



Report of the State Comptroller of Israel | March 2022

Ministry of Defense

Meeting the Gideon Multi-Year Plan Objectives – Budget, Management & Supervision



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Background

The Gideon multi-year plan is the IDF's multi-year plan for 2016–2020. According to the work order for the Gideon multi-year plan, the IDF's top priority is readiness to state defense and victory in war. The Ministerial Committee on National Security Affairs (Security Cabinet) approved the Gideon Multi-year plan in April 2016. The budget resources for this multi-year plan were based upon the defense budget agreement signed by the Minister of Finance and Minister of Defense in November 2015 (the Kahlon-Ya'alon Agreement) and upon the Foreign Aid Agreement between the US and Israeli governments.



Key figures

**NIS 349
billion**

total of the original defense budget (gross) from¹ 2016 to 2020

11.5%

on average – the share of the original defense budget (net, in uniform terms) out of state budget from 2016 to 2020

97%

estimation of budget rigidity of the defense budget relative to resources (estimated at NIS 337 billion out of the original gross budget, from 2016 to 2020)


**55%, 38%,
7%**

from 2017 to 2020, 55% of the (gross) defense budget was used for defense expenses, 38% was used for salaries and pensions expenses, and 7% was used for the expenses of the Rehabilitation department and the Families and Commemoration department at the Ministry of Defense

**NIS 21.9
billion**

were added to the (gross) original defense budget from 2016 to 2020, out of which NIS 10.4 billion was based on surplus transfer and NIS 11.5 billion based on the provision of supplements (including to the revenue contingent expenditure)

Audit actions

 From October 2020 to June 2021, the State Comptroller of Israel examined the extent the IDF met the Gideon multi-year plan objectives regarding budget, management, and supervision. The examination included a general review of the defense budget from 2016 to 2020; the status of meeting qualitative objectives set in the multi-year plan, including spare parts and ammunition inventories, and the supervision over the implementation of the Gideon multi-year plan by both the defense establishment and the political echelon. The audit was conducted in the IDF, Ministry of Defense, and the National Security

¹ Including the net expenditure budget and the revenue contingent expenditure.




Council. Supplementary audits were conducted in the Budget Department of the Ministry of Finance.

This report was presented to the Prime Minister and the State Control Committee of the Knesset on December 30, 2021.


By the authority under Section 17(c) of the State Comptroller Law 1958 [Consolidated Version] and after considering the government's arguments, consulting with the bodies responsible for protection of national security information and coordination with the Chairman of the Knesset, and since the subcommittee of the State Control Committee failed to convene, it was decided to publish this report while imposing confidentiality on sections of it. These sections shall not be submitted to the Knesset, nor shall they be published.


The findings of the audit report and its recommendations are valid as of the above date of its presentation.


Key findings


-  **Budget Rigidity** – according to the estimation of the defense budget rigidity relative to resources, conducted by the Ministry of Defense, approx. 97% of the defense budget was designated for obligated rigidity expenses including: compensation payment classified as lawful rigidity, and training expenses, classified as substantial rigidity (estimated at approximately NIS 337 billion out of the original gross budget from 2016 to 2020). Hence, approximately 3% of the Ministry of Defense budget were resources available in the short term.
-  **Execution of Defense Budget** – while the average execution rate of the gross budget from 2017 to 2019 concerning human resources was approximately 99.4% (NIS 27 billion on annual average) and approximately 98.6% (NIS 5.3 billion on annual average) concerning Rehabilitation and Families Departments, the execution rate concerning defense expenses was approximately 89.9% (NIS 39.1 billion on annual average). Hence, an annual average of approximately NIS 4.4 billion concerning defense expenses were not executed. The average execution rate concerning net defense expenses (that is, without foreign aid budget whose execution date sometimes follows the provision of procurement) – was 92.4%, that is, an annual average of NIS 1.9 billion was not executed.
-  **Meeting spare parts and ammunition objectives** – gaps were found between the inventory level at the end of 2020 and the set goals regarding certain types of spare parts and ammunition.




-  **The Minister of Defense reports on implementing the Gideon multi-year plan according to the Security Cabinet decision** – the Security Cabinet requires the Minister of Defense to present an annual report on the performance of the multi-year plan. However, the ministers of defense did not comply. They did not submit a yearly report regarding implementing the Gideon multi-year plan to the Security Cabinet, except for in 2018 – three years after the launch of the multi-year plan.

-  **The status report regarding the implementation of the Gideon multi-year plan presented by the Defense Establishment to the Cabinet and the National Security Council in 2020** – in November 2020, upon completion of the Gideon multi-year plan, the Cabinet held a meeting on the Tnufa multi-year plan (the next multi-year plan). Some general references to the Gideon multi-year plan were raised. Still, the extent to which the objectives of the Gideon multi-year plan were met was not presented, except for the inventory of particular spare parts. Furthermore, the presentation on that matter was lacking in certain aspects.

-  **Presenting information to the National Security Council** – implementation vs. planning of the Gideon multi-year plan: in discussions between the National Security Council and representatives from the IDF and the Ministry of Defense in 2020 on implementation of the Gideon multi-year plan vs. its planning, the National Security Council requested to receive a detailed status report regarding each Gideon's main topics. However, the report to the National Security Council was partial.

-  **A computerized data system supporting the General Staff supervision over work plans** – from April 2018 until the completion of the audit (June 2021), no computerized data system was used during General Staff discussions on the implementation of work plans despite instructions to use it. Thus, the effectiveness of the General Staff control was undermined.

