

MINISTRY OF NATIONAL DEFENCE

BUDGET DEPARTMENT

BASIC INFORMATION ON THE MoND BUDGET FOR 2003

W A R S A W - 2003

Contents

Introduction	3
1. Basic macroeconomic indicators 2003	5
2. MoND Budget as a share of Gross Domestic Product and State Budget expenditures	6
3. Polish defence expenditures 2003	7
4. MoND Budget expenditures as a share of GDP and of State Budget over the years 1991-2003 (table)	8
5. MoND Budget expenditures as % of GDP and as % of State Budget over the years 1991-2003 (graph)	9
6. National Defence priority tasks for 2003	10
7. Structure of MoND Budget for 2003 in sections (without reserves)	11
8. Structure of MoND Budget in Sections 752 - "National Defence" for 2003 (without reserves)	12
9. Structure of MoND budget expenditures for 2003 (with targeted reserves)	13
10. Structure of MoND budget expenditures by main services in 2003 (table)	14
11. Manpower figures for budgetary units, academies and officers schools, and non-budgetary activities of MoND	15
12. Structure of military manpower under budget section 752 „National Defence” in 2003 by main services of Armed Forces	16
13. Poland's budget expenditures compared to the other European NATO states in 2002 per capita (USD)	17
14. Poland's budget expenditures compared to the other European NATO states in 2002 per soldier (USD)	18
15. Rates of total pay for standard appointments in Armed Forces	19

This publication includes basic data on the MoND Budget expenditures for 2003 in various charts and comparative tables. The macroeconomic data concerning the MoND Budget as well as the other State Budget expenditures are based on the 2003 Budget Act. The information also includes a comparison between Poland's and other European states' defence expenditures. The publications used for the purpose of the international comparison were "Military Balance 2003/2002" and NATO's statistical tables.

According to the 2003 Budget Act, the Budget of the Ministry of National Defence (as Part 29 of State Budget) amounts to MPLN - 15,135.6.

Furthermore, within *the targeted reserves* that are provided for under the state budget (category 83), additional resources have been assigned for the Defence Ministry for the following purposes:

- implementation of the multifighter aircraft programme for the Polish Armed Forces - an amount of MPLN 230.0;
- support for the restructuring of the defence production capacity in the industry and support for technical modernization of the Armed Forces - an amount of MPLN 66.8; and
- additionally, from *the special funds of the Ministry of Defence* (following the deduction of the remittance to the national budget in an amount of MPLN 5.6) - an amount of MPLN 107.2.

This implies that the resources available to the Ministry of Defence this year (the funds allocated to be expended under the state budget together with the targeted reserve funds and the special funds) will amount to **MPLN 15,539.6**, corresponding to **7.99%** of the state budget and **1.98%** of the GDP projected for 2003, which conforms to the formula established in 2002, in the "Guidelines of the Council of Ministers Concerning Defence Planning and Programming in the Years 2003-2008."

The aforementioned financial resources will be further supplemented with *expenditures related to the defence tasks of other ministries and provinces* under the "Non-military Defence Preparations Programme," in an amount of **MPLN 41**, thereby adding up to a total of **MPLN 15,580.6**.

The year 2003, will be the first year of implementation of the programme for the development of the Armed Forces of the Republic of Poland in the years 2003-2008. The priorities set out by the Ministry of Defence include tasks related to the technical modernization of the Armed Forces and the participation in NATO structures.

The largest share of the MoND Budget expenditures directly concerns National Defence. These expenditures are included in section 752 which makes up 64.9 % of the Budget. A relatively large share of expenditures - around 25.65% is allocated for disability pensions and retirement benefits served to former professional soldiers. Other expenditures (altogether around 9.45%) were budgeted to cover: higher education (2.33%), schooling (2.24%), housing (2.12%), public administration (0.97%), health care (0.52%), protection of national heritage & cultural activities (0.59%) and the remaining expenditures (0.68%) covering social welfare, administration of justice & public prosecutor's office, other social activities and public services (MPA).

In section 752 - "National Defence" -48.6% of the expenditures are assigned for the Army, 23.35% - for Air Forces and 10.12% for the Navy. The remaining part of expenditures (17.93%) are divided into 8 subsections comprising : "Central Support", "Liaison offices for NATO & military personnel in NATO", "Military Intelligence Services", " Military Police", Chaplain offices and "Other units".

The main specific categories under the Defence Ministry's budget for 2003 include the following: personnel (32.5%), pensions (23.3%), maintenance and training (29.6%), and equipment and infrastructure.

