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Military Spending and IMF Surveillance: An Assessment, 2008–2023

 Sanjeev Gupta

Abstract

This paper examines how the International Monetary Fund (IMF) has addressed military spending in its multilateral and bilateral surveillance during 2008–2023. Using a comprehensive text review of IMF flagship publications, Regional Economic Outlooks, Article IV consultation reports, and program documents, the analysis assesses the scope, depth, and evenhandedness of Fund advice on military expenditure. The paper finds that military spending received limited and uneven coverage for much of the period. Of the 63 countries in which military spending was discussed in bilateral surveillance, fewer than 30 percent featured analysis of macroeconomic trade-offs, with most references limited to brief mentions or factual descriptions. The paper finds notable inconsistencies in treatment across countries with similar fiscal conditions and defense burdens, raising questions about evenhandedness in surveillance. Where military spending was analyzed, IMF advice focused appropriately on fiscal and balance of payments implications, in line with the IMF's mandate and its Board guidance, while avoiding judgments on national security priorities.

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1. Introduction

Military spending has surged worldwide in the wake of Russia's invasion of Ukraine in 2022 and rising geopolitical tensions in Asia and the Middle East. This resurgence coincides with historically high levels of global public debt (IMF, 2025a). It marks a sharp break from the prolonged decline in military outlays between 1990 and 2008—both as a share of GDP and as a share of government budgets—relative to the Cold War period.

The renewed increase in military spending has important implications for government budgets and economic growth prospects. In advanced economies, where average debt-to-GDP ratios now exceed 100 percent, higher defense spending is likely to force difficult fiscal trade-offs, particularly as age-related expenditures on health and pensions continue to rise and political space for tax increases remains limited. In developing countries facing instability, violence, or terrorism, elevated defense budgets risk crowding out critical social and infrastructure investment, thereby undermining long-term growth.

While defense and the maintenance of law and order are essential for economic functioning—and military spending is often necessary to deter or respond to external aggression—persistently high military budgets raise broader macroeconomic concerns. These include implications for fiscal sustainability, expenditure composition, and potential spillovers to neighboring countries, all of which fall squarely within the scope of IMF surveillance.

Under IMF surveillance, staff engage with country authorities on issues that are macro-critical—that is, those that can significantly affect current or prospective balance-of-payments positions or domestic stability. This paper assesses IMF surveillance of military spending in 190 countries during 2008–2023. The main finding is that both coverage and depth of discussion have been uneven. In some high-spending, high-debt countries, military expenditures were scrutinized in IMF assessments, while in others they were largely absent. Similarly, high levels of military spending were accommodated in some program contexts but not in others, giving rise to perceptions of uneven treatment.

The paper is organized as follows. Section 2 discusses global trends in military spending over 1970–2023, highlighting the sharp break from the post–Cold War decline. Section 3 reviews the literature on military spending and its effects on economic growth, expenditure composition, and macroeconomic stability. Section 4 presents empirical evidence drawn from IMF surveillance, both multilateral and bilateral, during this period. Section 5 concludes.

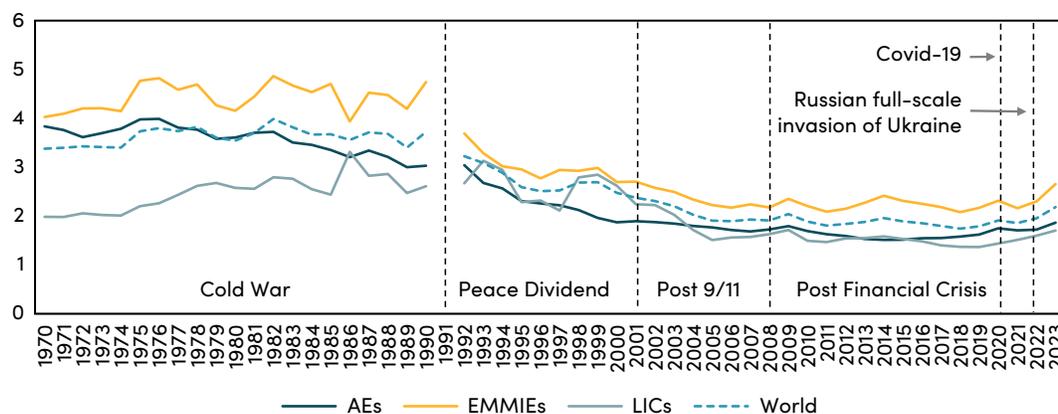
2. Military spending trends, 1970–2023¹

Globally, military spending as a share of GDP declined by about half between 1990 and 2008 compared with the Cold War period (1970–1990) (Figure 1a and Annex I). This decline was evident across all country groups—advanced economies (AEs), emerging markets and middle-income economies (EMMIEs), and low-income developing countries (LIDCs)—reflecting the “peace dividend” following the collapse of the Soviet Union.^{2,3} In Europe, defense spending fell from about 2.5 percent of GDP in the early 1990s to roughly 1.5 percent in 2014 (Gensler et al., 2025).

