

**NATIONAL DEFENCE UNIVERSITY “CAROL I”
REGIONAL DEPARTMENT OF DEFENSE RESOURCES
MANAGEMENT STUDIES**



**PLANNING, PROGRAMMING, BUDGETING,
EVALUATION SYSTEM –
BENEFITS AND CHALLENGES**

***Workshop unfolded during the postgraduate course in
Planning Programming Budgeting System***

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This volume represents the result of the work, research and exchange of ideas and experiences of the participants to the Planning Programming Budgeting System postgraduate course. The first course in Planning Programming Budgeting System took place between 01.03 - 02.04 .2010, with participants from Romania, Hungary, Republic of Moldova, Serbia and Jordan, whose varied areas of expertise, professional experience and dedication made possible the appearance of what I personally hope it is just the first volume in a long series.

I started developing this course with the aim of providing a much needed overview of the Planning Programing Budgeting Evaluation System, but also in order to create a framework for discussions and exchange of experience and insights from participants with various backgrounds and specializations. The PPBS, like any other management tool, has both advantages and challenges and should not be treated like a goal in itself or like a supreme and unchangeable monolith. The dynamic economic, military, political and social environment in which the modern military functions generates the need for a flexible, modern and adaptable resource management system. The PPBES can provide this framework, on the condition that we recognize and try to eliminate its shortcomings and capitalize on its advantages.

In the end of this short introduction, I would like to express my thanks to the course participants, for their outstanding performance during the course, their active involvement in the discussions and case studies and their willingness to share not only their expertise and experience, but also their own opinions regarding the benefits and challenges of the very intricate management system which is the PPBES.

Lect. Univ. dr. Maria CONSTANTINESCU

CONSIDERATIONS REGARDING THE RELATION BETWEEN BUDGET SYSTEMS AND THE PPBES

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Abstract

Deciding how much money to allocate for defense (compared to other areas of activity which need to be supported by the state) is one of the most challenging decisions a government must face. There are a variety of ways to optimize the use of defense resources, but all of them have to deal with the connection with the defense budget and the scarcity of financial resources.

Deciding how much money to allocate for defense (compared to other areas of activity which need to be supported by the state) is one of the most challenging decisions a government must face. In this respect, the decision makers must use the state budget as a tool reflecting their view on the allocation of limited resources among the Government's major functions (such as providing funds for the national defense, regulating commerce or ensuring the availability of health care) and among the individual programs, projects and activities (such as deciding how to allocate the available resources of a tank unit between fuel costs, spare parts and materials costs, personnel wages, acquisition of new equipment etc).

Everybody uses a budget in determining future spending behavior, from households to governments and international organizations. Generally speaking, the term of "budget" has multiple definitions, but the common characteristic of all budgets is that they have two sides (revenues and expenditures) and are elaborated for a definite period of time.

First, the budget can be viewed as the estimate of the income and expenses that the state will incur during one fiscal year [1]– in the case of the defense budget, this means a plan regarding the amount of money available for 1 year (in Romania's case), to be spent on the resources needed for achieving the goal of national defense.

Secondly, the budget is also a statement of the government's policy (in the fiscal, economic, military, foreign affairs areas etc) for a definite period of time, based on estimates of expenditures during the period and proposals of financing them.

Regardless of the specific structure of revenues and expenditures items, two types of countries can be identified, using the state budget as criterion: unitary type countries and federal countries.

In the case of *unitary-type* states, such as Romania, organized in departments or counties, the structure of the budgetary system includes a budget of the central public authority and a local budgets, corresponding to the administrative units.

The *federal states*, such as the United States (figure 1) , organized in states, provinces, regions, with administrative units for every state, have a budget system organized in a federal budget, state/province or regional budgets, local budgets.

