

Jane's Defence Weekly

Rearming Russia

[Content preview – Subscribe to IHS Jane's Defence Weekly for full article]

Russia's rearmament ambitions envisage the replacement of some 70% of its old equipment by 2020, but current funding levels suggest it will fall well short of this goal. Karl Soper reports

Rearmament has been the primary goal and preoccupation of the Russian Ministry of Defence (MoD) since 2008. However, while the government devotes enormous sums to the task - and new weapons are reaching the armed forces for the first time in many years - thus far it is not enough to accomplish the job of rearming.

The State Armaments Programme (SAP) 2011-20 is the road map for achieving the goal of rearmament. Under the SAP, the Kremlin plans to allocate RUB23 trillion (USD760 billion) to re-equip the MoD and Russia's numerous 'power' ministries over the 10-year period. However, the lion's share - RUB19 trillion - is slated for the MoD. With this the military is supposed to renew 70% or more of its weapons and equipment inventory by 2020 (30% by 2015).

The Western media heralded the SAP as a huge arms spending spree. Russia seriously increased its arms procurement in early 2010 after acquiring very little in the 20 years following the collapse of the Soviet Union. In late 2013, for example, the air force completed the acquisition of 32 Sukhoi Su-34 'Fullback' fighter-bombers and it has a contract for 92 more by 2020.

Much attention has been devoted to the long-term SAP, but little is given to its annual implementation in the state defence order (SDO). Outside observers typically do not appreciate its significance or follow it closely. A study of the SDO, however, reveals how much the military has received of that RUB19 trillion under the SAP each year and what it procured with the funds. The SDO is where Russian military acquisition succeeds or fails on an annual basis, ultimately determining the fate of the long-range SAP.

The SDO matryoshka

The SDO is the primary vehicle for rearmament. It is a little like a matryoshka: that traditional Russian nesting doll souvenir. The outermost doll is the Russian government's SDO writ large: the 'big' SDO. It encompasses money spent to buy all things the MoD and other 'power' ministries need. Inside that is the SDO for arms and equipment purchases for the armed services and paramilitary forces. This is the 'small' SDO; called small for convenience, it is really not.

[Continued in full version...]

The MoD's procurement budget

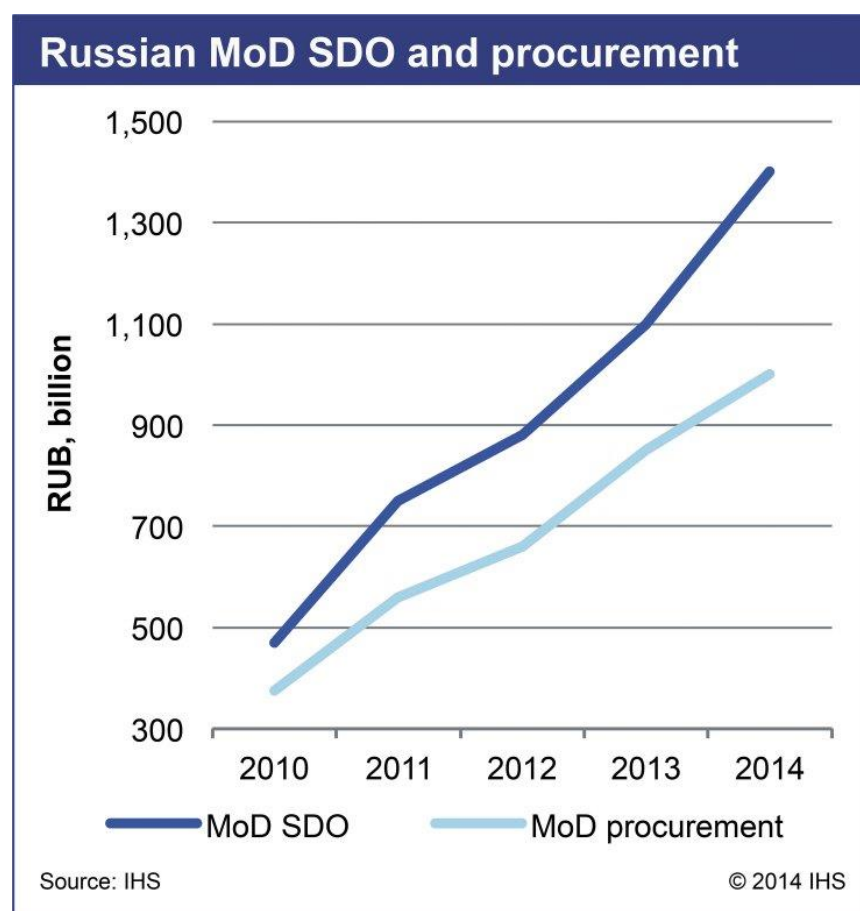
In 2013 Deputy Prime Minister and Chairman of the government's Military-Industrial Commission Dmitry Rogozin announced the figure of RUB2 trillion for the SDO. His number was likely the big SDO. ITAR-TASS reported about RUB1.4 trillion, which was most likely the smaller SDO.