BASIC MACROECONOMIC INDICATORS FOR 2003

GROSS DOMESTIC PRODUCT - 784.1 billion PLN

 increase in real terms - 3.5%

Revenues

155.7 billion PLN

STATE BUDGET

Expenditures

194.4 billion PLN

Deficit

38.7 billion PLN

MoND Budget (including reserves)

15.4 billion PLN

 **Average annual increase in :**

- prices of consumer goods and services - **2.3 %**
- prices of capital goods & services - **2.0 %**
- salaries in the public sector - **4.0 %**

MoND BUDGET AS A SHARE OF:

Gross Domestic Product

→ 2002 - **1.97%***

→ 2003 - **1.98%**

(with targeted reserves and expenditures
outside of the MoND budget)

State Budget Expenditures

→ 2002 - **7.88 %***

→ 2003 - **7.99 %**

(with targeted reserves and expenditures
outside of the MoND budget)

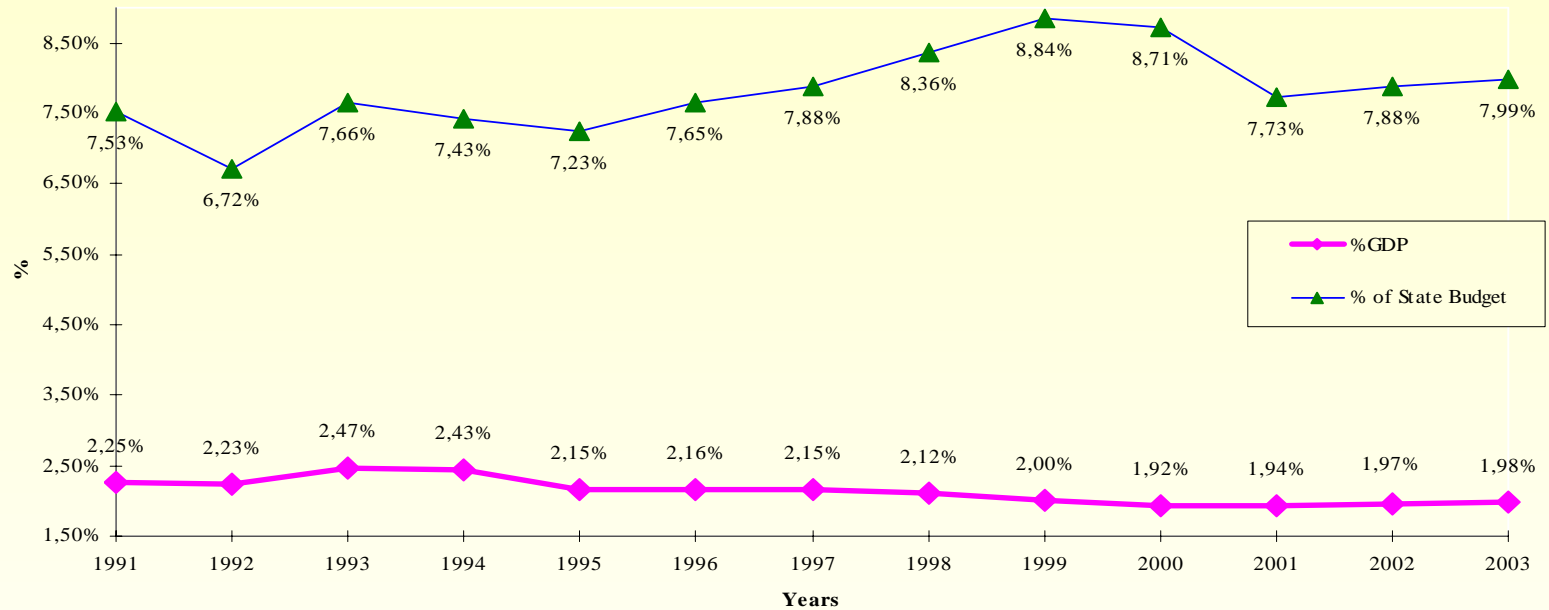
POLISH DEFENCE EXPENDITURES FOR 2003

1. MoND BUDGET with reserves	MPLN	15,432.4
including:		
a) budget MoND (part 29 of the State budget)	MPLN	15,135.6
b) financial resources for multifighter aircraft	MPLN	230.0
c) financial resources from privatization of the defence industry	MPLN	66.8
2. FINANCIAL RESOURCES OUTSIDE MoND BUDGET	MPLN	107.2
(Military Property Agency)		
3. DEFENCE EXPENDITURES OF OTHER MINISTRIES	MPLN	41.0
4. TOTAL POLISH DEFENCE EXPENDITURES (1+2+3)	MPLN	15,580.6

MOD BUDGET EXPENDITURES AS A SHARE OF GDP AND OF STATE BUDGET over the years 1991-2003

Amount in mil PLN (current prices)					As % of			
Years	GDP	State budget expenditures	Part 29 - MOD Budget		GDP		State Budget	
			Total	Expenditures in Section 752 "National Defence"	Part 29	Section 752	Part 29	Section 752
1991	80,882.9	24,185.8	1,821.2	1,807.1	2.25%	2.23%	7.53%	7.47%
1992	114,944.2	38,189.0	2,564.4	2,536.5	2.23%	2.21%	6.72%	6.64%
1993	155,780.0	50,242.8	3,846.5	3,309.2	2.47%	2.12%	7.66%	6.59%
1994	210,407.3	68,865.0	5,117.0	4,127.5	2.43%	1.96%	7.43%	5.99%
1995	306,318.3	91,169.7	6,594.4	5,249.4	2.15%	1.71%	7.23%	5.76%
1996	385,449.1	108,661.3	8,313.2	6,003.3	2.16%	1.56%	7.65%	5.52%
1997	469,372.1	127,919.8	10,076.7	7,275.0	2.15%	1.55%	7.88%	5.69%
1998	550,405.6	139,751.5	11,686.9	8,358.7	2.12%	1.52%	8.36%	5.98%
1999	611,576.2	138,425.2	12,242.3	9,209.4	2.00%	1.51%	8.84%	6.65%
2000	685,000.0	151,154.9	13,149.4	9,832.5	1.92%	1.44%	8.71%	6.51%
2001	721,600.0	181,604.1	14,032.2	8,803.1	1.94%	1.22%	7.73%	4.85%
2002	742,500.0	185,101.6	14,590.5	9,333.6	1.97%	1.26%	7.88%	5.04%
Plan 2003 with reserves and fin. resources outside budget	784,100.0	194,411.7	15,539.6	10,227.2	1.98%	1.30%	7.99%	5.26%
Plan 2003 with reserves	784,100.0	194,411.7	15,432.4	10,120.0	1.97%	1.29%	7.94%	5.21%