The Federal Budget: Revenues and Outlays

Fiscal Year 2007

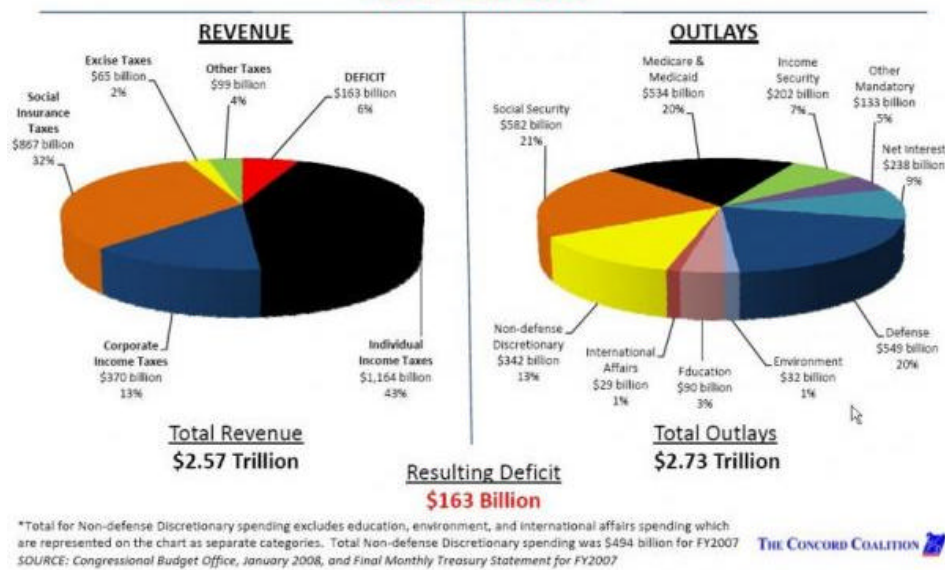


Figure 1

In relation to the state budget, there is a difference between the meaning of the “state budget” and the “consolidated budget”; in Romania’s case, the general consolidated budget is a unitary system formed of several budgets:

- the *state budget*
- the *state social insurance budget*, separated from the state budget starting with 1991, reflecting the funds needed to ensure social assistance for retirees, employees and family members
- local budgets*, elaborated for each administrative entity (county, city, village)
- special funds budgets* (such as the Special health fund, the Special fund for the modernization of public roads etc)
- state treasury budgets*
- budgets for various autonomous institutions.*

Determining the budget expenditures level

A common feature of distinct budgetary systems is that, although budgets are designed for specific financial years, in practice budgeting is a continuous process, involving different tasks on the expenditure and revenue sides.

On the expenditure side, budgeting involves the determination of the total size of the budget, the size of the resources allocated on different functions and on various programs that are part of a function. On the receipts side, the size of the overall revenues and foreign aid (where applicable) need to be decided, together with the size of the deficit and the components of its financing (how much of the deficit shall be financed and from what sources).

A very important issue in the budgetary process is the determination of total expenditures, which may take place in two ways. A first model advocates that such totals should be decided by the central finance authority or the planning agency (Central Bank, Finance Ministry, Government) and communicated to all the other agencies and credit claimants that would eventually utilize these funds. Another model recommends that the individual expenditures for each program, agency or ministry should be compiled and then consolidated into an expenditure budget.

In practice, a combination of these two approaches is most often found. Central authorities need to determine the appropriate level of expenditure, taking into consideration the limits imposed by the resources available and the permissible level of deficit. These initial levels

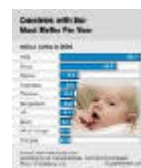
of expenditure are usually estimated and are used as a basis for discussion with the spending agencies.

Another theory of budget determination, called incrementalism, suggests that a ministry's, local administrative agency's etc budget in one year will tend to be its last year budget plus some additional increment (increase). This theory can be understood from two different perspectives.

A first element worth considering are the budgetary actors and especially the interest groups. These special interest groups tend to desire an increase in the fund allocations to the programs that benefit them, while the general public has little motivation to lobby for a cut in a program, because the benefits from that cut will be dispersed throughout the nation and would not benefit anyone very much. Thus, concentrated interests have more influence than the diluted interest of the general public.

