mentioned, pushed the State into a huge debt of €30

**The Ministry of Defence is lacking transparency in its contracts**

**Those armament programs, as previously mentioned, pushed the State into to a huge debt of €30 billion**

13. Villagrán, Ximena, *El Confidencial*, 29/09/2015

14. *El País*, 14/09/2015

**Measures should be taken in order to reduce the size of the armed forces and cut down the spending demand in armament**

**In economic terms, the military spending is a loss of opportunities. It is an obstacle to productive economic growth since it generates public debt and brings inflation with it**

billion that came to represent a very expensive mortgage for our economy that surely will endanger its development. All things considered, measures should be taken in order to reduce the size of the armed forces and cut down the spending demand in armament, infrastructures and services.

## **6.2 Military spending, a loss of opportunities**

Although we already described it in previous reports, saying it again is a must: In economic terms, the military spending is a loss of opportunities. While some economists from The Establishment state that an increase of resources allocated to military expenses is a productive investment in terms of economic efficiency (especially those destined to research) since they transfer technologies to the civil sector, the critical economy maintains the opposite theory and claims that the military spending is an obstacle to productive economic growth. On the one hand, it generates public debt and, on the other, it brings inflation with it since it does not produce an income in the public purse. Moreover, it prevents capital goods (monetary or equipment) to flow towards the real economy. Also, workforces coming from the army that could be assigned to the civil area and technological knowledge (R&D) used for the military industry could be transferred to civil R&D so that they would be more productive.

The military expenses obstruct the achievement of economies of scale in the productive economy. To our understanding, the main argument of military spending defenders is an invention from the military-industrial complex whose effectiveness has only been proved in very few occasions. The reality is just the opposite, though, since technologies that arise from civil sectors are used in the military industry. Therefore, the supposed benefits of the military spending are refuted and those resources – or, at least, a part of them –, instead of being allocated to maintain oversized armed forces or to acquire armament, could be used to expand a productive economy or to empower human development of the population and better results could be achieved. These matters are especially sensitive in non-industrialized countries or countries going through a severe economic crisis, as is the case in Spain, due to a matter of *opportunity costs*, since they endanger and transfer inefficiency to the real economy.

# APPENDIX

**Table 1. Initial military budget 2007-2016** (in millions of current euros)

Concepts	2007	2008	2009	2010	2011	2012	2013	2014	2015 <sup>1</sup>	2016 <sup>3</sup>	2007/2016
Ministry of Defence	8,052.76	8,492.61	8,240.77	7,694.86	7,156.38	6,316.44	5,937.00	5,745.77	5,767.72	5,787.89	
Autonomous organizations of the Ministry of Defence	1,282.19	1,334.63	1,230.53	1,218.19	1,175.51	1,095.30	976.65	1,030.98	1,086.13	1,111.33	
National Intelligence Centre (CNI) <sup>2</sup>	241.57	264.71	255.06	241.37	228.20						
<b>Total Ministry of Defence</b>	<b>9,576.52</b>	<b>10,091.95</b>	<b>9,726.36</b>	<b>9,154.42</b>	<b>8,560.09</b>	<b>7,411.74</b>	<b>6,913.65</b>	<b>6,776.75</b>	<b>6,853.85</b>	<b>6,899.22</b>	<b>-38.8%</b>
Passive military establishments	3,102.21	3,184.35	3,298.14	3,328.59	3,252.15	3,344.35	3,352.97	3,314.00	3,294.96	3,268.34	
ISFAS (other ministries)	563.62	565.60	602.53	617.53	624.89	577.52	549.18	556.37	600.33	624.12	
Civil Guard (Ministry of the Interior)	2,657.51	2,893.37	2,941.51	2,973.17	2,790.96	2,733.52	2,659.18	2,615.67	2,620.17	2,654.93	
Ministry of Industry (R&D and military aids)	1,265.06	1,388.57	1,157.52	979.21	794.84	582.77	218.15	343.60	563.92	468.14	
NATO, WEU (Ministry of Foreign Affairs and Cooperation)	7.79	7.80	56.57	11.07	9.82	14.95	15.20	15.20	13.50	13.10	
<b>Total defence NATO criteria</b>	<b>17,172.71</b>	<b>18,131.64</b>	<b>17,782.63</b>	<b>17,063.99</b>	<b>16,032.75</b>	<b>14,664.85</b>	<b>13,708.33</b>	<b>13,621.59</b>	<b>13,946.73</b>	<b>13,927.85</b>	<b>-23.3%</b>
National Intelligence Centre (CNI) <sup>2</sup>						221.20	203.69	203.69	223.68	240.98	
Public debt interests	844.61	858.68	834.57	1,125.20	1,212.00	1,170.18	1,385.38	1,197.60	1,120.14	1,089.42	
<b>Total initial military spending</b>	<b>18,017.32</b>	<b>18,990.32</b>	<b>18,617.20</b>	<b>18,189.19</b>	<b>17,244.75</b>	<b>16,056.23</b>	<b>15,297.40</b>	<b>15,022.88</b>	<b>15,290.55</b>	<b>15,258.25</b>	<b>-18.0%</b>
Difference between initial and final	1,659.96	1,597.12	1,153.22	1,044.15	1,164.24	2,762.73	1,952.75	1,957.15	2,154.35	2,206.75*	
<b>Total final military spending (paid off)</b>	<b>19,677.28</b>	<b>20,587.44</b>	<b>19,770.42</b>	<b>19,233.34</b>	<b>18,408.99</b>	<b>18,818.96</b>	<b>17,250.15</b>	<b>16,883.79</b>	<b>17,444.90</b>	<b>17,465.00</b>	<b>-12.6%</b>
<b>Final military spending/GDP</b>	<b>1.87%</b>	<b>1.89%</b>	<b>1.88%</b>	<b>1.83%</b>	<b>1.73%</b>	<b>1.79%</b>	<b>1.64%</b>	<b>1.60%</b>	<b>1.62%</b>	<b>1.57%</b>	
<b>Initial military spending/ Total State Budget</b>	<b>5.53%</b>	<b>5.42%</b>	<b>5.11%</b>	<b>4.70%</b>	<b>4.76%</b>	<b>5.20%</b>	<b>4.52%</b>	<b>3.99%</b>	<b>3.84%</b>	<b>4.00%</b>	

