

**MINISTRY OF NATIONAL DEFENCE
BUDGETARY DEPARTMENT**



**BASIC INFORMATION
on THE MoND BUDGET
for 2006**

Warsaw 2006

INTRODUCTION

This publication provides the basic information on the national budget and defence expenditures in the year 2006.

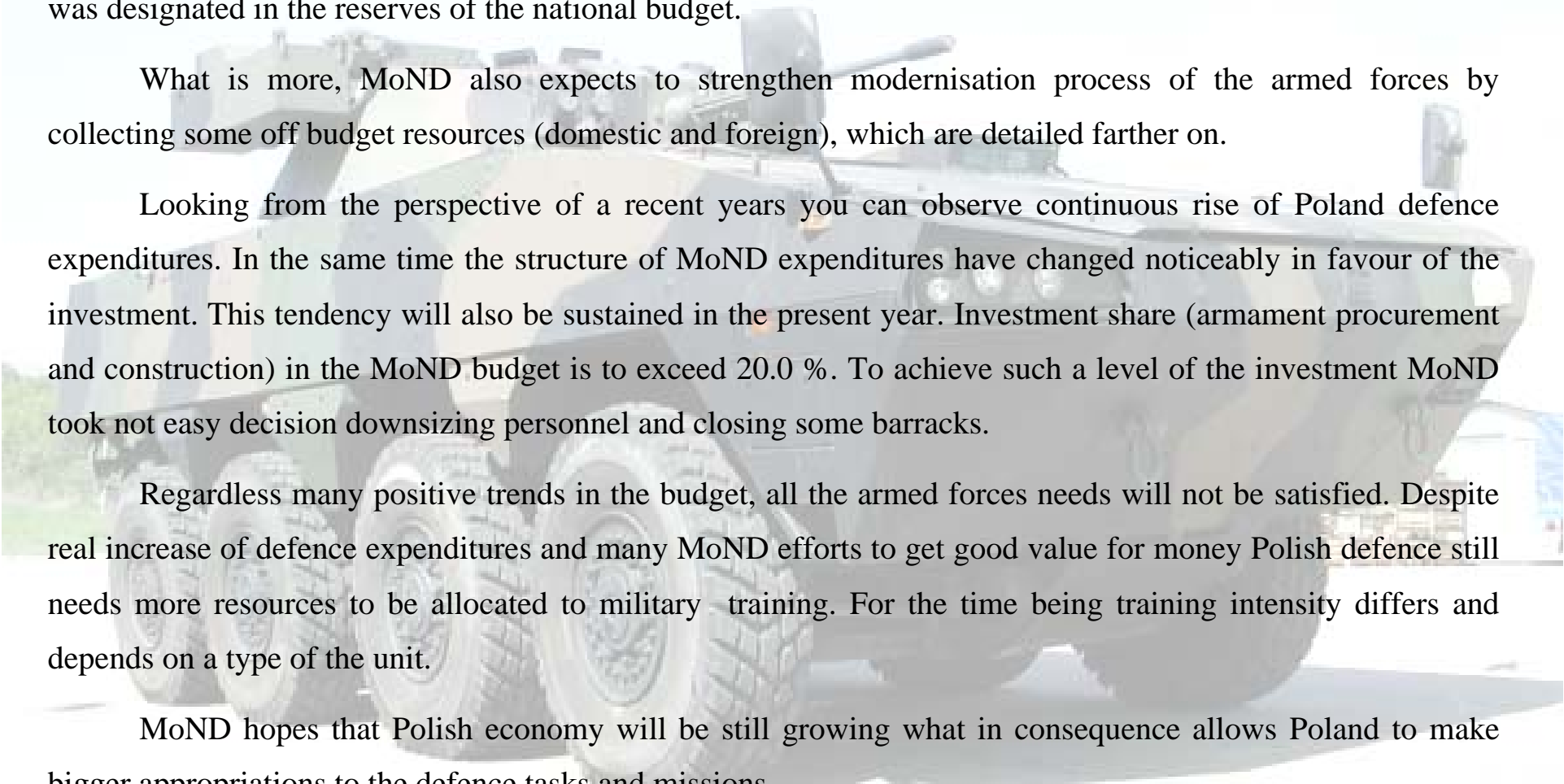
The presentation includes macroeconomic indicators, defence priorities and overall defence expenditures, Ministry of National Defence (MoND) budget allocations, main cost categories breakdown, off budget resources, manpower and comparisons to some NATO averages.

