



Office of the State Comptroller  
Annual Report 70C | 2021

## **Procurement of Key Fighting Equipment**

# **Decision-Making Processes in the Defense Establishment on the Subject of Procuring a New Cannon**

Abstract



# Decision-Making Processes in the Defense Establishment on the Subject of Procuring a New Cannon

## Abstract

### Background

The Cannon Array is a key component of the order of forces of the IDF's Artillery Forces, and its main function is to assist the maneuvering forces. In 2009, the Defense Establishment began conducting a strategic work that continued for nearly a decade to examine procurement of new a cannon array which will replace the existing array ("the project"). The strategic work raised several alternatives, including procurement of a German Artillery Gun Module ("AGM") cannon system and procurement of a cannon system manufactured by Elbit Systems Ltd. ("Elbit").

In 2017, the IDF Chief of the General Staff and the Minister of Defense approved the project and in March 2018 the ministerial committee for national security affairs (the State Security Cabinet) approved the procurement of cannons manufactured by Elbit.

### Key figures

#### Several billions of shekels

cost of the procured new cannons, as approved by the State Security Cabinet.

#### 2% - 2.5%

the expected annual savings rate regarding the operation and maintenance of the array of new cannons, out of the cost of the new cannons, according to IDF data.

#### 28%

the cost rate of maintaining the array of existing cannons for 13 years out of the cost of the new cannons, according to IDF data, had the IDF not procured them.

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## Audit actions

-  From March to December 2018, the Office of the State Comptroller examined, inter alia, the following issues : the IDF's examination of material issues during the process of receiving an in principle approval for the project ; the conduct of the IDF and the Ministry of Defense in preparation for launching the project; and the presentation of the project to the State Security Cabinet for the purpose of obtaining its approval. The audit was conducted at the IDF, the Ministry of Defense, the National Security Council and Israel Aerospace Industries Ltd.
-  The subcommittee of the Knesset State Control Committee decided not to submit to the Knesset and not to publish parts of this report for national security reasons, pursuant to section 17 of the State Comptroller Law, 1958 [Consolidated Version]. The classification of these parts does not prevent the understanding of the fundamental issues raised in this audit.

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## Key findings

-  The Ground Forces failed to examine material issues during the strategic work examining the procurement of a new cannon array – an array that has long-term operational implications and in which considerable sums of funds are invested – which should have supported the decision-making about launching the project, such as: the necessity of artillery fire during military maneuvers nowadays; the required operational accomplishment of the cannon array and the effectiveness of its operation. The Ground Forces and the IDF Planning Directorate also failed to present these issues during discussions that were held with the Chief of the General Staff and the Minister of Defense for the purpose of receiving their in principle approval for the project.
-  The IDF General Staff committee<sup>1</sup>, which should have presented a full picture to the Deputy Chief of Staff and to the Chief of General Staff, failed to present them operational aspects that were specified in the report of the Planning Directorate's Center of Systems Analysis, inter alia, in relation to the operational contribution that would be generated from replacing the cannon array.

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<sup>1</sup> A committee appointed in May 2017 by the Deputy Chief of Staff of that period, according to the directive of the Minister of Defense and the Chief of General Staff of that period, in order to examine the decision made by the IDF several months earlier to approve the Ground Forces' procurement of the array of new cannons.



- ❗ The decision of the Directorate of Defense Research and Development (DDR&D) and the Ground Forces from March 2014 to cancel the demonstration of the AGM cannon in Israel was made without holding a discussion of that matter, which should have weighed the meanings of performing the demonstration against cancelling it. This decision ostensibly left the main risk of this alternative which regards to a particular aspect, unanswered.
- ❗ From November 2016 until March 2017, the DDR&D, the Ground Forces and the Planning Directorate presented material requirements relating to particular aspects to the Committee for Selecting and Approving Developers, which operates in the DDR&D (the Developers Committee), even though these requirements were not discussed and were not approved during the process of the Planning Directorate's in principle approval and by the Chief of the General Staff and the Minister of Defense.
- ❗ Although the Developers Committee's use of Regulation 3(2) of the Mandatory Tenders Regulations (Contracts of the Defense Establishment), 5753 – 1993, for the purpose of granting a tender exemption to Elbit was sufficient, the grounds used by the committee and the DDR&D for granting the tender exemption on the basis of Regulation 3(5)2 of the aforementioned regulations, as specified in documents, regarding commercial considerations and an indistinct security interest, were not sufficiently substantiated. Furthermore, the Developers Committee failed to fully present all of the considerations in favor of holding an international tender.
- ❗ The IDF presented an argument to the State Security Cabinet that one of the three main reasons for launching the project is a particular operational aspect. However, there is some ambiguity in this argument; the National Security Council failed to present an analysis to the Cabinet of alternatives other than cannons, including a presentation of the advantages and disadvantages of each of the alternatives, the differences between them and their implications; and the DDR&D presented a price estimate of the AGM cannon to the National Security Council and to the Cabinet that was double the estimate in its possession.

