

***BASIC INFORMATION***  
***on THE MoND BUDGET***  
***for 2005***

*Warsaw 2005*

# MINISTRY OF NATIONAL DEFENCE

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# MINISTRY OF NATIONAL DEFENCE

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This publication provides main information on the budget expenditures of Ministry of Defence in the year of 2005 and their breakdown according to various criteria and specific comparisons. Information covered in this presentation include, mainly macroeconomic data based on MoND budget, other defence expenditures allocated by other state budget holders and some comparisons to NATO defence expenditures average.

In accordance with the 2005 Budget Act, ceiling of defence expenditures was established according to formula 1.95% of GDP 2004 and amounts MPLN 17,240, of each MPLN 17,192.3 is allocated to Ministry of Defence (Section 29 of the state budget) and MPLN 47.7 to the other parts of the state budget.

Additionally, for the implementation of the multirole aircraft procurement program MPLN 439.2 was placed within designated reserves of the state budget (0.05% of the GDP).

Therefore, defence financial means of the state budget together (defence expenditures plus aircraft program) amount MPLN 17,679.2 - as is 2 % of predicted GDP 2004 (BPLN 884). So, defence expenditures in comparison to the year 2004, observe the nominal growth by 8% and 5% in real term. In spite of significant increase Polish defence expenditure are still well below NATO average (per capita - triple and per soldier - twice).

Nevertheless the above mentioned expenditures, MoND expects to strengthen modernisation process of armed forces by collecting some off budget resources:

- Modernisation Fund of Armed Forces - 96,5 MPLN,
- Revenues from privatisation of defence sector - 13.2 MPLN,
- Minister of Science and Information Technology allocations to defence research and development projects (estimation) - 148,1 MPLN

# MINISTRY OF NATIONAL DEFENCE

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Polish defence potential is also backed up by foreign funds as following:

- NATO Security Investment Program (NSIP) - 279.3 mln PLN,
- Foreign Military Financing (FMF) - 260,0 mln PLN,
- International Military Education and Training (IMET) - 8.0 mln PLN

Looking at a perspective of a few years it would be known easily, that defence expenditures increase successively with quite significant change to a breakdown to basic costs categories. For instance a share of capital investment (equipment and armament and construction) to the MoND budget as a whole was 9.5% in 2001, 12.7% in 2002, 13.6% in 2003, 16.2% in 2004 and finally 19.4% in 2005 (a plan). To get so significant increase to capital investment MoND had to implement many painful decisions regarding directly military personnel (reduction in manpower and closing of military basis).

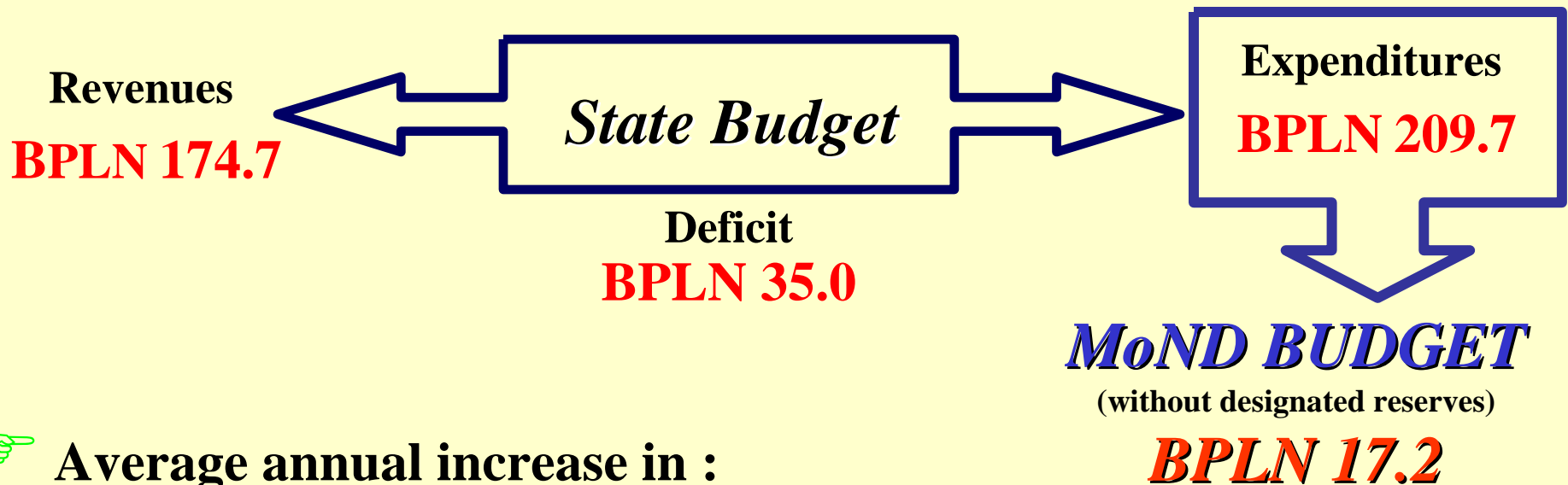
Except many positive trends in the budget, we can not unequivocally say, that all the needs of the armed forces will be accomplished in the year 2005. In spite of the fact that petrol expenditures are raised by 11% in 2005 in comparison to the year 2004, petrol quantity procurement of armed forces will depend strongly on further stabilisation on the world oil market. Despite real defence expenditures increase in 2005 training levels still differ among troops - similar to NATO standards in units of high readiness forces and lower in the others.