**MOD BUDGET EXPENDITURES AS A% OF GDP
AND AS A % OF STATE BUDGET
over the years 1991-2003**



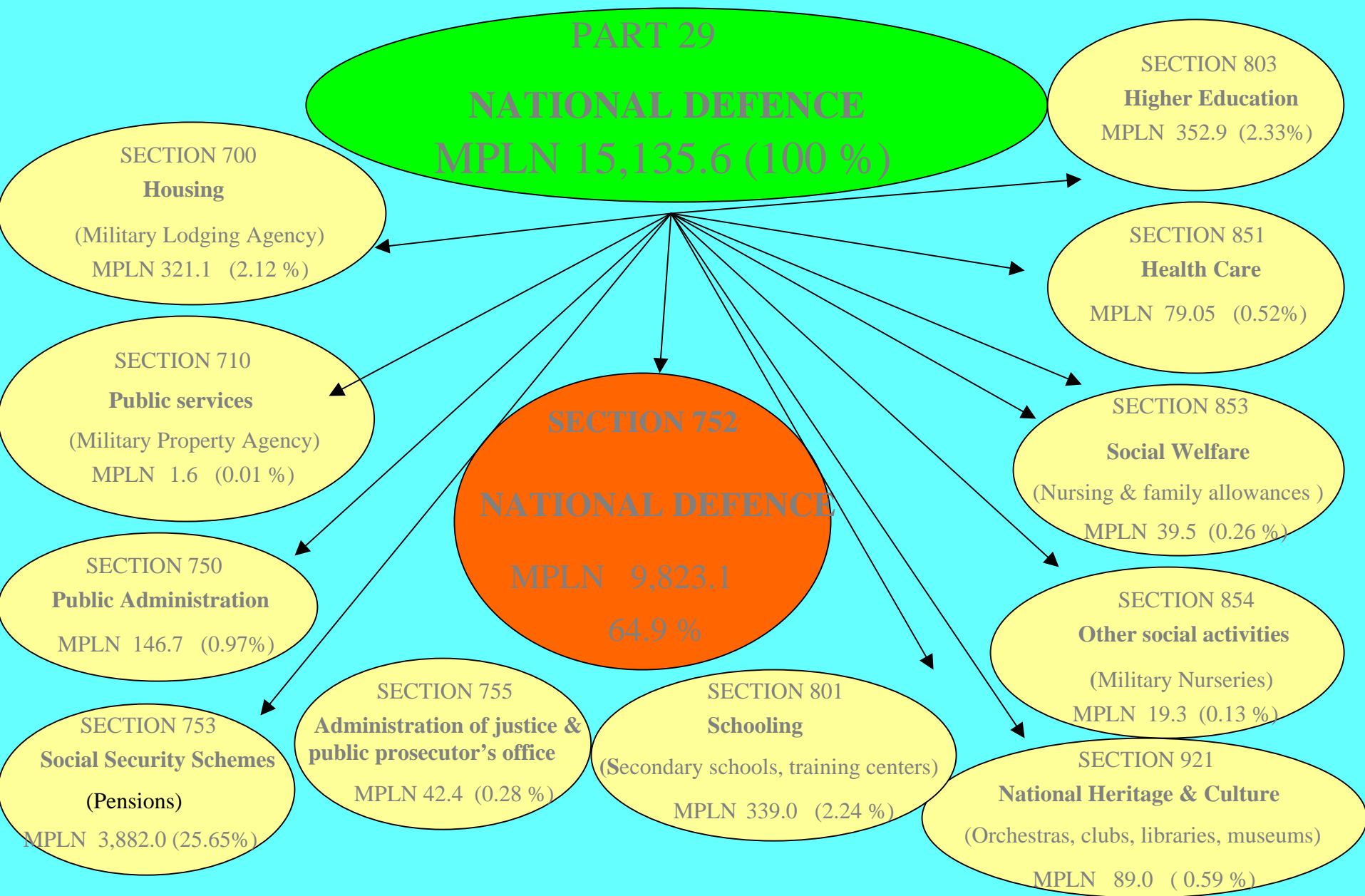
Note: Military expenditures 2003 with targeted reserves and finance resources outside of the budget

NATIONAL DEFENCE PRIORITY TASKS FOR 2003

- ◆ **increase the pace of technical modernisation of the Armed Forces connected with the implementation of „The Development Programme for the Polish Armed Forces over the years 2003-2008”;**
- ◆ **finance of tasks relating to the membership of NATO** (Forces Goals agreed upon with NATO, Poland’s contribution to NATO Military Budgets and Agencies, NSIP ...)

