



BUDGET

FACTS AND TRENDS 2024

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 2024 MoD Budget Draft preparation:

- *The Government Resolution No. 703 dated 27th September 2023 on the Czech Republic State Budget Draft for the year 2024 including the Mid-term State Budget Outlook for the years 2025-2026,*
- *Act No. 433/2023 Coll., on the state budget of the Czech Republic for 2024, dated 29th November 2023.*

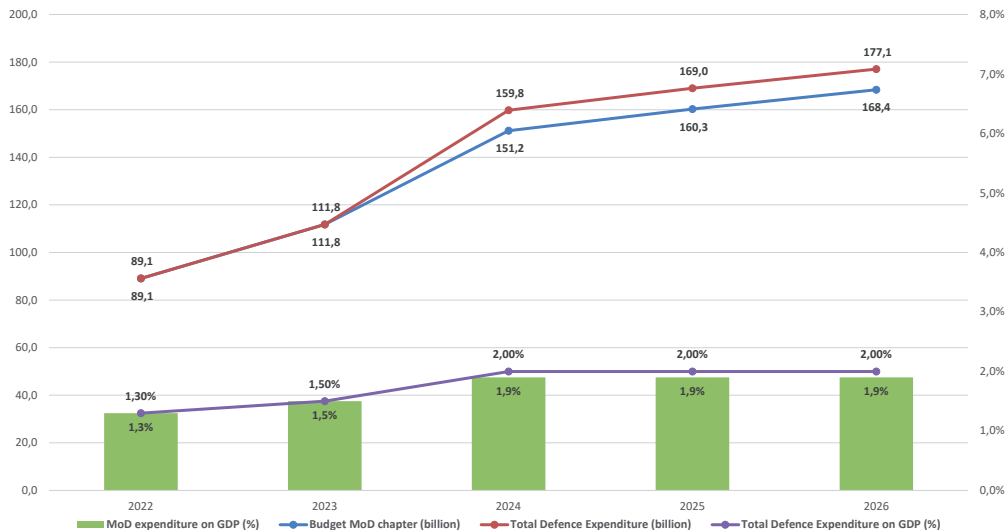
The Draft 2024 State Budget - Ministry of Defence Chapter was prepared in accordance with Act No. 218/2000 Coll., Budgetary Rules and regulation No. 133/2013 Coll., which determines scope and structure of the data needed for preparation of the Draft State Budget and Mid-term Outlook and deadlines for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

In accordance with Act No.177/2023 Coll., on defence financing and amending Act No.218/2000 Coll., on budgetary rules and on amending certain related acts (budgetary rules), as amended (the Defence Financing Act), which entered into force on 1 July 2023, **the Government, when preparing the draft State Budget Act for 2024 and the medium-term outlook for 2025 and 2026, allocated**

expenditure for the financing of the defence of the Czech Republic (state defence expenditure) in the amount of 2% of nominal gross domestic product (GDP). The adoption of the new legislation reflects the commitment made to NATO allies in 2014, when the Czech Republic made a commitment at the NATO Summit in Wales to achieve this level of defence spending by 2024. For the first time in the modern history of the army, the budget was therefore drawn up in conditions of a legally guaranteed level of defence spending, i.e. in conditions of sufficient and stable financial resources that will enable investment in the defence capability of our country and a strong army, which is also necessary for the collective defence resulting from the Czech Republic's membership in NATO.

Act No. 4332023 Coll., on the State Budget of the Czech Republic for 2024, **sets the cross-cutting indicator „State defence expenditure“ at CZK 159,808,482 thousand** (i.e. 2 % of GDP). The decisive part of defence expenditure in the amount of **CZK 151,181,003 thousand is allocated in Chapter 307 - Ministry of Defence.** The remaining defence expenditure, amounting to **CZK 8,627,480 thousand, is allocated in other chapters** - 306 - Ministry of Foreign Affairs, 308 - National Security Office, 314 - Ministry of Interior, 327 - Ministry of Transport, 374 - State Administration of Material Reserves, 378 - National Office for Cyber and Information Security and 398 - General Treasury Administration.

