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ANNUAL REVIEW COMMITTEE

WORKING GROUP ON ANNUAL REVIEW PROCEDURE

ARQ(53) - DRAFT TABLES OF DEFENCE EXPENDITURES

Note by the Secretariat

In accordance with the wish of the Working Group as expressed in the course of its discussion of AC/39-D/11, the International Staff has prepared draft tables for the defence expenditure section of ARQ(53).

In preparing these drafts, no attempt has been made to take account of the problems which have been raised by the Netherlands Delegation, which will be set forth in a paper to be circulated as AC/39-D/16. It is recognised that the draft tables may have to be somewhat modified as a result of the conclusions reached in the discussion of that paper.

Certain of the proposals for revision of the classification of defence expenditures suggested in ISM(53)8 would permit some simplification of the stubs of the accompanying drafts. Since these changes would not affect the basic principle of the tables, and since it is uncertain whether a general revision of classification can be agreed to in time for use in the 1953 Annual Review, the tables have been prepared on the basis of the existing classification.

The tables have provisionally been given letters rather than numbers to avoid confusion with tables in ARQ(52). When the final form of ARQ(53) is evolved, it will no doubt be desirable to number the tables as before.

Draft tables for other parts of ARQ(53) are in preparation and will be circulated as soon as possible.

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Paris, XVIe.

DRAFT DEFENCE EXPENDITURE TABLES FOR ARQ(53)

Explanatory Notes

Table A. This is essentially Table 11 of ARQ(52), and would be accompanied by similar notes. Line 15 (payments during the July-June year) has been retained (though data for this period are not shown elsewhere in the draft tables) in order to facilitate the use of the data by the United States authorities. Lines 17 and 18 are designed, as in last year's table, to provide a reconciliation with OEEC data, and will require further consideration on the basis of discussions which are being undertaken with the OEEC Secretariat.

Table B. This table calls for data on planned expenditures by national fiscal years. It has been restricted to the five major categories, on the assumption (discussed below in connection with Table C) that detailed data will be obtained on a calendar year basis only.

Table C. This is the basic table on planned expenditures. It has been set up as a single table in order to make it easier to see which items of information are to be called for and which omitted; a rearrangement of the format may be found advantageous after questions of substance are settled.

This table has been drafted on the assumption that the calendar year, rather than the national fiscal year, can be used as the basic reference period for detailed information on defence expenditures. Since force goals are for December 31st, the use of the calendar year has obvious advantages. It is important to know, however, whether countries whose fiscal year does not coincide with the calendar year will find it possible to provide satisfactory data on this basis.

A further basic assumption underlying the attached draft is that countries will find it possible to break down planned expenditures in 1953 and 1954, and more generally in 1955 between "initial equipment", "operational reserves" and "current operations". A related assumption, not directly involving the Table itself but of fundamental importance in connection with the interpretation of the results, is that planned expenditures directly represent the costs of planned forces, as these will be set forth elsewhere in the questionnaire, and also, with respect to equipment items, the cost of planned procurement.

Expressed otherwise, the basic assumption is that countries have in fact a fully reconciled and mutually consistent set of programmes for forces, equipment and expenditure. This assumption has been seriously questioned by representatives of the Netherlands Delegation in informal discussions with members of the International Staff. The Netherlands views are to be circulated in a few days as AC/39-D/16. Should these views prove to be well-founded, Table C would have to be revised to take account of at least two different sets of "planned" expenditure OR cost figures.

Table D. This table recapitulates the "current operation" component of the planned expenditures estimates shown in Table C, and, under the heading of "annual recurring costs" calls for an estimate of the corresponding expenditures required to maintain end-1957 forces in an average year thereafter. Further explanations are given in the note at the foot of the table, and in the discussion of Annual Recurring Costs in AC/39-D/19.

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Table A: Defence Appropriations and Expenditures

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	National Fiscal Years			
	1952 or 1952/53 (actual)	1953 or 1953/54	1954 or 1954/55	1955 or 1955/56
1. <u>Appropriations for defence as defined in National Budget.</u>			xx	xx
2. <u>Less: Appropriations for purposes not covered by NATO definition.</u>			xx	xx
3. <u>Plus: Appropriations not included under (1), but covered by NATO definition.</u>			xx	xx
4. <u>Appropriations for defence NATO definition (1-2+3).</u>			xx	xx
5. <u>Plus: Transfers from previous years' appropriations.</u>			xx	xx
6. <u>Less: Transfers to following years' budget.</u>			xx	xx
7. <u>Less: Appropriations cancelled or rescinded.</u>			xx	xx
8. <u>Expenditures charged to current years (4+5-6-7)</u>				
9. <u>Plus: Payments made during current year charged to previous budgets.</u>				
10. <u>Less: Payments charged to current budget, but made during following year.</u>				
11. <u>Plus: Expenditures from non-budgetary funds.</u>				
12. <u>Plus: Any other adjustments (explain)</u>				
13. <u>Less: Any other adjustments (explain)</u>				
14. <u>Payments during current year (8+9-10+11+12-13 equal to Table B, 14A ^{TOTAL}; equal to 14A+14B,+14C below).</u>				
15. <u>Payments prior to July 1.</u>				
16. <u>Payments July 1 to 31 December.</u>				
17. <u>Payments after 31 December.</u>				
	<u>Year July - June</u>			
	1952/53	1953/54	1954/55	
18. <u>Payments during 12 month period July-June (14B+14C+14A from following column).</u>				
	<u>Calendar Year</u>			
	1952	1953	1954	1955
19. <u>Payments during calendar year (14A+14B,+14C from preceding column)</u>				
20. <u>Adjustments for comparability with National Product at factor cost (Itemise).</u>				
21. <u>Defence component of National Product at factor cost (16 + 17)</u>				

