



BUDGET

FACTS AND TRENDS 2023

Ministry of Defence of the Czech Republic



INTRODUCTION

The Ministry of Defence of the Czech Republic, in compliance with Act No. 106/1999 Coll., on Freedom of Information, issued this publication in order to inform the general public and partner nations about the basic data in the State Budget Chapter 307 – Ministry of Defence (MoD budget chapter) for the year 2023, including trends, structure, main expenditure categories and their proportions.

Main documents used for 2023 MoD Budget Draft preparation:

- *Act No. 449/2022 Coll., on the state budget of the Czech Republic for 2023, dated 30th November 2022,*
- *The Government Resolution No. 808 dated 16th September 2022 on the Czech Republic State Budget Draft for the year 2023 including the Mid-term State Budget Outlook for the years 2024-2025,*
- *The 2022 Draft State Final Account – Chapter 307 – Ministry of Defence.*

The Draft 2023 State Budget – Ministry of Defence Chapter was prepared in accordance with Act No. 218/2000 Coll., Budgetary Rules and regulation No. 133/2013 Coll., which determines scope and structure of the data needed for preparation of the Draft State Budget and Mid-term Outlook and deadlines for their presentation (as subsequently amended) and in accordance with Ministry of Finance's Instruction for the preparation of the 2023 Czech Republic State Budget and the Mid-term Outlook for the years 2024 and 2025 – Budget Chapter 307 – Ministry of Defence.

The Government Resolution No. 808 dated 26th September 2022, on the Czech Republic State Budget Draft for the year 2023, approved the basic indicators of the draft state budget for 2023 and

the medium-term outlook for years 2024 and 2025. **Act No. 449/2022 Coll., on the Czech Republic State Budget for the year 2023**, dated 30th November 2022, approved the total revenue in the amount of **CZK 6,264,143 thousand** and total expenditures in the amount of **CZK 111,808,741 thousand** for the MoD chapter.

Basic parameters of the 2023 Czech Republic State Budget Draft and the Mid-term Outlook for the years 2024 and 2025 – Budget Chapter 307 – Ministry of Defence were finally as follows:

Basic parameters of State Budget	2023	2024	2025
	CZK thousand	CZK thousand	CZK thousand
Total revenues	6,264,143	6,367,093	6,482,321
Total expenditures	111,808,741	130,000,000	155,000,000

The MoD budget has been compiled in such a way as to enable it to carry out all task assigned to the MoD as efficiently as possible within the allocated resources. The total expenditures of the MoD chapter, compared to the budget expenditures in 2022 is higher by 25.4 %. The share of the military expenditure on the GDP is predicted to 1.53 %. Defence expenditures will be increased in accordance with the government's program statement from March 2023, in the years of the medium-term outlook in order to reach alliance commitments of 2 % on GDP.

The main goal remains the rearmament of the Army of the Czech Republic, which requires pro-investment budgets of the MoD chapter. Increasing expenditures budget will allow to the MoD to continue the necessary modernization of the Army of the Czech Republic and develop its capabilities.

Priority is given to expenditures of a mandatory in relation to persons expected to increase staff, expenditures for implementation of strategic projects, expenditures related to the fulfilment of obligations to NATO, obligations arising from the Czech Republic's membership in international organizations and expenditures related to the deployment of Czech Army forces and resources in foreign operations.

Total revenues of the MoD chapter for 2023 in the amount of 6,264,143 thousand CZK are higher by 15,013 thousand compared to the approved revenue budget for 2022. CZK, i.e. by 0.24 %.

Total revenues of MO chapter (in millions of CZK) of which:	6,264
Total non-tax income, capital income and transfers received	431
<i>Non-tax income</i>	<i>373</i>
<i>Accepted transfers</i>	<i>9</i>
<i>Capital gains</i>	<i>49</i>
Tax revenues – income from compulsory insurance premiums	5,833
<i>Pension insurance</i>	<i>5,218</i>
<i>Premiums for sickness insurance and contribution to the state employment policy</i>	<i>615</i>
Other tax revenues	0.1

Total expenses of the MoD chapter for 2023 in the amount of 111,808,741 thousand CZK are about 22,663,796 thousand CZK higher than the approved expenditure budget for 2022, i.e. by 25.4 %.

