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POSSIBILITIES OF MORE EFFECTIVE SPENDING OF FUNDS IN THE DEFENSE SYSTEM

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Abstract: *In this paper, we will present our views, partial analysis and our proposals for possible solutions for more effective spending of resources for the defense of the Republic of Serbia. We believe that this is a very important topic in the current situation, when all levels of decision-making and execution are looking at possible ways of saving, that is, of rationalizing the consumption of all resources. It is known that a large part of the resources of the defense system of each country, including ours, is related to the procurement of “something that may be needed someday.” This is precisely where the starting point lies for looking at and investigating the justification for the enormously high resources of a country’s defense system, or rather for equipping and arming with means of combat and non-combat techniques. It is a well-known fact that in the world, including our country, the consumption of defense funds increases every year, through the adoption of the budget of the Republic of Serbia and its rebalancing during one budget year. In this way, means for defense, i.e. expenses on that basis, reach extremely high values, while far more important areas of life such as education, health, social protection, science and others are neglected and relegated to the background. The latest research and data from this field show that our country, as well as Croatia, records the highest level of defense spending. Thus, for example, in the last few*

years there has been a large increase in funds for the defense system, as well as the police, while at the same time there has been a decrease in funds for education, health and social protection. The state, i.e. its bodies, face an extremely important task, to make appropriate decisions at this very sensitive moment, which, according to the current situation, will help to overcome the already evident crisis in all spheres of life and properly allocate and direct the available resources so that there are no major consequences for the economy of the country and the standard of living of citizens. It is necessary to carefully evaluate where we can spend more effectively, that is, where expenses can be reduced in order to compensate and direct the funds in the so-called "critical areas" and we know that these areas are currently energy, supply, agriculture and others.

Key words: consumption of funds, defense system, more efficient consumption

INTRODUCTION

Defense represents one of the general social needs almost since the beginning of the existence of mankind. Always, when defense is the subject of consideration, the question arose: "How much resources are needed for the defense of a certain country?" However, that question represents a kind of puzzle for which practically no one in the world has a real solution, regardless of all the "institutional" and public discussions about the means needed for the defense of the country." Of course, we should add there a wide range of relationships and reactions both on an individual and group level when it comes to one country. Such a complex issue requires a broad social consensus at the level of each individual state, with simultaneous consideration of the results and numerous of other factors that influence the final attitude and determination of those who make decisions regarding the amount of defense funds, i.e. the defense system. Observed at the world level, the average of the funds allocated to the defense system ranges from about 6% of the gross domestic product (GDP), with the individual allocations of the states ranging from 1% to 30% of GDP and the highest percentage is allocated by the countries that are at war.

Regarding our country, we can say that the planning, allocation and consumption of funds for the needs of the defense system takes place "in accordance with the material possibilities and the security situation in the region."

1. EXPENDITURE IN OTHER DEFENSE SYSTEMS AND ITS LATEST TRENDS

Globally, spending on defense systems rose to \$1981 billion in 2020, an increase of 2.6 percent in real terms over 2019 (SIPRI, 2021). Furthermore, according to the same source (SIPRI - Stockholm International Peace Research Institute), "the five largest spenders in 2020, which together accounted for 62 percent of global military spending, were the United States, China, India, Russia and the United Kingdom."

The above mentioned increase in spending on defense systems at the world level of 2.6 percent in 2020, occurred at a time when the world gross domestic product (GDP) decreased by 4.4 percent (according to the International Monetary Fund), which is mainly the consequence of the economic implications of the Covid-19 pandemic. What resulted from that is the fact and data that spending on defense systems (observed as a percentage of GDP) at the world level reached an average level of 2.4 percent in 2020, while that average in 2019 was 2.2 percent. Therefore, it follows that this is the biggest jump in spending for defense systems (on an annual basis) since the global financial and economic crisis in 2009 (SIPRI, 2021).

As for the United States of America, as the largest spender in the world in this area, its consumption in 2020 reached the amount of about 778 billion dollars, which means an increase of 4.4 percent compared to 2019. As the world's largest spender, the US accounts for 39 percent of total global expenditure in 2020, marking "the third consecutive year of growth in US consumption after seven years of continuous decline" (SIPRI, 2021).