Summing up, we can ascertain that the year 2005 will be a period of pro evolutionary budget, which reflects positive trends and improvements in financing of defence tasks and missions.

## ***basic macroeconomic indicators 2005***

**GROSS DOMESTIC PRODUCT – BPLN 952.6**

- increase in real terms 5.0 %



 Average annual increase in :

- prices of consumer goods and services - 3.0 %
- prices of capital goods and services - 2.8 %
- salaries in the public sector - 3.0 %

## ***total state defence effort 2005 r.***

**Defence expenditures - MPLN 17,240.0**

(1.95% of GDP 2004)

within:

- **MoND expenditures**- section 29 National Defence - MPLN 17,192.3

- **other ministries defence expenditures** - MPLN 47.7

**Designated reserve**

„aircraft program”

- MPLN 439.2

**Total - MPLN 17,679.2**

**Average annual increase - 5%**

**additional off budget sources - MPLN 805.1**

● **state - MPLN 257.8**

● **foreign - MPLN 547.3**

## ***additional financing sources***

### **▶ *state***

**- MPLN 257.8**

- Armed Forces Modernization Fund - MPLN 96.5
- Privatisation of defence sector - MPLN 13.2
- Defence research in Ministry of Scientific Research and Information Technology (estimate)  
- MPLN 148.1

### **▶ *foreign programs***

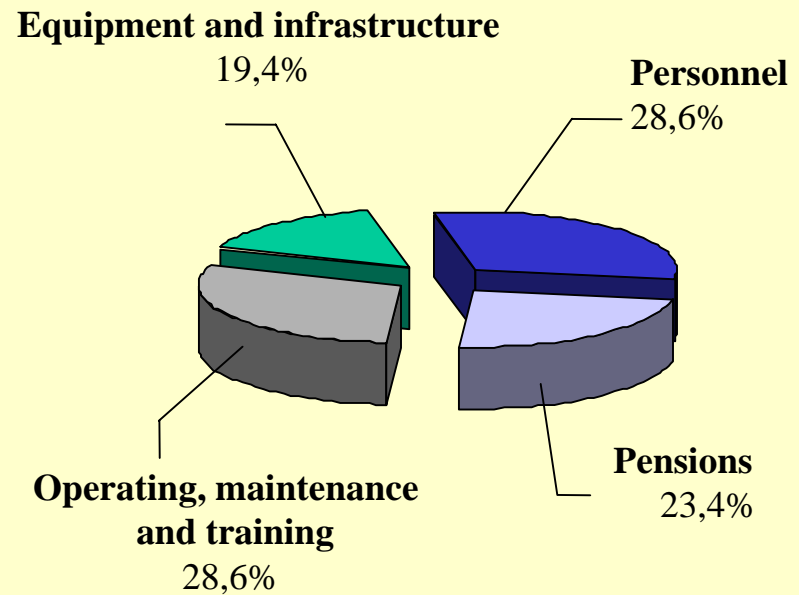
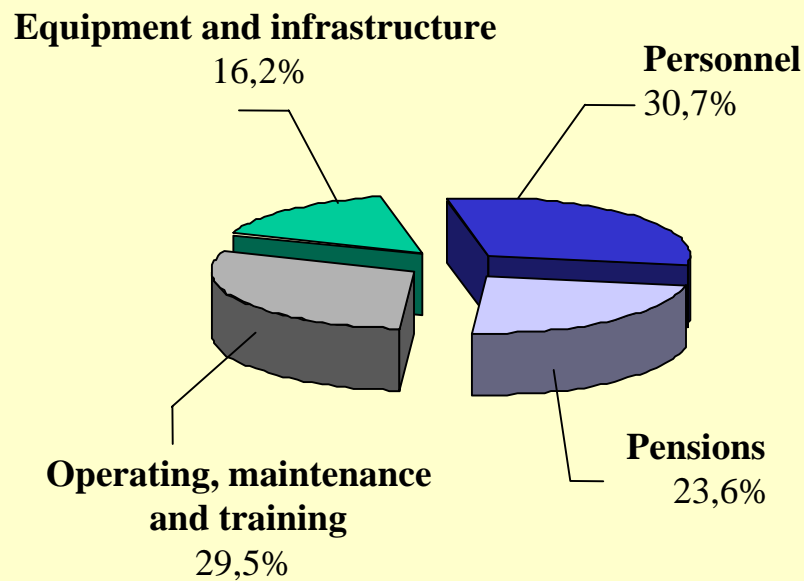
**- MPLN 547.3**

