

## Breakdown of the 2022 ROK Defense Budget and Investment Priorities

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South Korea's defense budget is estimated to be about the 10<sup>th</sup> largest in the world as it exceeded 50 trillion won in 2020. The defense budget has continued to substantially increase during the current Moon Jae-in administration; with the defense budget for the Moon administration's last year in office in 2022 determined as 54.61 trillion won, defense spending has increased at an average of 6.3% annually over the past five years.

Specifically, the 2022 defense budget for force operating expenses including logistics supports, facilities, and education and training is 37.92 trillion won, 5.8% higher than the previous year. Meanwhile, 16.69 trillion won has been allocated to force improvement programs (FIPs) including the establishment of response systems against nuclear and weapons of mass destruction (WMDs) and the acquisition of advanced weapons systems. The amount for the FIPs is 1.8% lower than the previous year (See Table 1 below).

The force operating costs for 2022 consist of 12 programs that are designed to achieve major defense policies such as 'Defense Reform 2.0' and improvement of servicemembers' welfare, as well as to actively respond to changes in the strategic environments. 'Personnel

expenses' reflect the need to recruit 4,566 civilian employees and 937 non-commissioned officers under the Reform plan of Defense Manpower Structure, a key component of the Defense Reform 2.0. In addition, the program includes the 11.1% increase in servicemembers' monthly salaries per government's policy. As a result, the government's goal of increasing the monthly salary to 50% of the minimum wage set in 2017 has been achieved, with a sergeant's salary reaching 676,100 won per month. The budget for the 'Meals and Clothing (2.52 trillion won)' program increased by 9.3% compared to the previous year. This included a 25.1% increase (from 8,790 to 11,000 won per day) to the unit price for basic meals as well as the additional hiring of 910 civilian cooks, from 2,278 to 3,188. Meanwhile, the budget for 'Digitization of National Defense (732.9 billion won)' was increased by 14.1% to achieve smart defense innovation based on key technologies associated with the Fourth Industrial Revolution.

< Table 1. 2022 ROK Defense Budget >

(Unit: KRW Billion)

Classification	2021 Budget (A)	2022 Budget		Increase	
		Government Proposal (B)	Finalized Budget (C)	Compared to Previous Year (C-A)	%
◦Defense Budget (Total)	52,840.1	55,227.7	54,611.2	1,771.1	3.4
▪Force Operating Expenses	35,843.7	37,891.2	37,919.5	2,075.8	5.8
▪Force Improvement Expenses	16,996.4	17,336.5	16,691.7	△304.7	△1.8

The budget for the 'Improvement of Servicemembers' Health and Welfare' program was substantially increased by 59.9%, from 499.1 to 798.1 billion won, due to the COVID-19 pandemic and the need for active support of those that have completed their military service. In order to enhance the capacity to prevent and respond to pandemics, the allocated budget covering the costs of PCR tests for servicemembers and the acquisition of additional medical

supplies and equipment was increased from 116.1 to 135.3 billion won. In addition, funds were allocated to increase the morale of the soldiers by investing in programs such as the “Preparing for the Servicemembers’ Tomorrow” project, which helps them to save approximately 10 million won by the time they are discharged through monthly payments of 400,000 won.

The ‘Logistics Support and Cooperation (6.22 trillion won)’ program focuses on ensuring that every equipment is maintained at a level that allows the existing force to sustain 100% operational capacity. Funds to acquire supplies to enhance the convenience of the servicemembers have been increased. However, the budget for the program decreased by 2.6% compared to the previous year as parts of the program have been transferred to force improvement programs in order to improve the cost-efficiency of the defense budget.

The budget for ‘Military Personnel, Training, and Education’ set at 906.9 billion won continues to include the costs of fostering an environment for realistic training through the acquisition of high-tech training equipment and training facilities. In addition, the program also supports cultivation of productive and healthy living environments for the servicemembers, achieved through the increase in both self-development funds and remote college course enrollment fees provided to the servicemembers.

