

WorldNews

Israeli PM Orders Real-Time Oversight of Defense Budget

By BARBARA OPALL-ROME

TEL AVIV — Israeli Prime Minister Benjamin Netanyahu last week ended nearly a year of public bickering between the Israeli Treasury and Ministry of Defense over defense spending, ordering a 3 billion shekel (\$820 million) hike for 2012, while forcing MoD to submit future budgets to real-time government oversight.

Israel's official defense budget for 2012 now stands at 53.6 billion shekels (\$13.9 billion), which includes some \$3 billion in annual U.S. military grant aid.

Netanyahu's directives, announced Jan. 8, marked a victory for MoD, which had been battling to overturn some \$820 million in cuts endorsed by the Cabinet last October in response to mass public demand for socioeconomic reform.

But the victory could prove Pyrrhic in the long term, officials here say, as Netanyahu's order for greater transparency and real-time oversight of Israel's defense budget should herald unprecedented change in the way MoD administers and accounts for defense funds.

At a Jan. 8 news conference introducing a new state-funded preschool education program, Netanyahu explained his refusal to accede to calls for defense spending cuts.

"In light of the multiplying threats and security challenges around us, it would be a mistake — even a big

mistake — to cut the defense budget," he said. "More than that, I think we need to increase the defense budget at this time. And as such, we are adding 3 billion [shekels] in real growth to the defense budget."

But the Israeli premier insisted that MoD would have to contribute its share in offsetting costs for his government's new social initiatives. Specifically, Netanyahu cited military base closures and the sale of state-owned Israel Military Industries as examples of long-stagnant plans that must be implemented.

As for transparency and oversight, Netanyahu noted that his directive was unprecedented in Israel's 63-year history.

"It hasn't been done in 63 years," he said. "It will help me, as prime minister, and for prime ministers in future, to monitor the budget and to prioritize it as changes occur. ... Usually we learn about them a bit late."

Black Hole

Israeli Finance Minister Yuval Steinitz, a longtime champion of defense spending oversight, likened MoD to "a state within a state" and its budget ledgers as "almost a black hole, where the money goes in and we don't know where it flows."

At a Jan. 11 roundtable discussion at the Jerusalem-based Israel Democracy Institute, Steinitz said the Treasury has the ability to locate and track expenditures of every government ministry in a



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Oversight Victory: Israeli President Benjamin Netanyahu addresses the Jan. 8 Cabinet meeting.

matter of hours — except MoD.

"If you ask ... if I can say where a billion shekels or each 100 million shekels are going, within two or three hours I can see the entire budgetary map and give you an answer," Steinitz said. "Concerning the Israel Defense Forces [IDF] or MoD, I'll get a very, very general and inaccurate picture."

Steinitz said that MoD should not be exempt from Treasury oversight, nor should it be allowed to submit to the Knesset — as it had until recently — budget ledgers that are separate from the overall government budget.

"It was incredible, and in total contravention of the law, that for 61 years, up until a year-and-a-half ago, that after the budget passed the gov-

ernment, and as the Treasury was preparing its budget books for the Knesset, that the Defense Ministry, and to a large extent the IDF itself, presented separate books," he said.

Steinitz, a former chairman of the Knesset's Foreign Affairs and Defense Committee, said Israel's Mossad and Shabak intelligence agencies are far more cooperative and accessible than MoD.

Steinitz said the government saved nearly 1 billion shekels in 2012 due to preliminary efforts at transparency and oversight, and within three years, annual savings could reach 2 billion shekels.

"Contracts, projects, procurement, the ability to ask questions and request clarification ... all this alone will save significant funds," he said.

Steinitz cited the 200-kilometer fence being built between the Red Sea border with Egypt and the border with southern Gaza to prevent smuggling and illegal infiltrations. He said MoD's initial cost for the program was some 2.7 billion shekels, but following Finance Ministry intervention, MoD shaved its price to 1.4 million shekels.

"Just like that, within a month, we saved the state of Israel [some] 1.3 billion shekels," he said.

Steinitz also noted the government's success in raising the retirement age of noncombat active-duty personnel from 44 to 56, and its savings of hundreds of millions of shekels in pensions each year.