Since it typically receives at least 80% of the small SDO, the MoD's SDO may have been RUB1.1 trillion, with perhaps RUB850 billion for procurement.

In December Deputy Defence Minister and Armaments Chief Yuriy Borisov told the Russian media he expected the 2014 SDO to grow by 25-30% over the previous year's figure. That would put the small SDO at RUB1.8 trillion, the MoD's SDO at RUB1.4 trillion, and MoD procurement at about RUB1 trillion.

To complete the picture of SDOs since SAP 2011-20 started, in 2011 then-prime minister Vladimir Putin stated that the MoD's SDO would be RUB880 billion in 2012. That number might have included RUB660 billion for procurement.

[Continued in full version...]



Russian MoD SDO and procurement. (IHS)

1526354

What the SDO has bought

Before his election to a third term in 2012, then-candidate Putin told the Russian media he expected the SAP to deliver quite a large volume of weapons to the armed forces. In particular, he listed 400 intercontinental and submarine-launched ballistic missiles (ICBMs/SLBNs), 8 nuclear-powered ballistic missile submarines, 20 multipurpose submarines (SSBNs), 50 major surface ships, 100 military satellites, 600 fixed-wing aircraft, 1,000 helicopters, 2,300 tanks, 2,000 self-propelled artillery systems, 17,000 military vehicles, 56 S-400 air-defence system battalions and 10 Iskander-M tactical ballistic missile brigades. If the latter two items' reference to battalions and brigades is correct, this would equate to around 450 launch vehicles plus 1,800 missiles and around 60 launch vehicles plus 120 missiles respectively.

What the Russian military has actually bought is not as transparent. It is easily confused with what the army or defence industry says "is being purchased" or "will be delivered before the end of the year".

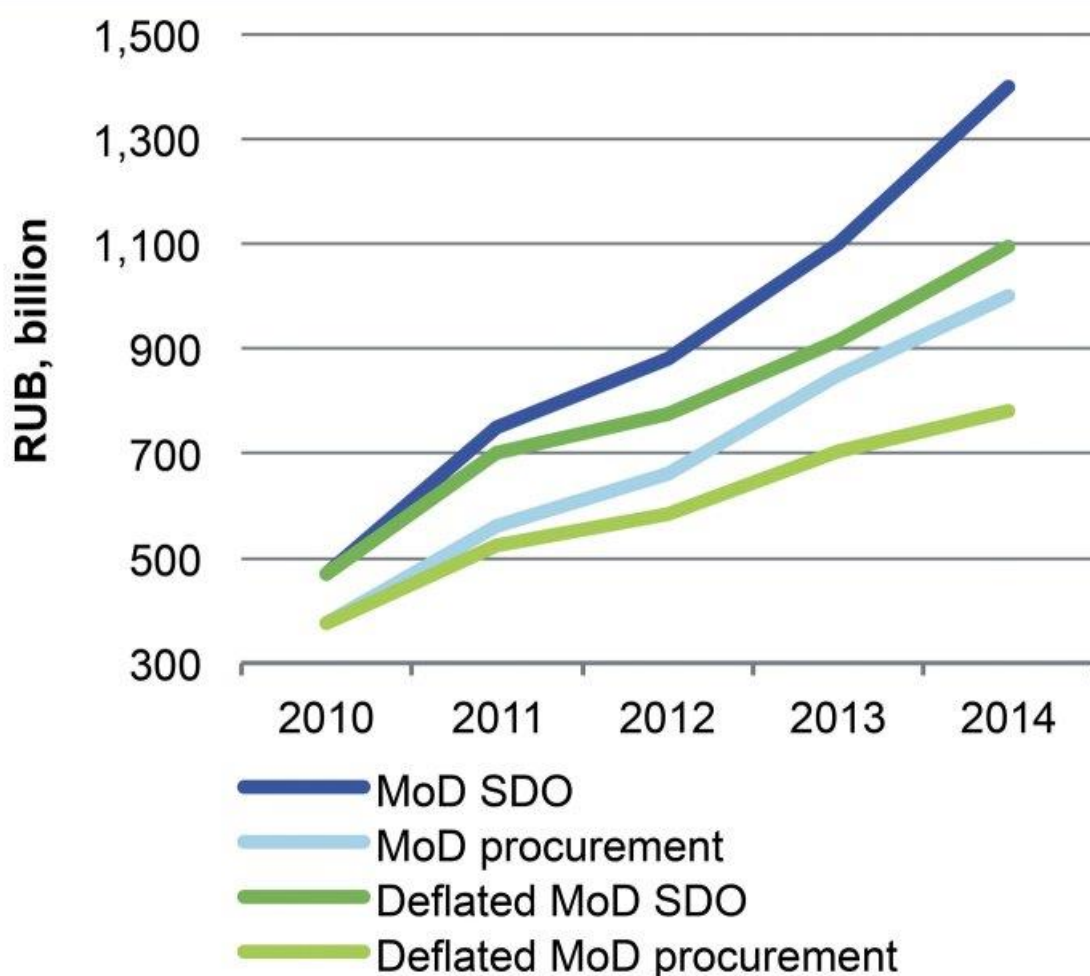
In the first three years of the SAP media reports have indicated that Russia has bought 30 ICBMs and SLBNs, 2 SSBNs (without their complement of SLBNs), 1 corvette, 50 small combatants and support vessels, 9 satellites, 80 fixed-wing aircraft (more than half of them Yak-130 jet trainers), 140 helicopters, 11 S-400 battalions, 2 Iskander-M brigades, 160 artillery systems, and thousands of military vehicles (mostly trucks).

