



A shortened version of the Norwegian defence budget for 2003
(Proposal No. 1 (2002-2003) to the Storting).

Year two of the Restructuring Period 2002-2005



Restructuring Year 2003



FORSVARSDEPARTEMENTET

Norwegian Ministry of Defence

Foreword by the Minister of Defence



The Government's budget proposal for 2003 contributes to the resolution of the greatest single problem faced by the Armed Forces throughout the '90s - the imbalance between a defence structure and the funding available to finance it. We have achieved a majority agreement in the Parliament regarding the shape of the new structure and the allocation of resources to finance it. With this year's budget proposal the Government is acting in line with the plan to allocate a total of NOK 118 billion in defence funding over the period 2002-2005. This level of funding represents a historic high but is absolutely essential if we are to realise our aim of achieving modern, flexible defence forces with a markedly improved operational capability. Forces able to undertake a broader spectrum of missions - most often in conjunction with our allies - more swiftly and more efficiently than is the case today.

The terrorist attacks of 11 September 2001, have become a central reference point for the modernisation and reshaping of the defence structures of many NATO countries. New threats and challenges make it essential to enhance flexibility, readiness and the ability to work together both nationally and internationally. NATO and its individual member countries must be able to produce suitable military forces to carry out all types of missions, including the fight against international terrorism.

Our ability to carry out military tasks in Norway and in our immediate neighbourhood will be strengthened by the current restructuring of the armed forces. In the resource-rich sea areas under Norwegian jurisdiction, our presence is being strengthened. This will enhance our capacity to respond with firmness and consistency if Norwegian sovereign rights should at any time be challenged.

A number of important milestones essential to the restructuring of the armed forces and our future defence planning have been achieved. The restructuring process, if it is to be accomplished in accordance with the programme endorsed by the Parliament, is highly demanding in terms of financial resources. This applies both in money terms, an aspect which the Government is addressing as already mentioned, and - equally importantly - in human terms. The challenges facing personnel in all areas of the defence organisation, and the strain under which they are working during this period, are severe. Without the formidable contribution that all concerned have made and will, I feel sure, continue to make in the future, this restructuring would hardly have been possible.

I am also pleased that the Armed Forces, despite the restructuring, are still managing to carry out the services expected of them. We have been able to make important contributions, involving a great many resources, both to the peace operations in Kosovo and to the coalition's campaign against terrorism in and around Afghanistan. We do not only deliver, we deliver high quality.

I should like, therefore, to make use of this opportunity to thank each and every member of our defence organisation for the job they have done to date, and to wish them every success in their continuing work.

A handwritten signature in black ink, reading 'Kristin Krohn Devold'. The signature is stylized and cursive.

Kristin Krohn Devold

Defence Budget 2003 – Overview

Main aims and priorities

Investment

Operations

Organisational changes

Defence Budget 2003 – Overview

OVERALL DEFENCE BUDGET 2003 in relation to that for 2002¹⁾

	Allocated for 2002*) (2002 prices)	Budget proposal 2003 (2002 prices)	Budget proposal 2003 (2003-kr)	Percentage change
Operation costs	19,323,582	18,970,152	19,863,668	-1.83 %
Investments	9,315,646	9,686,212	9,750,145	3.98 %
Overall defence budget	28,639,228	28,656,364	29,613,813	0.06 %

¹⁾ The table shows defence budget changes in relation to the 2002 budget, including supplementary allocations made in 2002 given in Committee Recommendation No. 232 (2001-2002), cf. Proposition No. 55 (2001-2002) to the Storting, and the reductions made in connection with the revised national budget for 2002.

*) In accordance with Proposal No. 55/RNB to the Storting

Main aims and priorities

The Defence Budget for 2003 is based on an overall figure of NOK 29,6 billion. The main focus of the budget is on the implementation of the restructuring of the Armed Forces as endorsed by the Storting following consideration of the «Implementation Proposition»^{Note 2}.



