

PLANNING ECONOMIC CONTRIBUTIONS AND RESOURCE ALLOCATION FOR MILITARY CAPABILITY DEVELOPMENT – THE CASE OF ROMANIA –

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ABSTRACT

The Wales Summit in 2014 has meant a shift in paradigm in terms of defense expenditures for NATO member states. This was the case not just because of the general consensus that at least 2 % of the national GDP would be spent on defense, but also because another stipulation was that from that 2 %, at least 20 % would go on equipment acquisition and procurement. With new requirements on expenditures new strategies for defense planning have been implementing. Connecting contributions to capabilities through resource management is a new challenge for MoDs of NATO Members States. It is the aim of this paper to analyze how the Romanian national MoND has developed its own capabilities since 2014 and how the options for the years to come look in terms of defense spending, defense planning and resource allocation.

KEYWORDS:

Defense, resources, capabilities

1. Introduction

Capability base planning has become a part of Romania's military planning following 2004 when Romania joined NATO. With the implementation of a 2 % in GDP expenditures on Defense, the development of capabilities has become center stage in the Romanian MoND planning directorate. Since more than 20 % of resources allocated to the MoND are to be spent on procurement, the opportunity of developing capabilities has become a priority.

One of the most important challenges is that of expenditures that are connected with the Romania's security needs. Taking into consideration the Romanian main defense documents it can be seen that there are several factors to take into consideration.

First, capabilities will be developed in the context of Romania's regional environment. Romania also has to take into consideration the fact that it is part of two international organizations, NATO and UE that both have security interests on their

agenda. This has been the case, especially since the UE has started to develop the Common Defense Security Policy in 2016. Since capabilities are developed by a concept of pool and share, in which countries collaborate with their armed forces in order to create international capabilities, this brings in another factor that weighs in Romania's development of military capabilities.

It is for the reasons mentioned above that the aim of this paper is to present the means that are both effective and efficient by which the Romanian MoND will try to allocate resources in such a manner that capabilities are suited in a correct and prioritized manner while answering to Romania's security challenges and defense needs.

2. Managing contributions

In order to manage defense resources allocation in an efficient and effective manner several steps had to be taken into consideration. Romania has tried to look at planning from NATO's 3 C perspective: CASH, CONTRIBUTIONS, and CAPABILITIES. Even though the share of GSP allocate to defense spending is the most used indicator when comparing expenditures of ministries of defense, it is not the only manner to deal with this type of planning. Defense allocation has to be looked on from both inputs and outputs. The percentage of GDP used for defense expenditures is indeed an input. The output is how the Ministry of Defense will choose to allocate that 2 %. There are examples (NATO Parliamentary Assembly, 2018) of member states that choose to spend 70 % of the budget on salaries, benefits and incentives, while contributing little to NATO missions and theaters of operations

even though they allocate 2 % of their GDP to defense expenditures. In order to adjust this issue, during the NATO Summit in Wales 2014, a decision was taken that all member states must allocate 20 % of their defense budget on procurement. There are examples (NATO Parliamentary Assembly, 2018) of member states like Denmark that allocate somewhere at around 1.5 % of their GDP to defense but have deployed larger contingents to NATO missions.

The NATO Summit in Wales had the purpose of raising awareness to the fact, that even if Article 5 is invoked by a member state it is necessary for that state to have its own capabilities ready for deterrence until other states can provide help. For this reason it is advised to look at other outputs rather than just de GDP percentage when analyzing contributions that countries make to NATO. Another example (NATO Parliamentary Assembly, 2018) shows that Canada lost 158 soldiers during its engagement in Afghanistan, which was more than any NATO member other the United States of the United Kingdom. Ultimately the seeked output when realizing a higher input in defense allocation is the capabilities that states will develop in order to increase security and contribute to NATO mission and operations. Another observation is that the 2 % in GDP will be impacted by any decrease or increase in national economy, therefore defense expenditures need to be adjusted in order for the output in procurement and capabilities to still be feasible regardless of any major economic changes.

In the case of Romania, following the summit in 2014 the government has allocated at least 2 % of the GDP to defense expenditures starting with the year 2017 as it can be seen in Figure no. 1.