Main budget priorities for the year 2006 are following:

- NATO Goals and Long Term Requirements including Prague Capabilities Commitments, NATO Response Forces and EU Battle Groups;
- modernisation of armament and equipment being used by units of High Readiness Forces (Deployable);
- crisis response operations (CROs);
- increasing number of professional troops;
- improvement of social and living conditions especially for professional private soldiers

To fulfil scheduled defence tasks and missions Poland has allocated to defence expenditures 18,064.3 millions zloty (MPLN). Within that amount MPLN 18,025.7 was allocated to Ministry of National Defence and MPLN 38.6 to the other ministries for non-military defence preparations.

Defence expenditures in the year 2006 were programmed according to formula defined in the act dated 25 May 2001 on restructuring, modernisation and financing of Polish Armed Forces. It means that the defence appropriations are not less than 1.95% of the Gross Domestic Product (GDP) of the previous year (2005).



Additionally for the implementation of the F-16 aircraft procurement program the amount of MPLN 894 was designated in the reserves of the national budget.

What is more, MoND also expects to strengthen modernisation process of the armed forces by collecting some off budget resources (domestic and foreign), which are detailed farther on.

Looking from the perspective of a recent years you can observe continuous rise of Poland defence expenditures. In the same time the structure of MoND expenditures have changed noticeably in favour of the investment. This tendency will also be sustained in the present year. Investment share (armament procurement and construction) in the MoND budget is to exceed 20.0 %. To achieve such a level of the investment MoND took not easy decision downsizing personnel and closing some barracks.

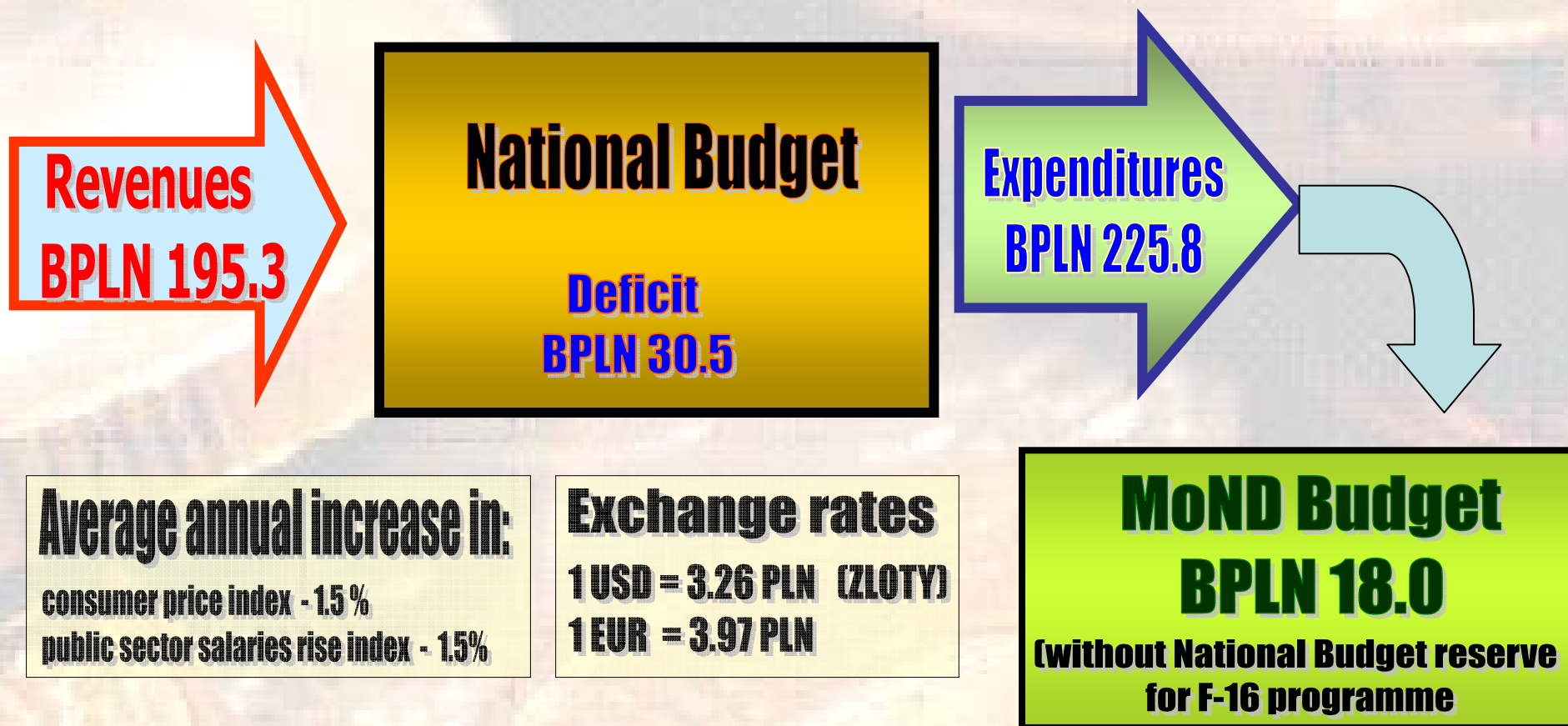
Regardless many positive trends in the budget, all the armed forces needs will not be satisfied. Despite real increase of defence expenditures and many MoND efforts to get good value for money Polish defence still needs more resources to be allocated to military training. For the time being training intensity differs and depends on a type of the unit.