We conclude that spending on defense systems at the global level, as well as in most cases of individual countries, recorded significant growth in 2020 regardless of the consequences of the Covid-19 pandemic.

In order to take a closer look at the amount of funds spent by defense systems in the world, as well as the trends of these funds in the last ten years, we selected a number of countries in Central and Western Europe (Table 1), where we presented the relative amounts of funds (as a percentage of GDP). Thus, from the aforementioned tabular overview, we can see that the means of the defense system of the selected countries are constantly increasing, from year to year, and this trend is expressed mainly in the largest number of countries in the world (regardless that the data does not include all countries). It is evident that the allocation of funds for defense in Luxembourg ranges from 0.39% in 2012 to 0.63% of GDP in 2021, which again supports the fact that we previously stated, that there is a constant increase in the allocation of funds (in this case it had almost doubled in the analyzed period). Furthermore, looking at the relative amount of funds shown, we see that Luxembourg (0.39%) and Austria (0.78%) have the smallest amounts of funds (at the beginning of the analyzed period), while the highest percentage amounts are recorded by Serbia (1.97%) and Greece (2.44%). Therefore, Serbia is at the very top with its percentage of allocation of funds for the defense system. Taking into consideration the movement of the specific amounts of funds of the selected countries in the given period, we observe that the largest increase in allocations was expressed in the case of Luxembourg (from 0.39% in 2012 to 0.63% of GDP in 2021), Croatia (from 1.67% in 2012 to 2.74% in 2021) and Greece (from 2.44% in 2012 to 3.87% in 2021) which only complements the claim of a constant increase in funds allocated and spent for defense systems, or in other words for weapons and military equipment. If this analysis includes the fact that most countries do not have a lot of room for increasing "tax revenues", it inevitably directs us to the so-called "expenditure side" of the budget, which again does not leave many opportunities for more rational spending, i.e. for saving of funds.

Table 1. Comparative overview of funds for financing the defense system of selected countries (% GDP)

Country	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Central Europe										
Bulgaria	1,34%	1,46%	1,31%	1,25%	1,25%	1,23%	1,45%	3,15%	1,54%	1,59%
Croatia	1,67%	1,63%	1,82%	1,76%	1,60%	1,64%	1,55%	1,61%	1,77%	2,74%
Poland	1,80%	1,78%	1,91%	2,14%	1,94%	1,89%	2,05%	1,97%	2,30%	2,12%
Romania	1,23%	1,29%	1,35%	1,45%	1,41%	1,72%	1,81%	1,84%	2,03%	1,95%
Serbia	1,97%	1,90%	1,94%	1,83%	1,75%	1,84%	1,61%	2,21%	2,10%	2,09%
Western Europe										
Austria	0,78%	0,75%	0,75%	0,70%	0,73%	0,76%	0,74%	0,73%	0,83%	0,80%
Greece	2,44%	2,37%	2,35%	2,47%	2,58%	2,56%	2,72%	2,67%	2,81%	3,87%
Luxembourg	0,39%	0,40%	0,41%	0,45%	0,41%	0,52%	0,53%	0,57%	0,63%	0,63%

Note: author's calculation based on available data from the SIPRI database (<https://milex.sipri.org/sipri>)

2. MILITARY EXPENDITURE AND BURDEN ON NATIONAL INCOME

The army as a state institution is a significant spender of budget funds. In 1997, the country (FRY) allocated about 1.3 billion dollars for defense purposes, of which 79.1% was for the needs of the Army, or about 95 dollars per inhabitant, or about 10,000 dollars per soldier. In 2003, according to the amount allocated from the gross domestic product (GDP) per member of the defense system, with an average of 6,468 euros per soldier, the Army of SCG was "richer" only than the armies of Ukraine (1,556 euros), Bulgaria (3,950 euros), Russia (5,665 euros) and Macedonia (5,696 euros). Having this in mind we should note that one percent of Bulgaria's GDP was allocated for defense purposes, 1.67 percent of Ukraine's, two percent of Macedonia's and 2.87 percent of Russia's, while 2.95 percent was allocated for the SCG defense system. At the same time, the size of our existing defense system was 0.74 percent of the population, Macedonia 0.48, Ukraine 0.60, Bulgaria 0.73 and Russia 0.87 percent of the population (Tešanović, Imamović & Kostić, 2008). Table 2 provides data on the number of soldiers and the defense budget of Serbia.