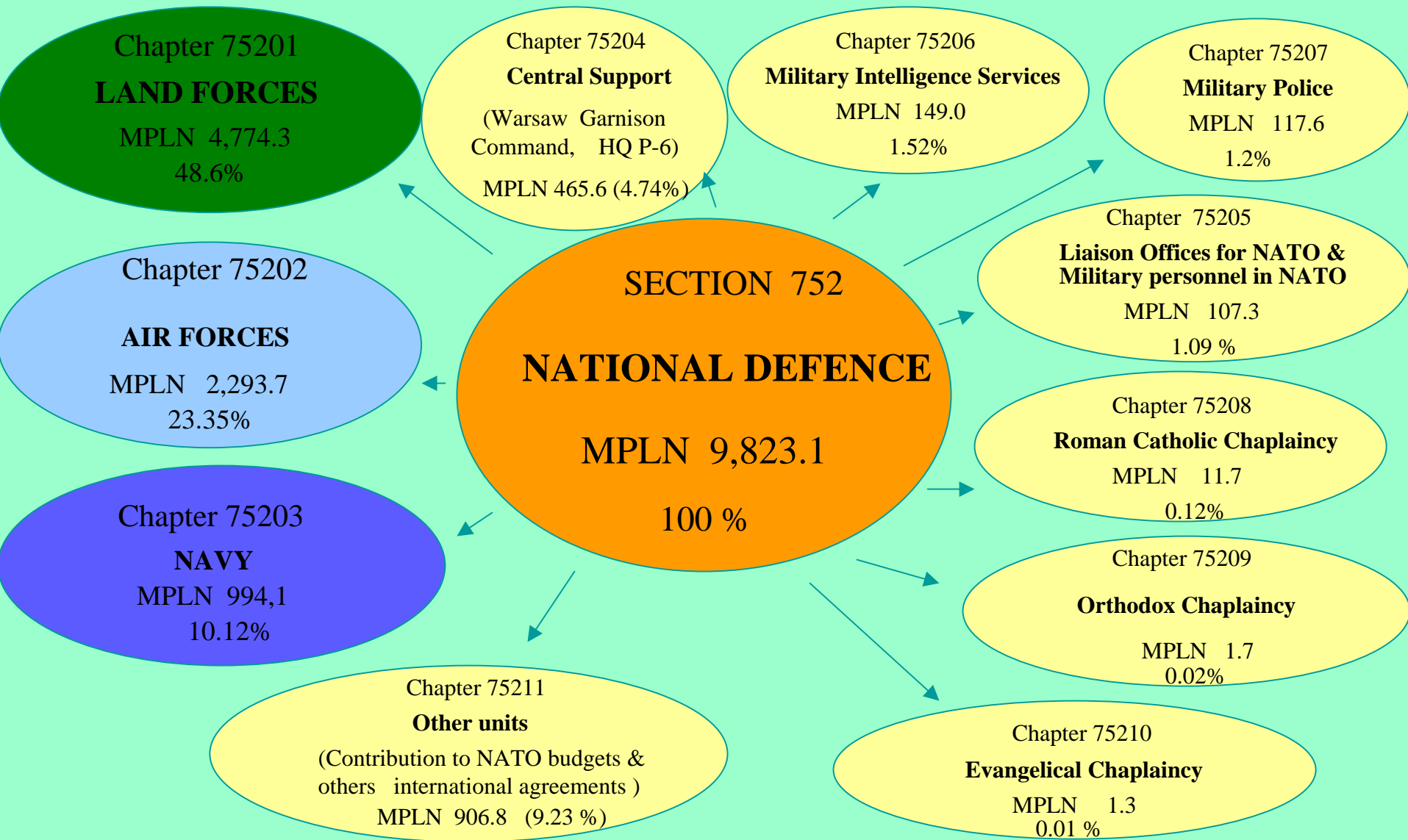
STRUCTURE OF MoND BUDGET FOR 2003 IN SECTIONS

(without reserves)