The incrementalism theory may be also considered taking into account the complexity of the government spending process, especially in those areas where there is no profit and loss indicator by which the spending efficiency may be evaluated. With so many credit claimants (ministries, local administrations, autonomous entities, special funds administrators etc) demanding budget funds, it would be difficult to review in detail each claimant's request. The incrementalism theory suggests that fund allocations for programs that appear to be more successful might be increased a little more than the previous period of time, while if a program does not appear to be cost-effective, the solution is to reduce the budget (or increase it by a smaller increment than the budget as a whole) until the program provides a satisfactory rate of return. Typically, a cost-benefit analysis of a program shall be undertaken to determine its cost-effectiveness compared to other programs, but this analysis is more useful in the planning stages of the program, when considering if the program should be implemented. But should an already existing program require major revision, a cost-benefit analysis could not give an indication of how the program should be change or what are the problem areas.

The major factors that determine expenditures in the day-to-day world may be classified into two major categories: internal and external factors. The internal factors refer to expenditures derived from recent or previous budgets (expenditures approved for a previous period of time), approved policy goals and organization capabilities, specific tasks to be performed by each agency or institution (in case of defense, the expenditures are derived from the need to fund the existing programs, finance the new proposed programs, achieve the Force Goals etc)



The external factors include policy revisions reflecting changed environment conditions- growth of population, technology improvement, inflation and, above all, the resource availability factor . The recent financial and economic crisis is an example of an external factor with serious implications on the size and compenence of the defense budgets; another example would be an unforesees change in the international or internal security environment triggering an increased need for resources for defense.



Some of the premises that underline budgeting are tangible and quantifiable. The estimations of each agency's or program's needs for expenditure are presented to the Finance Ministry in monetary terms, some macroeconomic parameters are used in the elaboration of the budget in correlation with the country's economic evolution (for instance, the Gross Domestic Product (GDP) evolution, inflation ratio, price evolution ratio, external aid level, internal credit evolution, tax burden, etc)

In addition to these quantifiable factors, some environmental factors may also influence the pattern and growth of the expenditures in a budget system. For instance, an aging population may determine an increased demand for funds and public expenditures in areas like social security, health care, pensions etc and may also have a negative impact on other areas of activity such as defense, by lowering the level of incomes available to the state budget. An external factor like an increased probability of a war or a terrorist attack may lead to an increase in the defense expenditures.

The task of formulating estimates of expenditure for the next year tends to be easier when a medium-term expenditure forecast is available (featuring prognoses on evolution of the inflation rate, economic growth, interest rate etc), such as a multi-annual program estimating the resource needs and financial requirements. Given such forecast, the task for the annual budget is to adjust to exogenous factors, such as changes in the economic climate (which may involve less subsidies, for instance), changes in cost factors (rate of inflation) or changes in demographic profiles (e.g. net additions to the number of pensioners could lead to more pension payments). The attention could then be focused on adapting the new proposals to these forecasts.

In the absence of such medium-term forecast, the above factors would need to be given detailed consideration in the expenditure estimates, leading to an increased complexity of the budget system.

Time as a fundamental aspect of budget design

A very important feature of any budgetary system is that budgets quantify revenues and expenditures for a specified period of time. The issue refers both to the fiscal year and the budget calendar, as budgeting and related decision-making are activities that take place throughout the year, but gain momentum during specific periods of time.

Based on the criterion of the period of time for which the budget is elaborated, there can be identified the *annual budget systems* and *multi-annual budget systems*.

Most countries use budgets elaborated for a period of 12 months (annual budgets), with the fiscal years based on the calendar years, but not necessarily overlapping the calendar year. Thus the fiscal year may begin at the 1st of October and end on the 30th September in countries like USA or Thailand, start in April and end on 31st March in Japan or the United Kingdom, or may coincide with the calendar year (January-31st December) such as in the case of Romania.

The period of time for the fiscal year is established by each country, based on a variety of influencing factors such as the country's level of economic development, tradition, statistical convenience, conformity with other countries member in common market zones etc.