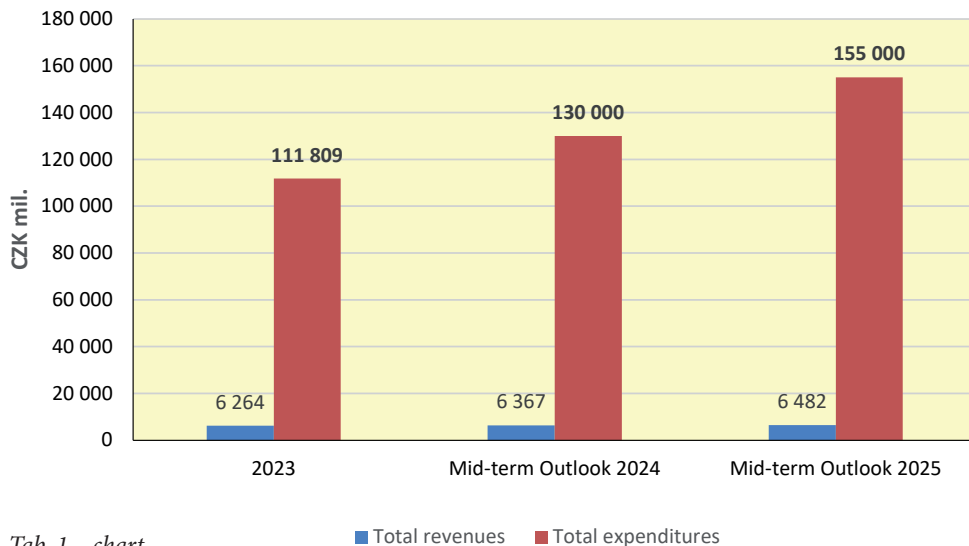
The 2023 Budget Draft expenditure structure – main expenditure areas:

	Approved budget
Total MoD expenditures(in CZK million)	111,809
<i>Out of which: personal mandatory expenditures of the state organizational unit (incl. pensions, social benefits)</i>	<i>41,585</i>
<i>Programme financing – State Subsidy System of State/Property Management in State ownership (EDS/SMVS)</i>	<i>39,347</i>
<i>Other expenditures (current expenditures and capital expenditures outside EDS/SMVS)</i>	<i>30,877</i>
Total MoD expenditures index 2023/2022	1.25

BASIC PARAMETERS

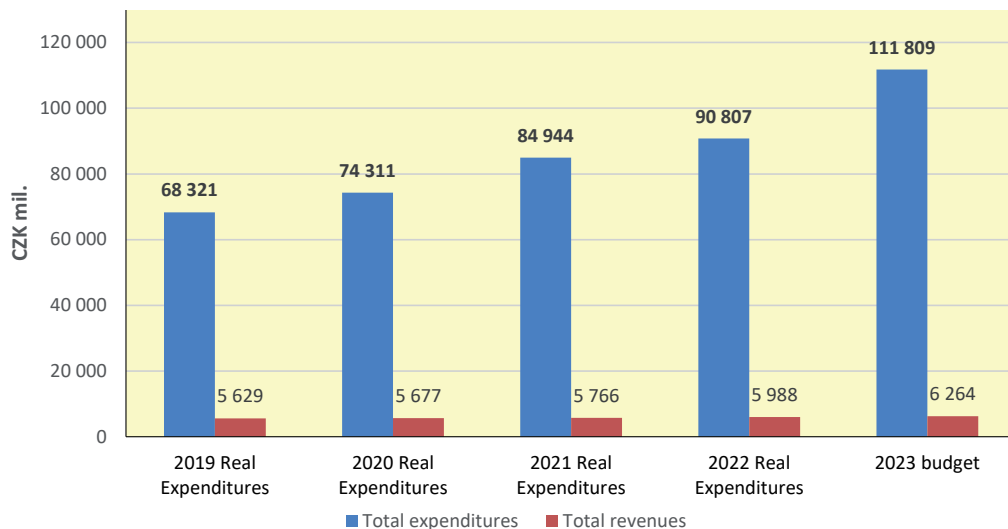
Summary for the basis of the 2023 MoD draft budget parameters and development trends are presented in the following tables and graphs.