Table 2. Overview of the defense costs of Serbia

Year	No of soldiers*	Defense budget* (mill \$)	Defense as a percentage of GDP**
2004.		782	3,3%
2005.		774	2,9%
2006.	45.180	730	2,5%
2007.	34.700	795	2,5%
2008.		844	2,5%
2010.	26.500		

* Defense strategic review (draft), July 2006.

** Data include Montenegro as well (Bela knjiga odbrane SCG, april 2005.)

When we analyze defense budget costs, ie military budgets, we have an interesting situation. According to AFP and SIPRI statistics from 2005, military budgets spend between 9.2 billion \$ in Brazil and 417.4 billion \$ in the USA (Russia 13.0; Germany 27.2; China 32.8; France 35.0; Great Britain 37.1; Japan \$46.9 billion) (Tešanović, 2014). These are huge figures, which burden the gross domestic product of national economies and their budgets: this further promulgates inflation, unemployment, budget deficit, public debt with reversible effects on economic growth and private savings (Tešanović, Imamović & Kostić, 2008).

In this context, growing unemployment and growing public debt were recorded, despite the relatively successful suppression of inflation and the reduction of the budget deficit (Tešanović, 2014).

We have already pointed out in the introductory part of this paper that the highest percentage of allocation of funds for the needs of the defense system is made by countries that are “at war”. Observed nominally, the consumption of funds for the defense system of Russia, due to the war in Ukraine, will increase drastically from April 2022 onwards. Some data indicate that the consumption is at a level higher than 20 billion rubles, that is, 300 million dollars per day (which is a definitive estimate of certain expert bodies, because it is not yet possible to obtain precise data). All the mentioned assessments are distinguished by one common statement, which is “an extremely high daily rate of consumption of the resources of the Russian defense system in wartime circumstances.” At the moment, those figures range “from \$500 million per day to \$900 million, with forecasts that spending levels could reach \$20-25 billion per day” (Cooper, 2022)

For the sake of a more detailed analysis of the consumption of the funds of the mentioned countries, we singled out a characteristic period (2014-2021), because it is considered that since 2014 there exists the so-called “quiet war” between these two countries, and in 2022 there happened an escalation of the conflict. By comparative analysis of the data from Table 2, we can conclude that the consumption of funds for Russia’s defense system (as a percentage of GDP) recorded a significant increase in the period 2014-2016. year (from 4.11% to 5.43%), while at the same time the consumption of funds on the same basis in Ukraine also recorded a significant increase (from 2.25% in 2014 to 3.15% in 2016). In the period from 2017 to 2019, there is a slight decrease in spending on the defense systems of the mentioned countries, and again in 2020, the spending of resources will record a significant increase, both in Russia and in Ukraine.

Table 2. Comparative overview of means for financing the defense systems of Russia and Ukraine (as % of GDP)

Year:	2014	2015	2016	2017	2018	2019	2020	2021
Country:								
Russia	4,11%	4,87%	5,43%	4,25%	3,69%	3,83%	4,26%	4,08%
Ukraine	2,25%	3,25%	3,15%	2,88%	3,19%	3,52%	3,81%	3,23%

Note: author's calculation based on available data from the SIPRI database¹ (<https://milex.sipri.org/sipri>)

3. EXPENDITURE OF FUNDS IN THE DEFENSE SYSTEM OF THE REPUBLIC OF SERBIA

In order to talk about the consumption of funds, it is necessary to emphasize that this process is preceded by a number of other processes, and in this paper we will refer to the planning of funds for the defense system, that is, the financing of its needs. The very process of planning the funds that will be used to finance the defense system is based on the real economic capacities of the Republic of Serbia, basic tasks and defined goals, results from security assessments, formulated strategic interests as well as resulting obligations. In that process, "long-term, medium-term and annual priorities are unequivocally specified and economic and efficient use of funds approved for defense purposes is ensured" (Ministry, 2010).