A similar downward trend is visible in budget composition (Figure 1b): the share of government expenditure devoted to defense has steadily declined since the 1980s. Nevertheless, fragile and conflict-affected states (FCS)⁴ continue to allocate the largest budget shares—around 10 percent—to the military. Today, EMMIEs devote roughly 8 percent of government spending to defense, compared with about 5 percent in AEs. Middle Eastern countries allocate the largest shares of both GDP and budgets to defense, while Latin American countries allocate the smallest.

Military spending as a share of GDP began to rise again in 2014 and increased sharply after 2022 across all country groups. In Europe, defense spending has risen rapidly since 2022, driven by national initiatives and new EU-level support mechanisms.

FIGURE 1A. Military expenditure as a share of GDP, 1970–2023
(Average within country group, percentage of GDP)



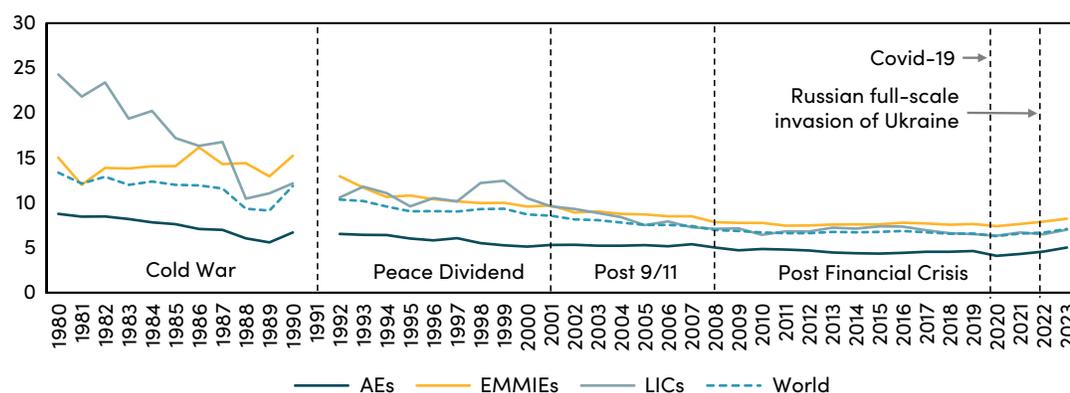
1 This paper draws on a larger study conducted in support of an evaluation by the IMF Independent Evaluation Office on IMF Advice on Fiscal Policy (IMF, 2025b) covering the period 2008–2023.

2 This analysis of military spending is based on data from the Stockholm International Peace Research Institute (SIPRI). SIPRI’s Military Expenditure Database, which is updated annually, contains consistent time series on the military spending of countries from 1949 onwards and is based on official data provided by national governments. It spending encompasses expenditure on personnel (including pensions), weapons, operations and maintenance, research and development (R&D), military aid, and construction.

3 This paper follows the IMF classification of countries by income level. Member countries are grouped into AEs, EMMIE, and LIDCs.

4 There is no universal definition of state fragility, and there is no fixed list of fragile states. For this paper, we follow the list used by the IMF comprising 39 IMF member countries as FCS in 2024.

FIGURE 1B. Military expenditure as a share of government expenditure, 1980–23 (Continued)
(Average within country group, percentage of general government expenditure)



Notes: AEs = Advanced Economies; EMMIEs = Emerging Markets and Middle-Income Economies; LICs = Low-Income Countries. Military expenditure calculated as the unweighted country average within each country group. Data for 1991 are not available due to the breakup of the former Soviet Union. The number of countries in the sample varies over time. Source: Stockholm International Peace Research Institute.

3. Literature review

The long-term effects of military spending on economic growth have been extensively debated in the literature. Some studies argue that military expenditure can stimulate growth through demand effects and technological spillovers, while others contend that it hampers growth by diverting resources from more productive uses. Empirical evidence generally points to a negligible or negative relationship between military spending and long-run growth (Alptekin and Levine, 2012; Dunne and Tian, 2013; d’Agostino et al., 2017).⁵ Under certain conditions, however, military spending may foster growth and improve welfare. This may be particularly relevant in some FCS, where increased military expenditure can yield short-term benefits by enhancing security and stabilizing socio-economic conditions, as observed in Colombia during the 1980s (Giugale et al., 2002).⁶

5 Becker and Dunne (2023) show that the negative impact on economic growth of higher military spending is mainly attributable to personnel expenditures. In contrast, the adverse effects from operating and maintenance costs are minimal, and spending on equipment and infrastructure has little measurable impact on growth. d’Agostino et al., (2017) find that a 1 percentage point increase in military spending is associated, on average, with an 8.5 percent reduction in per capita GDP over a 20-year period.