2023 MoD budget drafts on previous 2024-2025 Mid-term Outlooks



Tab. 1 – chart

Development of the MoD Budgetary Revenues in 2019-2023



Tab. 2 – chart

Comparison of basic Macroeconomic Indicators

Approved budgets	2022	2023	Index 2023/2022
Gross domestic product (in CZK billion) ^{*)}	6 749,00	7 308,00	1,08
Expenditures of the State Budget (in CZK billion)	2 053,25	2 222,95	1,08
Total MoD expenditures (in CZK billion)	89,15	111,80	1,25
Inflation rate (in %) ^{*)}	15,1	10,4	0,69
MoD expenditures as a % share on GDP	1,32	1,53	1,16
MoD expenditures as a % share on the State Budget Expenditures	4,34	5,03	1,16

**) source: Macroeconomic prediction of the Czech Republic issued by the MoF (January 2023)*

Tab. 3

Basic data on the State Budget – MoD Budget Chapter

Expenditures (in CZK million)	Approved budget		Index 2023/2022
	2022	2023	
I. Total capital expenditures	24,035	36,319	1.51
II. Total operating expenditures	65,110	75,490	1.16
II.1. Employee's salaries and other payments for contract work	18,691	21,002	1.12
II.2. Retirement pensions and other social benefits	6,998	7,852	1.12
II.3. Non-discretionary employer-paid insurance and allocation to CSNF	8,186	9,204	1.12
II.4. Non-investment subsidies to on-vote MoD organizations	2,747	3,447	1.25
II.5. Non-investment subsidies to enterprises	215	395	1.84
II.6. Other material non-investment expenditures	28,273	33,590	1.19
III. Total MoD expenditures (I. + II.)	89,145	111,809	1.25
<i>MoD expenditures (based on constant prices of the year 2019)</i>	71,617	82,559	1.15

Revenues (in CZK million)			
IV.1. Insurance revenues and other tax revenues	5,216	5,833	1.12
IV.2. Non-tax revenues, capital revenues and transfers received	1,033	431	0.42
IV. Total MoD revenues (IV.1. + 2.)	6,249	6,264	1.00
RESULTING BUDGET BALANCE	82,896	105,545	1.27

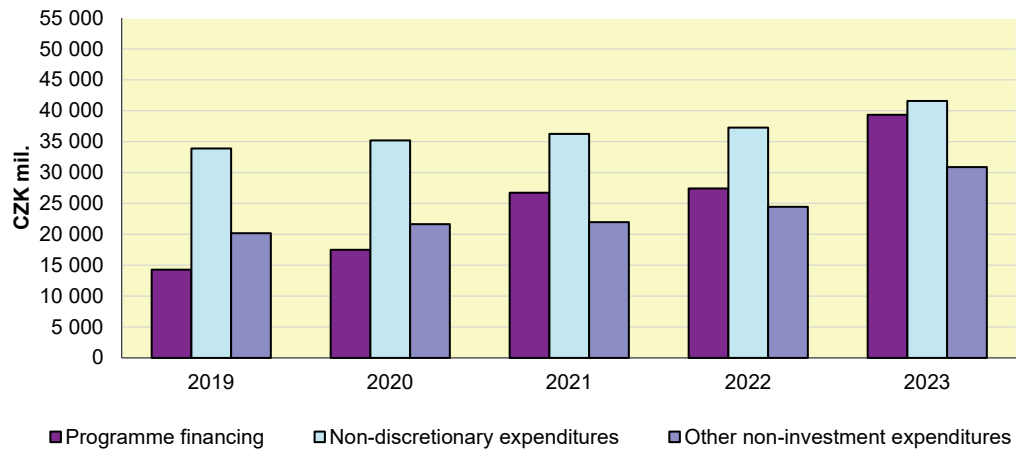
Tab. 4

Structure of the MoD Budgetary Expenditures 2019-2023

Expenditure category (CZK mil.)	Real Expenditures ^{*)}			Approved Expenditures	
	2019	2020	2021	2022	2023
Programme financing	14,253	17,477	26 714	27,427	39,347
Non-discretionary expenditures	33,889	35,202	36 250	37,267	41,585
Other non-investment expenditures	20,179	21,632	21,980	24,451	30,877

