

**THE REPUBLIC OF BULGARIA
COUNCIL OF MINISTERS**



**NATIONAL PLAN
FOR INCREASING THE DEFENSE SPENDING TO
2% OF THE GROSS DOMESTIC PRODUCT UNTIL
2024**

Sofia, 2017

1. INTRODUCTION

The fundamentally changed security environment poses new and higher requirements regarding the capabilities of the Bulgarian Armed Forces. In the context of the complicated strategic environment, the allied unity and solidarity is based on the fair burden sharing in NATO. In this respect, at the NATO Wales Summit in 2014, all the allies agreed to increase their defense expenditure to 2 % of their GDP, 20% of which will be spent on new equipment and related research. This is necessary in order to strengthen the deterrence and defence potential of the Alliance, including the Enhanced Forward Presence to the East and the Tailored Forward Presence to the South East. The increase in defense expenditure guarantees the more effective implementation of the commitments under the NATO Capability Targets package as well as the participation in allied missions and operations.

At the Special Summit in Brussels on 25 May 2017 the Republic of Bulgaria, together with the rest of the Member States, agreed to make their own national plans for increasing the defense expenditures to 2% of the GDP. Starting from 2017, the allies will report on their defense expenditure, the degree of implementation of the adopted NATO Capability Targets and their contribution to ongoing operations and missions.

The Republic of Bulgaria participates also in the EU Common Security and Defense Policy, and on 13.11.2017 the country joined the EU Permanent Structured Cooperation (PESCO) in defense initiative. Like the NATO example, the Member States participating therein will raise their defense expenditures as percentage of their GDP, having 20% of them spent on new equipment, and 2% of the total defense budgets will be devoted to research and development. Attaining this objective is related to the document on the implementation of the general binding PESCO commitments. It is envisaged that the implementation will be evaluated on an annual basis.

The purpose of this document is to consolidate the efforts of the Republic of Bulgaria to develop modern defense capabilities in response to the growing security challenges and to increase the possibilities allowing the unification of the capability building approaches with the NATO allies and the EU countries.

The document explains the motivation, outlines the ways in which the defense spending will reach 2% of GDP by 2024 and provides the main directions for investing the increased financial funding.

The increase in defense spending is also due to the need to modernize, rearm and fill the vacancies in the Bulgarian Armed Forces, as well as to the additional tasks related to the fight against terrorism and the protection of the state borders.

The document contains an introductory part, a financial plan for a phased increase in defense spending to 2% of the GDP, an implementation and control mechanism, as well as two annexes, respectively on the contribution of the Republic of Bulgaria to NATO and the EU PESCO.

2. GRADUAL INCREASE OF THE DEFENSE EXPENDITURE TO THE LEVEL OF 2% OF THE GDP DURING THE PERIOD 2018-2024

Defense expenditure for the period 2018-2020 is determined by the Council of Ministers Decision No. 654/30.10.2017 approving the draft of the Law on the State Budget of Republic of Bulgaria for 2018 and approving the Updated Medium-Term Budget Forecast for the period 2018 -2020.¹

The fulfillment of the pledge from the Wales Summit to increase gradually defense spending to 2% of GDP is planned in the Program for the Development of the Defense Capabilities of the Armed Forces of the Republic of Bulgaria 2020 (Program 2020) and in the Government's management Program for the period 2017-2021.

The capabilities of the NATO agencies in the area of the procurement process of acquiring capabilities, including jointly with allies, will be used more actively during the process of implementation of the investment projects.

In addition, the potential of the EU Permanent PESCO, the European Defense Fund and the European Defense Agency to implement joint projects on capability acquirement together with other EU will also be used. In these processes will be sought the active participation of the Bulgarian defense industry and the research institutions. The estimated allocation of this spending for the period 2018-2024 is shown in Table 1:

¹ The data on the projected expenditure ceilings of the MoD for the period 2018-2020 do not correspond to the data sent in June 2017 as an attachment to the NATO Defense Capabilities Review (DPCS) 2015-2024 paper, which is based on data reported for the 2015-2016 period, the State Budget Act 2017, and the Memorandum of Programming Decisions 2018-2023. Updating of the responses to DPCS can take place in March 2018 after the 2017 data is available and the State Budget Act 2018 and the CMD for its implementation are published.