-  **Duration of a multi-year plan and the IDF chief of staff's term in office** – when the duration of a multi-year plan is five years, the IDF chief of staff does not formulate a multi-year plan during his first year in office. However, when the duration of a multi-year plan is four years, a cycle is formed. The new chief of staff formulates a multi-year plan during his first year in office while executing the last year of the previous multi-year plan formulated by his predecessor, and during the next three years he executes the multi-year plan he formulated, and so on.










Meeting efficiency objectives – from 2016 to 2020, the efficiency in practice was 19% higher than the objective agreed upon by the Ministry of Defense and the Ministry of Finance,



which was set in the work order for the Gideon multi-year plan (NIS 8.9 billion vs. NIS 7.5 billion).

IDF Chief of staff's supervision over the Gideon multi-year plan – during the Gideon multi-year plan, the chief of staff supervised the plan's implementation. Thus, conveying a command message of the importance of supervision in the IDF.

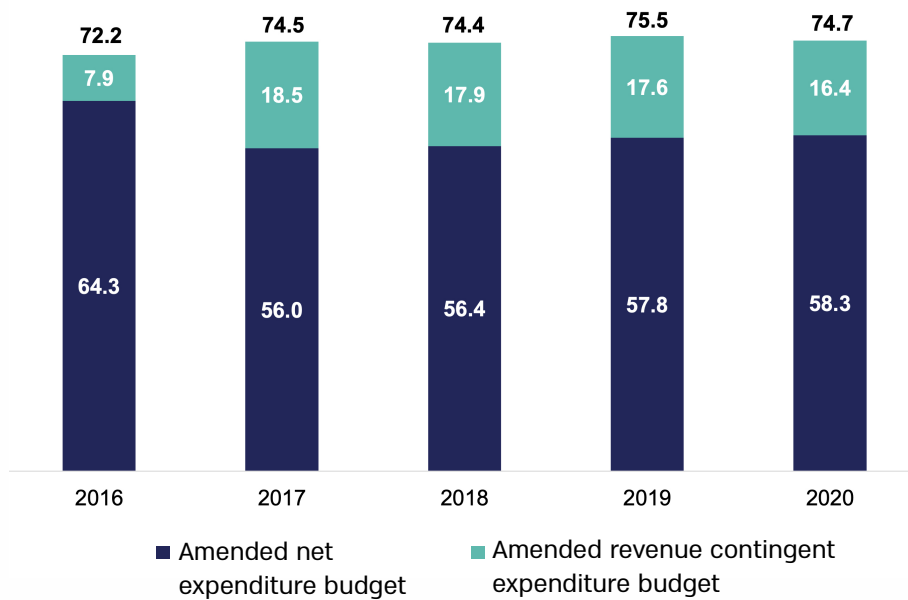
Key recommendations

-  Based on the economic and defense benefits of a multi-year budget plan and its influence on the execution of multi-year work plans and the future budget flexibility of the defense establishment, it is recommended that the Ministry of Defense and the Ministry of Finance agree on a multi-year budget plan as a budget framework for the multi-year plan.
-  It is recommended that the IDF conclude and complete inventory gaps according to its objectives in certain spare parts and ammunition.
-  It is recommended that the IDF's Planning Directorate and the Ministry of Defense's Budget Department jointly discuss the implementation of work plans ("Order of Traffic" discussions) regularly and comply with the deputy chief of staff's instruction to publish the order that regulates and divides authority and responsibility regarding management and supervision between them. It is further recommended that the Planning Directorate enhance the use of a computerized data system in work plan supervision discussions.
-  The Minister of Defense should annually report to the Security Cabinet on the implementation progress of IDF's work plans according to the Cabinet's decisions. The National Security Council should continue to monitor the progress of these plans periodically.
-  Upon completion of a multi-year plan and before the introduction of a new one, it is recommended that the Minister of Defense and the IDF present to the Cabinet the situation report regarding its implementation, its objectives, and accomplishments to provide the Cabinet with required information before approving a new multi-year plan. It is further recommended that the Cabinet specify the required report's method.
-  It is recommended that representatives of the National Security Council and the defense establishment regulate jointly the presenting method of the IDF's work plans' implementation Vis a vis their planning, including the domains that are introduced and the level of specification about each of them.
-  It is recommended that the Minister of Defense and the head of the National Security Council determine the IDF multi-year plan duration, considering the IDF chief of staff's term in office, to enable him to plan and formulate a multi-year plan during his first year



in office and implement it during his term in office. Moreover, it is recommended that the Ministry of Defense and Ministry of Finance determine a resource allocation plan respective to the multi-year plan's duration and objectives.

The amended Defense Budget (Gross) in 2016–2020 (in billion NIS)



In accordance with the Ministry of Defense data and Ministry of Finance data, processed by the State Comptroller of Israel.



Summary

One of the main IDF's goals stated in the IDF's strategy document from January 2018 is to "achieve victory in any military confrontation, according to the political echelon directives." The Gideon multi-year plan, approved by the political echelon, states that IDF's readiness for war will be the top priority and includes objectives in various domains, including influential and high-budget domains.

According to this audit report, at the end of 2020, the IDF did not fully achieve certain objectives related to spare parts and ammunition set in the Gideon multi-year plan. Moreover, this audit found deficiencies related to the supervision over the implementation of the Gideon multi-year plan in accordance with the Security Cabinet's decision. Supervision over the IDF's work plans is critical in light of their significant impact on defense since dozens of billions of NIS are allocated from the state budget to implement them. Supervision is required to ensure that the IDF meets the set objectives, with an emphasis on the level of readiness it is obliged to reach and to identify potential gaps in meeting goals in real-time, to decide if a change of modus operandi is required to meet these objectives and what measures are needed.