Czech Defence Budget 2022 - 2026



Defence expenditure other chapter 2024:

MFA	CZK 1,443 mil	MoI	CZK 41 mil	ASMR's	CZK 3,673 mil	other	CZK 345 mil
NSA	CZK 313 mil	MoT	CZK 2,202 mil	NCIS	CZK 611 mil		

Defence expenditure other chapters:

2024 - CZK 8.6 billion
 2025 - CZK 8.7 billion
 2026 - CZK 8.7 billion

Source: Nominal GDP - Macroeconomic Forecast April 2023

Total expenditure and revenue of the approved budget Chapter 307 – Ministry of Defence for the 2024 and the Mid-term Outlook for the years 2025 and 2026:

Basic parameters of revenue and expenditure	2024	2025	2026
	CZK thousand	CZK thousand	CZK thousand
Total revenue	6,842,464	7,031,876	7,249,785
Total expenditure	151,181,003	160,347,697	168,420,904

When drafting the budget proposal for 2024, the Ministry of Defence responsibly weighed the priorities of planned expenditure in relation to achieving the objectives set out in the approved planning documents (Security Strategy of the Czech Republic 2023, Defence Strategy of the Czech Republic 2023, Long-Term Outlook for Defence 2035, Concept for the Construction of the Czech Armed Forces 2030, etc.). The earmarked financial resources enable the budget of the Ministry of Defence to be conceived in the coming years as significantly pro-investment, with an emphasis on the fulfilment of the main objectives in the field of rearmament of the Army of the Czech Republic. The Act on Defence Financing contributes significantly to the fulfilment of this objective by stabilising the environment for planning long-term strategic projects of the Army of the Czech Republic by creating an instrument to ensure their continuous financing in the years of implementation.

The approved budget prioritises expenditure of a mandatorial nature in relation to personnel, including covering the numerical increase in military and service personnel, obligations arising from the Czech Republic's membership in NATO and other international organizations, and expenditure related to the deployment of the forces and assets of the Czech Armed Forces in foreign operations. In terms of the structure of expenditure, the Ministry of Defence is already fulfilling its commitment to achieve at least 20 % of expenditure on the main types of equipment out of the total defence expenditure from 2021 onwards, and this commitment towards NATO will be fulfilled in the following years as well.

Total expenditure of the MoD chapter for 2024 in the amount of **CZK 151,181,003 thousand** is higher by CZK 39,372,262 thousand, i.e. by 35.2 %, compared to the approved expenditure budget for 2023.

The 2024 budget expenditure structure – main expenditure areas:

1. Total MoD expenditure (in CZK million) of which:	151,181
Personal mandatory expenditure (incl. pensions, social benefits)	42,589
<i>Programme financing – State Subsidy System of State/Property Management in State ownership (EDS/SMVS)</i>	72,494
<i>Other expenditure (current expenditure and capital expenditure outside EDS/SMVS)</i>	36,098
2. Total MoD expenditure index 2024/2023	1,35

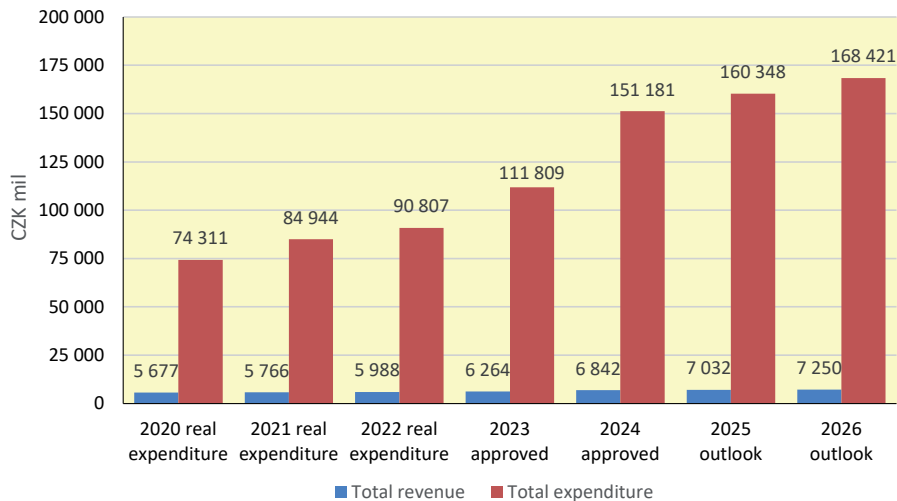
Total revenue of the MoD chapter for 2024 in the amount of **CZK 6,842,464 thousand** is higher by CZK 578,321 thousand, i.e. by 9.2 %, compared to the approved revenue budget for 2023.