Table B: Planned Expenditures

National Fiscal Years
(for all services combined)

Category	1952 or 1952/53 (actual)	1953 or 1953/54 (forecast)	1954 or 1954/55	1955 or 1955/56
1. Mil. personnel costs				
2. Maj. Equipment				
3. Mil. Construction				
4. Operation & Maintenance				
5. Other defence expenditures				
Total defence expenditures				

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Table C: Planned National Expenditures

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Calendar Years 1953-1957

(To be prepared separately for each service and in total)

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Category	1953				1954				1955				1956	1957
	Total	Init. equip. and basic allow.	Oper. Res.	Current oper.	Total	Init. equip. and basic allow.	Oper. Res.	Current oper.	Total	Initial equip. and basic allow.	Oper. res.	Current oper.	Total	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Military Personnel Costs, total			XX				XX				XX			
Pay and allowances		XX	XX			XX	XX		XX	XX	XX	XX	XX	XX
Clothing			XX				XX		XX	XX	XX	XX	XX	XX
Food			XX				XX		XX	XX	XX	XX	XX	XX
Other military personnel costs			XX				XX		XX	XX	XX	XX	XX	XX
Major Equipment, total														
Aircraft									XX	XX	XX	XX	XX	XX
Artillery									XX	XX	XX	XX	XX	XX
Combat Vehicles									XX	XX	XX	XX	XX	XX
Ammunition and explosives									XX	XX	XX	XX	XX	XX
Electronic and comm. equip.									XX	XX	XX	XX	XX	XX
Weapons and small arms									XX	XX	XX	XX	XX	XX
Engineering and military RR equip.									XX	XX	XX	XX	XX	XX
Transport and other non-combat veh.									XX	XX	XX	XX	XX	XX
Ships and harbour craft									XX	XX	XX	XX	XX	XX
Military Construction, total			XX	XX			XX	XX			XX	XX		
ATO Common Infrastructure, net total			XX	XX			XX	XX	XX	XX	XX	XX	XX	XX
Expenditures as host country			XX	XX			XX	XX	XX	XX	XX	XX	XX	XX
Payments to other countries			XX	XX			XX	XX	XX	XX	XX	XX	XX	XX
Receipts from other countries (subtract)			XX	XX			XX	XX	XX	XX	XX	XX	XX	XX
Land and utilities			XX	XX			XX	XX	XX	XX	XX	XX	XX	XX
National Military Construction			XX	XX			XX	XX	XX	XX	XX	XX	XX	XX
Operation and Maintenance														
Non-concurrent spare parts for maj. equip.									XX	XX	XX	XX	XX	XX
Individual and organizational equip.									XX	XX	XX	XX	XX	XX
Other equipment and supplies									XX	XX	XX	XX	XX	XX
Petroleum, oils and lubricants									XX	XX	XX	XX	XX	XX
Pensions of career military personnel		XX	XX			XX	XX		XX	XX	XX	XX	XX	XX
All other operation and maintenance		XX	XX			XX	XX		XX	XX	XX	XX	XX	XX
Other defence expenditure														
Retirement pensions of civilian employees		XX	XX			XX	XX		XX	XX	XX	XX	XX	XX
Security forces									XX	XX	XX	XX	XX	XX
Mixed civilian-military activities		XX	XX			XX	XX		XX	XX	XX	XX	XX	XX
Other (itemize)									XX	XX	XX	XX	XX	XX
Defence Expenditure														

Table D: Planned National Expenditures for Current Operation,
CALENDAR YEARS 1953-57, and Annual Recurring Costs

Category	Planned Expenditures for Current operation					Annual Recurring Costs
	1953	1954	1955	1956	1957	
	(1)	(2)	(3)	(4)	(5)	(6)
1. <u>Military Personnel</u>						
11 Pay and allowances						
12 Clothing						
13 Food						
19 Other personnel costs						
2. <u>Replacement of Major equipment</u>						
A. Domestically-produced equipment						
B. US-produced equipment						
C. Other foreign-produced equipment						
3. <u>Military Construction</u> (see note)	xx	xx	xx	xx	xx	
4. <u>Non-concurrent spare parts</u>						
A. For domestically-produced equipment						
B. For US-produced equipment						
C. For other foreign-produced equipment						
2-49 <u>Other Operation and Maintenance</u>						
5. <u>Other Defence Expenditure</u>						
<u>Total Defence Expenditure</u>						

NOTE: Entries for columns (1) and (2) are to be taken from columns (4) and (8) of Table C. Entries for column (3) should be from column (12) of Table C, or, where Table C does not show the necessary detail, should be consistent with the figures there given. Entries for columns (4) and (5) should be consistent with those given in columns (13) and (14) of Table C. Annual recurring costs (column 6) should represent costs of current operation in a hypothetical future year, including full allowance for the long-term annual average costs of replacement. For the construction category (line 3), which by definition does not include any current costs, the entry in column (6) should represent the estimated annual average costs of replacement (but not of current maintenance, which is included under "other operation and maintenance") of installations which will be in service at the end of 1957.

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