THE FORECAST DEFENSE SPENDING FOR IMPLEMENTING THE PLAN OVER THE YEARS 2018 - 2024 (in thousands BGN*) Table 1

DEFENSE SPENDING AREAS	YEAR						
	2018	2019	2020	2021	2022	2023	2024
Personnel Costs	911 730	1 009 406	1 052 082	1 107 082	1 227 082	1 387 082	1 705 082
Forecast	911 730	919 406	927 082	927 082	927 082	927 082	927 082
Additional funding - above the budget spending limit	-	90 000	125 000	180 000	300 000	460 000	778 000
Increase compared to previous year	-	97 676	42 676	55 000	120 000	160 000	318 000
Operating Costs	226 225	235 225	273 225	263 225	340 225	520 225	568 225
Forecast	226 225	226 225	220 225	220 225	220 225	220 225	220 225
Additional funding - above the budget spending limit	-	9 000	53 000	43 000	120 000	300 000	348 000
Increase compared to previous year	-	9 000	38 000	-10 000	77 000	180 000	48 000
Capital Spending (MoD Budget & Central Budget)	472 364	501 364	567 364	652 364	630 364	599 364	568 364
Capital Spending from the MoD Budget	55 364	90 364	170 364	105 364	200 364	269 364	368 364
Forecast	55 364	55 364	55 364	55 364	55 364	55 364	55 364
Additional funding - above the budget spending limit	-	35 000	115 000	50 000	145 000	214 000	313 000
Increase compared to previous year	-	35 000	80 000	-65 000	95 000	69 000	99 000
Main modernization projects funded by the Central Budget (forecasted and additional expenditures)	417 000	411 000	397 000	547 000	430 000	330 000	200 000
New type of combat aircraft acquisition	100 000	100 000	100 000	260 000	240 000	200 000	100 000
MiG-29 flight capability maintenance	26 000	26 000	26 000	-	-	-	-
Multirole patrol vessel acquisition	171 000	171 000	171 000	187 000	90 000	30 000	-
Main combat materiel acquisition and maintenance for developing battalion battle groups	100 000	100 000	100 000	100 000	100 000	100 000	100 000
Transfer to the Military Medical Academy	20 000	14 000	-	-	-	-	-
Total forecasted MoD budget and Central Budget defense spending	1 610 319	1 611 995	1 599 671	1 749 671	1 632 671	1 532 671	1 402 671
MoD Budget	1 193 319	1 200 995	1 202 671	1 202 671	1 202 671	1 202 671	1 202 671
Central Budget	417 000	411 000	397 000	547 000	430 000	330 000	200 000
<i>Above the forecast defense spending additionally needed funding</i>	0	134 000	293 000	273 000	565 000	974 000	1 439 000
Defense Expenditures accumulating forecast spending, additional spending and Central Budget funding	1 610 319	1 745 995	1 892 671	2 022 671	2 197 671	2 506 671	2 841 671
Budget transfer for state high military academies	25 801	25 801	25 801	25 801	25 801	25 801	25 801
TOTAL DEFENSE SPENDING	1 636 120	1 771 796	1 918 472	2 048 472	2 223 472	2 532 472	2 867 472
Gross Domestic Product (GDP)	105 609 000	112 134 000	119 194 000	124 900 000	130 800 000	136 900 000	143 400 000
DEFENSE SPENDING AS % OF GDP	1,55	1,58	1,61	1,64	1,70	1,85	2,00

* BGN – internationally recognized acronym for Bulgarian Lev – the national currency of the Republic of Bulgaria

For the period 2021-2024 the current dynamics of the GDP is expected to be sustained, with a growth of 3,9% on a yearly basis.

Until 2024, the necessary amount of financial resources have been allocated within the central state budget to carry out the three main Armed Forces modernization projects: „Acquisition of multifunctional modular patrol vessels for the Naval forces“, „Acquisition of new type of fighter aircraft” and „Acquisition and maintenance of major platforms for establishing battalion battle groups within a mechanized brigade”.

