

The Agreement between the Ministry of Defense and the Treasury: Prospects and Risks

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The important and precedent-setting agreement between the Ministry of Defense and the Treasury is analyzed here from three perspectives: the power of Minister Smotrich in the Defense Ministry; the change in policy on human resources; and the approval of the multiyear security budget for a multiyear plan. The main message is that notwithstanding the plan's stability and innovation and its positive potential in terms of security establishment buildup and improved conditions of service in the IDF, the prospects are overshadowed by the complexity of the change in power structure, reflected in the agreement with respect to the Palestinian arena. There is also a lack of clarity over the actual implementation of the agreement, and in particular, the concern that if the government's other commitments are implemented, and above all the legislation undermining conscription, the positive and bold understandings in the agreement on the human resources model for the army will undermine the stability of the "people's army" model. Moreover, defining a multiyear budget outline without an approved multiyear plan for buildup and without the necessary decisions, mainly over the function of the ground forces and the required achievements of the campaign, could mean that the heavy costs will not be translated into actual readiness for a complex multi-theater scenario.

The Second Minister in the Defense Ministry

On the eve of the government's approval of the state budget, agreements have been reached by the Prime Minister, the Finance Minister, and the Defense Minister on two matters that on the surface are not directly linked: the multiyear security budget framework, and the implementation of clauses in the coalition agreement whereby Finance Minister Bezalel Smotrich will be appointed an additional minister in the Defense Ministry and receive powers with respect to the Civil Administration of the West Bank.

A study of the agreement on powers in the West Bank ("Document of Understandings and Division of Responsibility between the Minister of Defense and the Additional Minister in the Defense Ministry," February 23, 2023) raises many questions about its significance in practice. It appears to restate the full authority of the military commander as the sovereign in the West Bank and of the Defense Minister as the minister in charge by virtue of Basic Law: The Army. However, Smotrich ("the Additional Minister") will have extensive powers over the day-to-day routine, so that even if the Defense Minister has "general power" over them, it is not clear how it will be exercised.

Smotrich will appoint a civilian deputy (a political appointment) to the position of Deputy Head of the Civil Administration. This deputy will be responsible for civilian matters relating to the settlements, including regulating "young settlements" or expanding existing communities. This is the implementation of what is called "the equal citizenship reform" and an update of security legislation. He will also be responsible for the enforcement units (the oversight unit), so as to facilitate implementation of the Minister's policy in this field in the Defense Ministry. On matters under Smotrich's responsibility, the legal adviser to the Defense Ministry will report only to him, and he will also be responsible for formulating the position of the State Attorney on these matters. All this will also be anchored in special legislation and in government resolutions.

Simply put, while the Defense Minister will continue to be responsible for military activity in the West Bank, another minister will have full powers over most civil matters. This is a paradigm shift, since until now the approach was that every action in the West Bank has security significance. The area is under the control of a military body and administered by the GOC of the Central Command as the sovereign in the area. In the West Bank, ostensibly "civilian" incidents over the possession and working of land, order on the roads, or dealing with disturbances by Israeli citizens have clear security significance.

All these will now be in the hands of a minister who not only holds decided sharp views on policy and security that have far-reaching significance, but who will bear no responsibility in the event of an outbreak of violence. Indeed, the use of force remains within the power of the GOC of Central Command, but whenever the Commander, or the Defense Minister in this case, fails to allocate the means required to implement the Minister's policy, the issue will be decided on the Prime Minister's desk.

There is a double risk here: increasing the friction between the political and military echelons in a way that will create unnecessary tension at an already

difficult time, and introducing complications leading to wasted time and inefficiency that could disrupt law enforcement and public order in the West Bank.

Human Resources Policy

The agreement between the Finance and Defense Ministries over the outline of the multiyear security budget includes a number of far-reaching changes, above all on the subject of personnel. They echo the ideas presented in the *Model of Multi-Dimensional Service: Proposal for a Structural Change in IDF Human Resources*, [published](#) by the Institute for National Security Studies (INSS).