MoND hopes that Polish economy will be still growing what in consequence allows Poland to make bigger appropriations to the defence tasks and missions.

BASIC MACROECONOMIC INDICATORS 2006

Gross Domestic Product - BPLN 976

annual growth - 4.3%



TOTAL NATIONAL DEFENCE EFFORT

Defence expenditures - MPLN 18,064.3

(1.95% GDP 2005 - BPLN 925.4)

MoND expenditures - part 29 - MPLN 18,025.7

other ministries defence expenditures

MPLN 38.6

Designated reserve

("F-16 programme")

- MPLN 894.0

TOTAL - MPLN 18,958.3

Average annual increase - 5.4 %

ADDITIONAL FINANCIAL RESOURCES

domestic

MPLN 284.1

- Armed Forces Modernisation Fund **MPLN 90.0**
- Revenues from defence sector privatisation **MPLN 40.4**
- Defence research in Ministry of Education and Science **MPLN 153.7**

foreign

MPLN 531.4

- NSIP (NATO SECURITY INVESTMENT PROGRAMME) **MPLN 426.5**
- FMF (FOREIGN MILITARY FINANCING – USA PROGRAMME) **MPLN 97.8**
- IMET (INTERNATIONAL MILITARY EDUCATION AND TRAINING) **MPLN 6.5**
- CTFP (COUNTER TERRORISM FELLOWSHIP PROGRAM) **MPLN 0.6**

TOTAL

MPLN 815.5

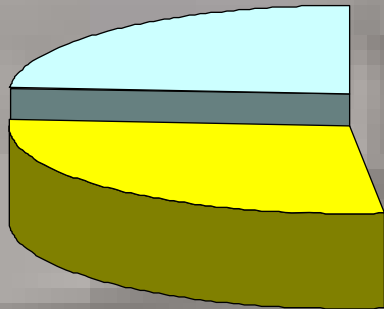
DEFENCE EXPENDITURES PRIORITIES

- 1. NATO Goals, PCC, NRF, UE BG**
- 2. Modernisation of HRF(D) units**
- 3. Crisis Response Operations (CROs)**
- 4. Increasing number of professional troops**
- 5. Improvement of social and living conditions**