1. Liquidation is provisional in July, 2015

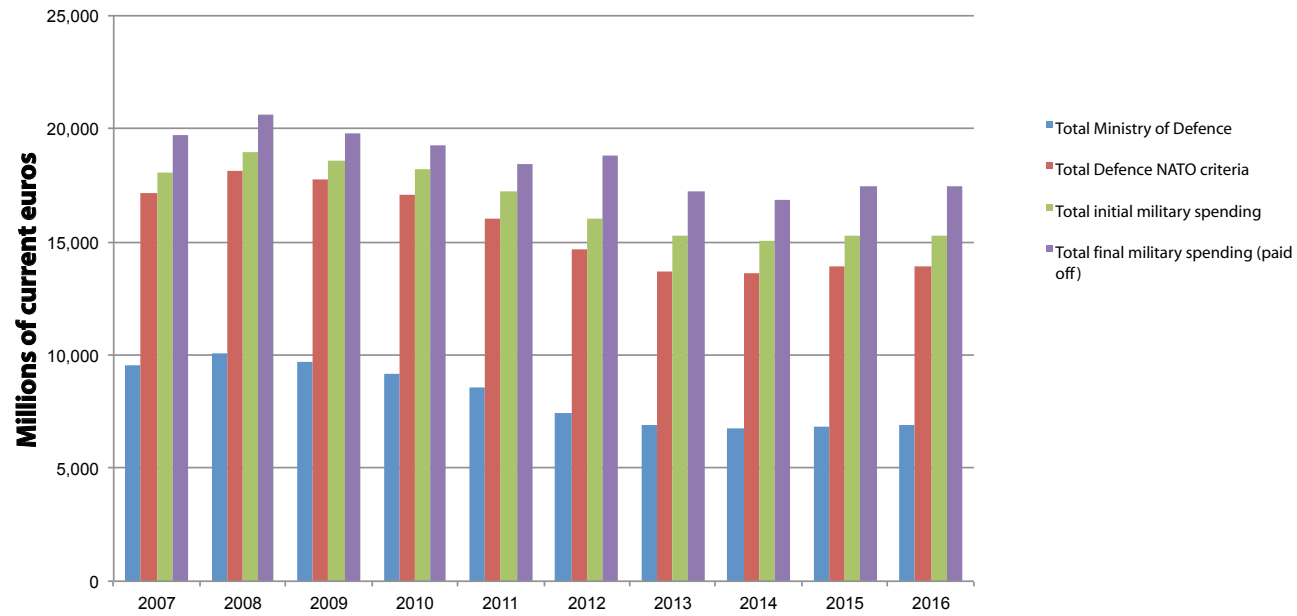
2. Since 2012, CNI no longer depends on the Ministry of Defence