Above all, this is a matter of approaching the various components of service differentially: the most important is to grant of authority to the military commander to determine the duration of a soldier's service. The army can at its discretion reduce the basic military service of some soldiers to 24 months. It can also recruit in advance potential conscripts for jobs and units in high demand (mainly combat and technological) for 32 months, and grant significantly increased pay for the additional obligatory months, so that compulsory service in the IDF will on average last 28 months; equalize service for males and females, and screen and recruit by job rather than by gender; raise the salaries of young officers during their first years of standing army service; and launch a pilot program whereby two sectors of the permanent force will change to a model that does not end upon retirement but includes pay increases during service – which will enable budgets to be moved from pensions for retirees to personnel in active service. These changes will help to tackle the crisis of keeping outstanding and desired soldiers in the ranks of the army, a challenge that the IDF does not publicly acknowledge but is well aware of.

These changes show that Chief of Staff Lt. Gen. Herzl Halevi fully understands the crisis threatening the IDF personnel model and will not hesitate to tackle it comprehensively, and not only with specific solutions, which have only led to shocks and confusion.

Before these clauses are analyzed, clauses in the agreement referring to retirees should be examined. The significance lies in creating the certainty of a pension budget in a situation of accruing pension, by anchoring the bridging pension paid to retirees from retirement age up to 60 (and not to 67, as the IDF required until now, which means reducing the total average retirement package by about a million shekels). Meanwhile, the law will cover “the Chief of Staff's increases” – on which the High Court has not yet ruled – a move that could resolve the confusion in the system created by increasing eligibility for a pension in a way not defined in law. Now, under this agreement, the IDF can continue retiring officers at a

relatively young age – keeping the standing army young and energetic, while in the overall calculation, the total cost of pensions will not rise due to retaining the young retirement age, while the retirees will benefit from total high pension savings. Even if the IDF meets its target – reducing the average officer's pension to 12,000 shekels per month (in 2015 prices), a target that it is currently far from reaching – all future retirees at the age of 43 (the current average retirement age) will enjoy an average benefit of about 3 million shekels above the savings they accrued during their years of army service.

This aspect of the agreement represents a kind of logical compromise, in order to prevent severe shocks to the system and resolve a situation that has already been called by a former head of the HR Directorate “the way to the wall.” It harms a particular age group of officers who have already passed “the second exit gate” at the age of 35, but we can assume that a solution will be found for them.

However, there is real concern about the future implementation of clauses that include a conceptual revolution – differences in recruitment and permanent service. First, no date has been set for applying the change in the compulsory model. The IDF once refused to accept and plan a reduction of service to 30 months, although this was part of a previous agreement (“Kahlon-Ya’alon”) and was even legislated by the Knesset. In the end the previous government canceled the reduction in service. Hopefully, this time the IDF will meet its commitment, and the civil system will also insist on swift compliance with the commitment – at the latest by the middle of next year – and not at some distant future date, thus watering down the necessary step.

A bigger danger lies in the fact that compulsory service as a whole is amorphous. The current government must present a new conscription law (technically, amendments to the Security Service Law), after the rejection of the previous legislation by the High Court seven years ago. According to the coalition agreements underlying the present government, the conscription law will be derived from a new basic law, “Torah Status,” equating the status of yeshiva students to the status of serving soldiers, thus effectively and lawfully exempting a whole sector of Jewish society from serving in the IDF – with equal rights for those who do not serve. Such a law will almost certainly prompt a legal challenge against the very fact of compulsory service, and it is hard to see how the judicial system could oppose it in view of its previous rulings. Such a ruling could lead to a constitutional crisis, certainly if the laws of the judicial revolution currently under

discussion are passed; on the matter of IDF service, the whole process could undermine even further the foundations of conscription.