A debate also takes place regarding the benefits of a budget elaborated for two, three or more years (multi-annual budget systems) versus annual budget systems. The main argument in favor of multi annual budgets is that expenditures for investments (capital expenditure) have an increasing importance and their main feature is that they require approvals for periods of time longer than one year, or even for unlimited time. It can be argued, on the other hand, that in the continuous process of budget making, the significance of the fiscal year is, at the best, marginal, making the change to multi-annual budgets useless. As an illustration of these debates, the example of countries like Spain and Peru can be cited, as they formerly prepared biennial budgets (for a two-year period) and now have annual budgets, or Bahrain which has moved to a two-year budget system from 1978. In the analysis of the U.S. budget for 1973, a proposal for three-year authorizations and appropriations (distribution of funds) was advocated, mainly in order to allow a more intensive, but less frequent review of major programs.

Romania is no stranger to these kind of debates, as the Law no 69/2010 regarding the fiscal responsibility was only recently adopted by the Parliament. This law aims to develop procedures regarding multi-annual budgeting, setting limits on budget revisions made during the year, the tax rules on total spending, personnel expenditure and budget deficit. The law is intended to ensure predictability and stability of budgetary policy, through the adoption of the key elements of fiscal-budgetary strategy in the medium term, by providing and maintaining fiscal discipline, fiscal transparency and improving medium and long term sustainability of public finances.

Methods of determining the level of expenditures

There is no „best method” to be used in determining the level of expenditures, each country has to decide on the method that keeps track of its particular situation and conditions. In Romania, the classical direct valuation method (figure 2) is mainly used in this context, but there are other methods to determine this level, such as the automated (last but one) method, the increase/ decrease method. Some more elaborated and complex methods, known under the name of modern methods of determining public expenditures, are also considered in this context, such as the Planning Programming Budgeting Evaluation System used in the Ministry of National Defense.

The direct valuation method implies that revenues and expenditures, from every source and category, may be determined taking into consideration the preliminaries for the current year n-1 and the predictions regarding the economic, social and political environment for the next year n (the budget year). Thus the process takes into account the preliminary budget of the current year and the estimated expenses for programs intended to be implemented the next year, together with the financing resources.

The automated (last but one) method evaluates the budgetary revenues and expenditures for the next year n based on the budget for the year n-2 (taking into account that the current fiscal year n-1 is not over yet)

The increase/decrease method is based on the results regarding the state budget's evolution on the last five (or more) years; thus a mean annual rhythm of increase (or decrease) of the budgetary expenditures/ revenues can be determined and applied to the current year's budget, leading to data that shall constitute the basis for the next year's budget.

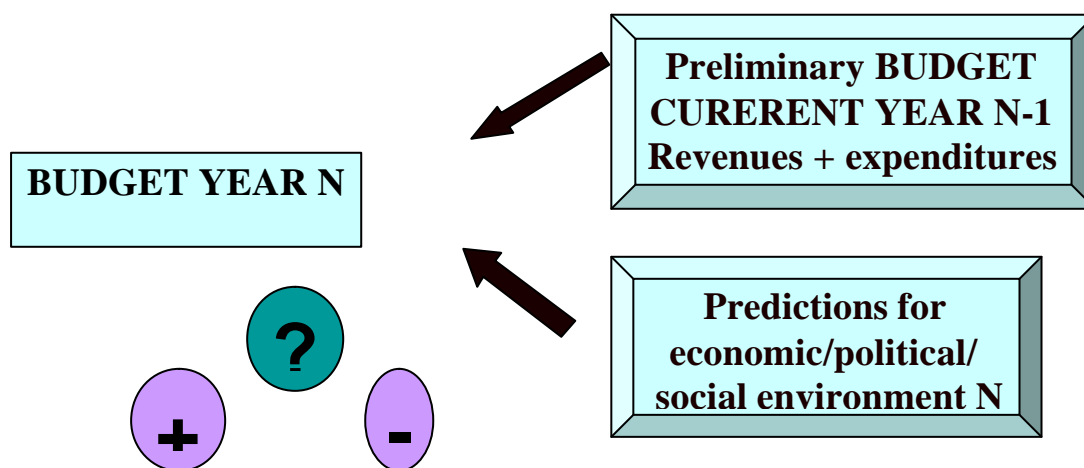


Figure 2

The major drawback of all the so-called classical methods is that, many times, the results are rather far from reality due to the unpredictability of the economy (new influencing factors arising, that were not present in the reference period, leading to major changes in the economic, social or politic environment).