- NSIP - MPLN 279.3
- FMF - MPLN 260.0
- IMET - MPLN 8.0

# cost categories breakdown over the years 2004 -2005

*Year 2004*

*Year 2005*





# ***national defence priority tasks for the year 2005***

## **1. Technical modernization :**

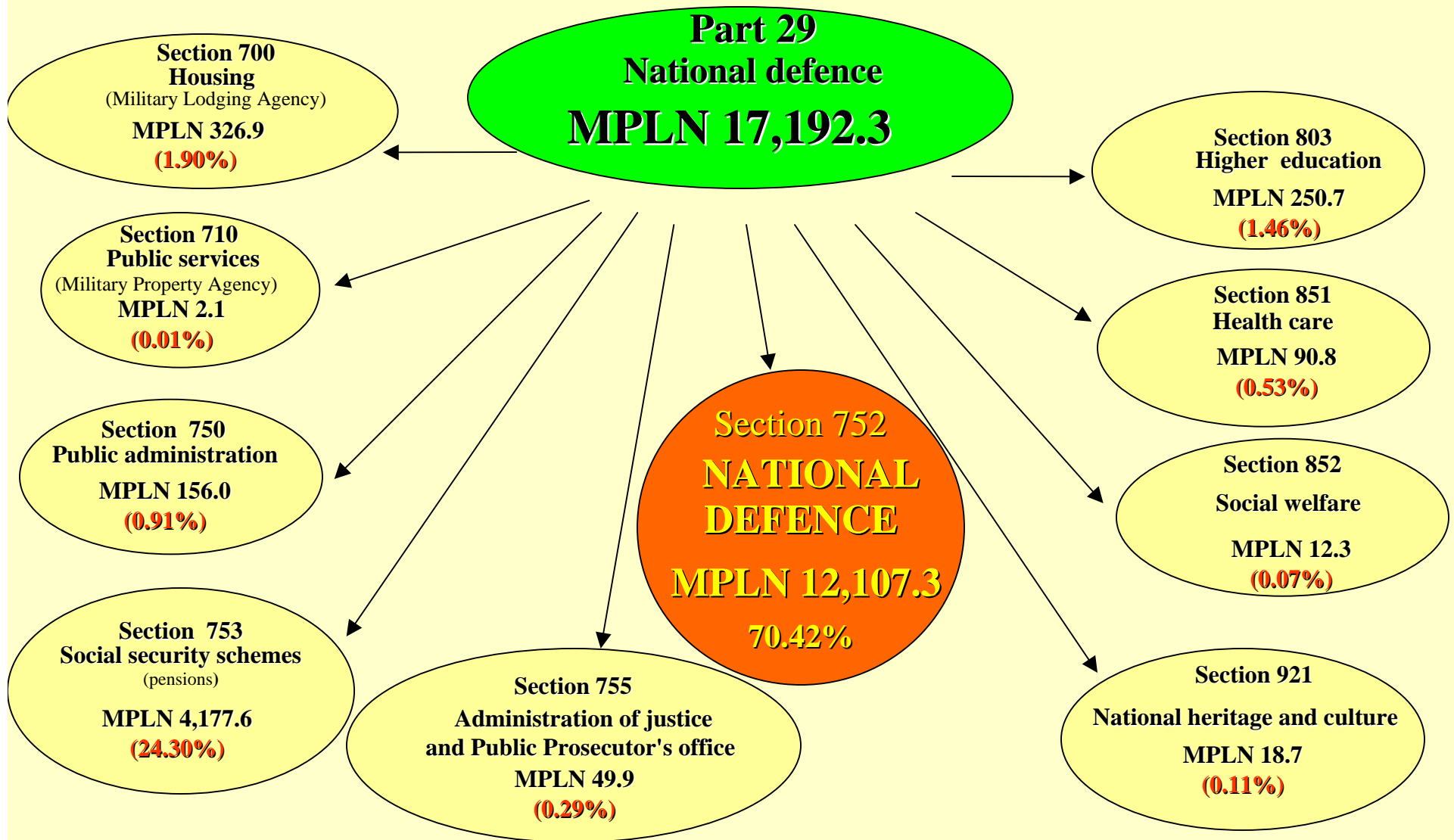
- New C3 equipment (command, control and communication),
- Adjustment of reconnaissance and electronic warfare systems to NATO standards
- Improvement on manoeuvre abilities and firepower of high readiness forces units through implementation of wheeled transporters (ROSOMAK) and antitank missiles (SPIKE)
- Improvement on abilities of anti aircraft systems
- Improvement on mobility and transport ability of the army
- Continuation of „multitask aircraft program”.