3. Initial proposal of the government for 2016

\* average estimation 2012-2015

Own calculations . Source: General State Budget

**Graphic 1. Evolution of the Spanish military spending (2007–2016)**





**Table 2. Initial/Liquidated budget for the Ministry of Defence 2007-2016** (in millions of euros)

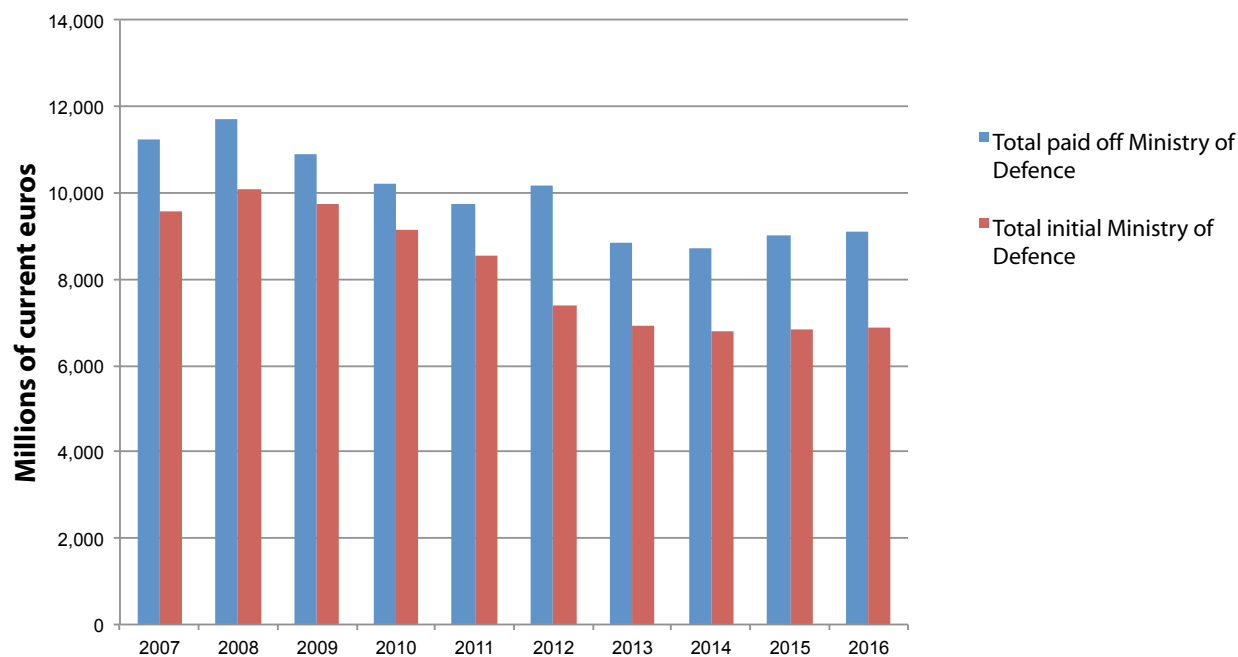
Concepts	2007	2008	2009	2010	2011	2012	2013	2014	2015 <sup>1</sup>	2016
Total liquidated Ministry of Defence	11,236.48	11,689.07	10,879.58	10,198.57	9,724.33	10,174.47	8,866.40	8,733.90	9,008.20	9,105.97
Total initial Ministry of Defence	9,576.52	10,091.95	9,726.36	9,154.42	8,560.09	7,411.74	6,913.65	6,776.75	6,853.85	6,899.22
Difference	-1,659.96	-1,597.12	-1,153.22	-1,044.15	-1,164.24	-2,762.73	-1,952.75	-1,957.15	-2,154.35	2,189.20
Variation %	17.3	15.8	11.9	11.4	13.6	37.3	28.2	28.9	31.4	31.7