The most important task for 2003 is to carry forward the restructuring of the Armed Forces. If this process of restructuring is to succeed, funds have to be allocated through cuts in the Armed Forces' operating budget. Compared with 2002, the operating budget for 2003 is being reduced by a little under two percent. Priority can thus be given to the investment budget which is being increased by four percent in real terms compared with 2002^{note 3}. The overall aim of this restructuring is to ensure that we have Armed Forces capable of carrying out more complex, missions - most often in concert with allied forces - more rapidly and more effectively than is possible today. It is significant that there is no longer a clear distinction between the security threats that we face, whether they be national or international, or between the kinds of forces required to counter them. Restructuring will thus also yield further benefits, for example strengthening the capability of the defence organisation in roles such as the fight against terrorism.

The restructuring period started in January 2002 and will be concluded before the end of 2005. A number of measures were, however, set in motion earlier, during the first half of 2001, immediately following consideration of



the «Long-Term Proposition» by the Parliament^{note 4}. The budgetary imbalance between the structure as endorsed, and the funding made available by the Parliament in the Long-Term Proposition to finance this structure, was resolved during the Parliament's consideration of the «Implementation Proposition». Agreement was reached at that time on certain changes to the structure and other measures which together would achieve savings amounting to NOK 5.6 billion over the restructuring period 2002-2005.

The Parliament's endorsement of a budgetary framework of NOK 118,039 billion (at 2002 prices) for the period 2002-2005 represents a historic high for defence expenditure. At the same time, a budgetary framework of this magnitude is absolutely essential to the success of the restructuring process, the creation of stability and predictability for future defence planning and the achievement of a balance between the organisational structure endorsed and the resources available to sustain it. The Government's proposals for a defence budget of NOK 29.6 billion in 2003 is thus in line with the Parliament's intentions regarding the implementation and financing of the restructuring process.

Cost saving targets

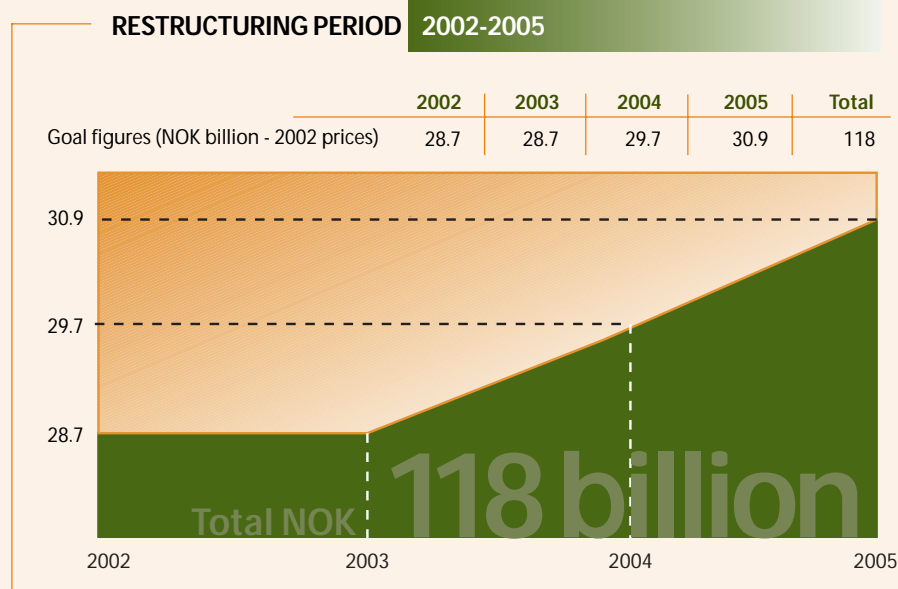
The restructuring is proceeding according to plan and is on schedule with regard to structural measures - setting up the new and dismantling the old - and measures to cut operating costs. The budget proposal for 2003 is based on the assumption that continuing progress towards the target of

reducing operating costs to a level which is NOK 2 billion lower than it would have been in the absence of restructuring. With regard to defence manpower reductions, something approaching 3,000 of the minimum of 5,000 man-years which are to be cut have been identified and the personnel concerned have in most cases been released.