The PPBS, although considered by some to be a budgeting approach [2], is a lot more complex than just a system used to develop a budget and a link between the line-item and program budgets and the more complex performance budget. One of the main advantages of PPBS, in this respect, is that it provides a link between goals – resources – money allocations in form of budgets – performance evaluation. Thus the goals set by the high level decision makers (in the case of the military, through the National Security Strategy, National Defense Strategy, the Defense Planning Guidance) in the Planning phase are linked to the resources needed to perform the tasks necessary for the achievement of these goals in the Programming phase. The medium year programs outlined in Programming are then translated into one-year program budgets or line item budgets, which provide the framework for the implementation of the above mentioned programs and their associated objectives.



Another main advantage of the PPBS is related to the fact that the end of the process is not just budgeting and budget execution, but the closing of the feedback loop through evaluation. This newly introduced “E” in the acronym – meaning Execution in the US and Evaluation in Romania provides the most needed feedback for the system, both in terms of program performance and in terms of financial performance. The need to evaluate the resource management is not a new idea, but the benefit of PPBS is that it encourages the correlation of the financial reports with the performance reports, for a better identification of the causes of the issues identified. For example, an unsatisfactory result (under the established target) for one of the performance indicators used signals an issue, but in order to find the cause it is necessary for the decision maker to examine two main aspects: problems related to performance (low performance, targets too high) and problems related to the financial resources underlying the activity. The results of this analysis need to be correlated and put together in a synthetic report, and based on it changes need to be made in whatever area of the system it may be necessary – budgeting, programming or planning.

The transformation of the medium term programs into budgets generates, on the other hand, one of the main challenges related to PPBS, namely how to combine two different time horizons (medium and short term) and two different approaches related to the use of public resources (performance oriented versus financial control oriented). This is especially true when, such as it is the case for Romania, the state budget is a line item budget and only some ministries (such as defense) use PPBS and program budgets. The Line Item Budget is the simplest form of budgeting, focusing on a detailed outline of the inputs and the strict control of expenditures, but with no or very little focus on the achievement of the objectives for which the budget resources are spent. This may generate a contradiction between the aims of PPBS (achieving the set goals with the best use of resources) with the aims of the financial point of view focused on the line item budgets – controlling the expenditures and making sure that the money has been spent on

time, according to the law, but with little interest for the goals set. An additional difficulty related to the functioning of the PPBES in Romania derives from the specifics of the public finance law, which further restricts the 1 year time horizon of the budget to quarterly financial allocations, with the possibility to reallocate the funds from one quarter to another only within very specific framework.