## **2. Budget allocation for military peace missions.**

## **3. Providing duty conditions for new professional private corps.**

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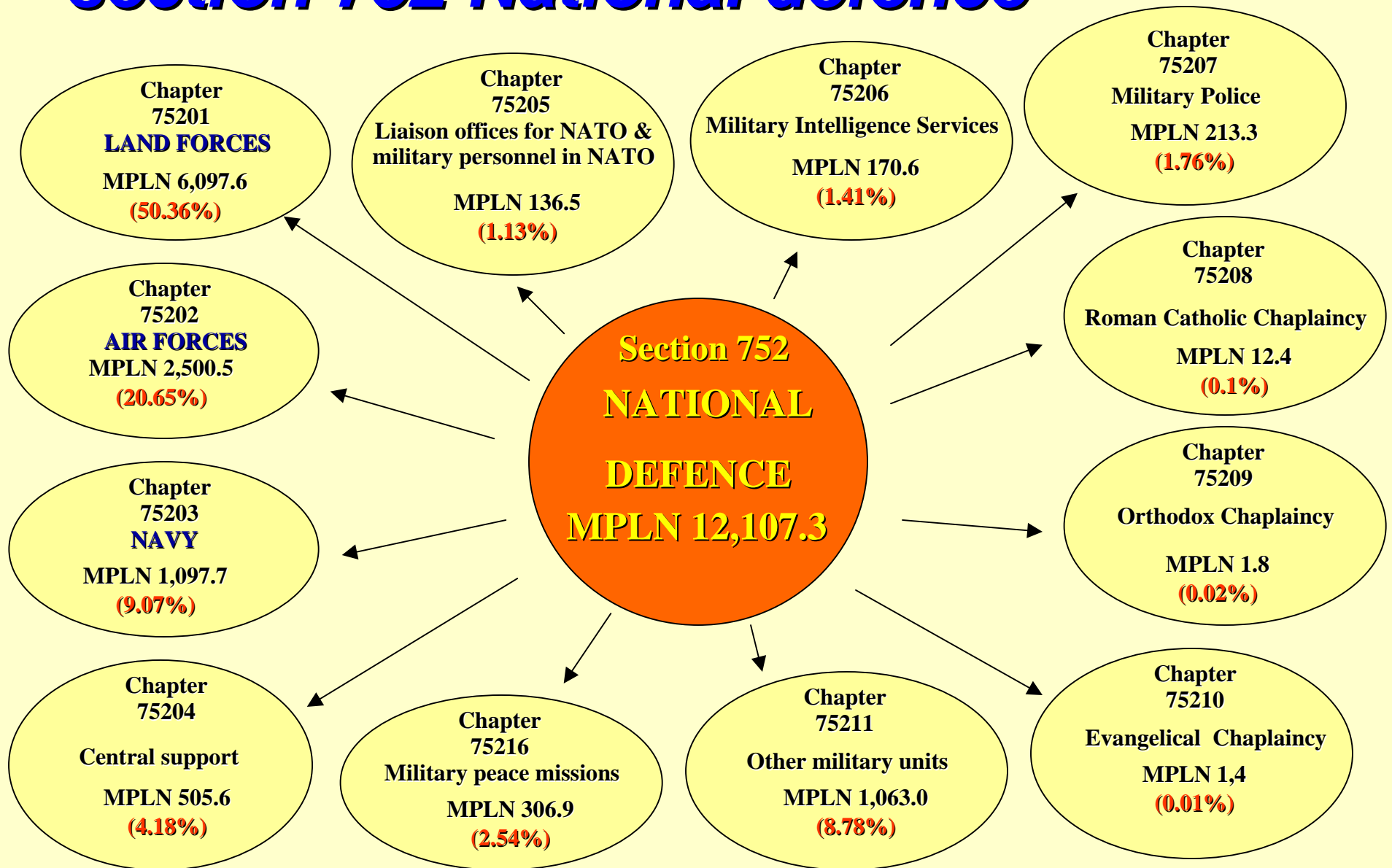
## structure of MoND budget in sections



**BUDGET DEPARTMENT**

# MINISTRY OF NATIONAL DEFENCE

## section 752 National defence



BUDGET DEPARTMENT

# *structure of MoND budget 2005 by main services*

(in thousand PLN)