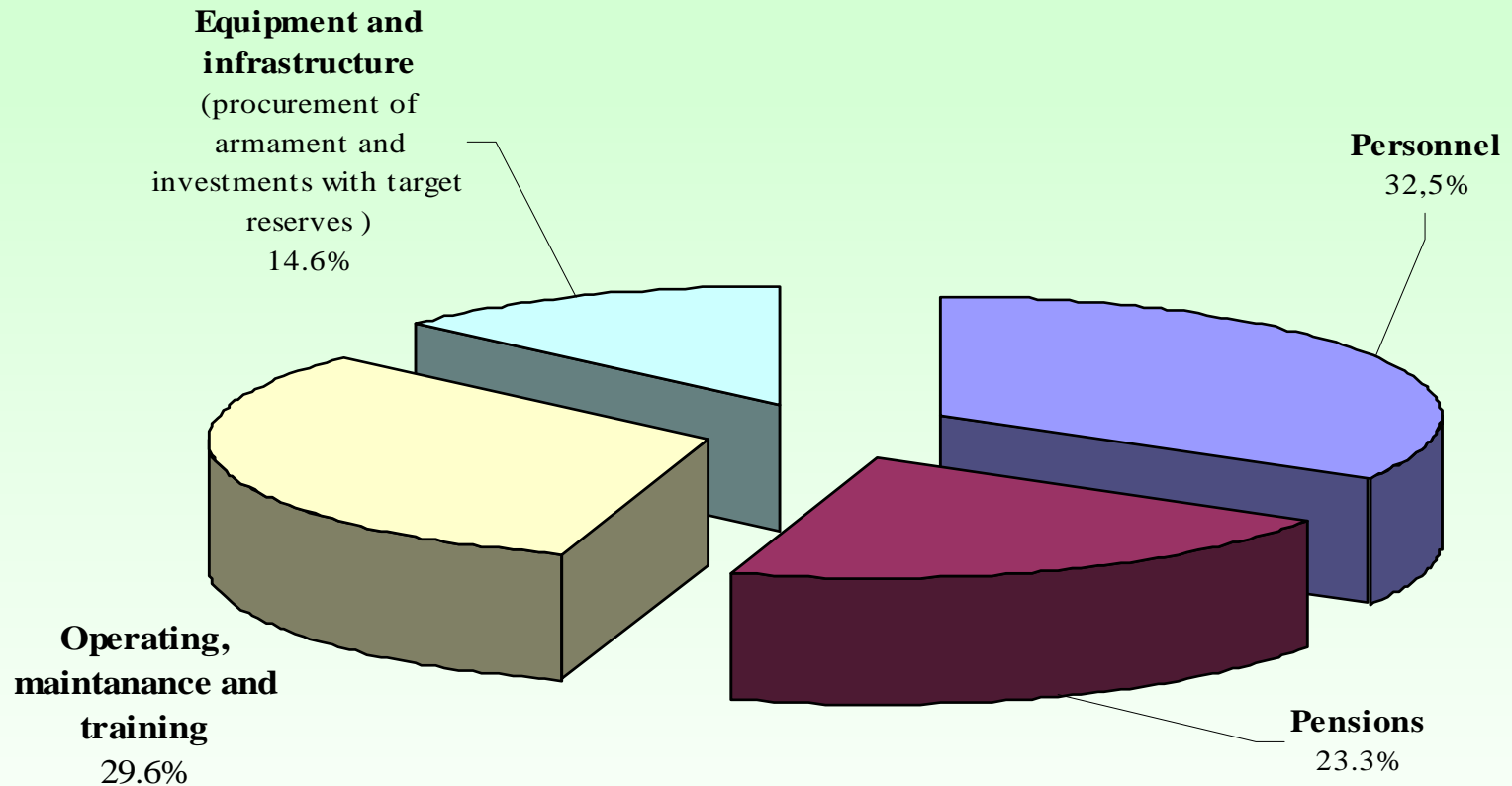
STRUCTURE OF MoND BUDGET

IN SECTION 752 - „NATIONAL DEFENCE” FOR 2003 without reserves



STRUCTURE OF MoND BUDGET EXPENDITURE FOR 2003

(with reserves for multifighter aircraft)