In this case, the important and essential changes in the current agreement between the Defense and Finance Ministries, designed to save compulsory service by adapting it to the existing situation and recognizing that “equal service for all” no longer exists, will have the opposite effect: they could undermine conscription and the entire model of the people’s army even further.

The proposed “multi-dimensional service model” includes the establishment of a civilian-security service, which is essential for home front security needs and should also broaden the service base in general, including among populations that do not currently enlist. Without such a service option, when the law enshrines exemption from service for a large population (currently about 16 percent of each cycle of potential recruits do not ultimately serve, under the established religious exemption), conscription and the people’s army model are likely to collapse completely. The strong public controversy, including the threats by thousands not to report for reserve duty if the “judicial revolution” laws are passed, could also exert an influence in this dangerous direction.

The bottom line is that the entry of political elements with a known agenda and powers into the field of security without responsibility for the actual outcomes, together with the promise of a conscription law that will undermine the whole justification for conscription, threatens the people’s army and dilutes even further the possibility of implementing the important and necessary changes to which the Chief of Staff is committed. On the other hand, if they are introduced they will have a positive effect of the possibility of retaining conscription and the greater IDF personnel model. The Defense Minister and the Chief of Staff must address this matter, as well as the danger of collapse of the reserve forces due to opposition to government moves, with the highest level of urgency.

Agreement on the Multiyear Budget Framework

The agreement between the Ministries of Finance and Defense includes a commitment to a multiyear budget framework, designed to lend stability to the security establishment, as well as the ability to make long term plans for force buildup. Such a commitment is welcome and necessary, particularly since the IDF has operated without a multiyear budget for the last four years. However, here too, much is still unknown and there is real danger that the positive agreement will not bear the desired fruit.

First, it is not clear what exactly has been agreed, and the parties themselves seemingly have no more than a general outline of the budget. The budget proposal that was approved by the government shows a “net” security budget (excluding aid from the United States and income-dependent expenses) amounting to 60 billion shekels, an apparent increase of only one billion shekels compared to 2022. However, talks with people involved indicate that projects costing billions are currently at various stages of execution and could mature over the coming year, thus causing a considerable increase in the actual budget (in jargon terms, “its changes”). The approval of these budgets in retrospect always involves a sense in the Knesset and among the public that the security budget is simply an agreed “bluff” that unlike the budgets of other ministries increases by billions over the year – amounts that are deducted from the budgets of other ministries and lower the standard of public services.

Second, even this fuzzy budget outline has been set “top down” in a rushed discussion between the Prime Minister, the Defense Minister, and the Finance Minister (who at the time was busy formalizing his role as a Minister in the Defense Ministry, which almost amounts to a conflict of interests). Particularly important – the outline was not determined with reference to the clear needs arising from the multiyear force buildup plan that the new Chief of Staff is formulating.

This is not a technical matter. The new multiyear plan should derive from substantive decisions based on a scenario involving arenas from Iran to inside Israel, and above all decisions at the political level and in the IDF about the role of the ground forces and the achievement required in the campaign. This is against a background of Iran achieving the status of a nuclear threshold state, the signs of a third intifada brewing in the West Bank, the needs of the campaign between wars, and the obligation to prepare for conflicts in other arenas as well. None of these decisions have yet been made, and in the current situation, it is not clear whether they are being seriously addressed. Without a decision, it is like deciding how much the new house we are building will cost even before we have decided what we want in it and for what purpose.

The concern is that the wish to implement existing projects, which themselves were not all the outcome of ordered decision making, together with conflicting concepts (for example, the conflict between Prime Minister Benjamin Netanyahu’s “Security 2030 Concept” and the requirements of Chief of Staff Gadi Eisenkot and Defense Minister Avigdor Lieberman in 2018) will ultimately lead to huge expenses that will not be translated into the critical mass to achieve what is required, either in the outermost circle or in the closer ones. The structural weakness of the political echelon, the political chaos, and the concern over large cracks in the

human resources pillar and the legitimacy of the government and the army all add to this worry.