The 2024 budget revenue structure – main revenue areas:

Total MoD revenue (in CZK million) of which:	6,842
Total non-tax income, capital income and transfers received	480
<i>Non-tax income</i>	403
<i>Accepted transfers</i>	28
<i>Capital gains</i>	49
Tax revenue – income from compulsory insurance premiums	6,362
<i>Pension insurance</i>	5,584
<i>Premiums for sickness insurance and contribution to the state employment policy</i>	778
Other tax revenue	0.1

A summary of the basic parameters of the MoD chapter budget for 2024 and basic data on the trends of the MoD chapter budget development are presented in the following tables and graphs. Personal

Total revenue and expenditure of the MoD chapter for the period 2020-2022, the approved budget for 2023 and 2024 and the medium-term outlook for 2025 and 2026



Comparison of basic Macroeconomic Indicators for 2023 and 2024

Indicator	2023	2024
Gross domestic product (in CZK billion)*)	7 475	7 989
State budget expenditure (in CZK billion)**)	2 223	2 192
Total MoD expenditure (in CZK billion)**)	111,8	151,2
Total Defence Expenditure (billion)	111,8	159,8
Index total MoD expenditure (2024/2023)	x	1,35
MoD expenditure on GDP (%)	1,5	1,9
MoD expenditure on State budget expenditure (%)	5,0	7,0
Total Defence Expenditure on GDP (%)	1,5	2,0

*) Source: Nominal GDP - Macroeconomic Forecast April 2023

**) approved budget

Basic data on the State Budget - MoD Budget Chapter

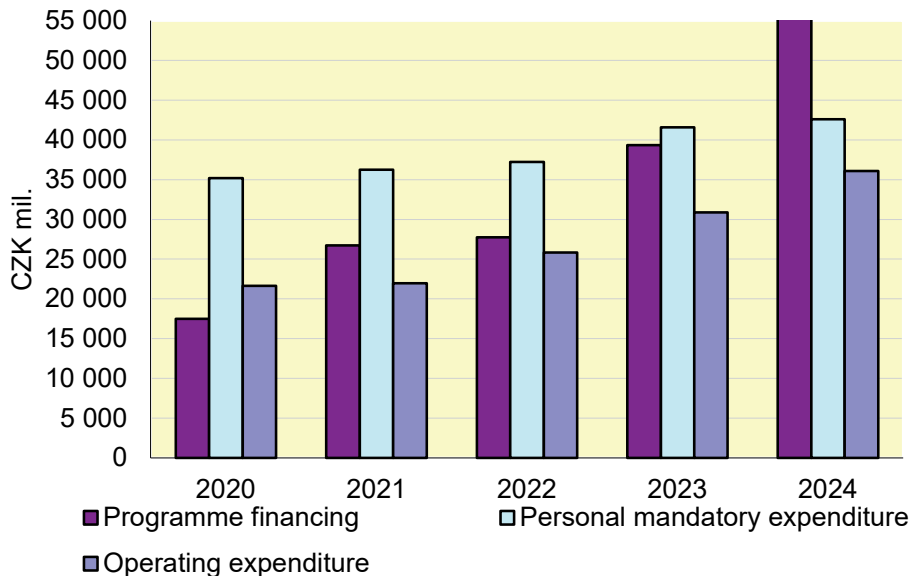
Expenditure (in CZK million)	Approved budget		Index 2024/2023
	2023	2024	
I. Total capital expenditure	36 319	69 928	1,93
II. Total operating expenditure	75 490	81 253	1,08
II.1. Employee's salaries and other payments for contract work	21 002	21 492	1,02
II.2. Retirement pensions and other social benefits	7 852	7 970	1,02
II.3. Mandatory employer-paid insurance and allocation to well-being fund	9 204	9 493	1,03
II.4. Non-investment subsidies to on-vote MoD organizations	3 447	3 619	1,05
II.5. Non-investment subsidies to enterprises	395	310	0,78
II.6. Other material non-investment expenditure	33 590	38 369	1,14
III. Total MoD expenditure (I. + II.)	111 809	151 181	1,35
Revenues (in CZK million)			
IV.1. Insurance revenues and other tax revenues	5 833	6 362	1,09
IV.2. Non-tax revenues, capital revenues and transfers received	431	480	1,11
IV. Total MoD revenues (IV.1. + 2.)	6 264	6 842	1,09
RESULTING BUDGET BALANCE	105 545	144 339	1,37