Sector of expenditures		ARMY		AIR FORCES		NAVY	
		Chapter 75201		Chapter 75202		Chapter 75203	
		Plan	Structure	Plan	Structure	Plan	Structure
I	Personnel costs	2 402 334	39,4%	917 680	36,7%	408 399	37,2%
II	Operating, maintenance and training	2 063 121	33,8%	877 637	35,1%	386 888	35,3%
III	Equipment and infrastructure (procurement of armament and investments)	1 632 084	26,8%	705 176	28,2%	302 405	27,5%
<b>TOTAL ( I - III )</b>		<b>6 097 539</b>	<b>100,0%</b>	<b>2 500 493</b>	<b>100,0%</b>	<b>1 097 692</b>	<b>100,0%</b>

*Comment: Equipment and infrastructure figure doesn't enclose funds for multirole aircraft program*

## ***personnel in 2005***

- **Personnel expenditures - MPLN 4,922.4**
  - nominal increase by 0,2% (incorporating salary rise by 3%)
  
- **Average salaries (monthly):**
  - **Professional soldier - PLN 2,722**
  
  - **Civilian personnel:**
    - **Civil servant - PLN 2,011**
  
    - **Other personnel - PLN 1,727**

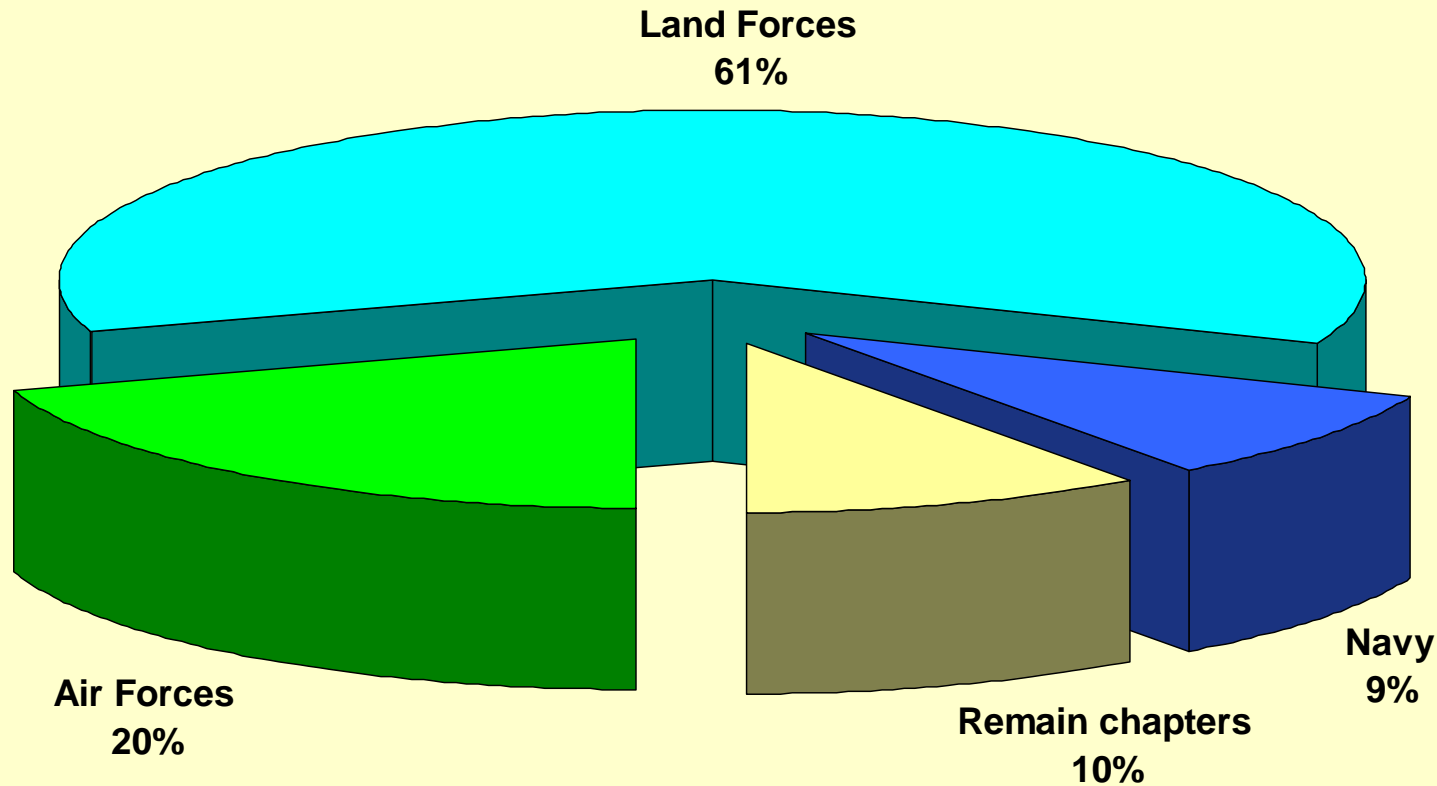
## MINISTRY OF NATIONAL DEFENCE

# *personnel figures over the years 2004 - 2005*

Category of staff	2004	2005