1. Estimated liquidation 7/2015

2. Average estimate from previous four years

Own calculations . Source: General State Budget

**Graphic 2. Initial/Liquidated budget for the Ministry of Defence 2007-2016**



**Table 3. Initial and liquidated spending of the armed forces overseas**  
(in millions of current euros)

Year	Initial budget	Paid off budget
1990	0.00	18.74
1991	0.00	45.85
1992	0.00	17.70
1993	0.00	58.28
1994	0.00	103.11
1995	0.00	133.97
1996	0.00	180.28
1997	0.00	128.12
1998	0.00	146.38
1999	0.00	249.23
2000	60.10	239.63
2001	60.10	241.34
2002	60.10	330.55
2003	60.10	416.04
2004	60.10	380.62
2005	18.36	422.50
2006	18.36	563.90
2007	17.36	642.50
2008	17.36	668.74
2009 <sup>1</sup>	14.36	713.50
2010 <sup>2</sup>	14.36	787.90
2011 <sup>1</sup>	14.36	861.39
2012 <sup>3</sup>	14.36	769.08
2013 <sup>4</sup>	14.36	791.20
2014 <sup>5</sup>	14.36	616.80
2015 <sup>6</sup>	14.36	710.27
2016	14.36	
<b>TOTAL</b>	<b>486.82</b>	<b>10,237.62</b>

Source: General State Budget

1. Info 9/7/2012; 2. Defence Committee 16/12/2010; 3. Defence Committee 17/4/12; 4. Defence Committee 18/12/2013; 5. *El País* 17/12/14 6. Council of Ministers 10/04/2015

**Table 4. Current Special Arms Programs 2015** (in millions of current euros)

Name	Companies	Period	Initial cost	Real cost
87 Fighters EF-2000	Airbus defence, Santa Bárbara, ITP, Indra, Aeronova, Tecnobit	1997/2024	6,363.10	13,596.47
239 Armoured Leopard	Santa Bárbara, Indra, Navantia, Electroop, Amper	1996/2017	1,941.77	2,524.56
212 Armoured Pizarro	Santa Bárbara, Steyr, Puch, Indra, Sapa Placencia	2005/2024	707.47	949.95
24 Tiger attack helicopters	Airbus Helicopter, Sener, Amper, ECESA, Indra	1997/2014	1,081.82	1,548.03
45 NH-90 helicopters	Airbus Helicopter, Sener, ECESA, General Electric, ITP, Indra	2006/2012	1,260.00	1,492.44
27 Transport plane A400M	Airbus Defence, Flabel, ITP, Sener, Tecnobit, Alcor	2001/2029	3,449.81	5,819.37
1 Frigate F-105	Navantia, Indra, Maxam	2006/2012	475.00	836.24
4 S-80 Submarines	Navantia, Tecnobit, SAE, Indra, Tecnicas Reunidas	2011/2018	1,502.53	2,800.00
4 Frigate F-100	Navantia, Indra, Maxam	1997/2010	1,602.80	1,997.50
1 Assault ship (BPE)	Navantia, Indra, Sainsel	2004/2010	360.00	505.47
770 IRIS-T missiles (EF-2000)	Sener, Expal, ICSA	2005/2011	247.32	282.43
4 BAC / AOR replenishment oiler ships	Navantia, Indra, Sansel	2003/2022	213.00	260.16
4 BAM patrol vessels	Navantia, Indra, Sansel, Navalips	2006/2012	215.00	530.41
43 Taurus missiles (EF-2000)	Taurus Systems, EADS, Sener	2004/2010	57.00	59.64
2600 Anti-tank spike missiles	Rafael (Israel), Santa Bárbara, Tecnobit	2007/2022	260.00	364.69
70 Howitzers 155 mm	Airbus Defence, Indra, ITP, Iberia	2006/2023	180.50	195.99
4 Eurocopters Cougar UME	Airbus Helicopter	2007/2011	76.00	80.01
Fire-fighting plane	Airbus Defence			40.55
CIS Node UME	Indra			60.37
8 Eurocopters EC135	Airbus Helicopters	2013/2015	49.00	49.00
2 BAM patrol vessels (5th & 6th)	Navantia, Indra, Sainsel, Navalips	2014/2019	333.48	333.48
1 Frigate F110	Navantia	2015/2022	800.00	800.00
MOWAG Piranha 5 8x8	Santa Bárbara, Sapa, Indra	2016/?	1,500.00	1,500.00
4 drones MQ-9 Reaper RPAS	General Atomics, Sener, Indra,	2016/2020	216.00	216.00
3 refuelling tanker aircrafts Airbus 330	Airbus Defence			
<b>TOTAL</b>			<b>22,891.60</b>	<b>36,842.76</b>