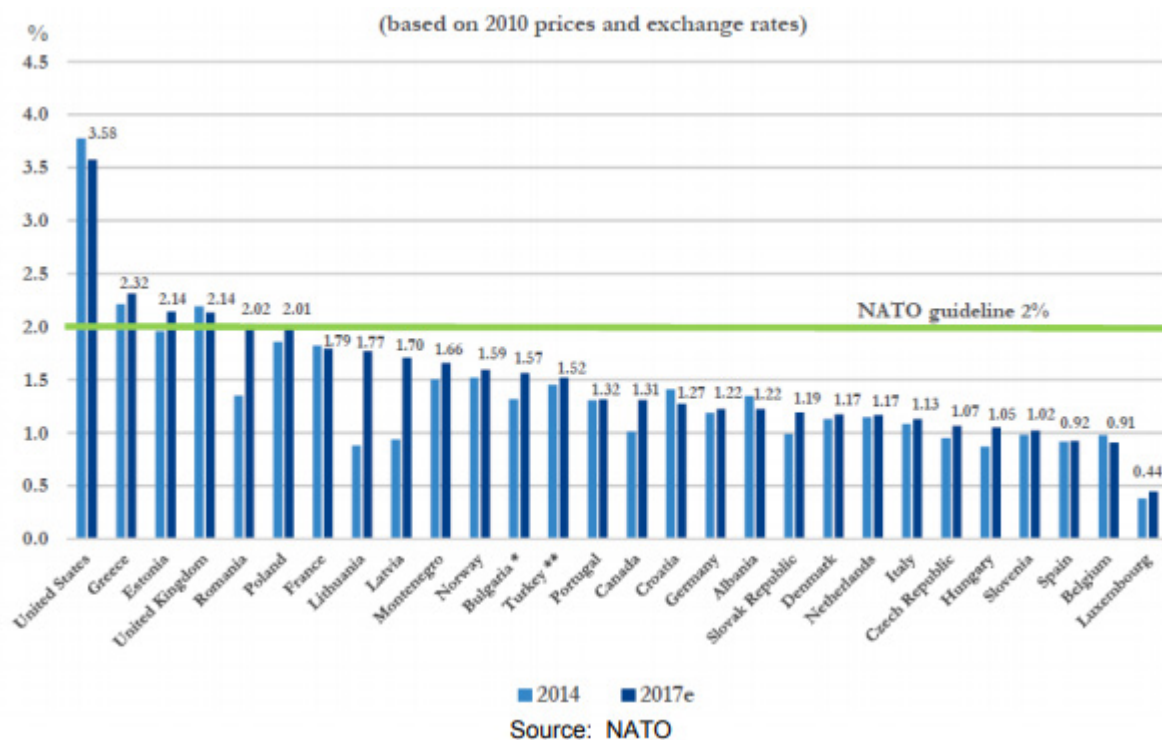


Figure no. 1 Defense expenditure as a share of GDP (%)

Furthermore, Romania has understood the importance of the output in terms of capabilities and contributions to NATO and has decided to allocate at least 30 % of the GDP, which is 20 % more than the NATO requirement to procurement, with the percentage going higher to almost 47 % in 2017 as it can be seen in Figure no. 2. This makes Romania the number one NATO member state in terms of allocations for procurement as a percentage from total defense expenditures, demonstrating that for the Romanian MoND, developing capabilities, increasing readiness forces and developing major acquisition programs is a vital part of defense planning.

Some of Romania's major procurement programs have as an objective a modernization of its traditional force

structures, with investments in more modern equipment for the land forces, increased the navy capabilities by acquiring a set of new corvettes and completing the F-16 multirole squadrons for the air forces. Funds have also been allocated for Research and Development for other type of programs as well, like UAVs and new and improved rifles.

An observation has to be made. Since 2018, by Parliament decision, the Romanian MoND will also receive the national defense industry in its portfolio. Previously, the national defense industry had been a part of the Ministry of Economy. How the MoND will handle this challenge, whether the percentage of resource allocation for procurement will be maintained at the same level under this current circumstances, remains to be seen.