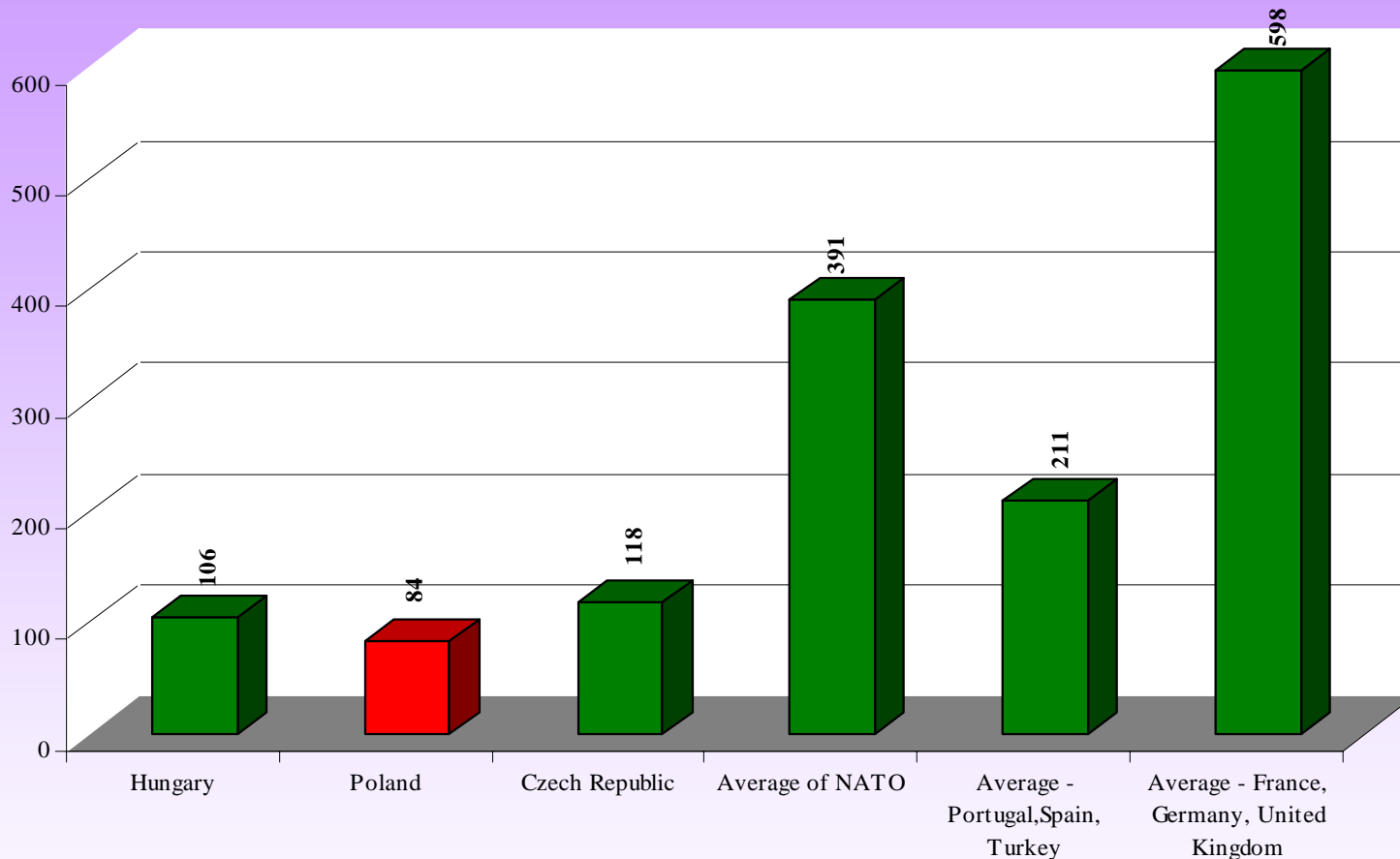


Structure of MoND budget expenditures by main services in 2003

Sector of expenditures	ARMY		AIR FORCES		NAVY	
	Subsection 75201		Subsection 75202		Subsection 75203	
	Plan	Structure	Plan	Structure	Plan	Structure
Personnel costs	2 122 810	44.5%	925 237	40.3%	364 574	36.7%
Operating, maintenace and training	1 804 935	37.8%	808 263	35.2%	315 060	31.7%
in this: R&D	57 303	1.2%	44 620	1.9%	28 362	2.9%
Equipment and infrastructure (procurement of armament and investments)	846 596	17.7%	560 249	24.4%	314 510	31.6%
TOTAL	4 774 341	100.0%	2 293 749	100.0%	994 144	100.0%

POLAND'S BUDGET EXPENDITURES OF IN COMPARISON TO THE OTHER EUROPEAN STATES OF NATO PER CAPITA IN USD IN 2003

(constant prices 1995)



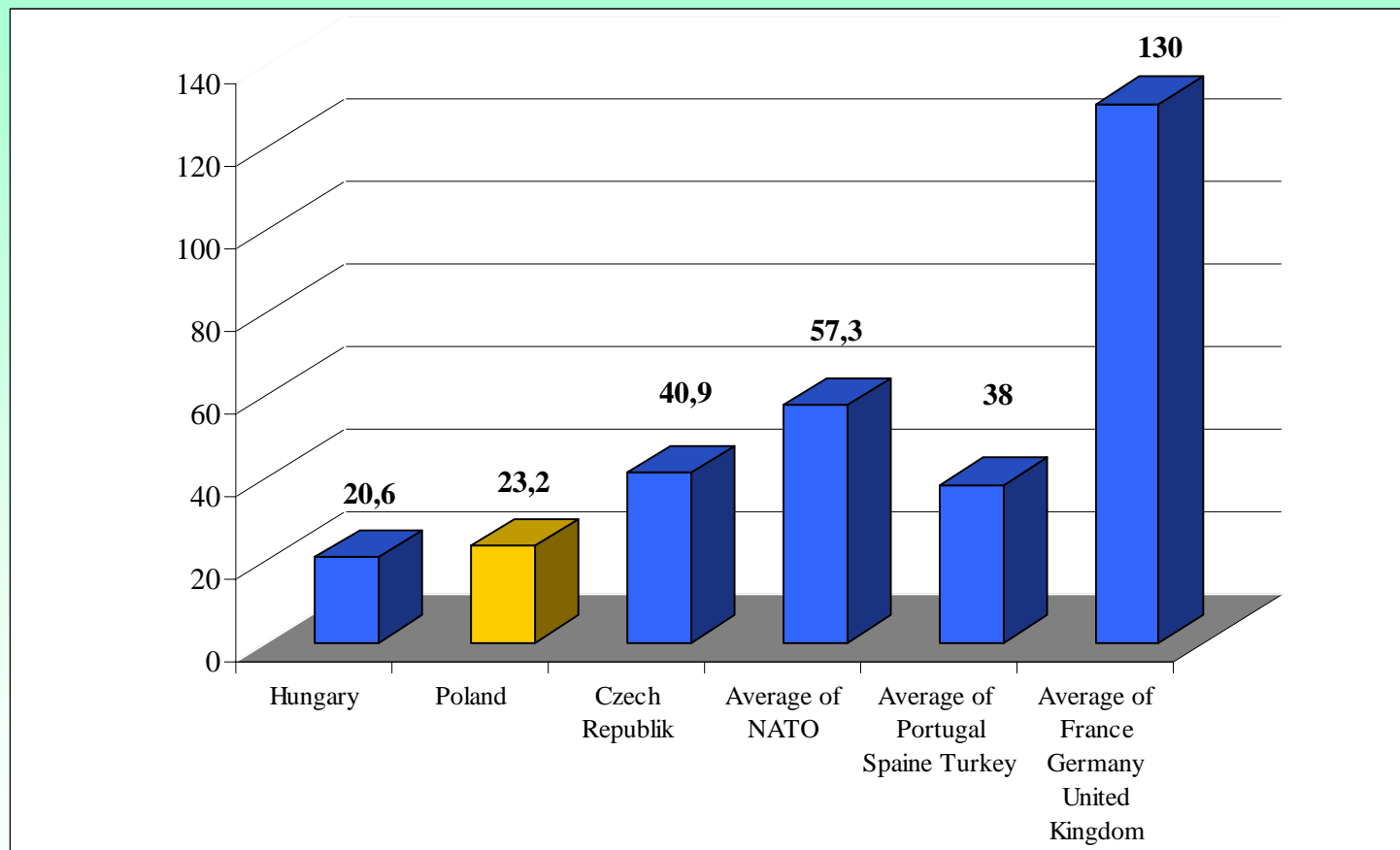
Source: Prepared by Budget Department of MOD based on NATO's statistical tables .