<b>PROFESSIONAL SOLDIERS</b>		
In: budgetary units	74 758	76 348
within: professional privates *)	1 063	6 065
academies and officers schools	1 242	1 092
<b>Total</b>	<b>76 000</b>	<b>77 440</b>
Off budget activity	37	54
<b>Total</b>	<b>76 037</b>	<b>77 494</b>
<b>FIXED-TERM CONTRACT SOLDIERS</b>		
In: budgetary units	8 790	7 200
academies and officers schools	10	10
<b>Total</b>	<b>8 800</b>	<b>7 210</b>
<b>OTHER SOLDIERS</b>		
(conscripts and career soldier candidates)		
Budgetary units	62 166	62 396
Academies and officers schools	838	902
<b>Total</b>	<b>63 004</b>	<b>63 298</b>
<b>TOTAL SOLDIERS</b>	<b>147 841</b>	<b>148 002</b>

\*) at the end of 2005 the number of privates will achieve 7.625

***military personnel by chapters  
in National defence section***



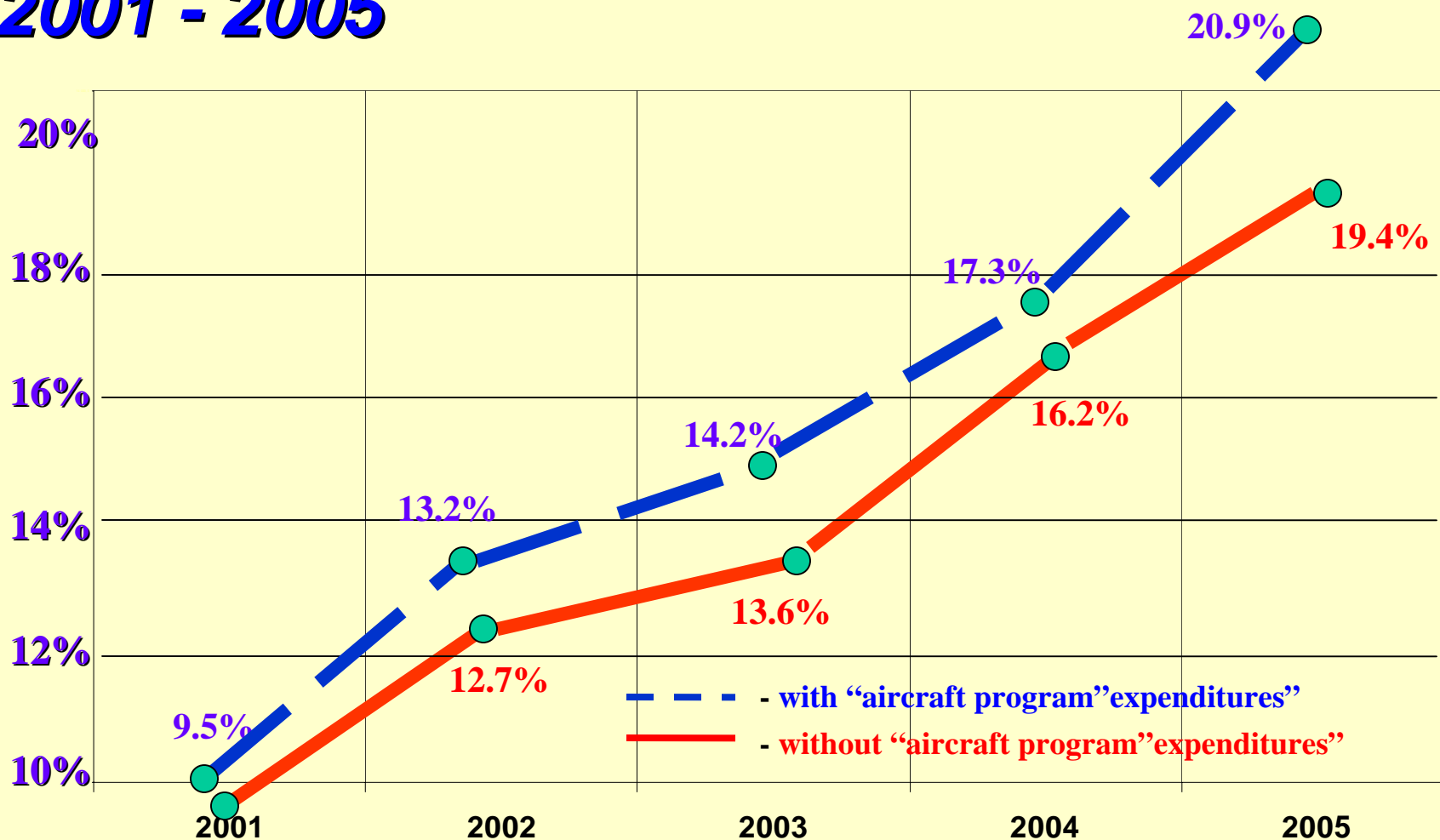
## ***pensions 2005***

- Pension expenditures - MPLN 4,017
- Number of pensioners - 153,200 (year average)
- Annual pensioner indicator - 104.2% (increase by 4.2%)
- Average pension - PLN 2,112
- No pension rise