MAIN COST CATEGORIES BREAKDOWN 2005 - 2006

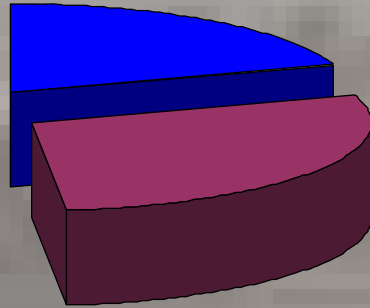
2005

Investments
19.7%



28.3%
**Operating,
maintenance
and training**

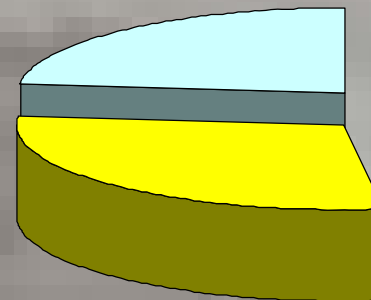
Personnel
28.6%



23.4%
Pensions

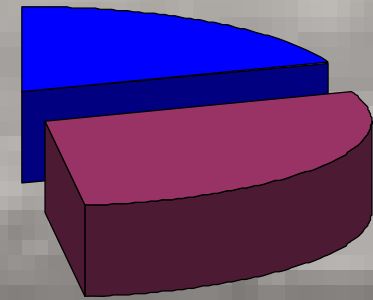
2006

Investments
20.0%



27.8%
**Operating,
maintenance
and training**

Personnel
28.2%



24.0%
Pensions

STRUCTURE OF MoND BUDGET IN SECTIONS

(thousands PLN)

Part	Section	Plan 2006	Structure	
part 29	TOTAL BUDGET		18 025 667	100,00%
	752	National defence (basic activity of Armed Forces)	12 682 746	70,36%
	753	Social security schemes (pensions)	4 491 717	24,92%
	700	Housing (contribution to Military Lodging Agency)	312 782	1,73%
	803	High education (military schools and academies)	222 340	1,23%
	750	Public administration (MOD Office & General Staff HQ)	166 000	0,92%
	851	Health care (health care system contribution, medical specialities, hospital investments)	98 965	0,55%
	755	Administration of justice (military courts & prosecutor's office)	49 964	0,28%
	710	Public services (contribution to Military Property Agency)	1 153	0,01%

SECTION 752 - National defence in chapters

(thousands PLN)

Section	Chapter	Plan 2006	Structure	share in the MoND budget (part 29)
752	TOTAL National defence	12 682 746	100,00%	70,36%
	75201 Army	5 807 451	45,79%	32,22%
	75202 Air Force	2 418 555	19,07%	13,42%
	75203 Navy	1 064 474	8,39%	5,90%
	75204 Central support	1 535 858	12,11%	8,52%
	75205 Liaison offices & military personnel in NATO	140 821	1,11%	0,78%
	75206 Military Intelligence Services	201 577	1,59%	1,12%
	75207 Military Police	233 699	1,84%	1,30%
	75208 Roman Catholic Chaplaincy	18 052	0,14%	0,10%
	75209 Orthodox Chaplaincy	1 975	0,02%	0,01%
	75210 Evangelic Chaplaincy	3 295	0,03%	0,02%
	75211 Other military units	611 638	4,82%	3,39%
	75213 Command and control of Armed Forces	411 703	3,25%	2,28%
	75216 Crisis Response Operations	233 648	1,84%	1,30%

STRUCTURE of MoND BUDGET

by main services

(thousands PLN)

Sector of expenditures		Army		Air Force		Navy	
		Chapter 75201		Chapter 75202		Chapter 75203	
		Plan	Structure	Plan	Structure	Plan	Structure
I	Personnel costs	2 342 014	40,3%	961 221	39,8%	415 907	39,1%
II	Operation Maintenance and Training	1 517 027	26,1%	733 895	30,3%	309 525	29,1%
III	Investment	1 948 410	33,6%	723 439	29,9%	339 042	31,8%
Total		5 807 451	100,0%	2 418 555	100,0%	1 064 474	100,0%

Comment: Investment figure doesn't enclose funds for F-16 programme

PERSONNEL IN 2006

COSTS 2006 - MPLN 5,079.0

Average salaries (monthly):