^{*)} including extrabudgetary resources and carry forwards

Tab. 5

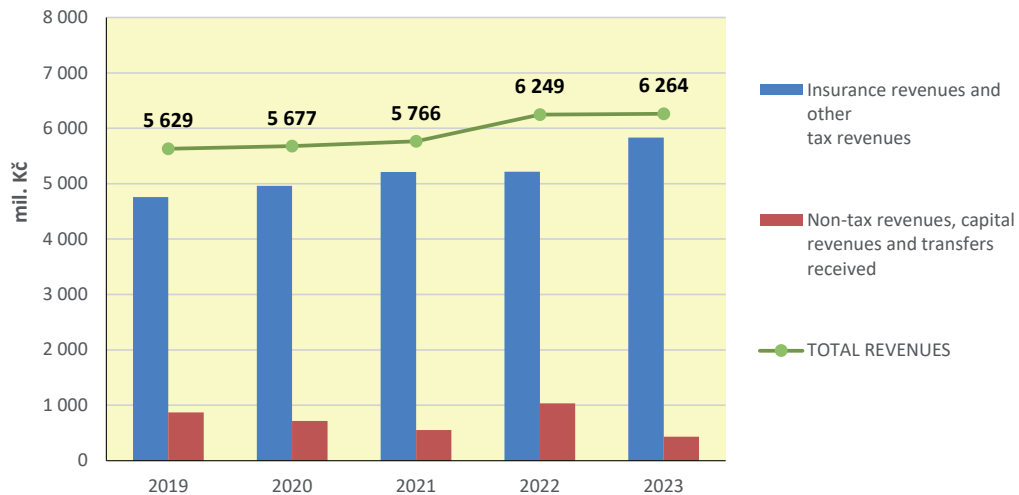


Tab. 5 – chart

Development of the MoD Budgetary Revenues in 2019-2023

Revenue category (CZK mil.)	Real Revenues			Approved Revenues	
	2019	2020	2021	2022	2023
Insurance revenues and other tax revenues	4,760	4,960	5,212	5,216	5,833
Non-tax revenues, capital revenues and transfers received	869	717	554	1 033	431
TOTAL REVENUES	5,629	5,677	5,766	6,249	6,264

Tab. 6



Tab. 6 – chart

Structure of 2022 MoD Budget Operating Expenditures

	CZK million
	2023
Approved budget – total expenditures	111,809
Capital Expenditures	36,319
Operating Expenditures ^{*)}	75,490

I. Non-discretionary expenditures	41,585
1. Salaries, other payments related to performed work and directly related expenditures	28,854
a) Salaries	19,444
b) Other payments related to performed work	1,558
c) Insurance	7,463
d) CSNF	389

2. Other non-discretionary expenditures	12,731
a) Social benefits	9,204
b) Housing allowance, stabilization allowance	3,482
c) Other (scholarship etc.)	45
II. Other operating expenditures	33,905
1. Current life support	25,252
2. Transfers and Subsidies	4,544
3. Other operating expenditures	4,109

**) including related operating expenditures of programme financing and defence research, development and innovations expenditures*

Tab. 7

MANDATORY PERSONAL EXPENDITURES (pensions and social benefits included)