[Continued in full version...]

Where the rest of the money goes

The problem is not only that Moscow is not spending enough money to rearm Russian forces: it is also that inflation and corruption seriously erode what the MoD receives. Inflation is the more straightforward of the two taxes on the SDO and takes a significant bite from it each year. Even a conservative deflator like the consumer price index - on average about 6% annually since the start of the SAP - makes a large cumulative decrement in the SDO over time. Moreover, it is likely that inflation in Russia's defence sector runs higher than 6%. The 'price war' between the government, MoD, and arms producers in 2011 is evidence of rising costs in the MIC.

Russian MoD SDO and procurement in real terms



Source: IHS

© 2014 IHS

Russian MoD SDO and procurement in real terms. (IHS)

1526353

Corruption in arms procurement, meanwhile, is a heavier burden on the MoD's SDO and the SAP. Its effect is huge, but hard to quantify precisely.

In 2010 the chairman of the MoD's Public Council, Igor Korotchenko, warned that the SAP could only be accomplished with strict financial controls and effective measures against corruption.

Nevertheless, in 2011 Russia's top military prosecutor estimated that every fifth ruble was being stolen from the SDO, while Korotchenko believed the figure was possibly as much as every other ruble. Corruption in MoD procurement covers the widest conceivable range of fraud, embezzlement, bribery, and misappropriation.

In 2012 the situation prompted then-prime minister Putin and deputy Rogozin to call corruption in the MIC tantamount to state treason. However, a proposed amendment to Russia's criminal code raising defence industry corruption to that level, with a potential prison sentence of 12 to 20 years, got bogged down in the Duma because of opposition from Putin's own United Russia party supporters.

Korotchenko again sounded the alarm in 2013, assessing that corruption, kickbacks, and financial and property machinations in the MIC were damaging Russia's national security. He concluded: "It's perfectly obvious we have to slap the hands of the corrupt so they can't pilfer these 20 trillion rubles [in the SAP]."

The essential problem is still the insufficient allocation of procurement money through the SDO in the SAP's early years to meet Russia's acquisition goals, with what has been allocated then being degraded by inflation and corruption. Still, the fact remains that other serious problems affecting the SDO exist.

[Continued in full version...]

You will not see this money again

Russia is rearming for the first time in many years despite its backloaded SAP. However, the pace of rearmament - reflected in the SDO - will not allow Moscow to replace its old equipment to the extent desired by 2020.

The amount of military hardware bought by Russia to date will not meet its goal of seven new (or substantially updated) weapons for every 10 currently fielded. Seven modern systems out of 10 in the inventory is a difficult ratio for any army. However, Moscow may simply manipulate the number of new arms in the numerator or adjust the denominator to claim it has reached its 70% target.

It is also possible, in fact likely, that 2020 will never come. A new and 'improved' arms programme typically arrives before its predecessor is halfway complete. SAP 2011-20 may be superseded at some point in 2015 by one for 2016-25.

Then-prime minister Putin was not thrilled in 2010 at the prospect of investing USD760 billion in Russia's rearmament programme. He claimed: "To me it's terrible even to pronounce this figure."

[Continued in full version...]



For the full version and more content:

IHS Jane's Defence Industry and Markets Intelligence Centre

This analysis is taken from [IHS Jane's Defence Industry & Markets Intelligence Centre](#), which provides world-leading analysis of commercial, industrial and technological defence developments, budget and programme forecasts, and insight into new and emerging defence markets around the world.

IHS defence industry and markets news and analysis is also available within IHS Jane's Defence Weekly. To learn more and to subscribe to [IHS Jane's Defence Weekly](#) online, offline or print visit <http://magazines.ihs.com/>.

For advertising solutions contact the [IHS Jane's Advertising team](#)