Structure of the MoD Budgetary Expenditures 2020–2024

Expenditure category (CZK mil)	Real Expenditure*)			"Approved Expenditures"	
	2020	2021	2022	2023	2024
Programme financing	17 477	26 714	27 761	39 347	72 494
Personal mandatory expenditure	35 202	36 250	37 213	41 585	42 589
Operating expenditure	21 632	21 980	25 832	30 877	36 098

*) including extrabudgetary resources and carry forwards

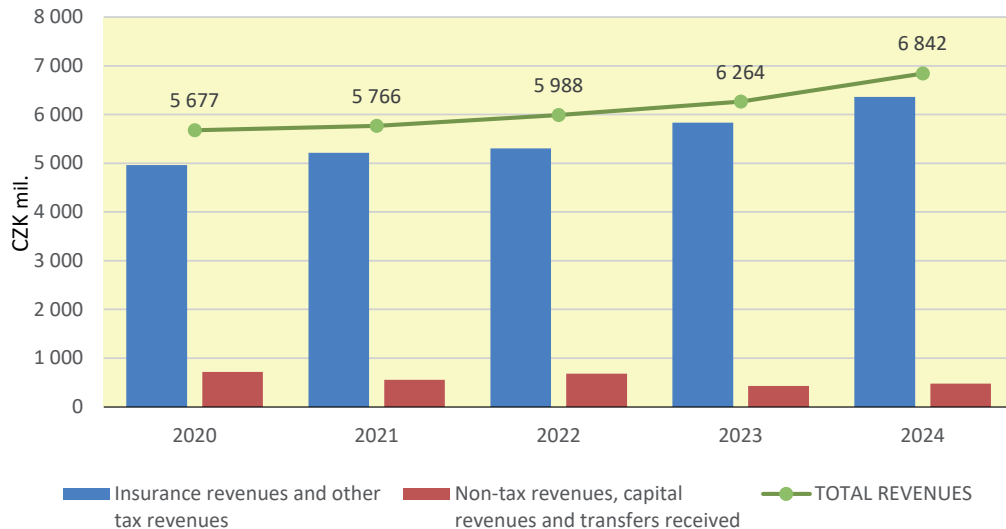
Structure of the MoD Budgetary Expenditures 2020–2024 – Chart



Development of the MoD Budgetary Revenues in 2020–2024

Revenue category (CZK mil.)	Real Revenues			Approved Revenues	
	2020	2021	2022	2023	2024
"Insurance revenues and other tax revenues"	4 960	5 212	5 306	5 833	6 362
"Non-tax revenues, capital revenues and transfers received"	717	554	682	431	480
TOTAL REVENUES	5 677	5 766	5 988	6 264	6 842

Development of the MoD Budgetary Revenues in 2020–2024 – Chart



PERSONAL MANDATORY EXPENDITURE (pensions and social benefits included)