6 The rise of the drug trade in Colombia in the 1980s triggered escalating armed conflict and insecurity, with estimated economic costs at between 2 percent to 4.2 percent of GDP annually in the 1980s and 1990s. Following the 2002 presidential election, the government launched a major military offensive against armed groups to curb insecurity, protect lives and property, and reestablish the state’s monopoly on the use of force. As a result, military spending surged from an average of 2.3 percent of GDP per year (1975–2001) to 3.3 percent (2002–23) (SIPRI, 2025), contributing to a significant reduction in conflict and insecurity. In such cases, although large defense budgets are costly, they can yield important benefits by restoring law and order and lowering future risks of violence.

More recent work emphasizes the role of financing additional military spending. Ilzetzi (2025) finds that in the European Union the short-term growth effects of higher military spending depend critically on whether it is financed through taxation or borrowing, with tax-financed increases likely to have smaller—or even negative—growth effects.

Military spending can generate positive spillovers through innovation. Israel's Iron Dome missile defense system—developed through military R&D—has protected civilian infrastructure and economic activity since its deployment in 2011 (Richemond-Barak and Feinberg, 2016). In the United States and several other OECD countries, defense-related R&D has historically exceeded other forms of public innovation funding. Moretti et al., (2019) show that increases in government-funded military R&D are associated with substantial growth in private-sector R&D within the same firms or industries, both domestically and across borders. Ilzetzi (2025) estimates long-run productivity gains of about 0.25 percent following a temporary increase in military spending of 1 percent of GDP in NATO and EU countries, driven primarily by learning-by-doing and R&D effects.

A high share of military spending in total government expenditure constrains fiscal space and often crowds out other policy priorities, particularly in low- and middle-income countries. In the absence of stronger domestic revenue mobilization or offsetting expenditure savings, increased military spending frequently comes at the expense of health, education, and infrastructure investment. In sub-Saharan Africa, for example, about one-third of countries have recently experienced a resurgence of conflict, associated with declining revenues, rising military outlays, reduced capital spending, and widening fiscal deficits (IMF, 2019a). The crowding out of productive spending is supported by evidence linking higher military expenditure to rising income inequality and weaker long-term growth (Ali, 2007, 2011; Gupta et al., 2004).

Developing countries are typically importers of arms due to the absence of a domestic arms industry. As a result, arms imports can have a significant impact on their balance of payments and national budgets, particularly in years when these imports occur. This often leads to greater volatility in defense budgets, which can, in turn, affect other areas of government spending and budget financing. Furthermore, military spending can result in rising external debt, particularly in FCS in sub-Saharan Africa (Dunne et al., 2019). In this region, intense conflict has been associated with an average rise in the public-debt-to-GDP ratio of 16 percentage points within the first two years, reaching nearly 20 percentage points by the fifth year (IMF, 2019a). As many of these conflicts persist and defense budgets continue to grow, ending violence could generate a substantial “peace dividend,” enabling a reallocation of resources toward economic development and achieving the Sustainable Development Goals (Gupta et al., 2004).

At the current juncture, crowding-out effects are also likely to be relevant in higher-income countries, many of which have expanded defense budgets in response to Russia's war in Ukraine. NATO members—including Finland and Sweden, which recently joined the alliance—have committed to meeting or exceeding the 2 percent of GDP defense spending target by 2024 (up from 1.43 percent in 2014) and to further increases toward 5 percent by 2035 (Tian et al., 2024). Such increases are likely to place additional strain on fiscal space for other critical public investments, especially in environments where scope for additional taxation is limited and age-related spending pressures are intensifying.⁷

Structural factors can amplify the adverse effects of military spending on expenditure composition, particularly in LIDCs. Corruption can lead to a disproportionate allocation of public resources to the military, diverting funds away from essential public services (Gupta et al., 2001). Weak institutional frameworks further exacerbate inefficiencies and rent-seeking behavior in military procurement and operations, increasing the overall fiscal cost of defense spending (Collier, 2006).