2 Pursuant to the regulation, an exemption from a mandatory tender will be granted for a "transaction whose execution involves the use of a production line, when, due to security considerations, there is an interest in operating the production line continuously, and when it is reasonable to assume that holding a tender in relation to such transactions will cause the production line to be closed."



The Ground Forces performed strategic work close to a decade in preparation for decision-making with regard to the project. The work included, inter alia, an examination of alternatives and their implications (system analysis) and updating operational concepts that were designed to serve as a compass for future force design. In 2017, an IDF General Staff committee was formed in order to examine the decision to procure new cannons. The committee examined material aspects from their “point of origin,” including the necessity of artillery and the alternatives that could provide the most effective and optimal solution to this need.

The Developers Committee discussed the forms of carrying out the project over several months and inter alia, read and analyzed many dozens of documents, reviewed cannon projects in other countries and held meetings and consultations with professionals.

## Key recommendations



The IDF should examine what content strategic work should include in preparation for the procurement of a major array of new fighting equipment and should revise its procedures accordingly, particular when at issue is a major budget-intensive array that is designated to serve the IDF for decades. Furthermore, prior to making decisions about advancing such projects, it should also ensure that all aspects required to support the decision-making process are presented to the Chief of General Staff and to the Minister of Defense and that the required examinations are performed in advance, prior to issuing an in principle approval to proceed with projects.

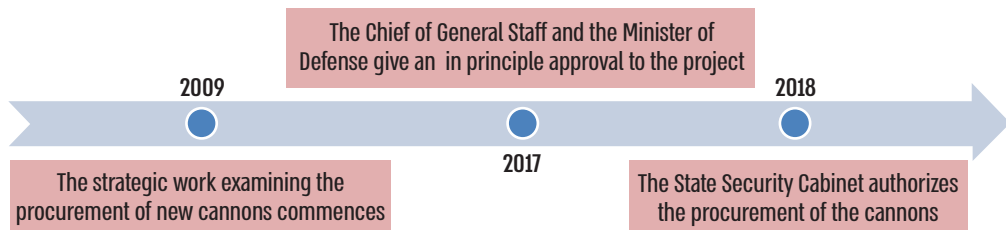


It is appropriate that the Ministry of Defense will define in its procedures, in required instances, regulations regarding the performance of demonstrations of alternatives for fighting equipment systems prior to engaging with potential suppliers.



The IDF and the Ministry of Defense should present all relevant information for decision-making to the State Security Cabinet and must be rigorous in ensuring that the information presented is accurate ; the Ministry of Defense should examine the issue of presenting prices of alternatives to the National Security Council and to the State Security Cabinet so that the prices will be presented based on estimates made according to a unified comparative basis ; and the National Security Council should ensure to include in its presentations an analysis of relevant alternatives and their implications.

## Time axis – project milestones



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## Summary

Changes in the battlefield have occurred in recent years. As a result, and considering the deficiencies raised in this audit, the Defense Establishment must be rigorous in conducting organized and fundamental strategic work when examining the procurements of major budget-intensive fighting equipment and in presenting accurate and complete information to decision-makers. By doing so, it can support making optimal decisions, and ensure that the IDF procures fighting equipment that will lead to the required achievements during combat and that will optimally utilize the Defense Establishment's limited resources.

As a result of the draft audit report, the Deputy Chief of Staff instructed the Planning Directorate to study the report, to hold a discussion of its content and implications and to draw the warranted conclusions.