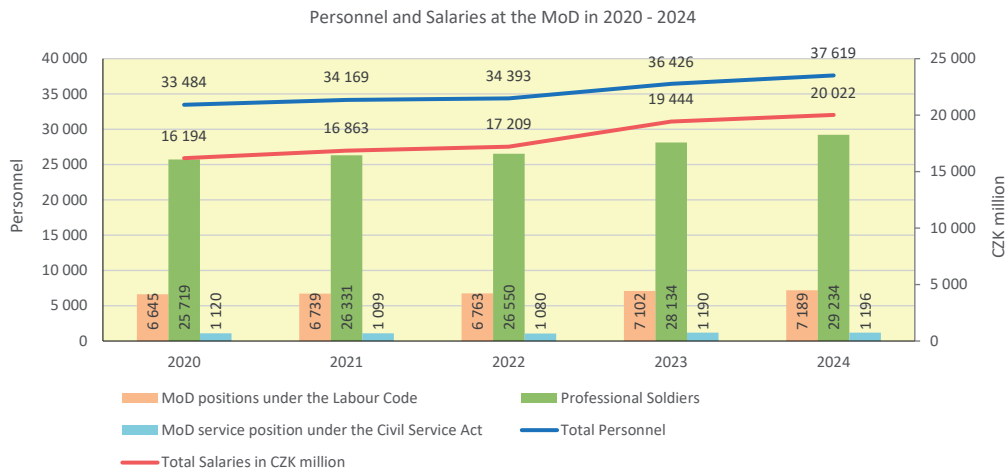
mandatory expenditure were approved for the year 2024 in a total volume of **CZK 42,589,098 thousand** which represents **28.2 % of the total expenditure of the MoD chapter**. The decisive part of these expenditure is allocated to a mandatory in relation to the employees, especially on:

- employee salaries of the organizational unit of the MoD in the amount of **CZK 20,022,021 thousand** for 37 619 persons, related insurance in the amount of **CZK 7,769,466 thousand** and well-being fund of **CZK 200,220 thousand**;
- other payments for work performed in the amount of **CZK 1,470,505 thousand**, including for example surcharge for service in foreign operations or UN peacekeeping missions in the amount of **CZK 766,225 thousand**; disciplinary awards to professional and reserve soldiers in service in the amount of **CZK 266,000 thousand**, allowances for persons participating in military exercises in the amount of CZK 173,650 thousand, remuneration and incentive pay in the amount of **CZK 136,250 thousand**;
- stabilisation allowance and housing allowance for soldiers in the total amount of **CZK 3,615,962 thousand**;
- pension benefits in the amount of **CZK 5,866,259 thousand** and other social benefits (retirement benefits, sickness benefits provided to soldiers) in the amount of **CZK 3,626,522 thousand**.

Development of the number of individual categories of persons in the MoD chapter in 2020 - 2024 (excluding On-Vote organizations)

	Real			Plan	
	2020	2021	2022	2023	2024
MoD positions under the Labour Code	6 645	6 739	6 763	7 102	7 189
Professional Soldiers	25 719	26 331	26 550	28 134	29 234
MoD service position under the Civil Service Act	1 120	1 099	1 080	1 190	1 196
Total Personnel	33 484	34 169	34 393	36 426	37 619
Total Salaries in CZK million	16 194	16 863	17 209	19 444	20 022

Development of the number of individual categories of persons in the MoD chapter in 2020 - 2024 – Chart (excluding On-Vote organizations)

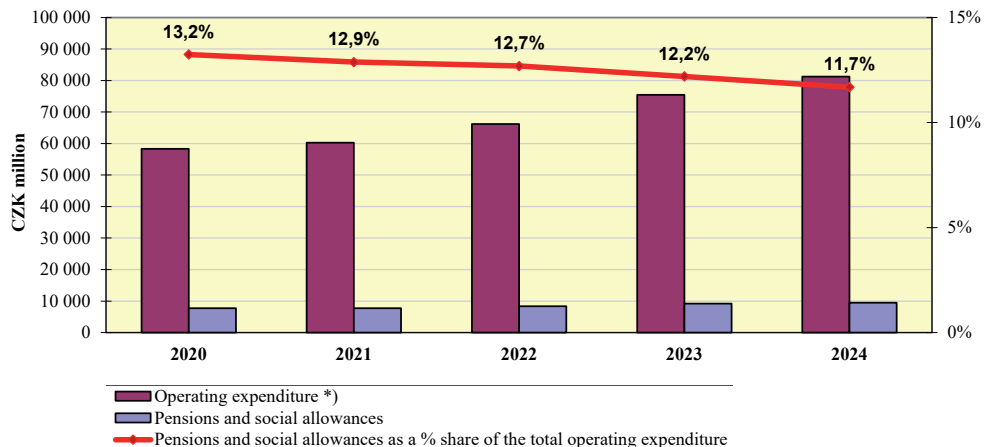


Expenditures for Pensions and Other Social Allowances as a % share of the Total MoD operating Expenditures in 2020 - 2024 (approved budget)

