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The Locker Commission's "All Inclusive" Defense Budget: Where is the Big Picture?

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The June 2015 Locker Commission report is primarily a collection of recommendations pertaining to the defense budget, yet while each recommendation is worthy of careful consideration, it is difficult to accept them as a package. The commission's recommendations are formulated as directives, and some lack the data and analysis necessary for weighing their relative merit. However, the most important question that arises from the report is not what the Israeli defense budget will be five years from now, but rather what kind of army Israel will have in the years to come and what tasks will it be able to execute successfully if the recommendations are implemented. Moreover, the commission's recommendations were submitted more than six months later than what was originally stipulated, and in the meantime Chief of Staff Lt. Gen. Gadi Eizenkot and his staff have already drawn up the multi-year "Gideon" plan for the IDF.

The following are a number of methodological comments regarding the report:

Updating the Security and Operational Concepts

The commission recommends updating the IDF's security and operational concepts – undoubtedly important recommendations. The problem, however, is that updating these concepts is a necessary precondition for the formulation of budgetary recommendations regarding force buildup and the human resources system recommended by the commission. The defense budget is not an end in itself – it is the monetary expression of the work plan, which is supposed to be based on an operational concept, which in turn is derived from a security concept. If the security concept and the operational concept are not updated, how can profound changes to the structure of the IDF be contemplated and implemented?

Determining the Defense Budget

"The commission recommends that between the years 2016 and 2020, the base budget stand at NIS 59 billion, be 'all inclusive,' and be linked to the consumer price index."

The commission recommends a "net budget," not including "income-dependent expenditures" (such as special US aid and income from sources within the defense establishment), estimated at NIS 7-8 billion per year. On this basis, the full (gross) defense budget will stand at approximately NIS 65 billion, comparable to the proposed 2015 budget that was approved by the Israeli government (prior to the elections). This presumably will be the scope of the defense budget for 2016 in any event. The report contains no explanation of the basis for this figure: What were its premises? Which threats will it address and where will the risks lie? What level of security will be achieved in return? And most important, does this figure reflect a thorough new cost estimate of the country's security needs, as should be expected from the commission?

The recommendation to approve a defense budget until 2020 in advance would mean removing it from the purview of government considerations, along the lines of drafting a five-year state budget ahead of time. Adopting the recommendation of a horizontal budgetary approach (a set amount for each year) will result in a low level of flexibility in the annual discussion regarding the composition of the defense budget (by preventing the discussion of alternatives of lower or higher cost). In practice, the defense establishment and decision makers will presumably make changes to the budget in accordance with the circumstances, and the budget will decrease under severe economic constraints and increase substantially in circumstances of severe security threats.

Basic data is conspicuously absent from the report, such as the size of past defense budgets; the disparity between planned budgets and budgets in practice; details regarding the components of past defense budgets; the percentage of the budget that is funded by taxes; and how this information figures in the proposed budget. According to the report, US aid to the defense budget totals \$3.1 billion. However, the "Proposed State Budget, 2015" booklet refers to aid amounting to \$3.75 billion, as well as the provision of an additional \$650 million of "designated aid" (for projects). This amounts to NIS 15.8 billion, approximately one-quarter of the total defense budget (according to an exchange rate of NIS 3.7 to the dollar, including VAT on purchases), and not approximately 20 percent of the budget as indicated in the commission's report. The fluctuation in US designated aid is another reason why it is preferable to refrain from instituting an all-inclusive fixed basic defense budget. For example, if the Israeli government decides to arm itself with more anti-missile defense systems than what the United States agrees to fund within this framework, it will be required to fund them using a different source in the defense budget or supplement the budget with other resources.

The comparison between Israel's civilian expenditures (with regard to GDP) and those of foreign countries (such as Korea, Greece, and Denmark, in 2012) is not helpful. The report's contention that Israel's defense expenditures in 2014 amounted to 5.8 percent of the country's GDP, in comparison to the OECD average of 1.5 percent, is also irrelevant for decision making, not just because the threats faced by OECD countries cannot be compared with those faced by Israel, but also because they are countries with large populations and large GDPs. Moreover, the Israeli figure also includes American aid, whereas the defense expenditures of most OECD countries are based on collective defense and do not reflect the security role played by US forces operating under the auspices of NATO. Israel's favorable economic situation relative to most of these countries in question, which is also affected by the defense sector's contribution to the economy (which is not analyzed in the report), indicates that this sector does not constitute a heavy burden on the economy, as may be inferred from the report. The commission's report also reveals that the Defense Ministry pays the Israeli treasury approximately NIS 7 billion per year in taxes, including VAT for military acquisitions based on US aid and excise on fuel for warships. In other words, a relatively large portion of the defense budget returns directly to the coffers of the Finance Ministry, and this should be considered when dealing with the size of the defense budget and the burden on the economy.