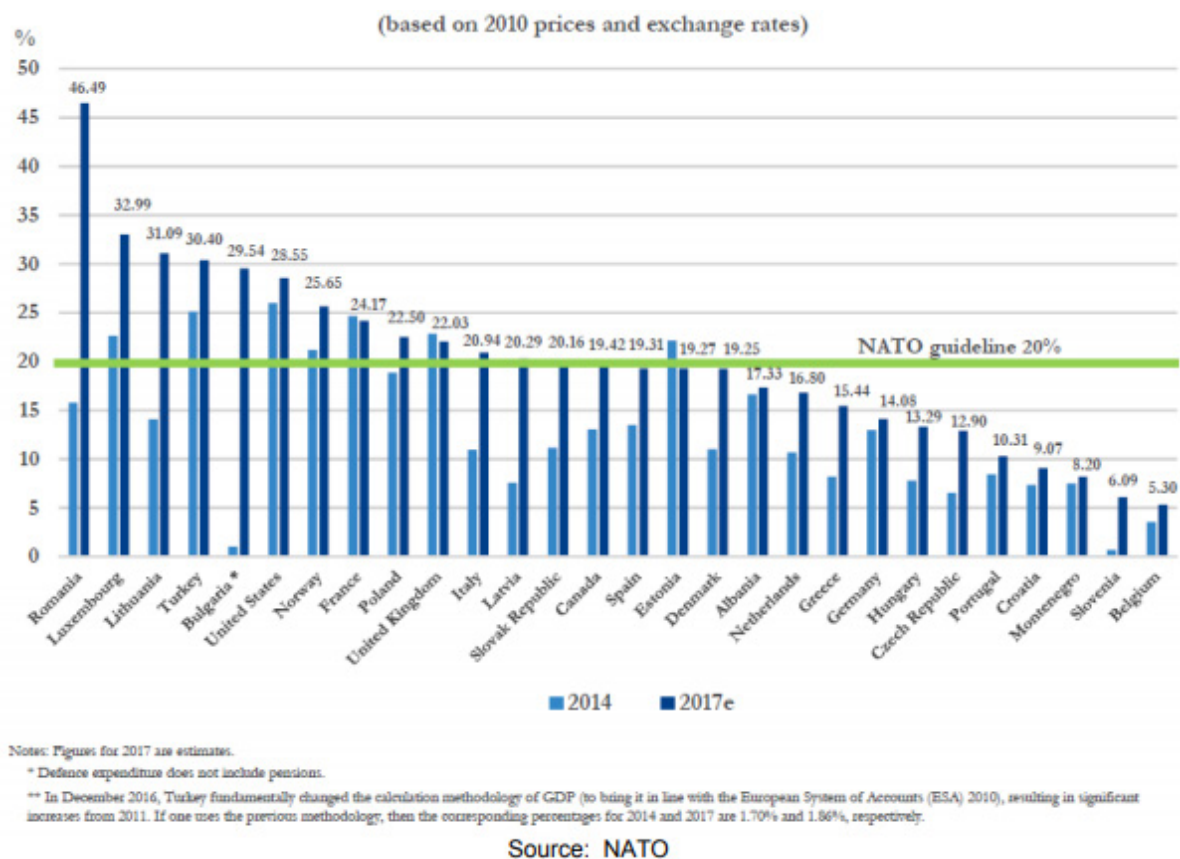


Figure no. 2 Equipment expenditure as a share of defence expenditure (%)

By correlating the 3 C: CASH, CAPABILITIES and CONTRIBUTIONS, Romania has become one of only member states to allocate 2 % of the GDP. More importantly Romania has started expensive procurement programs in order to also produce outputs in order to respond to NATO's pooling and sharing strategy but also in order to produce security for its internal needs. In terms of contributions for NATO missions and operations, Romania has set for the year 2018 a number of almost 700 military personnel in theaters of operations together with 23 gendarmerie personnel from the Ministry of Internal Affairs who will be deployed in Afghanistan and Iraq.

3. Managing capabilities

Capability Based Planning has replaced tradition threat based planning in NATO and for NATO member states with the purpose

of building a more efficient and effective resource allocation process. This has been achieved by introducing instruments like the Planning Programming Budgeting System, Life Cycle Cost, Cost Effectiveness and Cost Benefits Analysis. NATO Allies are advised to focus on generating capabilities and increasing spending efficiency.