With the implementation of Program 2020 and Plan for development of the Bulgarian Armed Forces till 2020 (Plan 2020) the aim is by 2024 to reach a ratio for personnel costs, operating costs and capital spending of 60:20:20, as shown in Table 2:

Table 2

DEFENSE SPENDING AREAS COMPARED TO ALL DEFENSE SPENDING OVER THE YEARS 2018 - 2024 (in %)							
DEFENSE SPENDING AREAS	YEAR						
	2018	2019	2020	2021	2022	2023	2024
PERSONNEL COSTS	57	58	56	55	56	55	60
OPERATING COSTS	14	13	14	13	15	21	20
CAPITAL SPENDING	29	29	30	32	29	24	20

Due to the urgent need for modernization of the Bulgarian Armed Forces’ capabilities, the focus of the efforts will be aimed at carrying out the large scale priority investment projects in conformity with Program 2020.

In order to ensure the simultaneous implementation of the three priority investment modernization projects, the Ministry of Defense has developed and proposed for adoption by the Council of Ministers and the National Assembly a change of the financial and time frames of the investment projects "Acquisition of multifunctional modular patrol vessel for the Naval forces" and "Acquisition of a new type of fighter aircraft", namely rescheduling the financial payment parameters of the project "Acquisition of a new type of fighter aircraft" for the period up to 2024. With the financial resources freed it is proposed to launch a project for modernization of the Land Forces „Acquisition and maintenance of major platforms for establishing of battalion battle groups within a mechanized brigade”.

To overcome the low levels of staffing, the Plan 2020 envisages an increase in the defense budget of BGN 97,676,000 for 2019. Additional funding for personnel will be provided annually by 2024. It aims at increasing the social status of the military, the motivation of the personnel and the attractiveness of the military profession.

The increase in operating costs is intended to ensure the training of the Armed Forces in accordance with NATO standards, as well as the contribution of the Armed Forces to NATO and EU operations and missions abroad.

3. APPLICATION AND CONTROL MECHANISM

An analysis assessing the implementation of the Plan shall be presented annually as a part of the Annual Report on the State of Defense and the Armed Forces of the Republic of Bulgaria. The analysis shall present the progress in acquisition and development of defense capabilities of the Bulgarian Armed Forces.

Information on the implementation of the Plan shall be prepared and introduced in accordance with the agreed review procedure in NATO Defense Planning Process and with the review procedure for assessing the progress in the EU PESCO. With regard to capital spending, it shall be explicitly indicated what portion of the increased defense funding is allocated to acquiring new equipment and maintaining and repairing the existing capabilities.

In case of non-fulfilment of the Plan's parameters, the specific reasons explaining why shall be presented.

The modernization projects for acquiring new and interoperable armaments and equipment will be conducted only under the mechanisms and approaches of the Project Management as established at the Ministry of Defense.

The criteria for assessing the effectiveness of the National Plan are as follows:

1. "Political Adequacy" – to what extent the military strategic goals respond to the political aims and ambitions. The political ambitions define the overall policy framework and the balance between the objectively required relative share of the military factor in the common defense efforts and the cost of its maintenance.
2. "Military Necessity" - to what extent the established (planned) defense capabilities (may) contribute to achieving the desired military-strategic results.

3. “Attainability” – this criterion compares the existing assessments, mechanisms and approaches to the development of the Armed Forces with the available resources, in order to meet the defense requirements.

4. The progress in achieving the desired outcome shall be assessed together with the investment of the allocated resources. The assessment shall indicate the extent to which additionally allocated funds are transformed effectively into defense capabilities.

It is imperative to assess progress with regard to:

- The implementation of the current programming documents and plans for development of the Armed Forces;
- Progress in implementation of the NATO Capability Targets 2017, including by quantitative and qualitative indicators, along with the development of capabilities under the EU CSDP and PESCO;
- Progress in achievement of the NATO usability targets of the Armed Forces in operations;
- Implementation of the country's commitments under the PESCO as a part of the EU CSDP, in accordance with the implementation of PESCO commitments in the field of defense.