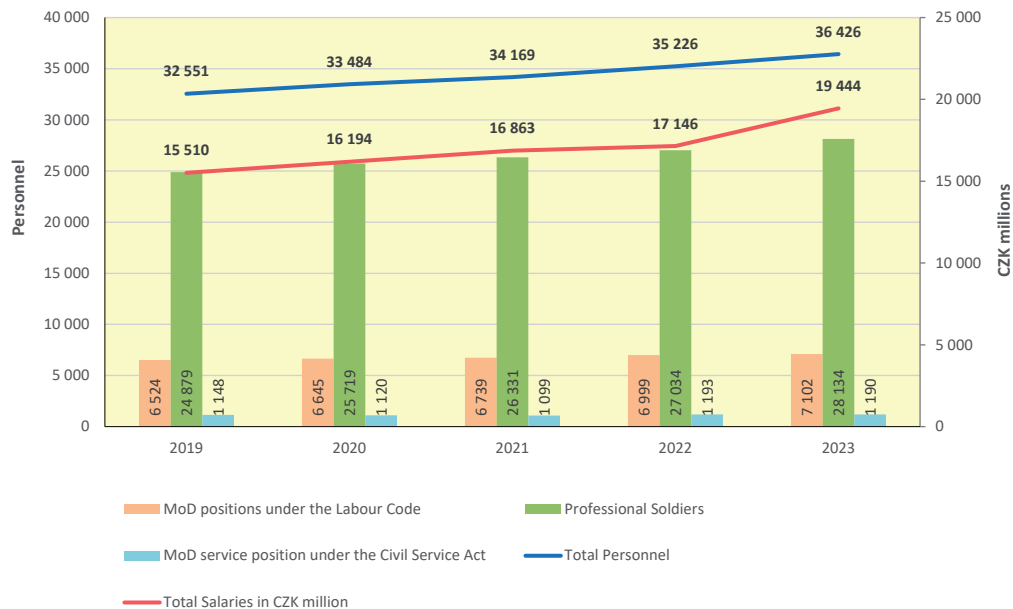
Personal mandatory expenses were approved for the year 2023 in a total volume of 41,585,435 thousand CZK, which represents 37.19 % of the total expenses of the MoD chapter. The decisive part of these expenses is allocated to expenses of a mandatory nature in relation to the employees of the organizational component of the state (salaries, other payments related to performed work, compulsory insurance and contribution to the Cultural and Social Needs Fund (CNSF) paid by the employer, stabilization allowance and housing allowance for soldiers, etc.). Thereof:

- The binding volume of funds for employee salaries for the organizational components of the MoD state was set at a total of 19,443,784 thousand CZK for 36,426 persons, insurances in the amount of 7,463,239 thousand CZK and welfare fund in the amount of 388,876 thousand CZK,
- Funds for other payments for work performed in the amount of 1,557,968 thousand CZK, including for example surcharge for service in foreign operations or UN peacekeeping missions in the amount of 994,805 thousand CZK, funds to support research, development and innovation in the amount of 22,378 thousand CZK, for the implementation of operational programs co-financed from the EU budget in the amount of 2,082 thousand CZK etc.,
- Social allowances in the amount of 5 744 515 thousand CZK and military pensions in the amount of 3,459,293 thousand CZK (total share of those allowances represents 22.13 % of whole mandatory personal expenditures).

Development of the number of individual categories of persons of the MO chapter in the years 2019 to 2023

	Real			Plan	
	2019	2020	2021	2022	2023
MoD positions under the Labour Code	6,524	6,645	6,739	6,999	7,102
Professional Soldiers	24,879	25,719	26,331	27,034	28,134
MoD service position under the Civil Service Act	1,148	1,120	1,099	1,193	1,190
Total Personnel	32,551	33,484	34,169	35,226	36,426
Total Salaries in CZK million	15,510	16,194	16,863	17,146	19,444

Tab. 8



Tab. 8 – chart

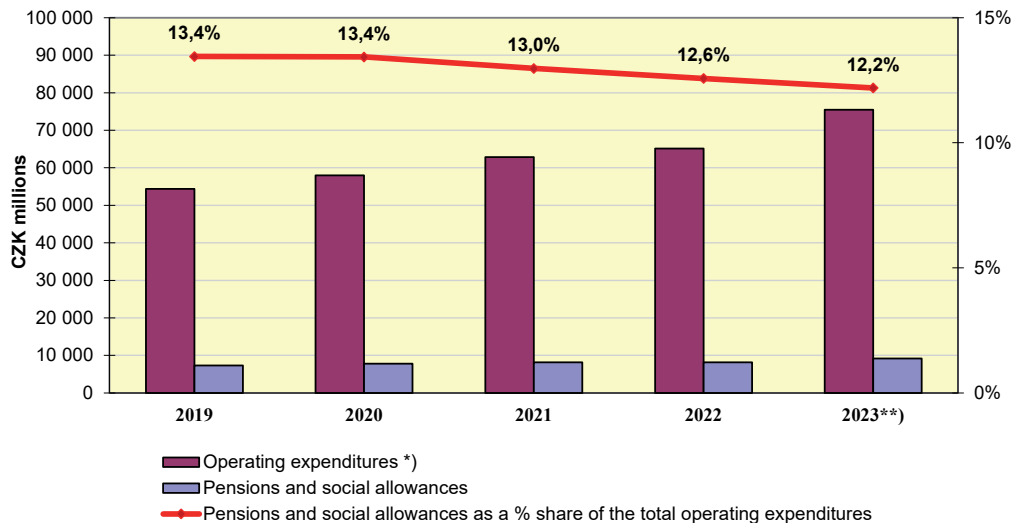
The share of expenditure on pensions and other social benefits in the total current expenditure of the MoD chapter in the years 2019 to 2023

