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Time to Stop the Defense Budget Debate?

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According to a press report quoting a cabinet decision, the purpose of the committee formed by the Prime Minister to examine the defense budget headed by Harel Locker (otherwise called the Brodet 2 Committee) is intended to establish a multi-year outline for the defense budget in order to preempt the regular annual conflict between the Ministry of Finance and the defense establishment over the budget. Accordingly, then, the goal of the committee is twofold: one, to define a long term budget framework, thereby facilitating more efficient planning of defense needs; and two, to resolve "once and for all," or at least for a few years, the dispute between the two ministries. The composition of the committee was designed to represent the respective positions of the Ministries of Finance and Defense; at the same time, representatives from the Ministry of Finance and the IDF were joined by Bank of Israel personnel to serve as neutral representatives from the public sector and an academic expert to provide a scientific context for the committee's work.

The idea of setting up a committee, whether public or governmental or of any other orientation, surfaces once every few years, after the parties reach the conclusion that "the dynamic cannot go on like this; the matter must be settled." This conclusion reflects the political discomfort felt by those involved, mainly the politicians, in the annual debate about the defense budget. Among the questions consistently raised are: what are Israel's defense needs, what size budget is needed to fulfill those needs, and can the defense establishment be streamlined in order to save money. The solution proposed by the committee is always a compromise and a condition. The compromise is between the projected needs, which are greater than current needs because they are in the future, and what the national economy can afford. The condition is that increasing the budget be accompanied by streamlining the defense establishment, i.e., budget savings.

Defining the committee's objectives requires attention to several points, first, the dispute between the Ministries of Finance and Defense over the size of the annual defense budget – the argument that they ostensibly seek to avoid. In this context, it is best to keep in

mind that the annual debate between the ministries deals with differences of opinion, different evaluations, clarification of the differences, and preparation for the discussion, ultimately resolved in a decision by the political leadership – usually the prime minister. However, to date no committee has set a long term budget outline that prevented the dispute between the ministries and eliminated the need to have the prime minister decide, and that is all for the best. Discomfort over this debate must not be allowed to prevent it from taking place. The debate raises issues, clarifies positions, and makes it possible to understand and elucidate the differences of opinion.

Second, the disputed amount brought to the prime minister for a decision is usually NIS 1-3 billion. Were the gap between the ministries larger, another round of discussion would be necessary in order to reduce the amount in question. This amount of money is not enough to topple either Israel's national security or its economy, regardless of who wins the argument.

What Nevertheless Needs Attention?

The first element that must be addressed is how the dispute is conducted. The professional discussion escalates to public "noise" when the political figures enter the picture and express interests different from debated by the professionals involved. It is doubtful whether the attempt to shape the defense budget through political statements has influenced, or will influence, the size of the budget or its internal allocations. Insofar as those involved realize that the public dispute cannot make much difference, that much of it is worthwhile and necessary for clarifying state budget priorities, and that the prime minister's decision is an essential part of the democratic process, the discussion of the defense budget will better reflect its function and purpose.

Therefore, the committee to evaluate the defense budget should focus on two other topics requiring assessment. First: one-year planning for certain activity in the defense establishment has a substantial negative impact on the preparedness and readiness of the defense establishment to achieve its goals. The committee should examine which budget items are negatively affected by one-year planning, and which items merit special decision processes. Identifying these budget items and proposing special budgeting rules for them is important. In all the other items, the fate of the defense budget is the same as the budget for the other government ministries. The Ministry of Finance's decision against multi-year budgets, while subject to criticism, is supported by sound professional logic that binds all the ministries. At the same time, rejection of multi-year budgeting as a binding model requires finding a solution for those budget items damaged if not governed by multi-year planning.

The second problem that the committee should discuss is how the various risks for which the government is responsible should be budgeted and managed. Each government

ministry is responsible for achievable targets. Every such target is jeopardized by various risks that the particular ministry is required to manage. The budget discussion on these two topics takes place without an explicit distinction between the allocation necessary to achieve the targets and the possible risks in the process of achieving them. The discussion on priorities and goals and the budget to achieve them is not distinguished from the need to prioritize risks and decide on the budgeting to manage them. Prioritization of risks is liable to change the budget priorities for objectives at any point in time. Therefore, the additional discussion of risks is "urgent," and should take precedence over the merely "important."

Who should make the decision, and what methodology should be used for the integrated priority? In the current process, decisions on prioritization of risks are made by the Ministry of Finance (as an integral part of other decisions), with cabinet approval. A better idea, however, is to have the decision rest with a different authority, namely, an authority to asses national risks. Today, each ministry assesses the risks it faces and argues with the Ministry of Finance about the budget to be allocated for dealing with the risks, independently of risks facing other ministries. Furthermore, the absence of a central model for managing national risks causes a diffusion of effort and reduces the effectiveness of dealing with these risks. Prioritization of national risks and putting them on equal footing is a process that requires a central authority that will enable the prime minister and government to assess their decisions fully and comprehensively.

Conclusion

In answer to the question posed in the title, no, the professional argument between the ministries should not be dissolved. Nor should any attempt be made to find a "peacemaker" of any type, as was the mandate of previous committees, that will strive to eliminate the argument "once and for all" and end up failing in the task. The committee should devise an orderly process that will meet the requirements of political decisions. The discussion should be structured so that the professional dilemmas are presented to the decision makers, while emphasizing the need to decide on priorities for the various goals, the right way of financing needs in the long term, and priorities for managing the various risks.