The spending of funds in the defense system is an integral part of the entire "public spending", the financing of which is carried out through the "budget of the republic and it ensures the achievement of the goals and objectives of the defense" (Tešanović, Imamović & Kostić, 2008).

Having this in mind, we come to the conclusion that the consumption of funds in the defense system is a segment of "total public spending" and that it is oriented towards the realization of the tasks of the defense system. Considering its basic purpose, the spending of funds in the defense system is characterized by the following (Tešanović, Imamović & Kostić, 2008):

- "the greater part of the material means has a special purpose, because it serves to meet the needs of the country's defense;
- a large part of the material resources is provided through a special organization, from production to the place of consumption;
- there is a possibility that part of military research is used for civilian purposes;
- the implementation of military programs implies a cooperative relationship with civilian companies, which gives momentum to the production process and

¹ SIPRI - Stockholm International Peace Research Institute. SIPRI is an independent international institute that conducts research on conflict, armaments, arms control and disarmament. Founded in 1966, it provides data, analysis and recommendations, based on open sources.

- due to the importance of the defense system, meeting its needs deserves special attention.”

When it comes to the funds used to finance the defense system of the Republic of Serbia, it is necessary to emphasize that the amount of these funds is determined by the size of the gross domestic product (GDP), by allocating a certain percentage of that economic size or category for the stated purpose. The previous claim stems from the provision: “that the defense system is part of the social system and constitutes a segment of the socio-economic structure” (Kostić , Knežević, & Lepojević, 2018). It is precisely because of this fact that the need to finance the defense system from the available sources of “total social reproduction” arises.

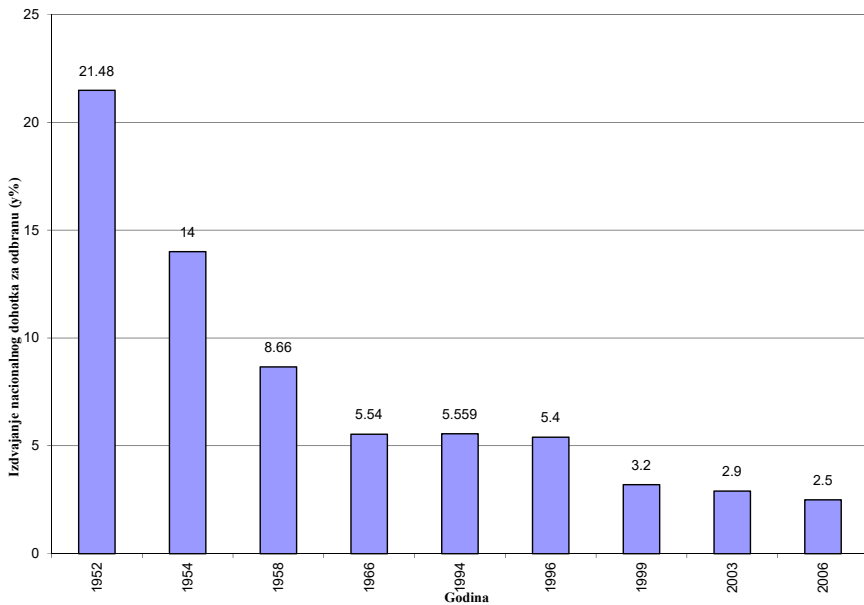
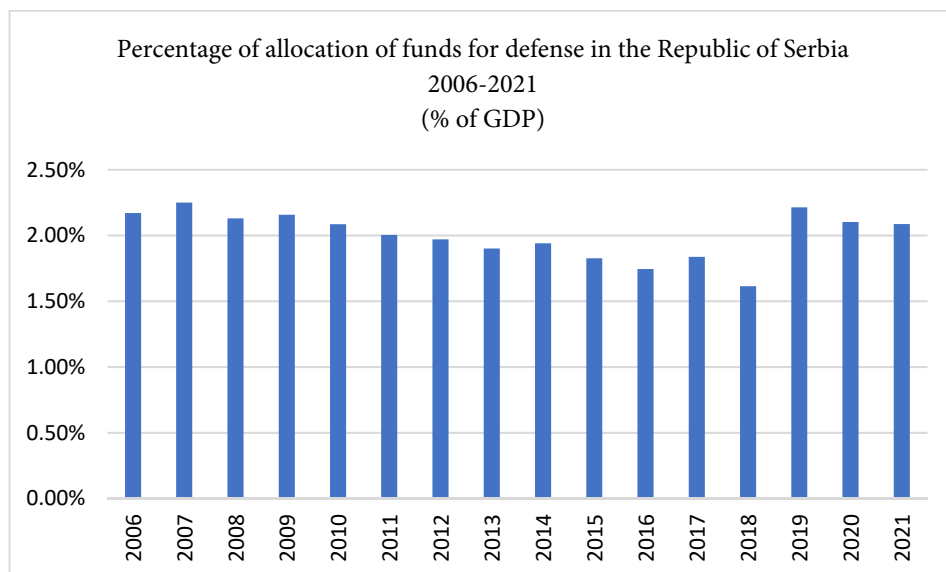