	2019	2020	2021	2022	2023**)
Operating expenditures *)	54,393	57,984	62,824	65,110	75,490
Pensions and social allowances	7,315	7,789	8,149	8,186	9,204
Pensions and social allowances as a % share of the total operating expenditures	13.4 %	13.4 %	13.0 %	12.6 %	12.2 %

*) including related operating expenditures of programme financing and defence research, development and innovations expenditures

**) Act No. 449/2022 Coll., on the Czech Republic State Budget for the year 2022

Tab. 9



Tab. 9 – chart

PROGRAMME FINANCING EXPENDITURES

The programme financing budget limit is approved in total of 39,346,691 thousand CZK, which represents 35.19 % of the total expenses of the MoD chapter. Thus, the ever-positive trend of increasing expenditures intended for financing the investment development of the Department of the Ministry of Defence continues.

The total expenses kept in the EDS/SMVS are divided in the basic breakdown according to the budget structure as follows:

- capital expenditures in the amount of 35,863.278 thousand CZK, i.e. 91.15 % of total PF expenses,
- current expenses in the amount of 3,483.412 thousand CZK, i.e. 8.85 % of total PF.

Newly launched investment actions make up 36.85 % (CZK 14,497,250 thousand) of the total limit of program funding, the remaining part of program funding expenditures in the amount of 63.15 % (CZK 24,849,441 thousand) represent ongoing actions initiated in previous years.




38 significant and financially demanding events will be financed in the year 2023, which are expected to be funded in the form of individually assessed expenses of the state's organizational component. These are projects within individual property reproduction programs, for the benefit of which state budget resources were allocated in a total volume of 24,749,290 thousand CZK, which represents 62.90 % of the volume of state budget expenditures for financing programs in 2023.

The implementation of investment actions serves to develop the capabilities of the Air Forces, Ground Forces, the Communication troops, the computerisation of the Ministry of Defence, and the compatibility of mobile communication means of the command and control of the ground forces of the Czech Army, and logistical support capabilities. Part of the property reproduction programs is devoted to the civil-administrative parts of the Ministry of Defence and state aid organizations.

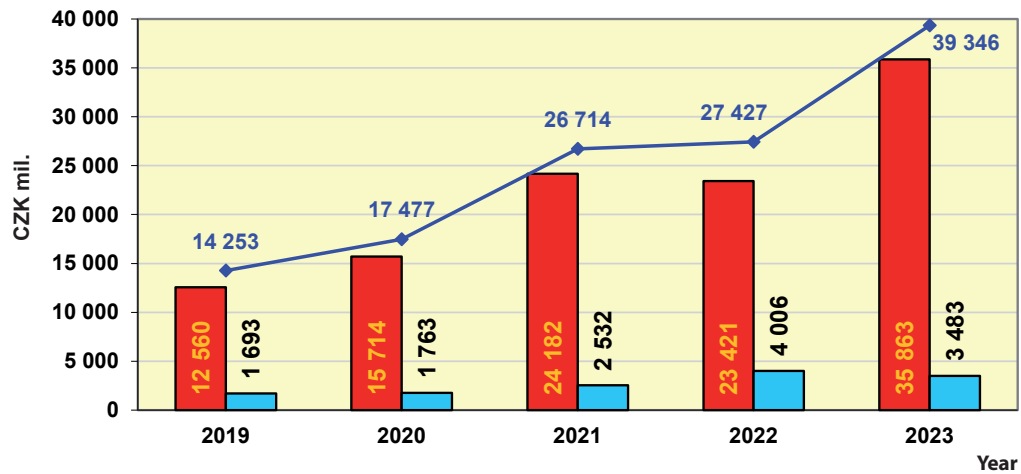
Planned expenditures for subsidy and expenditure titles for the year 2023 are increased by additional financial resources in the amount of 738,711 thousand CZK in addition to state budget funds in the amount of 39,346,691 thousand CZK strengthened, thereof:

- reserve fund in the amount of 421,837 thousand CZK (of which CZK 54,999 thousand comes from NATO funds),
- participant own resources in the amount of 312,562 thousand CZK,
- other domestic sources (expenditures budgeted in the New Green Savings Programme) in the amount of 4,312 thousand CZK.

**Comparison of expenditures on property reproduction programs conducted
in EDS/SMVS in the years 2019 to 2023**

		CZK million				
		Real expenditures			Approved expenditures	
		2019	2020	2021	2022	2023
	Capital Expenditures	12,560	15,714	24,182	23,421	35,863
	Operating Expenditures	1,693	1,763	2,532	4,006	3,483
	Total	14,253	17,477	26,714	27,427	39,346

Tab. 10

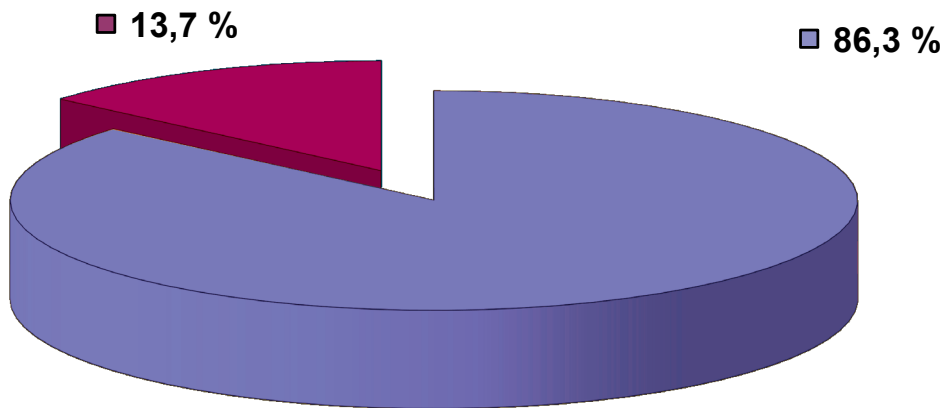


Tab. 10 – chart

Distribution of expenses in property reproduction programs conducted in EDS/SMVS in 2023

	CZK million	
Armament programmes, operational capabilities increase and maintenance programmes, etc.	33 966 368	86,33 %
Immovable infrastructure programmes	5 380 323	13,67 %
Total	39 346 691	100,00 %

Tab. 11



■ Armament programmes, operational capabilities increase and maintenance programmes, etc.

■ Immovable infrastructure programmes

Tab. 11 – chart

OPERATING EXPENDITURE

The MoD operating expenditures for the year 2023 chapter (current expenses and capital expenses outside EDS/SMVS and without personal mandatory expenses) were approved in a total amount of CZK 30,876,615 thousand, which represents 27.62% of the total MoD budget expenditures. Thereof:

- to ensure the operation and maintenance of equipment, purchase of material and services to provide training, the provision of facilities in the form of servisable real estate (CZK 21,179,450,000, which represents 18.94% of the total MoD budget expenditures),
- to ensure the activities of non vote organization established by the MoD for the performance of specific tasks for the benefit of the MoD. The MoD is the founder of 9 non vote organizations. For the year 2023, a total contribution of CZK 4,233,983 thousand was set (i.e. 3.79 % of the total MoD budget expenditures), of which an operating contribution in the amount of CZK 3,446,904 thousand and an investment contribution in the amount of CZK 787,079 thousand. Components of the operating allowance are the wage costs of contributory organizations subject to regulation by the Ministry of Finance in the amount of CZK 463,977 thousand, including employee salaries in the amount of CZK 445,941 thousand for 1,060 people and for other personal expenses in the amount of CZK 18,036 thousand,
- expenditures related to fulfilling tasks of MoD in foreign operations, in accordance with the Resolution of the Government of the Czech Republic No. 644 of July 27, 2022, on the proposal for the use of forces and resources of the Ministry of Defense in foreign operations until 2024 with

a view to 2025 and the stay of the armed forces of the North Atlantic Treaty Organization countries in the territory of the Czech Republic in the years 2023 and 2024, by resolution of the Government of the Czech Republic No. 189 of March 9, 2022, on the proposal for the use of forces and means of the Department of the Ministry of Defense within the framework of the multinational NATO battle group in the Slovak Republic, were set for the year 2023 in the total amount of CZK 1,054,318 thousand, which represents 0.94% of the total MoD budget expenditures,