→ **Professional soldier** **PLN 3,080**

→ **civilian personnel:**

- **civil servant** **PLN 2,054**
- **other personnel** **PLN 1,760**

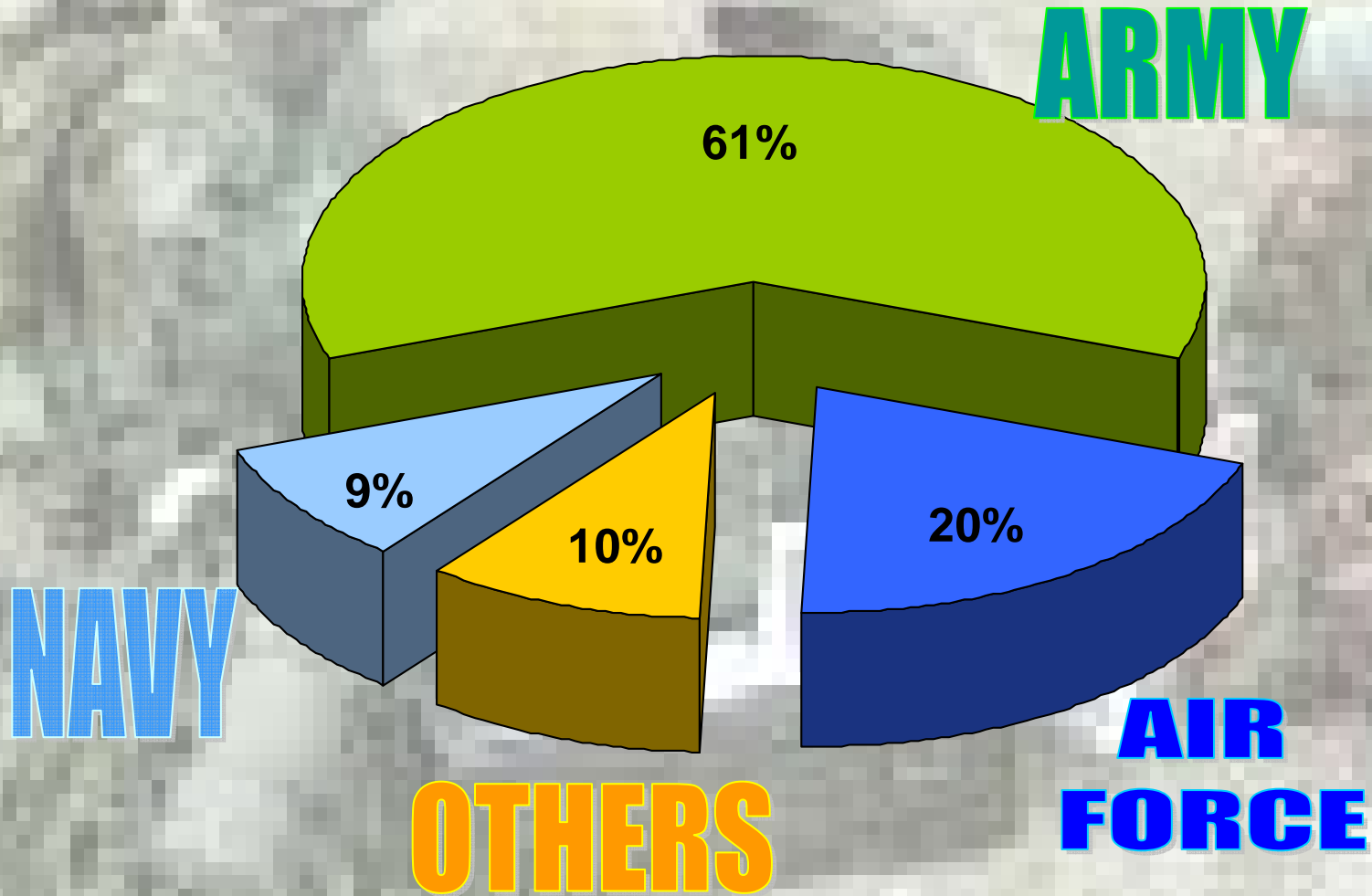
PERSONNEL FIGURES OVER THE YEARS 2005-2006

annual average

Category of staff	2005	2006
Professional soldiers - including professional privates	84 650 6 065	84 215 8 496
Conscripts	58 883	56 865
Cadets	2 325	2 080
Others (reserve personnel trainings)	2 090	2 210
Total	147 948	145 370

MILITARY PERSONNEL

by chapters, in National defence section



PENSIONS 2006

COSTS MPZL 4,332.3

★ **number of pensioners 156,300**
(annual average)