The work of clarifying and realising the various cost savings in 2005 will now be focused on:

- efficiency improvements associated with the establishment of the Norwegian Defence Logistics Organisation (FLO)
- realising the potential benefits of the GOLF programme for the efficient application of information technology
- intensified efforts to achieve a further net reduction in defence manpower
- identification of further defence property, buildings and installations for closure and disposal.

The most important resource of all, the resource which is vital to the success of the restructuring, consists of the men and women employed throughout the defence organisation, with all their individual skills and experience. We have to take good care of this resource. The essential aim is to achieve a balance in the manning level reductions, taking account of future needs in the light of reality while ensuring a proper balance with



regard to numbers, skills and age distribution. The aim is to increase the proportion of women in the defence organisation and the same applies to persons with an immigrant background. Important in this respect are the measures being taken to attract more women to the various Armed Forces schools and colleges and the consideration being given to a voluntary period of initial military service for women.



²⁾ Committee Recommendation No. 232 (2001-2002), cf. Proposition No. 55 (2001-2002) to the Storting

³⁾ Comparing the figures for 2002 and 2003, the 2002 figures include the supplementary allocations and budget reductions given following consideration of the «Implementation Proposition» and the revised national budget for 2002.

⁴⁾ Committee Recommendation No. 342 (2000-2001), cf. Proposition No. 45 (2000-2001) to the Storting.

Investment

The investment budget amounts to NOK 9.75 billion, an increase in real terms of four percent compared with the budget for 2002^{note 5}. The Armed Forces will be devoting NOK 6.76 billion to investment in materiel and NOK 2.50 billion to investment in nationally financed buildings and works projects.

IMPORTANT MILESTONES in 2003 (NOK millions)

Project/programme	Category 1 projects/ other projects/ programmes	Milestones in 2003	Forecast outgoings in 2003, item 45
Escort vessels	<i>New frigates</i>	In production	1,663
Common infrastructure	<i>FISbasis</i>	Final deliveries	231
C2I communications	<i>Multi-role radio</i>	Continuing deliveries	220
Eskort vessels	<i>New surface-to surface missiles</i>	Test firings	162
Maritime helicopters	<i>Unit helicopters</i>	Progress by contractor, conclude contract for other equipment	150
Missile Torpedo Boats	<i>New MTB structure</i>	HAUK Class deliveries	112

NEW NATIONALLY FINANCED WORKS PROJECTS (NOK millions)

Location	Project name	Overall cost 2003	Outgoings 2003
<i>Bodø</i>	Renewal of water supply and drainage	104	25
<i>Gråfjell</i>	Regional exercise area South Norway	1 948	223
<i>Heggelia</i>	Multi-use buildings	166	60
<i>Countrywide</i>	Technical fire prevention measures Phase	114	17
<i>Countrywide</i>	Electronic firing ranges	137	30
<i>Countrywide</i>	Upgrading Defence Data Network FDN	129	20
<i>Kolsås</i>	Accommodation	124	4
<i>Laksevåg</i>	Renovation and extension of Naval Academy	128	50
<i>Mauken-Blåtind</i>	Merging of firing ranges	159	70
<i>Rena</i>	New accommodation for officers/NCOs	170	103
<i>Rena</i>	Multi-use buildings	136	71
<i>Setermoen</i>	Common services project, including heating	254	73

Priority areas:

- Approximately one third of the investment in materiel planned for 2003 will be devoted to the Royal Norwegian Navy, the largest single project being the procurement of new frigates.
- For land defence the emphasis is on adaptation for multinational operations. This includes strengthening of the Norwegian Army High Readiness Force (NOA HRF) through the procurement and adaptation of used Leopard 2 A4 main battle tanks and the upgrading of M113 tracked armoured personnel carriers (APC). The acquisition of a new tactical training system will bring a decisive improvement in the quality of combat training at company level with benefits extending down to the individual soldier.
- In the air, the procurement of new unit helicopters for the Coast Guard and the Navy's new frigates represents the largest single project for 2003. Other projects include the upgrading of the NASAMS air defence system and the upgrading of the electronic warfare equipment for the F-16 combat aircraft.
- The Armed Forces are giving priority to investment in joint infrastructure, in particular joint information systems and information technology. One notable example is the Norwegian-developed Multi-Role Radio (MRR). Resources are also being devoted to the Armed Forces' capability to operate jointly with allies through so-called network-based defence.
- Among the important future projects on which development work is planned for 2003, special mention should be made of the project to introduce new roles for the updated F-16 combat aircraft now in service and the project for a future replacement for the F-16.
- Priority is being given to investment in defence properties, buildings and installations associated with the process of restructuring. Restructuring measures earmarked for implementation early in the planned programme are those linked to functions which have to be in place prior to the relocation of particular activities.

Operations

The operating budget for 2003 amounts to NOK 19.9 billion, a reduction in real terms of 1.8 percent compared with 2002 ^{note 6}.

Priority will in 2003 be given to Norwegian participation in and around Afghanistan, and to Norway's force contribution to KFOR. Norway's contribution in Afghanistan has been strengthened by the deployment of six F-16 combat aircraft to participate in the operation «Enduring Freedom» over the period 1 October 2002 - 1 April 2003. These aircraft will take part in joint flight operations with aircraft from Denmark and the Netherlands. Norway will continue as an active contributor to the peace operations in the Balkans. Participation in KFOR will be maintained through the contribution of a mechanised infantry battalion operating jointly with forces from the United Kingdom, Finland and Sweden.

CGV Svalbard entered operational service in autumn 2002 and will represent a significant strengthening of the Coast Guard's capacity to undertake operational tasks in both northern and southern waters. This will augment the existing Coast Guard structure with a fourth helicopter-equipped patrol vessel which also has been specially designed for operations in the difficult

climatic conditions encountered in the northern sea areas. The ocean-going elements of the Coast Guard will be afforded special priority in 2003.

The existing SAR helicopter service organisation will be retained in 2003 and for the foreseeable future. The requirement for aircraft readiness will also remain unchanged at one hour. The SAR helicopter based at Rygge will be maintained at a state of readiness for a minimum of 85% of the time.

Priority will also be given to some key exercises. This applies especially to multinational exercises planned under the auspices of NATO, the Partnership for Peace (PfP) or bilaterally. Particular importance is attached to interoperability between Norwegian and allied forces. Cooperation within NATO is afforded top priority. The highest priority crisis management exercise in which Norway is likely to participate in 2003 is the NATO-led Crisis Management Exercise (CMX). This will be considered in the context of the corresponding EU-led exercise (CME) which is also planned.

- Over the period 2003-2005, resources for investment in the relevant properties, buildings and installations will also be given priority over those required for force production for multinational operations.
- In addition to the above, priority will also be given to works projects associated with the introduction of new materiel systems.



Organisational changes

Strategic leadership

An extensive restructuring and paring down of the top echelons of Norwegian Defence constitutes a central element of the overall restructuring of the Armed Forces.

The Home Guard

Since the Home Guard will constitute the main territorial defence force, the 18 Home Guard districts are being reorganised to enable them to undertake the planning and command of operations within this concept. The structure of the Home Guard itself is being retained, with the Home guard districts being reorganised as Level 3 in the overall chain of command, with responsibility for territorial defence both in peacetime and in time of crisis or war. The mobilisation strength of the Home Guard remains at approximately 83,000 of which some 73,000 belong to the Land Home Guard. Force

Headquarters Defence Command Norway (HQDEFCONOR) is being disbanded and the Chief of Defence (CHOD), together with his strategic functions, is being integrated with the Ministry of Defence. The new Defence Staff is being established to support CHOD in his role as head of the Armed Forces military organisation. The Defence Staff will be of limited size and will not form part of the Ministry of Defence. The Inspectors General of the individual services will form part of the Defence Staff. The top echelons of Norwegian Defence are thus being pared down in line with the decisions taken following consideration of the Long-Term Proposition ^{note 7}. These organisational changes will be implemented in the course of the summer 2003 or as soon as practicable. The strategic leadership will initially be relocated in a number of buildings in or adjacent to Akershus Fortress pending completion of the purpose built facilities now under construction.