The budget for ‘Construction and Operation of Military Facilities (5.318 trillion won)’ concentrates investment on improving basic living conditions of the servicemembers through projects such as the modernization of barracks. In particular, consistent efforts to improve facilities are being made. One example is projects to upgrade the living quarters and mess halls at the army training center. The 3.31 billion won for initial design fees out of the total construction costs of 687.3 billion won for the project is included in the 2022 budget. Moreover, the Ministry of National Defense has sought to better train reserves into elite forces to prepare for the decline in the number of active service troops. To this end, the budget for the ‘Management of Reserve Forces (261.2 billion won)’ allocated to give the reserve better treatment and to modernize reserve supplies and equipment continues to expand.

The budget for the ‘Operation of Executive Agency (215.7 billion won)’ includes the costs of operations for the 18 organizations in charge of military operations to achieve its goals. Meanwhile, the budget for ‘Policy Planning and International Cooperation (1.40 trillion won)’ reflects increases to the agreed amount (1.25 trillion won) per the 11<sup>th</sup> Special Measures Agreement (SMA) signed on March 18, 2021. On the other hand, the budget for ‘Administrative Support of the Military (747.3 billion won)’ decreased from the previous year due to the annual decrease in the number of civil suits on compensation for noise pollution caused by the military (See Table 2 below).

< Table 2. Breakdown of the 2022 Defense Budget >

(Unit: KRW Billion)

Classification		2021 Budget (A)	2022 Budget (B)	Increase	
				Amount (B-A)	%
<b>Total Defense Budget</b>		<b>52,840.1</b>	<b>54,611.2</b>	<b>1,771.1</b>	<b>3.4</b>
<b>Force Operating Expenses</b>		<b>35,843.7</b>	<b>37,919.5</b>	<b>2,075.8</b>	<b>5.8</b>
<b>Personnel Operating Expenses</b>		<b>20,587.2</b>	<b>21,784.3</b>	<b>1,197.1</b>	<b>5.8</b>
Personnel	Personnel Expenses	15,205.8	16,063.9	858.1	5.6
	Transfer Payment to Military Welfare Fund	3,079.8	3,204.2	124.4	4.0
Meals and Clothing		2,301.6	2,516.1	214.5	9.3
<b>Force Maintenance Expenses</b>		<b>15,256.4</b>	<b>16,135.2</b>	<b>878.8</b>	<b>5.8</b>
Digitization of National Defense		642.4	732.9	90.5	14.1
Improvement of Servicemembers' Health and Welfare		499.1	798.1	299.0	59.9
Logistics Support and Cooperation		6,184.5	6,021.9	△162.6	△2.6
Military Personnel, Training, and Education		802.4	906.9	104.4	13.0
Construction and Operation of		4,684.9	5,031.8	346.9	7.4

Military Facilities				
Management of Reserve Forces	234.6	261.2	26.6	11.4
Operation of Executive Agency	204.1	215.7	11.6	5.7
Policy Planning and International Cooperation	1,191.2	1,399.4	208.2	17.5
Defense Administrative Support	813.2	747.3	△65.9	△8.1
<b>Force Improvement Expenses</b>	<b>16,996.4</b>	<b>16,691.7</b>	<b>△644.8</b>	<b>△1.8</b>

The budget for the FIPs consists of 32 programs, including the acquisition of new weapons systems in 2022 such as light aircraft carriers (7.2 billion won), subminiature satellite systems (11.2 billion won), long-range artillery interception systems (18.9 billion won), mass production of light-armored helicopters (90.5 billion won), performance enhancement of the F-35A (20 billion won), and 2<sup>nd</sup> round of large transport aircraft (15.8 billion won). However, the budget decreased by 648.8 billion won compared to 2021 due to the conclusion of large acquisition programs for the F-35A and KF-21 Boramae.

The ROK Ministry of National Defense and the Defense Acquisition Program Administration (DAPA) will vigorously oversee the administration of the budget so that a strong military can be constructed as planned.