→ **pensions 102.300**

→ **disability payments 19.300**

→ **family pensions 34.700**

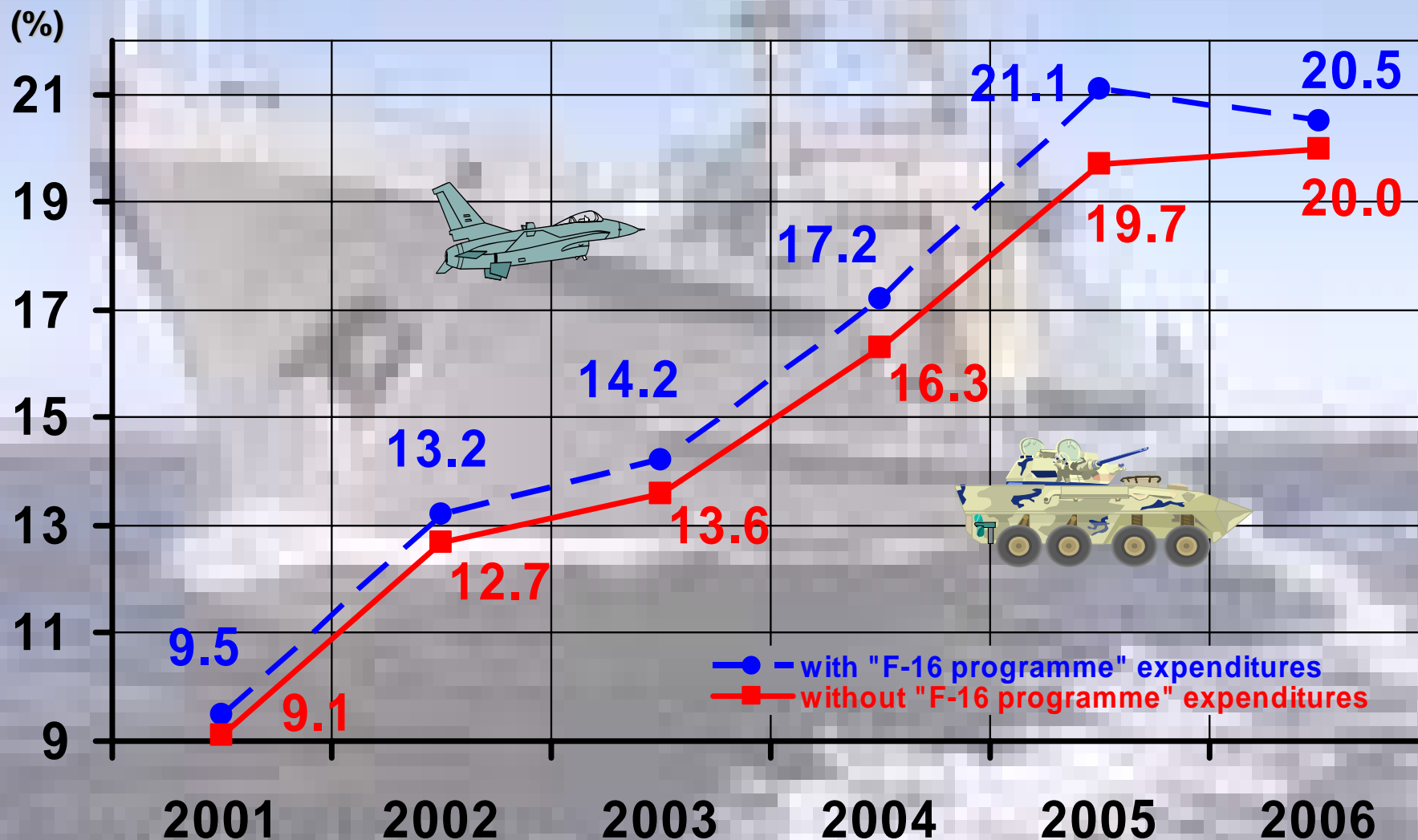
★ **increase of pensioner number 101.52 %**