- defence research and development expenditures in the amount of CZK 446,690 thousand, which represents 0.4 % of the total MoD budget expenditures. Thereof CZK 443,143 thousands budget resources for defence research and development programs and CZK 490,000 for projects financed from foreign programs (budget part) and CZK 3,057 thousand funded from EU. Those resources are divided up to the R&D classification: CZK 110,393 thousand for institutional support for the development of research workplaces of the Department of Defence and CZK 333,240 thousand for targeted support of areas in which the armed forces achieve significant results within NATO and the EU.

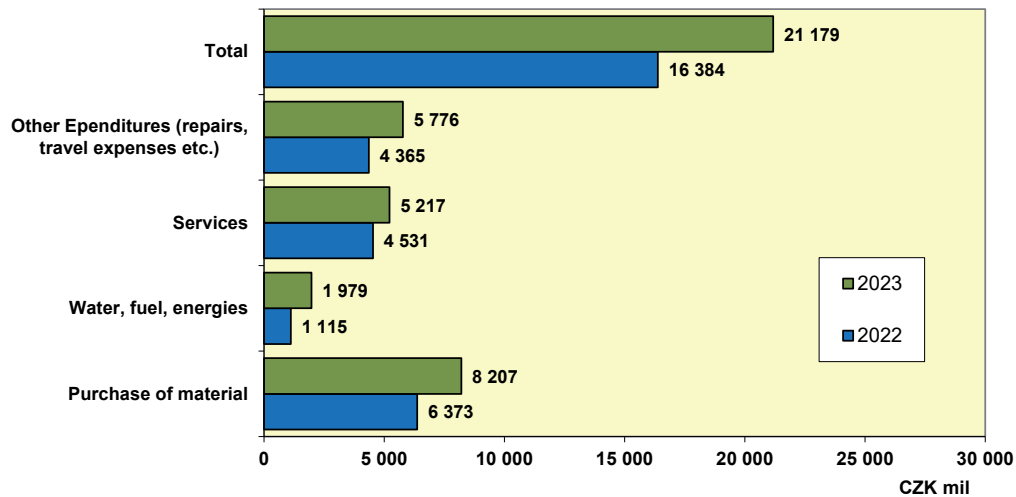
Comparison of the main types of expenditure within current expenditure in 2022 and 2023

(approved budgets, excluding operating expenditures of programme financing)

CZK million

Expenditure Category	2022	2023
Purchase of material	6,373	8,207
Water, fuel, energies	1,115	1,979
Services	4,531	5,217
Other Expenditures (repairs, travel expenses etc.)	4,365	5,776
Total	16,384	21,179

Tab. 12



Tab. 12 – chart

Comparison of material composition of material purchase expenses in 2022 and 2023

(approved budgets, excluding operating expenditures of programme financing)

Category of material	CZK million	
	2022	2023
Foodstuffs	43	44
Protective stuff	16	21
Medicaments and medical supplies	163	182
Underweas, clothing, footwear	1,192	1,225
Small tangible assests	425	702
Ammunition and missiles	1,784	3,282
Spare parts	2,322	2,051
Material for operating, manintenance and repair	67	85
Other material	361	615
Total	6 373	8 207

Tab. 13



USED ABBREVIATIONS

CNSF	Cultural and Social Needs Fund
EDS/SMVS	Registration system of subsidies/Management of state-owned property
EU	European Union
GDP	Gross domestic product
IISSP-RISPR	Integrated information system of the state treasury – Budget
MoD	Ministry of Defence
MoF	Ministry of Finance
NATO	North Atlantic Treaty Organization
R&D	Research & Development
UN	United Nations

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