Finally, Steinitz cited the need for persistent oversight of reprogramming decisions and long-term procurement contracts.

"How does it happen that a certain branch within the IDF starts a project for 30 million, adds 100 million the second year and by the third

year, it's 1 billion?" he said. "Because it starts off small, it doesn't have to go to the Knesset or the ministerial committee for procurement. After a few years, it turns out the state is embroiled in a multibillion[shekel] project, production lines have been established, a contract has been signed with an American company, workers have been hired. This is what happens when the government budget is obligated for billions over years without it ever being brought up in advance to the government or the Knesset."

Retired Maj. Gen. Amos Yaron, a former MoD director-general and fellow participant at the Israel Democracy Institute roundtable, challenged the extent of Steinitz's claimed savings.

"There's no such numbers," Yaron said. "It's likely that we can achieve savings through deeper transparency and oversight. But what's the Treasury going to do? Add another 15 people that will decide for us whether we should develop a certain missile or not?"

In a statement the day before Netanyahu's decisions, Israel's MoD criticized the Finance Ministry for presenting false information about defense spending.

"Proposals are being advocated that contain deep cuts to the defense budget, undermining in a serious manner the authority of the chief of staff and the ability of the defense establishment to manage its budget," MoD stated.

MoD insists its budget is transparent and becoming more so.

"The Ministry of Finance does not want transparency; it wants control," the MoD statement said. □

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U.S.: 'We Will Get Missile Defense Agreement' With Russia

By MARCUS WEISGERBER

The United States will hold "strategic stability talks" with Russia in the coming months to find mutual areas of cooperation, including a controversial missile defense shield in Eastern Europe.

Ellen Tauscher, U.S. undersecretary of state for arms control and international security, said she is optimistic that the United States, NATO and Russia can find a common ground for the missile defense site.

"We will get a missile defense agreement for cooperation with Russia," Tauscher said bluntly during a Jan. 12 breakfast with reporters in Washington.

Asked when such an agreement

could occur, she said, "Can't tell you."

For years, the U.S. has not been able to get Russia to sign on to its plan to install a European-based missile defense system to intercept Iranian-launched, medium-range intercontinental ballistic missiles.

"The Russians are just like everybody else. They don't like to be invited to a dinner party and arrive during the dessert. Almost everything else that you work with on European security has been settled; settled, decided and worked on together by others for decades," Tauscher said. "The only thing that's new where you can actually bring the Russians in is missile defense."

The U.S. missile shield plan calls

for Raytheon SM-3 interceptor sites in Romania and Poland and the installation of a radar site in Turkey.

NATO plans to declare an interim operational capability for the missile defense shield during meetings in Chicago in May, Gen. Stéphane Abrial, NATO supreme allied commander transformation, said during a taping of the television show This Week in Defense News.

Gen. Mieczyslaw Cieniuch, Poland's chief of the General Staff, said an agreement between the U.S., NATO and Russia is possible.

"I don't think we have no chance to reach an agreement," Cieniuch said in a Jan. 9 interview.

During the planned talks, Washington and Moscow are expected to

discuss a "baker's dozen" of issues where the countries could work together, including missile defense, cybersecurity and conventional armed forces, Tauscher said.

"We are going to have these strategic stability talks this year so that we can actually come out the other side of it with a greater understanding of what mutually assured stability means to the Russians, what it means to us," she said.

In order for the missile defense pact to work, the U.S. must give Russia assurances, Tauscher said.

"I cannot give them assurances that look like limitations; I can't look like I'm limiting the system," she said. "I'm not going to limit the system; we've made it very clear. We're

going to deploy all four parts of the system, and it's going to be responsive to the threat."

Observation of the missile defense system in use is key.

"The only way they're going to be reassured that SM-3 Block-1A and [Block-]1B and future systems, and the system itself, does not undercut their strategic deterrent is to sit with us in the tent in NATO and see what we're doing," Tauscher said. "It will only be their own eyes and ears."

"Is it a political leap of faith? Yes. Are they ready to do it? No," she continued. "But we're hoping that these strategic stability talks over the next eight months will start to kind of loosen these old ties that have been binding everybody into the old way of thinking." □

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