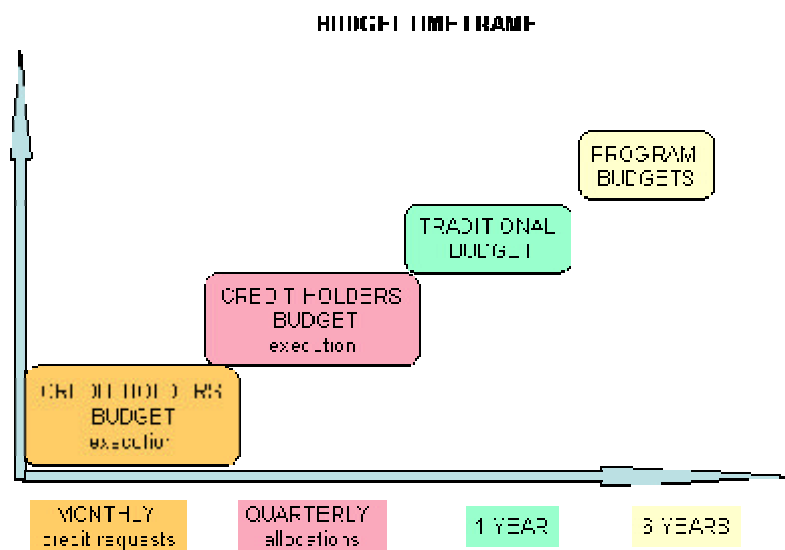


Figure 3

These regulations ensure a better financial control, but at the same time generate additional challenges in the achievement of the objectives, as it is very difficult to plan for the future in such detail and to anticipate all the possible events. This is very obvious in the acquisitions area, where money allocated for a specific quarter for a programmed acquisition of an item can not be used on time, due to the nonfulfillment of the conditions specified in the acquisition law (not enough offers from producers, delays in the tender process, contested tenders etc).

In case the preferred form of state budget is the program budget, which takes a normative approach to budgeting in that decision making--allocating resources--is determined by the funding of one program instead of another based on what that program offers, some of the challenges and problems in the budgeting phase of PPBS are solved, as the defense area is no longer the “odd man out” in the budgeting field and the PPBS approach is easier adapted to the budget development and execution.

In conclusion, the Planning, Programming, Budgeting and Evaluation system, as a tool for defense resources management, has both advantages and challenges, related to all of its phases. In respect to the issues associated to the budgeting phase, solving them issues associated with the interaction between the PPBS and the traditional budgetary system requires a close collaboration between the Ministry of Defense and the Ministry of Public Finance, but also the adaptation of some of the laws and regulations in force as to enhance the benefits of both the systems, by ensuring the financial control at the same time with ensuring the achievement of the set objectives.

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A COMPARATIVE APPROACH BETWEEN THE PPBS AND THE RATIONALIZATION OF BUDGETARY CHOICE

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Abstract

The Planning Programming Budgeting System is part of a collection of management techniques named output budgeting, introduced firstly in the United States during the President Kennedy's term, based on the industrial management techniques of program budgeting. Other countries adopted other paths, not too different in essence, such as the Rationalization of the Budgetary Choices (La Rationalisation des Choix Budgétaires – RCB) implemented in France in the sixties. This method intended to provide an analytical framework for the decision making process, trying to solve the gap between the budgetary resources available and the financial needs associated with the achievement of objectives.

The Planning Programming Budgeting System is part of a collection of management techniques named output budgeting, introduced firstly in the United States during the President Kennedy's term, based on the industrial management techniques of program budgeting. Later, despite the controversies regarding its drawbacks, a number of countries (such as Canada, UK, Romania, Bulgaria, Serbia etc) recognized the potential benefits of PPBS and adopted the system in their military.

The PPBS is not just a budgeting technique, but a collection of integrated techniques of planning, programming, budgeting and review. The aim of PPBS was to identify the goals, objectives, tasks and priorities of the defense in the planning process, then to identify, estimate costs and assigning the various resources needed for the achievement of the established goals in the form of major programs, in the programming phase. The budgeting phase was intended to estimate the costs, expenditure and financial allocations for the immediate financial year, while the newly added Execution phase is concerned with the review of the performance of the program implementation process and the performance of the budget execution, providing the much needed feedback for the entire process.

In this sense, the Planning, Programming, and Budgeting System is used to link operational requirements with financial obligations, with the Department of Defense branches dividing the process into plans, programs and budgets. While planning, programming, and budgeting continues throughout the year, PPBS dictates a sequential and annual process culminating with the annual defense plan, followed by a defense program, then a defense budget.[1]

Other countries adopted other paths, not too different in essence, such as the Rationalization of the Budgetary Choices (La Rationalisation des Choix Budgétaires – RCB) implemented in France in the sixties. This method provided an analytical framework for the decision making process, trying to solve the gap between the budgetary resources available and the financial needs associated with the achievement of objectives. Every responsible government faces a dilemma: as the state resources are always limited, how to best share these

resources between specific public areas (health, education, defense, agriculture, infrastructure investments etc) and how to optimize the use of the allocated resources. In this respect, both PPBS and RCB tried to offer a solution on how to allocate public resources, how to make a choice and to prioritize the budgetary spending and to provide a framework of decision outside the narrow point of view of the budgetary and fiscal policy considerations. In this respect, the strict control of the budget deficit must be weighted against the potential positive effects on the economy generated by a optimized use of funds and of a better link between financial spending and goals.