Moreover, high military spending by neighboring countries can have adverse spillover effects, often perceived as security threats that prompt nations to increase their own defense budgets. Research highlights the role of neighborhood effects and arms races in shaping military expenditures. Nearby conflicts, including civil wars, can impact the defense budgets of neighboring nations, regardless of the conflict state's own spending or whether the neighbor is directly involved (Collier, 2006; Phillips, 2014). Additionally, membership in military alliances can exert pressure on countries to adjust their military expenditures. These alliances entail specific defense commitments while also offering collective security benefits (Clements et al., 2021).

4. IMF surveillance and military spending

The IMF conducts both bilateral (country-specific) and multilateral (global and regional) surveillance aimed at fostering international monetary cooperation and financial stability. In the former, it conducts regular assessments—or “health checks”—of individual economies, carried out through Article IV consultations. IMF staff visit the country, meet with officials, and publish reports assessing policies and offering recommendations. As regards multilateral surveillance, it monitors global and regional trends through flagship reports such as the World Economic Outlook (WEO), Global Financial Stability Report (GFSR), Fiscal Monitor (FM), and Regional Economic Outlooks (REOs). These examine spillovers across countries and assess the health of the international monetary system.

⁷ Some studies, such as Lin et al., (2015) and Zhang et al., (2017), even suggest a positive correlation between military and social spending in OECD and G-7 economies.

The IMF's engagement on military spending has been guided primarily by an IMF Board decision adopted on October 2, 1991 (IMF, 1991). This decision clarifies that staff may discuss military spending with country authorities insofar as it affects fiscal and external positions, including trade-offs such as the macroeconomic implications of reducing defense outlays. Military expenditure may also be examined from a regional or global perspective in the Fund's multilateral surveillance products.

At the same time, the 1991 Board decision establishes clear limits on the IMF's involvement, reflecting the sensitive nature of military spending. Specifically: (i) the provision of data on military expenditure by country authorities is voluntary; (ii) such data may not serve as a basis for IMF lending conditionality; and (iii) the IMF must refrain from making judgments about the appropriate level of military spending.

This framework remains in force and is consistent with subsequent IMF Board decisions on surveillance adopted in 2007 and 2012 (IMF, 2007; 2012). Under these decisions, IMF staff are required to engage with country authorities during annual surveillance on issues that are macro-critical—defined as those that can significantly affect current or prospective balance-of-payments positions or domestic stability. While the Fund's role in matters of national security and defense spending is necessarily circumscribed, elevated military expenditures can have important implications for fiscal sustainability and external balances. Within this framework, IMF staff has exercised discretion in determining the depth of coverage of military spending, applying a risk-based approach to prioritize issues deemed macro-critical.

Multilateral surveillance

Until recently, military spending received relatively limited coverage in IMF flagship publications, including WEO, FM, and GFSR.^{8,9} One reason may be that global military spending, measured as a share of GDP, remained broadly stable for much of the review period. Interest in military spending increased markedly following Russia's war in Ukraine, and several flagship reports addressed the issue in 2022, 2023, 2024, and 2025. For example, both the April 2025 WEO and FM highlighted the fiscal challenges posed by higher defense spending, particularly for countries with limited fiscal space. This focus is consistent with findings from bilateral surveillance discussed below. Beyond these instances, military spending appeared only sporadically in FM, typically alongside other major spending categories, and mainly for large AEs.

8 The results in this paper pertaining to multilateral and bilateral surveillance are derived from text analysis in flagship reports, Article IV consultation reports, and program documents.

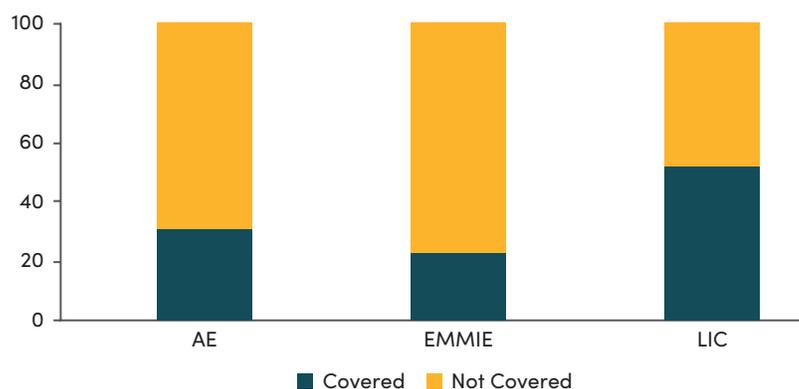
9 This contrasts with the substantive discussions found in WEO reports from 1990 and 1993. In May 1990, there was a section on the impact of lower defense expenditures, followed by an annex in 1993 on the economic benefits of reducing military spending. These discussions reflected the breakup of the Soviet Union in 1990 and the resulting peace dividend. The then Managing Director, Michel Camdessus, was particularly interested in the topic, see Camdessus (1991, 1998a and 1998b).