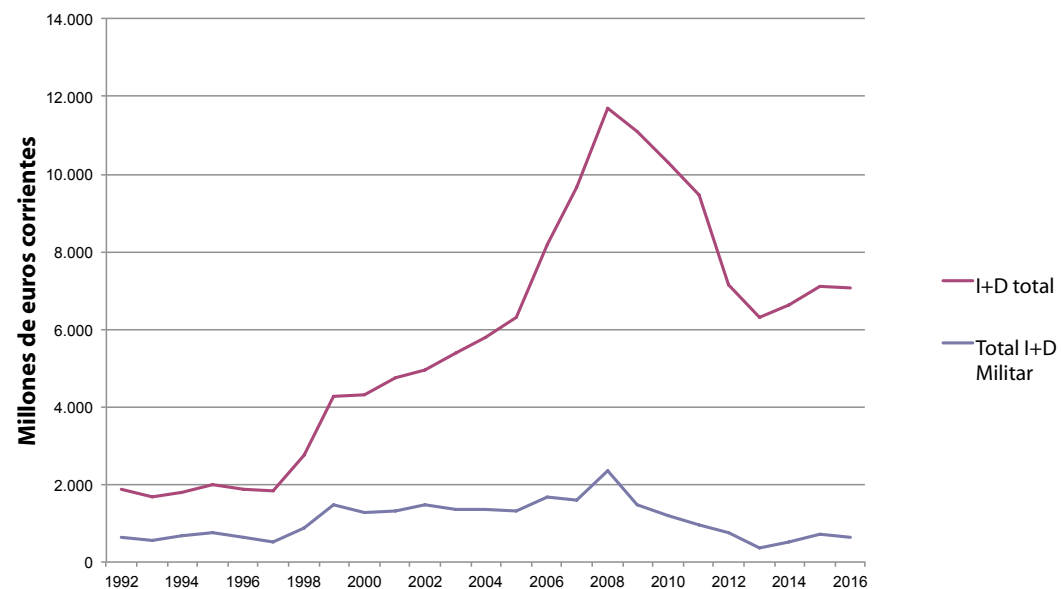
Source: Own calculations. September, 2015

**Table 5. Military R&D in Spain 1992-2016** (in millions of current euros)

Year	R&D from the Ministry of Defence	R&D from the Ministry of Industry	Total military R&D	Total R&D	Total military (%)
1992	365.54	282.51	648.05	1,209.41	53.58
1993	275.32	301.10	576.42	1,104.29	52.20
1994	279.61	383.46	663.07	1,116.94	59.36
1995	291.29	452.33	743.62	1,244.29	59.76
1996	291.29	332.25	623.54	1,244.29	50.11
1997	290.11	212.16	502.27	1,352.68	37.13
1998	300.14	581.00	881.14	1,867.95	47.17
1999	294.75	1,198.58	1,493.33	2,767.84	53.95
2000	293.48	964.11	1,257.59	3,053.86	41.18
2001	382.11	947.80	1,329.91	3,435.30	38.71
2002	314.04	1,176.85	1,490.89	3,465.40	43.02
2003	322.97	1,049.90	1,372.87	4,000.12	34.32
2004	303.42	1,070.00	1,373.42	4,402.00	31.20
2005	315.69	1,014.60	1,330.29	4,972.23	26.75
2006	325.88	1,358.01	1,683.89	6,510.81	25.86
2007	361.04	1,225.06	1,586.10	8,060.42	19.68
2008	355.67	1,308.57	2,363.67	9,342.55	25.30
2009	312.41	1,149.92	1,462.33	9,654.29	15.15
2010	231.89	950.91	1,182.80	9,128.80	12.96
2011	203.91	770.71	974.62	8,493.11	11.47
2012	174.05	582.77	756.82	6,397.62	11.83
2013	145.29	218.15	363.44	5,926.29	6.13
2014	163.24	343.60	506.84	6,139.99	8.25
2015	163.00	563.92	726.92	6,395.40	11.36
2016	163.89	468.14	632.03	6,429.60	9.83
<b>Total</b>	<b>6,920.03</b>	<b>19,070.12</b>	<b>26,525.87</b>		

Source: Own elaboration. September, 2015

**Graphic 3. Total R&D/Military R&D 1992-2016**



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