However providing higher financial resources for defense expenditures is just one part of the process. Cooperation is as crucially important. In fact, all NATO member states have agreed to develop and maintain the full range of capabilities necessary to deter and defend against potential adversaries. In order to make this process more efficient the Alliance has created the NATO Defense Planning Process or the NDPP (New Strategy Center, 2017). Since the development of this tool, each member state will take into consideration in its planning documents,

not just internal challenges and needs but also planning decisions correlated with NATO's capability development. In this phase prioritizing internal and external threats and needs in order to develop the proper capabilities is of vital importance. In terms of the NATO alliance, the NDPP sets the necessary requirements for the desired capabilities. The major program for defense will then follow the priorities set by each nation individually as well as the NATO priorities. The Alliance has identified 21 priorities for developing common capabilities. Together with Romania's own priorities in security and deterrence, the Romanian MoND has established 8 major programs.

One of the most relevant capabilities for Romania and NATO that will be presented in this paper is in the Black Sea Region. Romania is part of NATO's Eastern flank, with military capabilities meant to respond to any potential threat from the Russian Federation. After the annexation of Crimea in 2014 and the confiscation of the Ukrainian Navy, the perimeter inside the Black Sea has become even more challenging. The Russian

Federation seeks to strengthen its military capabilities in the Black Sea region by 2020 while Kalibr missiles that are already in use have in their range all the Eastern Flank countries including Romania, while also being able to target countries all the way up to Italy and even Germany (Figure no. 3).

In this context the Romanian Government has developed plans to expand the military airbase in Mihail Kogalniceanu, Constanta County, in order to create a NATO capability that could answer new incoming threats. Since February 2018 funds have been allocated to expand the base following discussion with allied states, especially the United States.

In terms of collaboration inside the NDPP and the NATO alliance this capability is a good example of defense expenditures managed properly since both the Romanian MoND and the United States will share a role in the process. In the beginning of 2018, the State Department has decided to spend 200 million dollars for the current fiscal year in order to modernize some military facilities in Europa, Romania being part of this decision with its bases in Cămpia Turzii and Mihail Kogălniceanu.

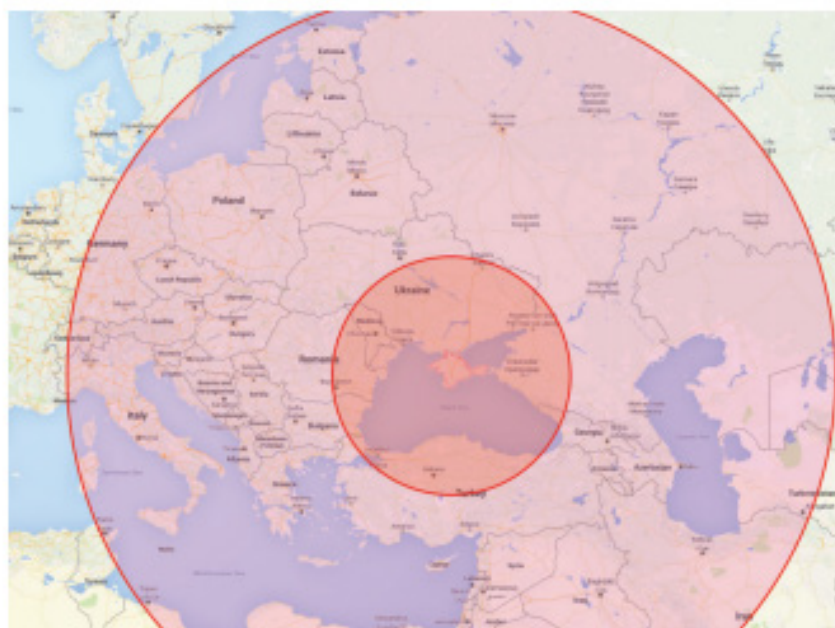


Figure no. 3 Range Kalibr cruise missile and Iskander ballistic missile

Developing the Mihail Kogălniceanu base is just one step of the development of a military capability in the Black Sea region, a capability that Romania considers a priority and for which it has allocated funds in procurement and has started major equipment programs, like the new corvette capability program. A capability in the Black Sea also takes into consideration risk and threats that are presented both in Romania's National Military Strategy, but in terms of the importance of the Eastern Flank, also in the United States National Military Strategy. Sharing funds and forces will increase security in the Eastern Flank. This is not the first case of such collaboration

between Romania, the United States and NATO as another example stands tall, the Multinational Brigade, which is already operational.