Structural units 2005	Number	Measures in 2003
Mobile divisional command with divisional units.	1	
Independent brigade. The army High Readiness Force (NOA HRF) forms part of 12th Brigade.	2	The organisation and equipping of 12 Brigade is being adjusted. A rapid reaction force, the Norwegian Army High readiness Force, will be established by 1 July 2003.
Ranger unit. This will form part of the mobile divisional command.	1	
Tactical brigade (5th brigade).	1	Procurement of personal equipment.
H M the King's Guard.	1	
The Border Guard.	1	
Support units.		

production for the Home Guard will be the responsibility of Porsanger Garrison, together with Værnes and Heistadmoen. The activities of the Home Guard School at Dombås will continue as at present, with a Weapons School and a Courses Department.

Army

The organisation and equipping of the present 12th Brigade is being adjusted so that the Norwegian Army High Readiness Force will replace part of 12th Brigade. 12th Brigade will be developed as an independent brigade and reorganised to allow the rapid deployment of a flexible and mobile force of considerable strength over large distances at short notice. This mobile force must be fully

JOINT ASSETS

Structural units 2005	Number	Measures in 2003
Joint Operations Headquarters	1	Operational from 1 January 2003
Regional Commands	2	Operational from 1 January 2003
Territorial command structure (Home Guard districts)	18	Operational from 1 January 2003
Other command structure		
Special Forces		
Home Guard	83 000	

air transportable. As part of the work involved, the Telemark Battalion will be reorganised, no later than 1 July 2003, as a rapid reaction force with a permanent base at Østerdal Garrison. The activities at Heistadmoen will be closed down as from the same date. The battalion is to be capable of meeting NATO's requirements for rapid reaction forces.

Navy

The most important activities in 2003 will be those connected with the procurement of five new frigates with their own maritime helicopters, preparations for the procurement of SKJOLD Class MTBs (Missile Torpedo Boats), the upgrading of HAUK Class MTBs and the

planning of new acquisitions for the Coastal Ranger Command. New minesweeping equipment for the ALTA Class minesweepers will also be given high priority. Outdated and obsolete materiel will continue to be phased out and further efforts will be made to achieve a more rational and efficient structure in the whole range of naval activities. The Norwegian Navy's administrative organisation will be slimmed to match the reduction in regional activities.

NAVY		
Structural unit 2005	Number	Measures in 2003
Frigates	5	New frigates will be phased in from 2005. The current OSLO Class frigates will continue in service until the FRIDTJOF NANSEN Class frigates are phased in
ULA Class submarines	6	
SKJOLD Class MTBs	6	Building starts in 2003. deliveries due over the period 2006 - 23009
HAUK Class MTBs	14	All vessels will be upgraded
Marine Clearance Vessels	8	
Minelayer - redeployed as logistics vessel	1	
Mines		
Support vessels		
Coast Guard vessels	4+3 and some chartered vessels	
Coastal ranger Command	1	
Mine Clearance Command with support vessel	1	
Coast Artillery installations	6+9	Long-term storage