The RCB was developed based on concepts from applied economics field (such as the zero based budgeting, the optimization theory,) and the fields of systems theory, decision making theory and operational analysis, in an attempt to use the tools of economics and engineering in order to optimize the use of public resources. In France, the goal of RCB was to develop a budgetary procedure to support rational decision making, based on three key issues: a clear identification of the organization's goals, analysis of the various alternatives to achieve these objectives and the identification of the best of these alternatives, the most appropriate one to reach the goals. This approach is very similar to the PPBS approach, with the difference that the phases are not so clearly defined on levels of decision and responsibility.

An advantage of the RCB was that it was intended to function as a tool for the optimization of the decision making in the economy and public spending, by a clear definition of the potential goals, taking into consideration the economic, political, social, ethical and military environment, for a better outlining of the priority areas. The identification of the priorities is a major tool in deciding upon the best use of scarce public resources, in generating trade-offs between alternative destinations for public funds in order to get the biggest "bang for the buck".

Comparative to the three (and then four) phases of PPBS, the RCB was based on five successive steps, namely:

- the analysis of the objectives
- the analysis of the means (resources) to achieve the objectives
- the comparison (confrontation) between the objectives and the means
- the program alternatives development
- the evaluation of various programs.

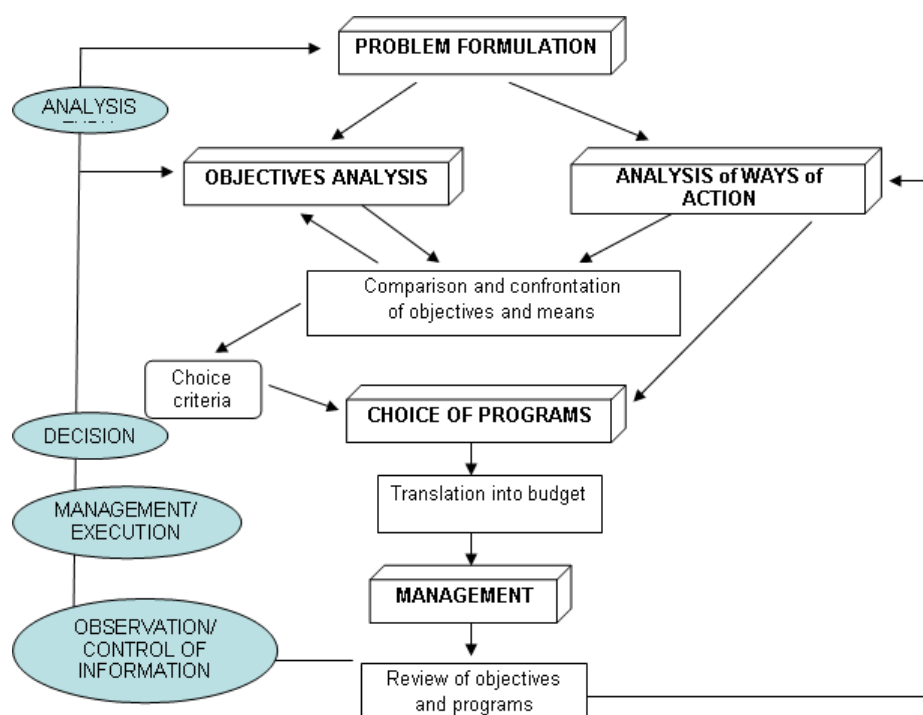


Figure 4 [2] The RCB cycle

At this point in the process, a decision is taken, implemented and then is followed by a control phase which is intended to provide the feedback necessary for the other ongoing activities. Although the names are different, it is the same principle as the one used in PPBS, meaning the development of a strategic plan (identification of the objectives and their analysis – the Planning phase), choosing a way of action depending on the mix of resources needed and available, based on objective criteria and putting them together in the form of a program (the Programming phase, with the program development and alternatives identification and analysis).