After the Crimean annexation, Russia's influence in the Black Sea has increased, as it can be seen in Figure no. 4. For this reason, General Mattis, the secretary of Defense has insisted that future funds be allocated in order to increase security and develop future capabilities in the Black Sea Region.

In the case of developing capabilities in the Black Sea Region, the correlation between contributions and capabilities has helped the Romanian MoND create a feasible and efficient allocation plan.

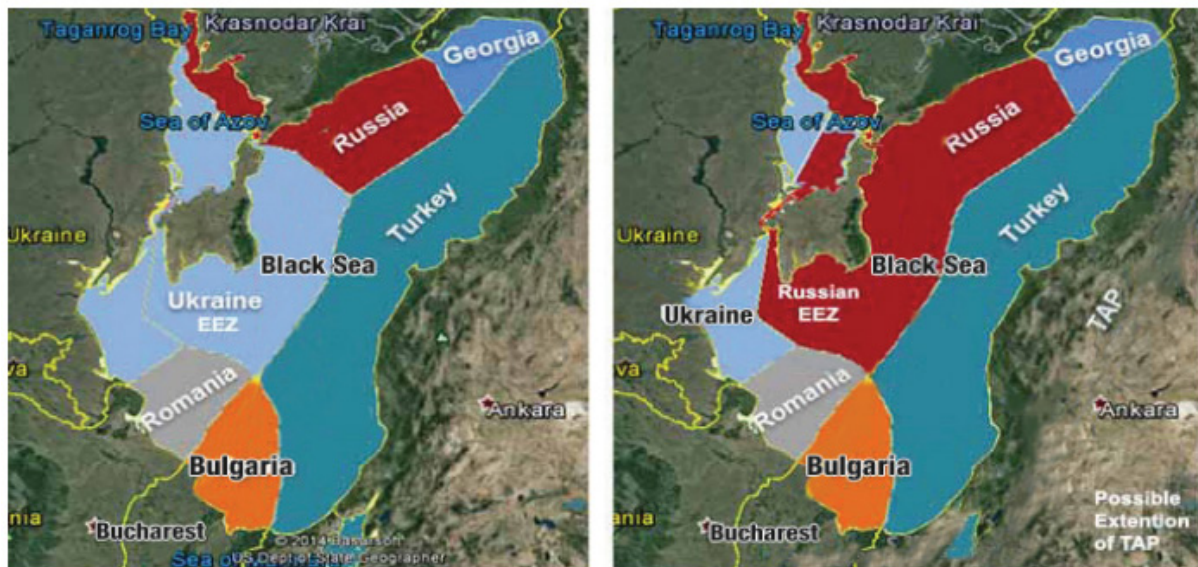


Figure no. 4 New exclusive economic zone delimitation in the Black Sea before and after occupation of Crimea, the Russian vision

In an alliance where capabilities can only be created by collaboration between member states the output will only be effective if each state contributes in an efficient and wise manner. For this reason the pooling and sharing concept implemented in NATO will have to also be interpreted in an effective matter without creating duplicates in the Common Security and Defense Policy that the European Union is developing.

4. Conclusions

Managing resource allocation is an important challenge especially since member states like Romania have increased their expenditures to 2 %. Geo-Political Futures researcher and analyst George Friedman (Posirca, 2018) has explained that only by developing national capabilities which can respond to immediate threats, Romania will be able to secure its own borders, its coast on the black sea while also

increasing deterrence on the entire eastern flank (Buciu, 2018). By using instruments and concepts that work inside NATO, be it the 3C's, PPBS or LCC, Romania will only create a more useful, effective and efficient management process for defense resource allocation and planning.

The major programs that the Romanian army develops will only work if the capabilities that Romania develops and will develop for the future will respond to internal and external needs. Otherwise the increase in 2% expenditures for GDP will bring no positive effect security wise.

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