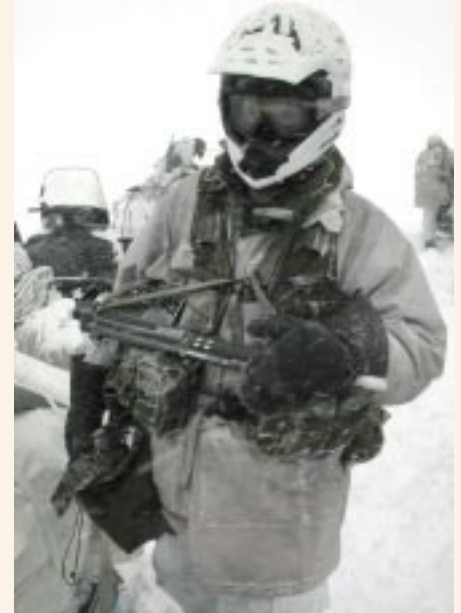


The Immediate Entry and Follow-on elements of NOA HRF will be deployed to Kosovo in 2003 as Norway's battalion-strength contribution to KFOR. Combined Arms Training Centre (CATC) will be established at Østerdal Garrison by 1 January 2003. The further development of CATCs will be one of the Army's high priority tasks for 2003. The Army is also opening a Joint Officer Candidate School for all branches at Østerdal Garrison on 1 August 2003. The existing Officer Candidate Schools/Infantry in Harstad and Trondheim will close as from the same date.



Air Force

Structural units 2005	Number	Measures in 2003
Combat aircraft	48 (+9)	Completion of Mid-life Update. Procurement of seeker equipment
Maritime patrol aircraft	4+2	
Transport aircraft	6	Study to quantify the Armed Forces overall requirement for transport and tanker capacity
Transport helicopters	18	
Maritime helicopters	14	Existing helicopters (six Lynx) will continue in service until new helicopters are phased in from 2005
Special aircraft	3	
Base sets	2	
main Air Stations	2	
Air Stations	5	The possible closure of Gardermoen Air Station is being considered within the overall framework of a solution to the question of a new transport aircraft for the Armed forces
Mobilisation Air Stations	5	
Air Defence groups	3	An Air Defence Training and Competence Centre is being established
Command Control and Communications structure		
SAR helicopters	12	Proposals for the type of helicopter will, as planned, be submitted to the Storting in the course of 2003



Joint Service functions

The reorganisation of various Joint Service functions will continue in 2003. The joint investment and development organisation for the Defence Logistics Organisation (DLO) will be in operation as from 1 January 2003. Wide-ranging preliminary process work is also in hand in preparation for «DLO Phase Three». This includes a strategic assessment of this field of activity, information and communications technology, process-based organisation and the constitutional form of the organisation. Proposals for substantive changes relating to organisation or location

Air Force

Further measures to rationalise the Air Force structure will be considered. Further studies will be carried out to identify solutions to satisfy the Armed Forces' overall requirement for transport and tanker aircraft capacity. The possible closure of Gardermoen Air Station will also be considered in the context of these studies. Key activities include the establishment of an Air Defence Training and Competence Centre (LVUKS) at Rygge, completion of the F-16 Mid-life Update and the procurement of new targeting equipment for the F-16.



will be submitted to the Storting in the course of 2003 or in spring 2004 at the latest.

Common management and control systems

The GOLF restructuring programme consists of a number of projects, each centred on the efficient use of information technology. The contract for the preliminary project was signed on 1 June 2002. This is intended to lay the foundations for a project that will satisfy the requirements of the Norwegian Public Sector Finance Regulations and the project is planned to be completed during the first half of 2003. Work will also be carried out on the restructuring of the Defence Logistics Organisation. A preliminary project for this purpose is planned for early 2003.



Use of contractors

The use of contractors for certain defence activities will allow increased focus on strategic areas, the improvement of quality and the Armed Forces' core activities, resulting in real cost savings. Various competition mechanisms are being used and the result may well be that external contractors will be taking over certain activities at present being carried out by the Armed Forces. Work will be done in 2003 to initiate possible projects involving such contracts.

Published Oktober 2002 by
The Ministry of Defence

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Graphic design: Resonans AS, Oslo
Photos: FMS
ISBN 82-7924-045-4