Military spending has been more prominently discussed in the IMF’s REOs, particularly for sub-Saharan Africa. The April 2019 REO for sub-Saharan Africa (IMF, 2019a), for instance, included a dedicated chapter on the economic and fiscal impacts of conflict. About one-third of countries in the region have experienced conflict in recent years—especially in the Sahel—with adverse effects on growth prospects and fiscal management. By contrast, the REO covering the Middle East—the region with the highest military spending relative to GDP—did not include discussion of military expenditures or their macroeconomic implications during 2008–23.

Bilateral surveillance

During the period under review, IMF staff discussed military spending in Article IV reports and/or program documents for 63 countries, or roughly one-third of the membership (Figure 2).¹⁰ Coverage of AEs was broadly proportionate to their share in the Fund’s membership. In contrast, LIDCs were covered more frequently relative to their membership share, reflecting the concentration of FCS within this group. While FCS account for about 20 percent of the IMF’s membership, they represented around 30 percent of countries where military spending was discussed in IMF staff reports between 2008 and 2023. This pattern is unsurprising, as FCS typically devote a larger share of their budgets to the military and face a close link between conflict and defense outlays, underscoring the macro-criticality of military spending in these contexts. Military spending was discussed most frequently in Africa, where nearly 40 percent of countries were covered. Notably, coverage has increased in recent years.

FIGURE 2. Military spending coverage in IMF Article IV reports and IMF program documents, 2008–23



Source: Drawn from IMF Article IV reports and program documents, 2008–2023.

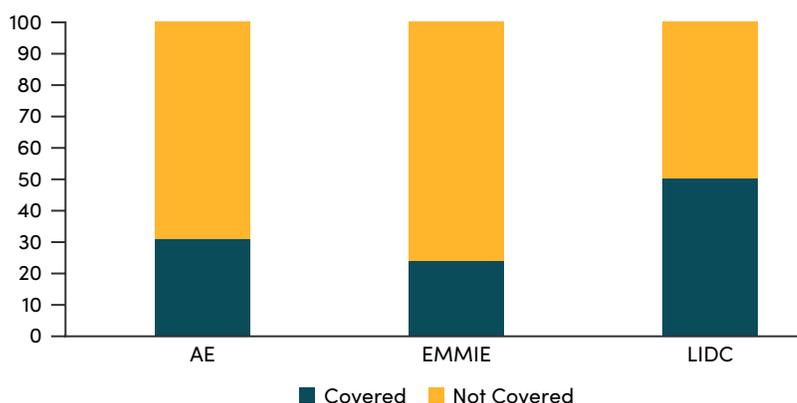
Coverage of military spending across the membership, however, appears uneven. Among countries with above-average military spending shares in their budgets during 2008–23—combined with relatively high fiscal deficits and debt-to-GDP ratios—treatment varied considerably.

¹⁰ See Appendix II for the list of countries covered.

Military spending was discussed in countries such as Afghanistan, Chad, Niger, Iraq, Israel, Lithuania, Mali, Oman, and the United States, but not in others with comparable or more constrained fiscal positions, including Angola, Azerbaijan, Bahrain, Belarus, Iran, Lebanon, Morocco, Syria, South Sudan, and Yemen. This unevenness may reflect the sensitivity of the topic, differences in country team approaches, and competing priorities such as social spending or income inequality. Similar inconsistencies are evident among countries with below-average military spending but comparable fiscal outlooks, particularly within the European Union. For example, military spending was discussed in Article IV reports for Finland and Germany, but not for France, Portugal, Spain, or the United Kingdom.