Chart 1. Allocation of funds for defense in Yugoslavia-FRY (% of GDP)



Graph 2. Allocation for defense in Serbia for the period 2006-2021 (% of GDP)
(source: <https://milex.sipri.org/sipri>)

Since the end of the Second World War, Yugoslavia has allocated significant resources for defense. In Graph 1, characteristic years are highlighted: 1952, 1954, 1958, 1966, 1994, 1996, 1999, 2003 and 2006, and based on that, it can be concluded that the percentage of funds allocated for defense was continuously reduced during the mentioned period.

We had begun the year 1998 with a deficit of 1.5 billion dinars, and 67.8% of the total budget funds were earmarked for defense financing (6,550 billion dinars). Funds for military needs amount to 4.97% of the total social product, so military expenditures per inhabitant amount to 78 dollars, which is significantly less compared to countries with approximately the same number of inhabitants: Greece - 333, Belgium - 327, Czech Republic - 125 dollars per resident (Tešanović, 2014).

Graph 2 clearly shows that the percentage allocations for defense in the Republic of Serbia have been slightly above 2% of GDP since 2006, and that percentage was maintained for a short period, so that from 2011 until 2018, the percentage was constantly below 2%, and even significantly below 2% (in 2016 and 2018). The allocation level recorded a significant increase in 2019, and it remained above 2% in 2020 and 2021.

If we compare the data from Charts 1 and 2, we will conclude that the percentage of allocations for defense recorded a constant decline in the period 1952-2006, which indicates the determination of the state to reduce defense allocations to the so-called “reasonable level”. Furthermore, from Graph 2, it is evident that the percentage of allocations for defense in our country is “retained” below the level of 2.5% of GDP, which certainly represents a positive shift in terms of spending funds for that purpose.

Herewith we should further note that the GDP of Serbia in the last ten years (end of 2021) is constantly increasing, which mainly creates opportunities for higher nominal allocations for defense, but at the same time there is a lower percentage of allocations, which again leaves room for other purposes within the state budget. By comparing the data on allocations for the defense system in our country with the data of other countries in the region, we come to the conclusion that the allocations of our country are on the same basis higher than other countries in the region (Albania, Hungary, Bulgaria and others) but at the same time lower than the allocations for the defense system in Croatia. However, it should be emphasized that such comparisons should only be made with countries with similar characteristics (number of inhabitants, numbers of the army or the defense system, gross national income and the percentage allocated to the defense system, etc.).

In order to complete this analysis, Table 3 provides a comparative overview of funds for the defense system of the Republic of Serbia, which are allocated in accordance with the Law on the Budget of the Republic of Serbia. As part of the aforementioned review, the means for equipping, which are contained within the means for the defense system, are shown. By analyzing the data from Table 3, it becomes noticeable that the funds allocated for the defense system of the Republic of Serbia in 2022 compared to 2012 have increased 2.3 times, which represents an enormous increase regardless of the length of the period. Also, comparing data on equipment funds within the budget of the defense system, we see that the allocation in 2022 (60.4 billion dinars) is 14.7 times higher than the allocation for that purpose in 2012 (4.1 billion dinars). Therefore, the data from Table 3 lead us to the conclusion that the funds for the defense system have been increasing rapidly in the last ten years, with this increase being the most convincing in the last three years of the analyzed period (2020-2022). At the same time, with the aforementioned increase comes a drastic increase in funds for equipping the defense system, whereby the increase is twice as much in 2021 as compared to 2020, only to be slightly reduced in 2022, with the emphasis that this is not the final data considering that the budget year is still going on. By analyzing the structure of funds for equipping the defense system in 2022, it was concluded that “the largest part of these funds refers to the procurement of weapons and military equipment (about 51 billion dinars)” (Banković, 2021).