★ **indexation 6.2 % beginning from 1 march 2006**

★ **average pension PLN 2,260**

INVESTMENT SHARE

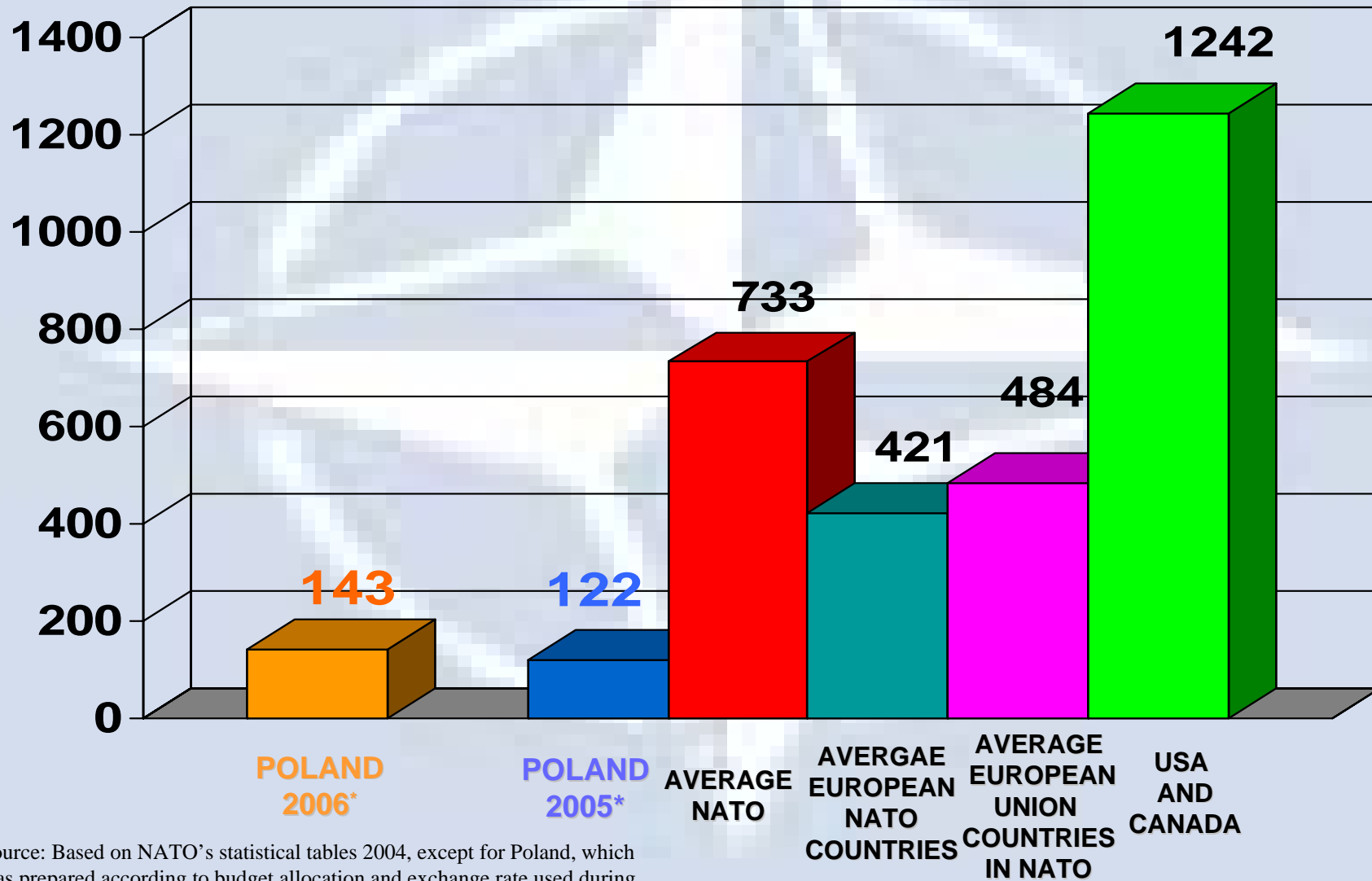
IN MoND BUDGET OVER THE YEARS 2001 - 2006