Note:

In comparison with other countries , and the „older” NATO members in particular, the situation of Poland may appear to be relatively unfavourable. However, taking into consideration the purchasing power of the Polish zloty (PLN), the Polish defence spending per capita would translate into a higher figure, amounting to approximately USD 170 (to a similar extent, this also applies to the Czech Republic and Hungary).

POLAND'S BUDGET EXPENDITURES IN COMPARISON TO THE OTHER EUROPEAN STATES OF NATO PER SOLDIER IN 2003

in thousand USD.

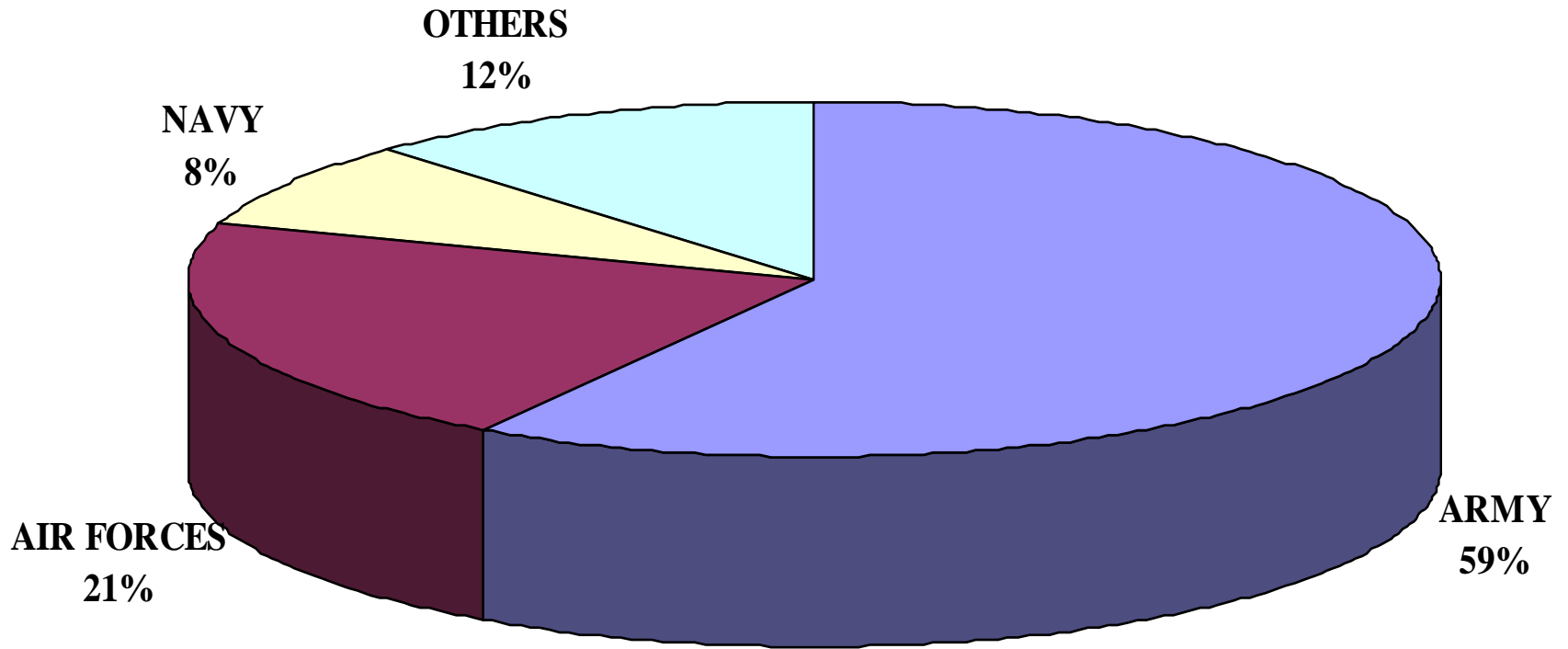


MANPOWER FIGURES
FOR BUDGETARY UNITS, ACADEMIES AND OFFICERS SCHOOL,
AND NON-BUDGETARY ACTIVITIES OF MoND

No.	Category of staff	2002	2003 plan*
I	PROFESSIONAL SOLDIERS		
	Budgetary units	76 038	75 609