The commission's recommendation regarding increased transparency in the defense budget – i.e., providing the Finance Ministry and the National Security Council with information by the military – is clearly in order, if such transparency does not already exist.

The Future of Human Capital in the IDF

Most of the commission's recommendations pertain to human capital, which is the heart of the IDF. The report contains no systemic analysis of what the IDF will look like five years hence in the event that the commission's recommendations are implemented in full – with the reduction of mandatory service to two years; the reduction of the standing army; the termination of bridging pensions; and other such measures. For example, how would the implementation of the report's recommendations impact on the potential of the senior command echelon, the reserves, technological units, academic reserve tracks, pre-military service tracks, and members of the junior command? Where will experienced sergeants and deputies come from if compulsory service is reduced to two years and standing army positions are also cut? What compensatory mechanisms should be established for this purpose, if at all? And finally, will the human resources of the IDF fit the needs posed by the desired level of security?

The commission recommends the dismissal (with increased compensation) of all standing army personnel who are not promoted to the rank of lieutenant colonel by the age of 36. Does this mean that all IDF personnel over the age of 36 will hold the rank of lieutenant colonel or higher? What is the rationale for stripping the military of the older majors and master sergeants serving in administrative, research, and maintenance positions? How would such a decision affect the willingness of junior officers to sign on for service in the standing army or to extend their service? What surveys did the commission conduct to clarify this issue?

The recommendation to terminate bridging pensions for standing army personnel is presented as follows: "Individuals age 42 and older will be able to conclude their service and be awarded a one-time grant" (p. 71). It is unclear, however, whether they will "be able to" do so or be dismissed. If the choice is theirs to make, what will the IDF do if large numbers of administrative standing army personnel wish to continue serving until between the ages of 60 and 67, as is common in the public sector? A more fundamental question is whether the IDF will succeed in enlisting human resources that are well suited for a three-decade service track (in exchange for a net grant that is not particularly large). The report's assertion that "army service is demanding and the personnel serving in it are not motivated by the material remuneration they will receive for their service but by a sense of duty and mission," is not sufficiently consistent with the changing reality to establish the proposed model. This could have also been assessed using a survey. Logic dictates that the state must find the right way of remunerating standing army personnel in a manner that enables them to fulfill the needs of the army in the long term – with suitable margins of safety – considering the changing terms of alternative employment in the civilian sector, the nature of military service, and the need for long term engagement of human resources (the IDF is not an incorporated company). How this is done in other countries should have been investigated. In the meantime, the method of a one-time grant, which might be used up quickly, appears to be inferior to the method of bridging pensions, which provides a "security net" for the discharged soldier, even if it amounts to a gross sum of the same current worth.

Who is Responsible for Implementing the Report?

"The commission is of the opinion that the ultimate authority for actualizing its recommendations rests with the Israeli government, the Defense Minister and the Chief of Staff." The status of the commission's report, however, is that of recommendation alone. The government is the supreme commander of the IDF, and the Chief of Staff is responsible for preparing and implementing a work plan in accordance with the level of risk management stipulated by the government. This is the background to Lt. Gen. Eizenkot's preparation of the Gideon plan.

Conclusion

Although the Locker Commission report deals with matters of extreme importance, it leaves the impression that significant portions of the document require further research in order for them to be ready for debate. For example, the report requires in-depth staff work regarding the feasibility of its recommendations in the realm of human capital. The absence of the big picture is especially conspicuous with regard to the following questions: What are the underlying premises of the report? What threats will the IDF be required to address, and what will remain unaddressed? What will the army look like, and what kind of security will it provide? For these reasons, the government would be prudent to discuss the Gideon plan as the basis for IDF operations, and leave the recommendations of the Locker Commission for further examination and subsequent implementation in areas that can enhance the efficiency of the system.