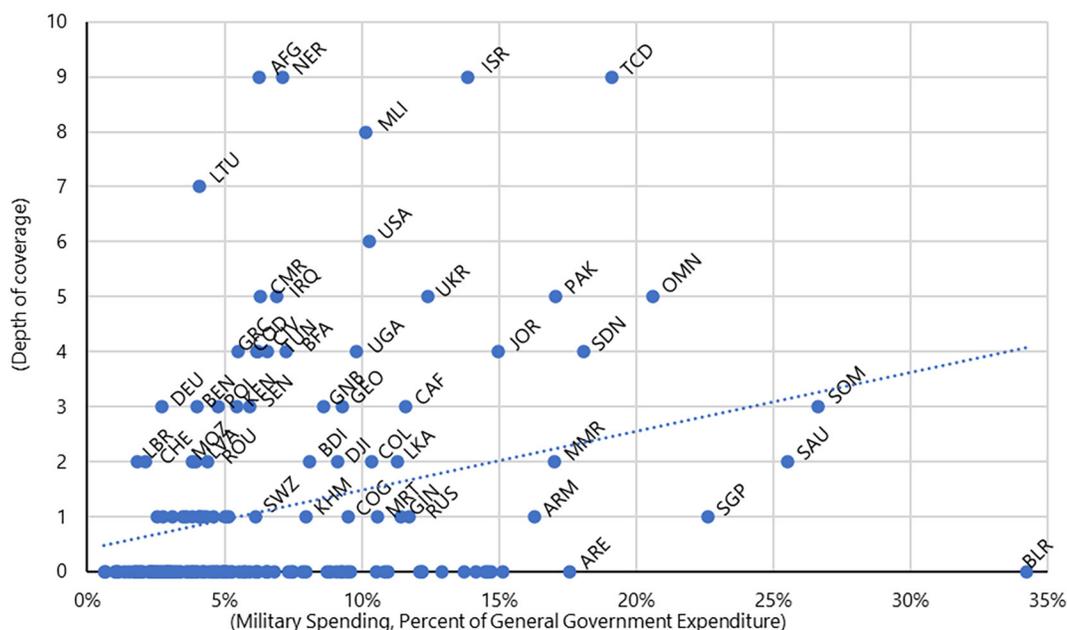
The depth of coverage also varied substantially. In more than 70 percent of cases, references to military spending were limited to brief mentions or factual descriptions of spending trends. Only slightly less than 30 percent of cases (24 countries) included discussion of macroeconomic trade-offs associated with military spending on at least one occasion (Figure 3). Trade-offs were discussed more frequently in AEs and EMMIEs than in LIDCs, with non-FCS LIDCs addressing them more often than FCS LIDCs, despite the latter typically facing tighter fiscal constraints and allocating larger budget shares to defense. For instance, IMF staff discussed macroeconomic trade-offs in surveillance reports for Germany and Israel, while similar analysis was absent in reports for Myanmar and Russia. Using a scalar rating of 1 (limited reference), 2 (factual description), and 3 (analysis of macroeconomic trade-offs), consolidated into a single score, Figure 4 illustrates the uneven depth of military spending analysis across countries. Military spending was not addressed in any form in countries such as Belarus, and the United Arab Emirates, shown on the horizontal axis, whereas it was discussed in Israel and the United States.

FIGURE 3. Military spending coverage in Article IV reports and program documents by income group (2008–23)
(Percent of countries within each group)



Source: Drawn from IMF Article IV reports and program documents.

FIGURE 4. Depth of military expenditure coverage in IMF Article IV reports and IMF program documents, 2008–23



Note: The depth analysis is based on three considerations: references to military spending in staff papers, factual description of military expenditures, and the discussion of macroeconomic trade-offs between military spending and other key variables.

Source: Drawn from IMF Article IV reports and program documents, 2008–2023.

The IMF has raised concerns about the use of off-budget mechanisms to finance military spending. Transparency issues arise when military spending is financed through off-budget mechanisms and excluded from the scope of IMF Article IV consultations. For instance, in Germany, the IMF noted the extensive use of extrabudgetary funds, including for defense, which could undermine the credibility of the fiscal framework over time and advised to provide a consolidated report on fiscal risks, encompassing all contingent liabilities to enhance fiscal transparency and improve risk management (IMF, 2023b). In Israel, the IMF recommended that grants from the United States and related defense spending be reported in the budget (IMF, 2022). In Russia, the share of spending classified as secret for national security purposes increased between 2013 and 2018. The Fund’s Fiscal Transparency Evaluation (FTE)¹¹ indicated that the secret allocations were directed toward border protection, armaments, and national security. The most recent Article IV report for Russia (2020) recommended that the authorities refrain from engaging in quasi-fiscal activities through sovereign wealth funds.

11 The IMF conducts FTEs to assess whether a country’s fiscal management of revenues and expenditures is transparent and meets the standards set in the code of fiscal transparency. Until mid-2025, FTEs had been conducted in 37 countries that requested them, with several countries requesting updates, but only a handful of them have addressed military or security-related spending. The FTE for Russia noted that in 2013, 14 percent of total expenditure was classified as secret, rising to 17 percent in 2018 (IMF, 2019b). The Turkish FTE reported an extrabudgetary fund, the Defense Industry Support Fund, amounting to 0.19 percent of GDP, which was allocated to support the military (IMF, 2017). In Jordan, the wage bill is approximately 50 percent of total current expenditures, whereas fiscal reports only identify around 20 percent in current spending, as military spending is excluded (IMF, 2021).