Table 3. Comparative overview of funds for the defense system of the Republic of Serbia

	2010.	2011.	2012.	2020.	2021.	2022.
Defense budget (billion din.)	47,1	49,8	59	104	152,1	136
Equipment funds (billion din.)	5,5	4,7	4,1	33,7	71	60,4

Note: Compiled by the author on the basis of available data from the Law on the Budget of the Republic of Serbia for the specified years

As stated by some expert analyzes of the structure of the budget of the defense system for 2021, this “drastic increase in funds for equipping”, i.e. for weapons and military equipment, they ultimately reflect the intention of the state leadership of the Republic of Serbia to “enter into new contracts for the procurement of complex combat systems that cost hundreds of millions of euros” (Radić, 2021).

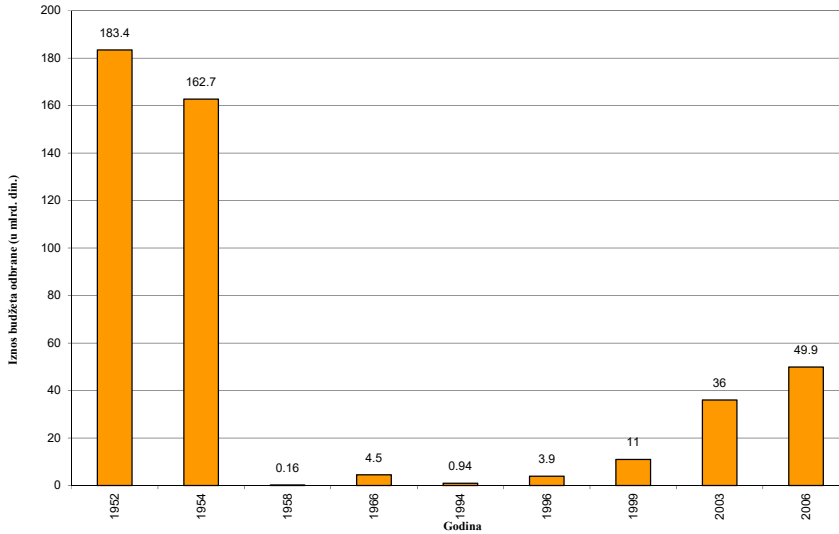
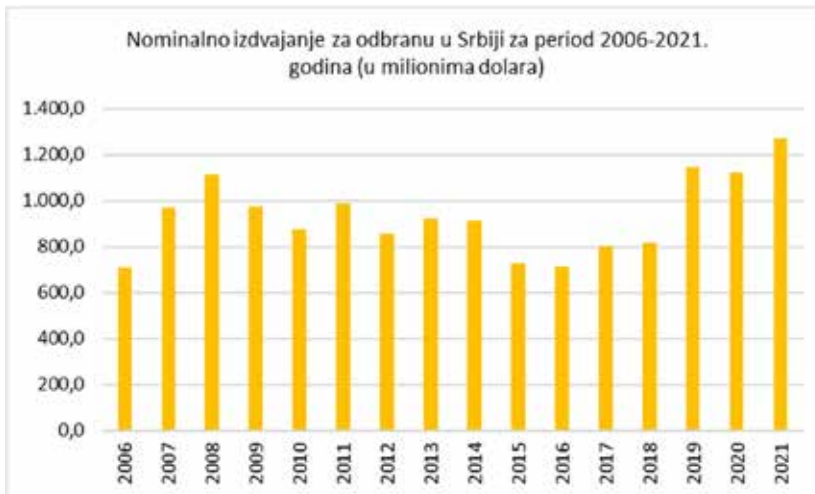


Chart 3. Nominal allocation of funds for defense in Yugoslavia-Serbia for the period 2006-2021



