

Press release

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Defence restructuring intensified – defence budget increases

The Government today put forward a defence budget totalling NOK 30.4 billion. This represents a real increase of NOK 70 million compared with the budget in 2004. In other words, the high level of defence funding in 2004 will be increased still further. Kristin Krohn Devold comments: “We are aiming to achieve all our restructuring objectives for the period 2002-2005. This will place Norwegian defence on a firm footing with a structure far better matched to the management of future threats and crises both nationally and internationally”.

The defence budget for 2005 allows for the level of operational activities to be maintained and, in some areas, increased. It is proposed that the budget for additional costs associated with participation in operations abroad should be increased by some 10 percent. It is further proposed that the terminal grant on completion of initial military service should be increased from NOK 8,900 to the highest ever figure of NOK 15,000.

Main objectives and priorities

The fundamental purpose of the defence restructuring and the measures set out in the Long-Term plans for 2002-2005 and 2005-2008 is to strengthen the ability of the defence organisation, including the Armed Forces, to meet the challenges posed by future threats and crises. The new force structure, which will be kept under continuing review and development, is equally suited to the performance of missions at home or abroad.

To strengthen the ability of Norwegian defence to meet the challenges posed by future threats and crises, the budget for 2005 is pitched at a level to allow achievement of all the restructuring objectives for the period 2002-2005 while at same time allowing for more ambitious targets than those originally set.

The restructuring objectives endorsed by the Storting to enhance the quality and operational capabilities of Norwegian defence are:

- A reduction in operating costs of at least NOK 2 billion compared with the year 2000 – *the budget for 2005 envisages a saving of NOK 2¼ billion.*

- A reduction in the building stock area of 2 million square metres – *the reduction in building stock area will exceed this target figure.*
- A reduction in defence personnel numbers of 5,000 compared with the year 2000 – *the budget for 2005 will make it possible to achieve this target figure.*

In addition, the budget proposals will enable the further restructuring measures planned for the period 2005-2008 to be implemented as rapidly as possible. The achievement of these objectives is vital to the ongoing enhancement of the quality of the Armed Forces. All branches of the armed services are now better able to work together and to operate jointly with forces from other nations, while meeting specified requirements for reaction time and usability both nationally and in a NATO context. Norway's ability to contribute highly professional military capabilities, always much sought after, has never been better than it is today. We have focused on enhancing our ability to react rapidly with highly competent personnel and modern equipment for the purposes of national crisis management. This focus will be maintained in the coming years. As a result of this work we can be sure that Norwegian defence is in better shape in terms of both quality and quantity, and more capable of carrying out its missions effectively – when and wherever necessary – than at any time in the past.

Salient points of the budget proposals

The operating budget for the defence sector is increased by 2.5 percent to NOK 21.2 billion. The investment budget is again very high in 2005 and amounts to NOK 9.2 billion. Investment in property, buildings and installations is reduced to below NOK 1.8 billion. Operational activities in 2005 will be maintained at the 2004 levels and even increased in some areas. The section of the budget earmarked for additional costs associated with operational aspects of missions abroad is increased by NOK 100 million. The funding of measures designed to enhance the status of military service is increased by approximately NOK 60 million. In 2005 significant funding is again included in the investment budget where priority is given to the consolidation and further modernisation of the new structure.

Operating costs

Budget item 1792 *Norwegian forces abroad* amounts to NOK 800 million. This relates only to the additional costs of operational activities. Furthermore, pay costs which were previously included under this budget item are now funded through the pay budgets of the service branches concerned. This allows more efficient use of defence resources overall. Finally there are substantial sums devoted to the preparation of military units, for example for missions abroad, which are funded under budget items other than item 1792. In 2005 Norway will play an active part in the fight against terrorism, especially through NATO's operations in Afghanistan and in the Mediterranean. At the same time Norway will make substantial contributions elsewhere, including in the Balkans, and there are plans to participate in the EU-led Operation Althea in Bosnia and Herzegovina. Norway will increase its involvement in UN operations through its planned participation in Sudan.

The Army will have its new organisational structure in place in 2005. This is important from the point of view of interoperability, i.e. being better able to operate jointly with other services and with allied units.

The Navy will be starting to phase in the new Fridtjof Nansen Class frigate during autumn 2005. Operational aspects of the frigate's programme, including days at sea, maintaining the pattern of sailing and the ship's presence in North Norway may be regarded as firm.

The Air Force will be focusing in 2005 on its aspects of operational capability and activities, such as maintaining the number of flying hours, and on the reallocation of freed resources to higher priority operational activities and materiel investments.

The Home Guard receives an increase in its total operating and investment funding of NOK 1.4 billion over the coming four-year period. During 2005 the comprehensive quality reform of the Home Guard will be introduced. Funding for materiel investment increases by approximately 80 percent compared with 2004. 18 Home Guard Districts will be abolished and 13 new Districts will be re-established.

The Coast Guard is allocated NOK 18 million for the acquisition of an extra vessel to strengthen the emergency response capability for tugs. Other Coast Guard activities will be maintained at the 2004 level with priority being given to patrolling the outer sea areas. A newly leased vessel, CGV Harstad, will be phased in early in 2005.

A scheme has been worked out under which personnel who have suffered *post-traumatic stress* in connection with their participation in international crisis management operations will receive financial compensation. NOK 10 million has been set aside in the defence budget for 2005 to allow this scheme to be brought into effect from 1 January 2005.

Investments

The materiel investment budget remains at a very high level in 2005, amounting to NOK 7.4 billion. Overall, the procurement of new frigates is the largest single project in 2005. Progress on this project is good and the first of class is already afloat. In addition, building of the new Skjold Class missile torpedo boats continues at the yard in Mandal. For the Air Force, the ongoing helicopter procurement represents the largest single project. The first NH-90 helicopter of a series of 14 is due to be delivered in June 2005. In addition, funding has also been allocated for a project for the replacement of combat aircraft. Investment funding for the Norwegian Army is allocated mainly to the acquisition of anti-armour weapons, armoured vehicles and tanks. A joint initiative focusing on a network based defence includes investment in Link 16, a project which allows the transfer of common situation pictures between units in the field and which also provides an enhanced capability for communicating with Norwegian units on a global basis.

The investment budget for buildings and installations amounts to nearly NOK 1.8 billion. The construction of a multi-purpose hall at Setermoen is being started. Other major projects include extending the facilities for the Regional Training Area South East Norway and the provision of a building to accommodate the newly integrated defence leadership. With regard to jointly financed NATO projects, allocations are largely associated with the establishment of the Joint Warfare Centre at Jåtta, Stavanger, and the completion of three SINDRE II radar installations.

Recruiting

The overarching aim of our personnel policy is to attract and retain highly motivated men and women with the blend of skills needed to meet the demands of defence missions today and

tomorrow. We are now seeing clear, positive results emerging from the drive to recruit well qualified personnel. The competition for places at the officer candidate schools and military academies has been more intense in 2004 than for many years. It is especially gratifying that the proportion of women applying is increasing. Over 18 percent of all those attending officer candidate schools are now women. The efforts to attract well qualified personnel, and to increase the proportion of women recruited, will continue to be given high priority in 2005.