Following Russia's war in Ukraine, extrabudgetary military spending expanded further, including in AEs, accompanied by diverse financing strategies.¹² These included Poland's issuance of defense-related debt bonds, Denmark's reduction in national holidays, and Germany's €100 billion special fund established in 2022 to modernize and acquire new weapon systems (Cameron, 2024).¹³ Higher military spending has also been facilitated through reforms or greater flexibility in fiscal rules (Pench, 2025; Tuma, 2025). For example, the European Commission's White Paper on European Defence and the ReArm Europe Plan/Readiness 2030 recommend activating the national escape clause of the Stability and Growth Pact, allowing increased defense spending without triggering the excessive deficit procedure (European Commission, 2025). Germany has likewise reformed its "debt brake" to accommodate higher military spending alongside infrastructure investment.¹⁴

Advice on military spending under IMF-supported programs depended heavily on country-specific circumstances, including whether the country faced an active conflict. In Ukraine, IMF programs acknowledged the necessity of accommodating elevated military spending within macroeconomic targets. In 2014, this posed challenges for capital flows and international reserves; by 2015, the focus shifted toward improving budget composition through cuts in inefficient spending, a strategy continued in 2018. Following Russia's full-scale invasion in 2022, programs recognized that Ukraine's fiscal deficit would need to be financed largely through external support, as domestic measures were insufficient to create space for defense spending. By contrast, IMF advice in Georgia and Greece emphasized curtailing high military spending to strengthen macroeconomic balances. Greece's 2010 and 2012 programs included measures to rationalize defense spending toward OECD norms, while Georgia's 2008 program aimed to reduce import-intensive military expenditures to levels comparable to peer countries.

Across program countries, IMF advice appears to be uneven. Notably, FCS under IMF programs were not explicitly advised to prioritize restoring and maintaining security, despite its importance for

12 On February 25, 2025, the United Kingdom government announced plans to raise defense spending by 0.2 percentage points, increasing it to 2.5 percent of GDP starting in April 2027, with a goal of reaching 3 percent in the following parliamentary term, and financing this increase by reducing ODA from 0.5 percent to 0.3 percent of GNI (Prime Minister's Office, 2025).

13 Other examples include the use of revenues from copper exports in Chile to fund part of its military budget (based on a 1958 law). In 2019, military financing was set to transition to being funded through the national budget by 2029 ending the reliance on off-budget allocations while maintaining spending on arms procurement as classified (Lopes da Silva and Tian, 2019). Between 2010 and 2019, Egypt acquired a significant number of new arms despite official data indicating a decline in military spending compared to the previous decade, suggesting off-budget resources (Kuimova, 2020).

14 The reform allows military expenditures exceeding 1 percent of GDP to bypass borrowing limits and establishes a EUR 500 billion infrastructure fund. This reform was deemed essential because the European Commission's proposal to activate the national escape clause, which would permit the exclusion of up to 1.5 percent of GDP in military spending from the fiscal rules, would not have permitted Germany to finance its broader infrastructure agenda (Marsh and Williams, 2025; Pench, 2025).

stability and development, in contrast to the treatment of Ukraine.¹⁵ Instead, advice often reflected financing constraints and debt distress risks. In such cases, sustaining high military spending frequently required cuts to other current expenditures, including wages and subsidies.

5. Concluding comments

Overall, the IMF’s treatment of military spending in fiscal policy advice is consistent with its mandate and Executive Board guidance, particularly the 1991 decision emphasizing fiscal and balance of payments implications, as well as subsequent surveillance decisions in 2007 and 2012. In both bilateral and multilateral surveillance, IMF advice focused on the macroeconomic effects of military spending, without assessing national security considerations or appropriate spending levels, which remain sovereign decisions.

Despite its macroeconomic relevance, military spending received limited attention in IMF flagship reports, Article IV consultations, and program documents during 2008–23. While coverage in multilateral surveillance reports increased toward the end of the period, in-depth discussion before 2022 was largely confined to the sub-Saharan Africa REO. Of the 63 countries where military spending was mentioned in bilateral surveillance reports, fewer than 30 percent included analysis of macroeconomic trade-offs. In AEs, rising military spending in recent years did not materially alter the IMF’s bilateral policy advice, which remained broadly unchanged. Most references consisted of brief mentions or factual descriptions, offering limited fiscal guidance.

It remains unclear why military spending was addressed in some countries with high defense burdens and strained fiscal positions, but not in others with similar or worse conditions. In some cases, countries with below-average military spending received greater scrutiny than those with higher levels, resulting in uneven treatment across staff reports. This unevenness reflects a combination of countries’ reluctance to engage on sensitive security-related issues and the discretion exercised by IMF staff in prioritizing macro-critical topics. As military spending remains elevated amid heightened geopolitical tensions and constrained fiscal space, ensuring a more systematic focus on its macroeconomic implications would help strengthen the evenhandedness and credibility of IMF surveillance. Where military spending was discussed, the depth and nature of IMF advice varied substantially, reflecting country-specific circumstances, financing constraints, and debt sustainability considerations.