Graph 4. Nominal allocation for defense in Serbia for the period 2006-2021 (mill of US\$) (source: <https://milex.sipri.org/sipri>)

While Graph 3 provides data that after 2000 there was an increase in funds (in nominal amount) allocated for defense (Tešanović, Imamović & Kostić, 2008), on the basis of Graph 4, it can be concluded that the allocation of funds for defense in Serbia, in the observed period, does not have continuity in terms of height, but on the contrary shows constant variations where periods of growth alternate with periods of decline in nominal allocation. Thus, for example, from 2006 to 2008, we had a significant increase in allocations, but in 2009 and 2010, there was a noticeable drop in allocations for defense. After that, we see that in 2011 there is again a significant growth, so that the value of allocations in the period from 2012 until the end of 2018 would be in stagnation or a slight increase. In the last three years (2019-2021), there has been a sudden jump in nominal defense allocations (over one billion dollars annually), which we have already pointed out earlier in this paper.

Indeed, we must herewith emphasize that the consumption of defense system funds, specifically for our country, and for the most part for a huge number of other countries, can also have positive effects on internal reproduction, by ensuring the stable development of the state (especially in emergency situations) by creating demand for new products and the results of scientific and research work in the defense system which further provides the possibility of application in other systems such as the economy and the like.

Table 4. Comparative overview of funds for the defense systems of the countries in the region (mill of US\$)

Country	Denom.	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Albania	USD	183,2	180,0	178,1	132,4	130,9	144,4	175,9	200,1	187,4	236,4
B & H	USD	197,3	197,6	190,4	162,2	157,9	156,3	172,1	165,4	167,5	192,2
Croatia	USD	955,3	957,0	1063,5	883,2	836,7	920,8	966,4	1001,8	1013,0	1739,8
North Macedonia	USD	119,4	126,5	124,2	100,0	103,5	100,8	119,6	146,1	153,5	214,6
Serbia	USD	853,6	919,8	913,4	724,2	710,4	801,7	817,7	1143,8	1121,2	1270,8
Slovenia	USD	543,5	506,7	486,2	400,8	449,2	473,8	529,5	572,9	567,7	734,4

Note: author's calculation based on available data from the SIPRI database (<https://milex.sipri.org/sipri>)

In order to complete this analysis, we should also mention the fact that the allocations of our state in the last few years (covered by the analysis) have been reduced when it comes to areas such as education, health and social protection, while we have already stated that, in the same period, expenditures for the defense system increased many times with the tendency of further growth. This is certainly one of the indicators that the distribution of funds at the state level should be reconsidered, which would result in investments in more promising and vitally important projects.

4. POSSIBILITIES OF MORE EFFECTIVE SPENDING OF FUNDS IN THE DEFENSE SYSTEM OF THE REPUBLIC OF SERBIA

Bearing in mind the current economic situation and the increasingly certain crisis, both in the world and in our country, it is very important to seriously approach the issue of reducing public spending, “within which spending for defense purposes is a significant item” (Tešanović, Imamović & Kostić, 2008). In the above text of this paper we could see that any increase in funds allocated for the needs of the defense system has negative implications for the amount of funds allocated for “accumulation and personal consumption” because analogously to the increase in spending for defense purposes, the pace of increase in the rate and volume of investments is decreasing (Tešanović, Imamović & Kostić, 2008).

The fact that is very important for the success of a more efficient use of budget funds both for the defense system and for all other budget users is that all projects and programs foreseen in the financial plans of the users are clearly and unambiguously presented, because this is the only way to achieve the common goal, as follows: “We must create an incentive to spend funds more rationally and we must direct them to priorities.” The result of such an approach is the fundamental principle of “good budget practice and responsible management of public finances” (Fiscal Council, 2021)

In the context of a more appropriate use of resources in the defense system, it should be noted that for many years we had faced the so-called “inertia” that guided a huge number of those who decide on the consumption of funds according to the principle “when savings are made on one side, it should be transferred to another position of expenses and finance other projects” (Imamović, 2013). In this way, funds are most often spent on tasks or projects that are not that important or worth investing in from the aspect of the effectiveness of those funds, that is, from the point of view of their impact on increasing the capabilities of the defense system or some part of it. It is an important task for those who manage the defense system and who decide on the spending of funds to completely eliminate such an approach from practice.