	Academies and officers schools	2 499	1 169
	Total	78 537	76 778
	Additional non-budgetary activities	80	81
II	FIXED-TERM CONTACT SOLDIERS		
	Budgetary units	8 950	9 983
	Academies and officers schools	50	17
	Total	9 000	10 000
III	OTHER SOLDIERS		
	Budgetary units	72 050	62 160
	Academies and officers schools	2 510	1 250
	Total	74 560	63 410
IV	Total SOLDIERS	162 097	150 188

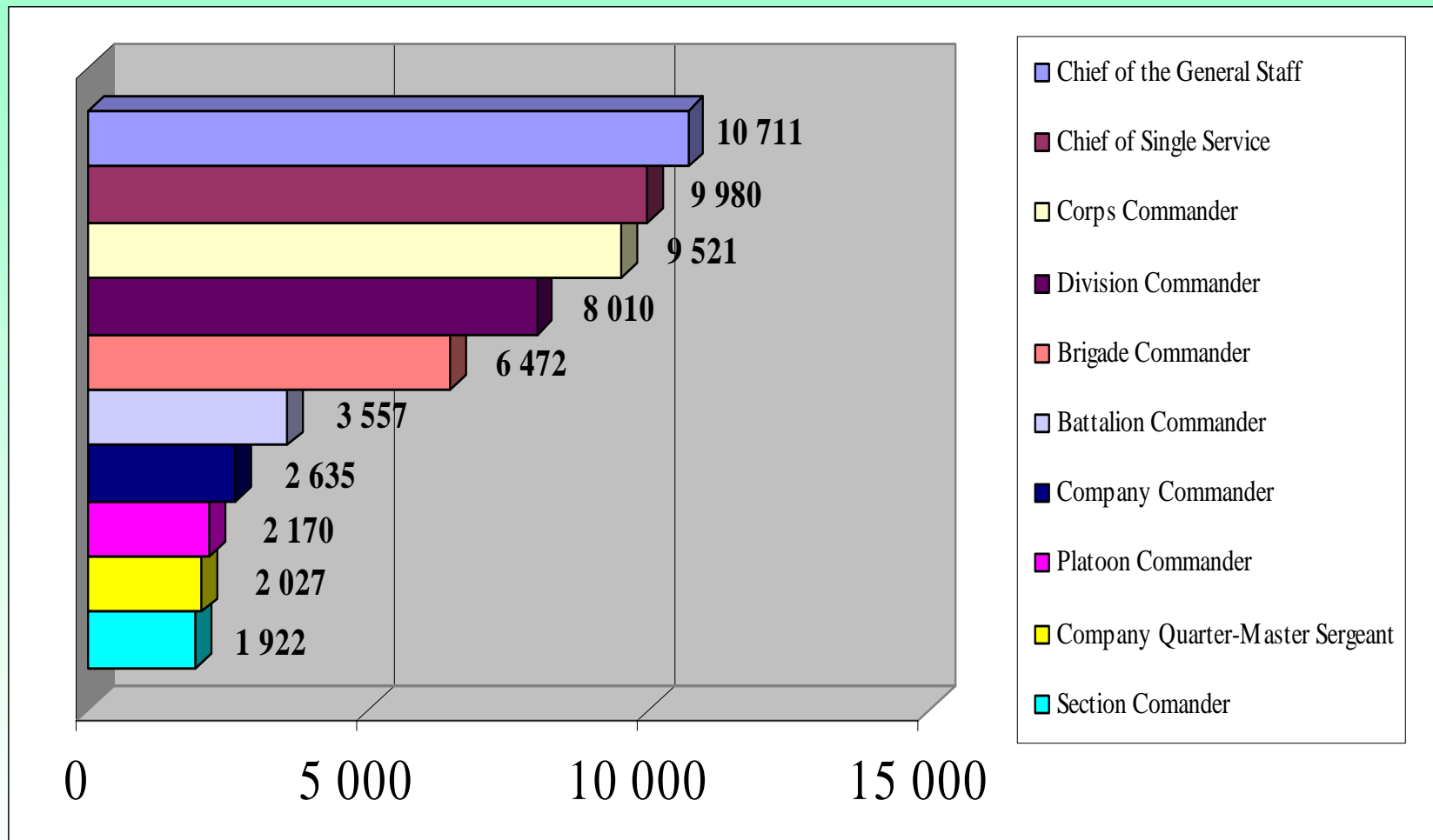
*At the end of 2003 manpower figures would be below 150 thousand

**STRUCTURE OF MILITARY MANPOWER
UNDER BUDGET SECTION 752 „NATIONAL DEFENCE” IN 2003
BY MAIN SERVICES OF ARMED FORCES**



RATES OF TOTAL PAY FOR STANDARD APPOINTMENTS IN ARMED FORCES IN 2003

in PLN



Source: Prepared by Budget Department of MoND based on data from Personnel and Military Education Department.