Going forward, the IMF Executive Board’s 2026 review of surveillance presents an opportunity to revisit the treatment of military spending in the surveillance of member country policies. In parallel, analysis of military spending should be scaled up in IMF flagship publications, particularly considering rising defense outlays amid elevated public debt levels.

¹⁵ A policy change was implemented in March 2023, which permits IMF lending to countries, such as Ukraine facing “exceptionally high uncertainty” due to external shocks beyond their control (IMF, 2023a). This implies that in future countries with high military spending would be eligible for IMF financial support provided they meet certain conditions.

Annex I. Military expenditure: Summary statistics, 1970–2023

	As Percent of GDP						As Percent of General Government Expenditure					
	1970–1990	1992–2000	2001–2009	2010–2019	2020–2021	2022–2023	1980–1990	1992–2000	2001–2009	2010–2019	2020–2021	2022–2023
World												
Mean	3.63	2.74	2.06	1.84	1.88	2.07	11.48	9.33	7.65	6.69	6.43	6.89
St. Dev.	(3.79)	(3.04)	(1.74)	(1.51)	(1.36)	(2.80)	(9.11)	(7.65)	(6.22)	(5.71)	(5.16)	(6.80)
AEs												
Mean	3.56	2.33	1.79	1.58	1.73	1.79	7.27	5.85	5.19	4.57	4.21	4.80
St. Dev.	(3.79)	(1.86)	(1.14)	(1.00)	(0.94)	(0.93)	(5.87)	(5.96)	(5.35)	(4.77)	(3.10)	(3.61)
EMMIEs												
Mean	4.44	3.02	2.36	2.21	2.24	2.48	14.44	10.52	8.62	7.62	7.53	8.07
St. Dev.	(4.40)	(2.74)	(1.65)	(1.81)	(1.69)	(3.91)	(8.72)	(6.99)	(6.22)	(5.95)	(6.09)	(8.77)
LIDCs												
Mean	2.50	2.64	1.80	1.48	1.47	1.65	16.09	10.99	8.12	6.93	6.52	6.75
St. Dev.	(2.16)	(4.05)	(2.17)	(1.12)	(0.86)	(1.21)	(10.93)	(9.07)	(6.35)	(5.59)	(4.39)	(4.70)
FCS												
Mean	3.99	3.60	2.62	2.07	1.80	3.22	21.77	13.94	10.14	8.82	8.10	9.74
St. Dev.	(3.84)	(4.90)	(2.78)	(1.77)	(1.08)	(6.23)	(13.84)	(10.66)	(7.78)	(6.88)	(5.01)	(10.00)

Notes: AE = Advanced Economies, EMMIEs = Emerging Markets and Middle-Income Economies; LIDCs = Low-Income Developing Countries. Data for 1991 are not available due to the breakup of the former Soviet Union. The number of countries in the sample varies over time.

Source: Calculations based on the SIPRI and WEO data.

Annex II. Coverage of military spending

Countries for which the fund covered military spending in Article IV reports and/or program documents, 2008–23

Advanced Economies	Emerging Market and Middle-Income Economies	Low-Income Developing Countries
Denmark	Armenia	Afghanistan (FCS)
Estonia	Bulgaria	Cambodia
Finland	Eswatini	Benin
Germany	Georgia	Burkina Faso (FCS)
Greece	Iraq (FCS)	Burundi (FCS)
Israel	Jordan	Cameroon (FCS)
Latvia	Oman	Central African Republic (FCS)
Lithuania	Pakistan	Chad (FCS)
Norway	Poland	Congo, Dem. Rep. of the (FCS)
Singapore	Romania	Congo, Rep. of (FCS)
Switzerland	Russia	Côte d'Ivoire
United States	Saudia Arabia	Djibouti
	Seychelles	Eritrea (FCS)
	Sri Lanka	Ethiopia
	Turkey	Gambia, The
	Tunisia	Guinea
	Ukraine (FCS)	Guinea-Bissau (FCS)
		Kenya
		Liberia
		Malawi
		Mali (FCS)
		Mauritania
		Mozambique (FCS)
		Myanmar (FCS)
		Niger (FCS)
		Nigeria (FCS)
		Somalia (FCS)
		Senegal
		Sudan (FCS)
		Uganda

Note: FCS stands for Fragile and Conflict-Affected States.

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