Insisting on more effective spending of funds in the defense system does not mean “savings” in its primitive form, but a special way of managing the organization and conducting business, which gives the greatest importance to the optimization of costs in achieving organizational goals” (Imamović, 2011).

The management of the defense system of the Republic of Serbia must recognize the growing influence of the perception of assets as well as the need for efficient disposal and management of those assets. It is, in fact, nothing more than abandoning one way of thinking that reads: “Someone else finances, we spend, there is no problem” and accepting another way of thinking which states: “We achieve our goals in a cost-effective way” (Imamović, 2011)

Having in mind the experiences and results of other, mostly advanced, defense systems and their armies, we can conclude that the transition process itself in terms of spending resources and their more effective engagement is very demanding, especially

from the aspect of limitations and the constant danger of the decline of the so-called “fiscal resources.” It is necessary for the defense system to form a precise, properly planned and functionally objective strategy of transition from a typical “user of budget funds” to the absolute optimization of the use of funds as if it were a business organization that leads a continuous struggle for business success and survival on the market.

By including the previous views and claims, we arrive at the following set of possibilities for a more expedient deployment of resources in the defense system:

- a) In the process of planning funds for the needs of the defense system, stick to the set goals and priorities and express the need for funds in realistic terms;
- b) Realize spending of funds strictly according to established programs and projects, with maximum cost optimization at all levels;
- c) Effectively carry out the process of spending funds and continuously review and analyze all the effects resulting from the spending of funds with an effort to minimize possible negative effects;
- d) Constantly review and review the spending of funds both for maintenance and for the procurement of new funds and systems, because this is the segment that carries the largest part of the funds of the entire defense system;
- e) When purchasing, especially new funds, rely maximally on domestic economic and other capacities in order to promote the economic development of our country;
- f) Review the existing supply chains and wherever possible give priority to domestic companies.

CONCLUSION

Through the analyses carried out in this paper, we have enabled ourselves to see the flows of funds consumption in the defense system, where the most attention is drawn to the data on the amount of funds spent on equipping, that is, on the procurement of “weapons and military equipment”, as well as the fact that in the last few years the amount of funds for this purpose significantly increased. However, this should not be interpreted as the exclusive spending of funds for armaments, because within this, significant funds are allocated and spent for the modernization and renovation of existing combat systems that originate from the former common state (SFRJ).

A more efficient use of funds in the defense system would enable the redistribution of those funds to other programs, ie to projects important for social life, such as: infrastructure projects of public importance, health and social programs, projects and programs in the field of education, as well as research and development. Furthermore, we should point out that such an approach must in no case endanger the vital interests of the country’s defense, that is, it must not lead to a decrease in the operational and functional capabilities of the defense system.

One of the solutions that arises in the consideration of this problem is raising the level of awareness of all those who who make decisions, both on the allocation and consumption

of funds in the defense system of the Republic of Serbia. The long-standing practice of “spending funds up to the maximum percentage of realization” must be completely eliminated; this way we are opening up the possibility of redirecting funds to projects that are far more important at that moment, with the possibility of allocating funds to other budget users.

We are of the opinion that the percentage of defense allocations should be kept at the level of up to 2% of GDP, because any “slight reduction” would enable the redirection of funds to, as we have already stated, critical areas of financing such as: certain social programs, public infrastructure projects, the field of education, as well as research and development. As we have already pointed out in this paper, the GDP of Serbia in the last ten years has recorded a constant growth, which enables greater allocations of funds for defense (in nominal amounts) but also a reduction of the “burden” through the percentage of allocations, which opens up space for financing other areas in to the state. Of course, it should be noted here that the allocation of funds for the defense system in our country does not at all exceed “the consumption of funds in public enterprises necessary for the realization of the set goals.” (Tešanović, Imamović & Kostić, 2008) In addition, we must once again emphasize that, there exists “an unfounded myth about the defense system as one of the largest systems in the country, the largest consumer of funds and one of the main initiators of economic imbalance” (Tešanović, Imamović & Kostić, 2008)

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