	Real expenditure			Aproved budget	
	2020	2021	2022	2023	2024
Operating expenditure *)	58 353	60 264	66 179	75 490	81 253
Pensions and social allowances	7 724	7 762	8 398	9 204	9 493
Pensions and social allowances as a % share of the total operating expenditure	13,2%	12,9%	12,7%	12,2%	11,7%

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

Expenditures for Pensions and Other Social Allowances as a % share of the Total MoD operating Expenditures in 2020 - 2024 (approved budget) – Chart



PROGRAMME FINANCING EXPENDITURE

The expenditure, recorded in the EDS/SMVS programme financing information system, is approved for a total amount of **CZK 72,494,283 thousand for 2024, which represents 48 % of the total expenditure of the MoD chapter**. Year-on-year growth in the area of investments is CZK 33.1 billion, i.e. 84.2 %, which is directly related to the legislative anchorage of the Government's obligation to allocate defence expenditure of 2 % of GDP when preparing the Act on the State Budget of the Czech Republic. The decisive part of these investments is planned for the projects of the Army of the Czech Republic (92.4 %), while the allocated volume of expenditure earmarked for the investments of the department will enable, in accordance with Section 5 of the Defence Financing Act, the creation of an instrument for ensuring the continuous financing of long-term strategic projects of the Czech Armed Forces in the amount of CZK 38.9 billion (these are strategic projects for the acquisition of tracked infantry fighting vehicles and its modifications, supersonic F-35A Lightning II aircraft and medium transport aircraft).

The total expenditure for acquisitions, recorded in the programme financing system, is broken down by basic budget structure as follows:

- capital expenditure in the amount of **CZK 69,532,843 thousand**, i.e. 95.9 % of the total programme financing expenditure;
- current expenditure in the amount of **CZK 2,961,440 thousand**, i.e. 4.1 % of the total programme financing expenditure.

Newly launched investment actions make up 35.3 % (CZK 25,567,790 thousand) of the total limit of programme financing expenditure, the remaining part of program financing expenditure in the amount of 64.7 % (CZK 46,926,493 thousand) represent ongoing actions initiated in previous years.

45 significant and financially demanding actions will be financed the year 2024, which are expected to be funded in the form of individually assessed expenses of the state's organizational component. These are actions within the framework of individual asset reproduction programmes for which state budget resources have been allocated in the total amount of **CZK 26,624,190 thousand**, which represents 36.7 % of the volume of state budget expenditure on financing the programmes in 2024.




The implementation of the planned investment actions will ensure the maintenance and development of the capabilities of the Czech Air Forces, the Ground Forces, the Communication troops, MoD informatisation, the compatibility of mobile communication means of command and control of the Czech Army and capabilities of medical and logistic support, including investments in immovable infrastructure. The asset reproduction programmes also include a programme ensuring the maintenance and development of the capabilities of the civil-administrative part of the MoD and state contributory organizations (investment subsidies of CZK 616,489 thousand for contributory organizations are planned).