BUDGET COMPARISON TO NATO AVERAGE

(PER CAPITA IN USD)

current prices

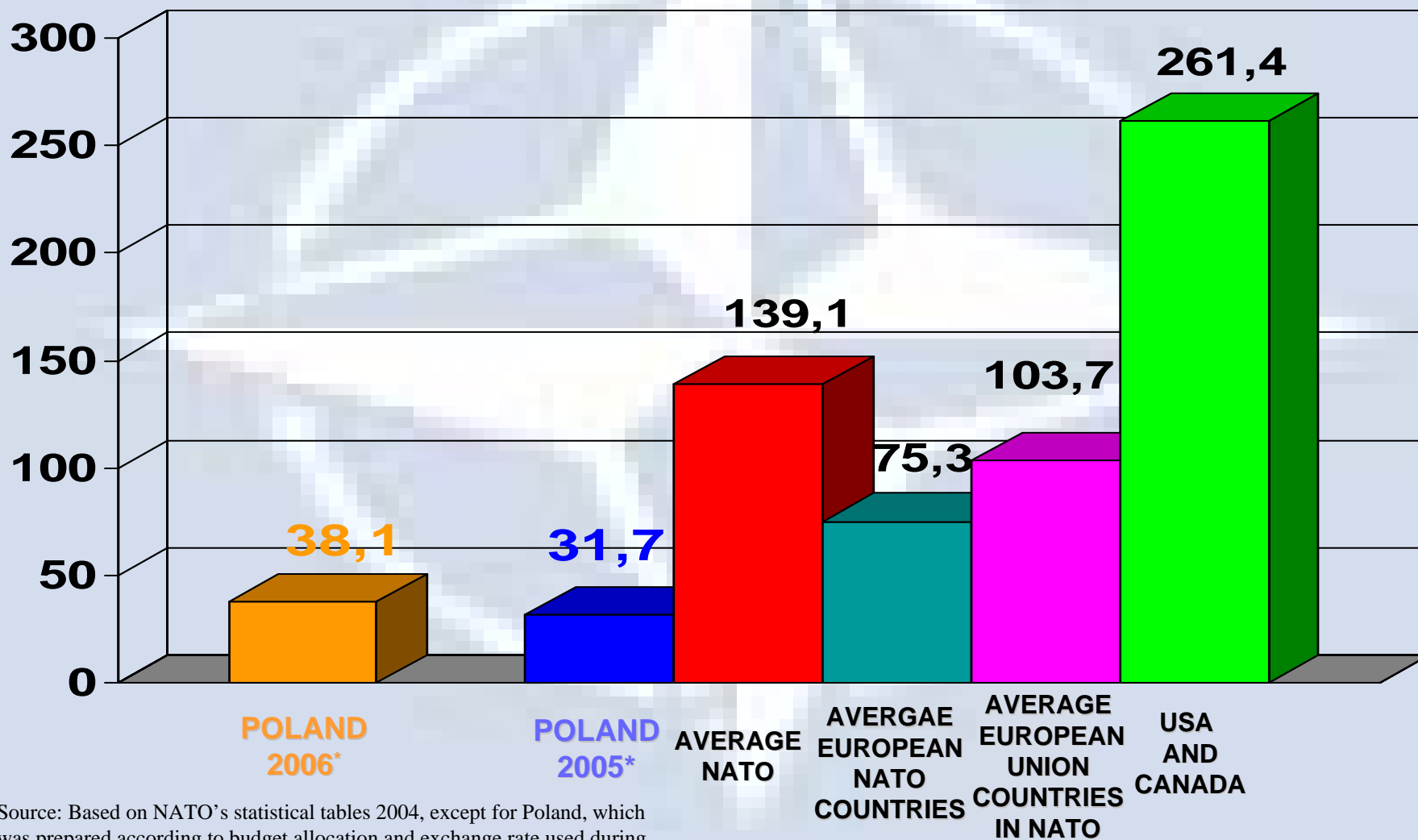


Source: Based on NATO's statistical tables 2004, except for Poland, which was prepared according to budget allocation and exchange rate used during budget planning phase

BUDGET COMPARISON TO NATO AVERAGE

(per soldier in thousands USD)

current prices



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

SUMMARY

The MoND budget for 2006 provides conditions for:

- ✓ approaching 20% investment share in the MoND budget
- ✓ increasing trend in a year to year defence budget
- ✓ executing Armed Forces priorities
- ✓ taking part in present CROs
- ✓ utilizing NATO funds and the USA grants
in the most effective way
- ✓ increasing number of professional privates