## MINISTRY OF NATIONAL DEFENCE

# *equipment & infrastructure expenditures within MoND budget over the years 2001 - 2005*

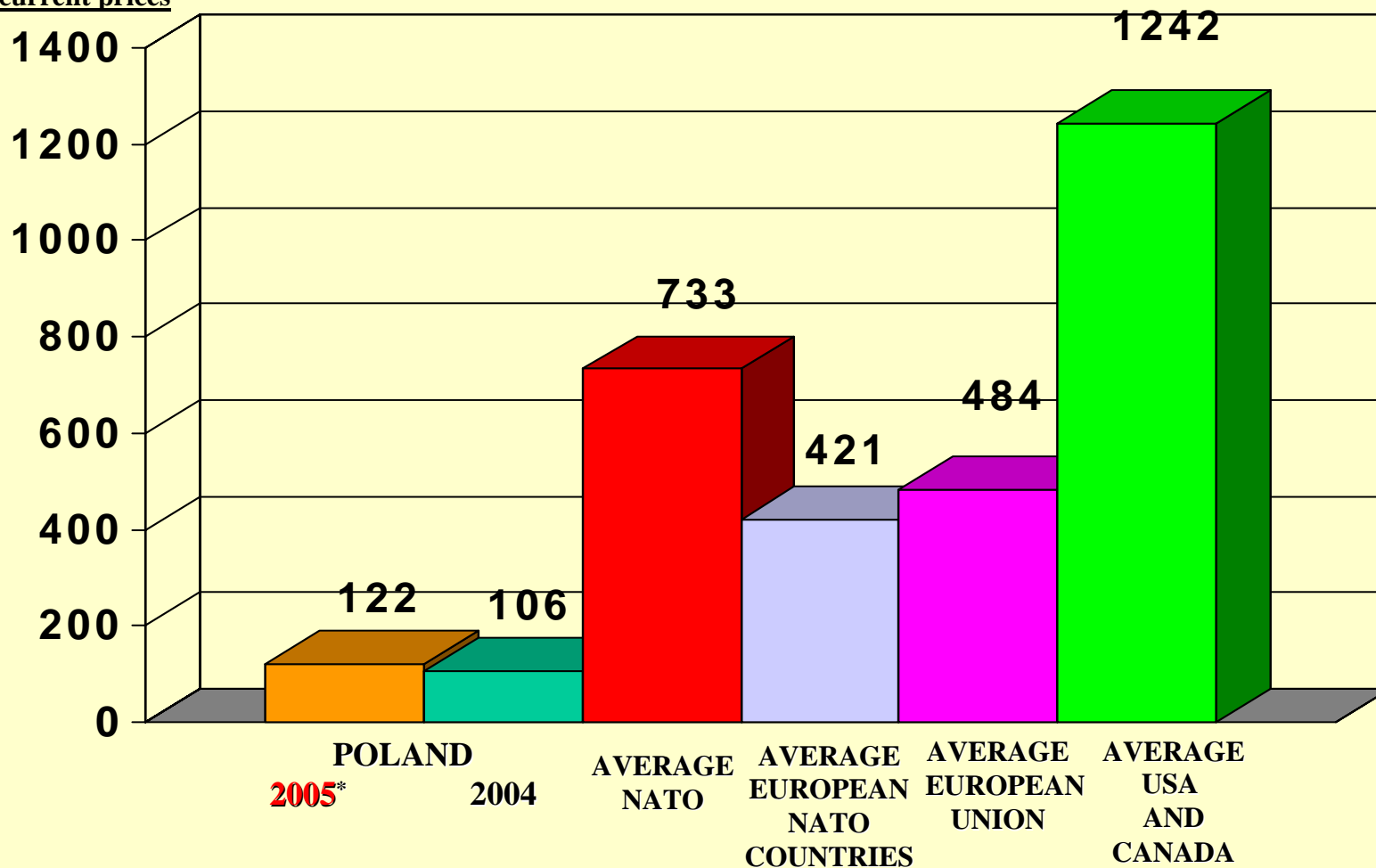


BUDGET DEPARTMENT

## MINISTRY OF NATIONAL DEFENCE

# ***Poland's budget expenditures compared to NATO average (per capita in USD)***

current prices

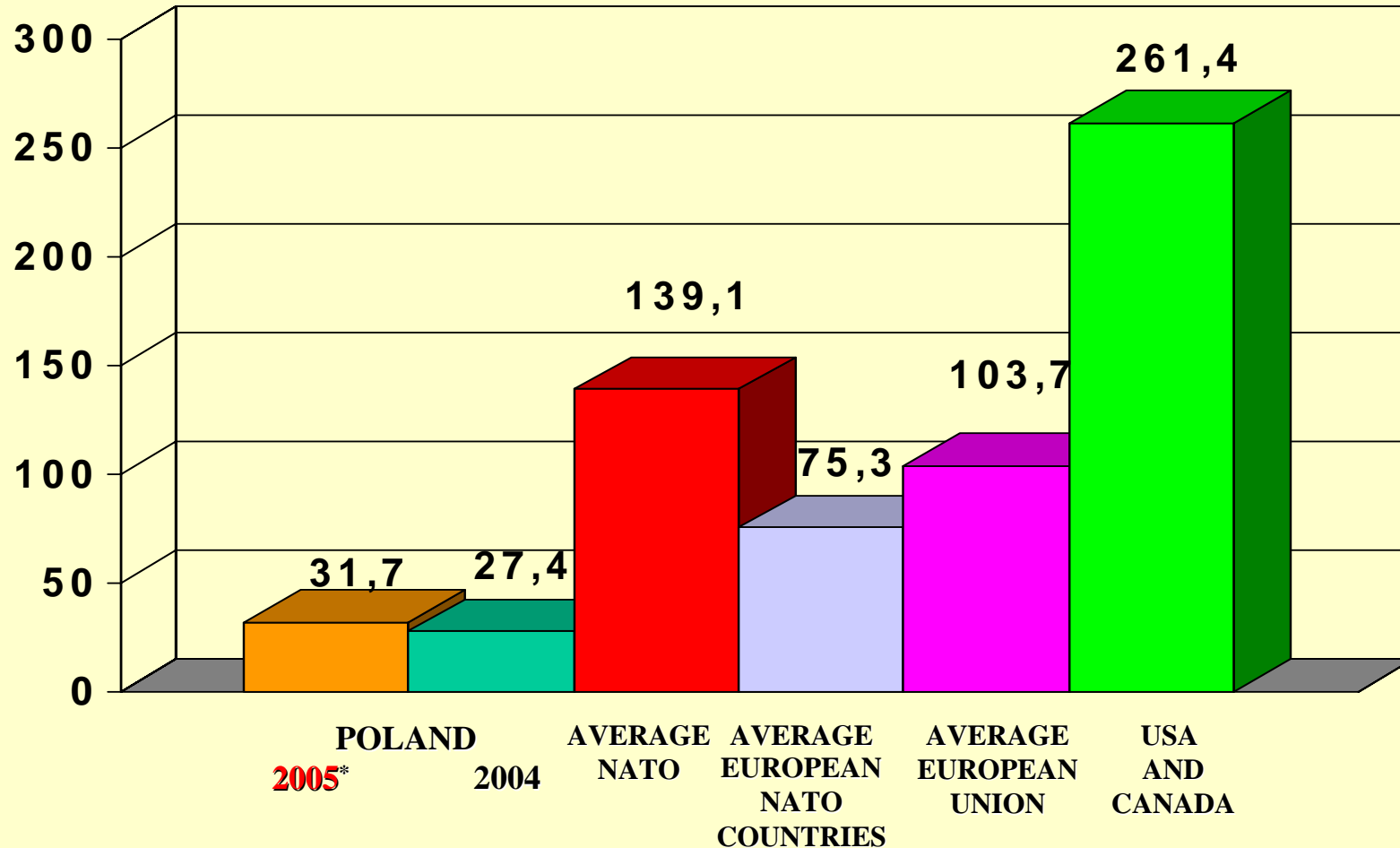


Source: Based on NATO's statistical tables 2004, except Poland 2005 which was prepared according to budget allocation and exchange rate used during budget planning phase.

## MINISTRY OF NATIONAL DEFENCE

# ***Poland's budget expenditures compared to NATO average*** (per soldier in thousand USD)

current prices



Source: Based on NATO's statistical tables 2004, except Poland 2005 which was prepared according to budget allocation and exchange rate used during budget planning phase.

## ***recapitulation***

The MoND budget for 2005 provides conditions to:

- Implement priority tasks, NATO Goals and PCC especially and also tasks bounded with peace keeping mission participation
- Absorb significant NATO funds targeted into NSIP packets and foreign support from the USA Government
- Provide duty conditions for professional private corps

***MINISTRY OF NATIONAL DEFENCE BUDGET FOR THE YEAR 2005  
REFLECTS POSITIVE TRENDS, OBSERVED LAST YEARS,  
REGARDING ANNUAL REAL INCREASE OF THE BUDGET,  
AND ALSO CAPITAL INVESTMENT QUOTA***