The planned expenditure on subsidies and expenditure titles for 2024, in addition to the state budget funds in the amount of **CZK 72,494,283 thousand**, will be reinforced by additional financial resources in the amount of **CZK 494,128 thousand**. The breakdown by source will show:

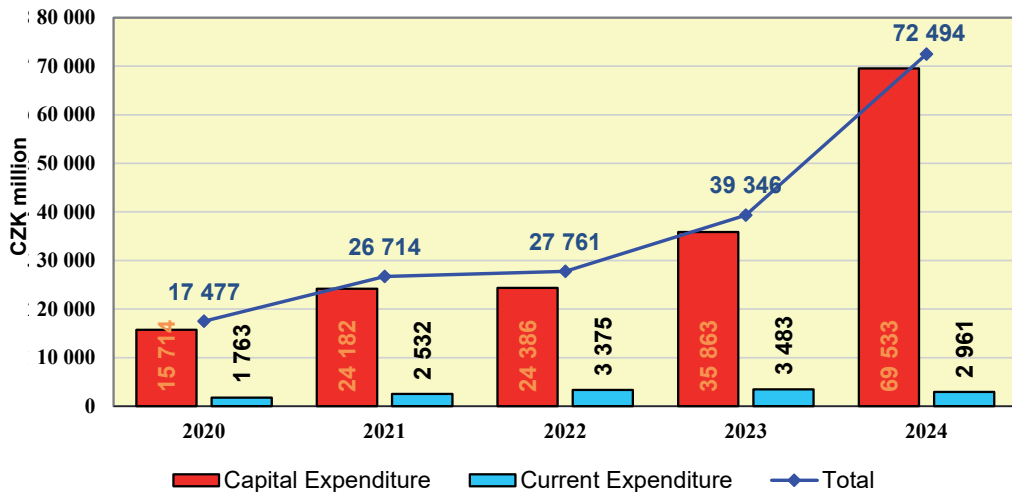
- the reserve fund in the amount of **CZK 327,341 thousand** (of which CZK 45,621 thousand from NATO funds);
- the programme participant's own resources in the amount of **CZK 166,787 thousand**.

Comparison of Programme Financing Expenditure in 2020 - 2024

CZK mil

		Real expenditure			Aproved budget	
		2020	2021	2022	2023	2024
	Capital Expenditure	15 714	24 182	24 386	35 863	69 533
	Current Expenditure	1 763	2 532	3 375	3 483	2 961
	Total	17 477	26 714	27 761	39 346	72 494

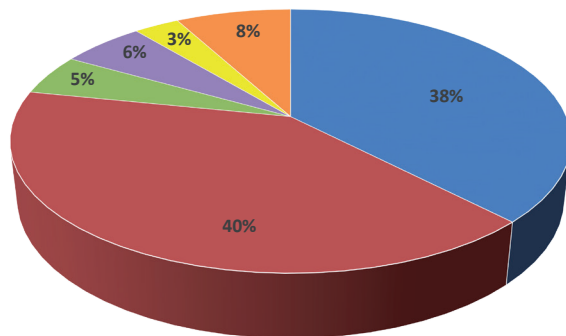
Comparison of Programme Financing Expenditure in 2020 - 2024 – Chart



Distribution of expenditure in property reproduction programmes in 2024

		Approved budget	
		Expenditure	Share
		CZK mil	%
	Land Forces	27 351	37,7
	Air Forces	29 339	40,5
	Logistic support	3 637	5,0
	Communication and information support	4 150	5,7
	Civil-administrative part of the MoD and contributory organizations	2 264	3,1
	Other organizational units of the MoD	5 755	7,9
	Total MoD chapter	72 494	100,0

Distribution of expenditure in property reproduction programmes in 2024 – Chart



- Land Forces
- Air Forces
- Logistic support
- Ccommunication and information support
- Civil-administrative part of the MoD and contributory organizations
- Other organizational units of the MoD

OPERATING EXPENDITURE

Operating expenditure of the MoD chapter (i.e. expenditure excluding personal mandated expenditure, current and capital expenditure recorded in EDS/SMVS) is allocated in the approved budget for 2024 in the amount of **CZK 36,097,621 thousand**. This represents 23.9 % of the total expenditure of the MoD chapter intended mainly for:

- operating expenditure to ensure the operation and maintenance of equipment, purchase of materials and services to ensure training, to provide facilities in the form of operational immovable property, non-investment expenditure, etc. in the total amount of **CZK 24,930,695 thousand**;
- to ensure the activities of 9 contributory organizations established by the MoD to perform specific tasks for the benefit of the department. The operating contribution for 2024 is set at **CZK 3,619,357 thousand**. Within the operating contribution, the wage costs of the contributory organizations subject to the regulation of the Ministry of Finance (MoF) are planned to amount to CZK 460,802 thousand. This includes CZK 442,766 thousand for staff salaries for 1 072 persons and CZK 18,036 thousand for other personnel costs;
- expenditure in the amount of **CZK 877,545 thousand** is allocated for participation in foreign operations for 2024 in accordance with the mandates approved by the Government of the Czech Republic, the Senate and the Chamber of Deputies of the Parliament of the Czech Republic. This, together with the personal mandated expenditure in the amount of CZK 766,225 thousand,

represents the amount of CZK 1,643,770 thousand, i.e. 1.1 % of the total expenditure budget of the chapter MoD. The mandates are defined by Government Resolutions No. 644 of 27 July 2022, No. 946 of 16 November 2022 and No. 174 of 8 March 2023;

- for the payment of the Czech Republic's membership contributions to international organizations, their programmes and elements of the military structure, funds in the amount of **CZK 1,269,412 thousand** are planned;
- defence research and development expenditure in the amount of **CZK 440,796 thousand**. This amount is made up of expenditure from the EU budget of CZK 1 379 thousand and state budget funds CZK 439,417 thousand (including the state budget's share of co-financing of EU projects in the amount of CZK 243 thousand). State budget resources are divided up to the R&D classification: CZK 106,177 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.

Operating expenditure - approved budget for 2023 and 2024

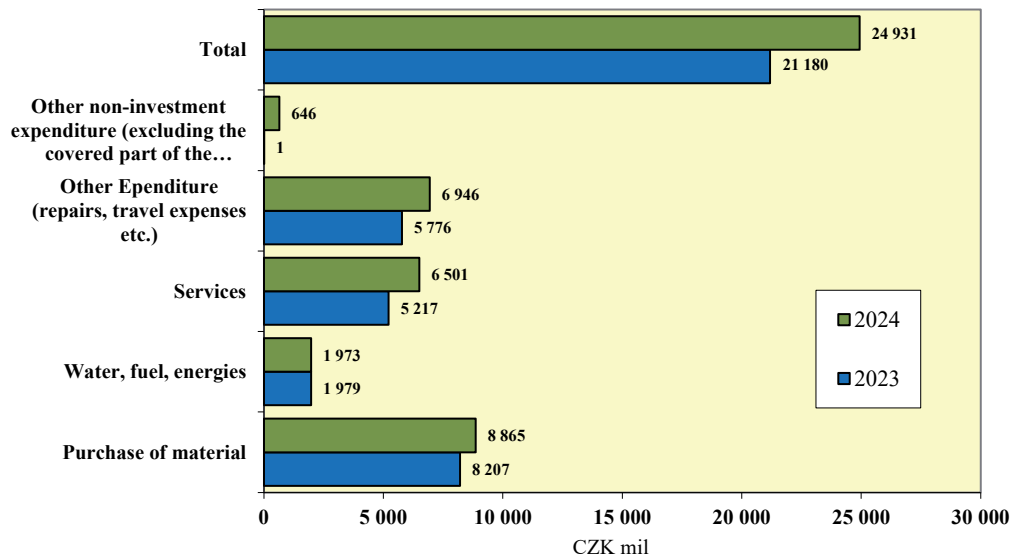
(approved budget, excluding operating expenditure of programme financing, breakdown according to MoF methodology)

CZK mil

Expenditure Category	2023	2024
Purchase of material	8 207	8 865
Water, fuel, energies	1 979	1 973
Services	5 217	6 501
Other Expenditure (repairs, travel expenses etc.)	5 776	6 946
Other non-investment expenditure (excluding the covered part of the Military Intelligence)	1	646
Total	21 180	24 931

Operating expenditure - approved budget for 2023 and 2024 – Chart

(approved budget, excluding operating expenditure of programme financing, breakdown according to MoF methodology)



USED ABBREVIATIONS

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
MoF	Ministry of Finance
MoD	Ministry of Defense
NATO	North Atlantic Treaty Organization
UN	United Nations

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