As it can be seen in figure 4, the phases of RCB are the following:

- The ANALYSIS, meaning the comparison between existing objectives and programs, in order to assess the possible options
- The DECISION, that is the choice of objectives and programs, defined in the strategic plan and then translated into the multi-annual programs, which means determining the resources needed, the cost estimations and the entities involved in the implementation of these programs
- The EXECUTION (MANAGEMENT) refers to the implementation of the chosen programs
- The OBSERVATION (CONTROL OF INFORMATION) means providing the feedback regarding the implementation of the chosen programs; this phase closes the loop and may lead to a review of the objectives, of the programs and their implementation.

Although these phases closely resemble those of PPBS, there are also significant differences. In the RCB there is no clearly defined Planning phase, with the Programming phase of the PPBS being divided of sorts between the Analysis and the Decision phases of RCB. The Execution (management) phase is somewhat similar to the Execution phase in PPBS, with the difference that in the RCB there was no explicit mention of the Budgeting process. The Observation (Control of Information) phase of RCB fulfills the same function as the Evaluation phase in the Romanian PPBS system, that is providing feedback about the program performance.

In this respect, there is a difference also in the approach of PPBS in Romania and the US regarding the evaluation phase. In Romania, the Evaluation phase means only evaluation, meaning the program performance evaluation and the budget execution (how the money was spent) evaluation. In this case, Budgeting means developing the budget, approval of the budget, apportioning the money and spending them - so the budget execution is part of the budgeting phase.

In the US, the Execution phase is a combination of the budget execution and evaluation, meaning that Execution comprises the execution (implementation) of the programs (until now they were only on paper), apportioning the money, execution of the budget (spending the money) and of course the review (evaluation) of the program execution and budget execution.

These blurred relations between the RCB process and the budgeting process were one of the main sources of problems and challenges related to RCB and finally led to the decision of giving up the use of RCB.

In France, the introduction of RCB had the same aims as the introduction of PPBS in the United States, namely shifting the focus from inputs and resources to outputs and objectives, in the form of programs. As the PPBS in the US was subject to changes and improvements, France had also to contend with the challenges of implementing the RCB. The public expenses reform in France through RCB did not have the same (even relative) success as in the US, one of the causes being the static budgetary frame, as the program budgets resulting from the RCB were only an appendix for the classical budgetary procedure, which continued to function as before. Instead of the budget being developed based on the objectives and the chosen programs, as was the intention of RCB, the budget was still developed in the traditional way, which shortcircuited the entire RCB process of trying to focus on outputs rather than on inputs.

Similar with the issues faced by the PPBS, another cause which led to giving up the RCB resides in the complexity of the system and of the problems which need to be solved. If some of the issues (such as trying to optimize the use of resources) can be solved within a ministry, through analysis and decisions taken by program managers and the minister, other problems surpass the framework of a single ministry and need to be solved at higher levels. Without the firm commitment of the high levels decision factors, this process is doomed to fail.

Even the analysis process was subject to controversy and debate, as there was sometimes a gap between the intention of RCB (that of providing an analytical and rational framework for decision making) and the reality (it was difficult to evaluate if a decision was taken on a scientific and rational base or on a more intuitive base).

Another drawback for the French RCB was the lack of involvement of the Parliament, which lead to a reduction in the effectiveness of the RCB, reduced to a series of studies and analyses developed by “RCB offices” within each ministry. Even if the number of this studies was quite substantial, their final utility was not as expected, due to the sheer size and number of information they generated and the lack of will in using them effectively.

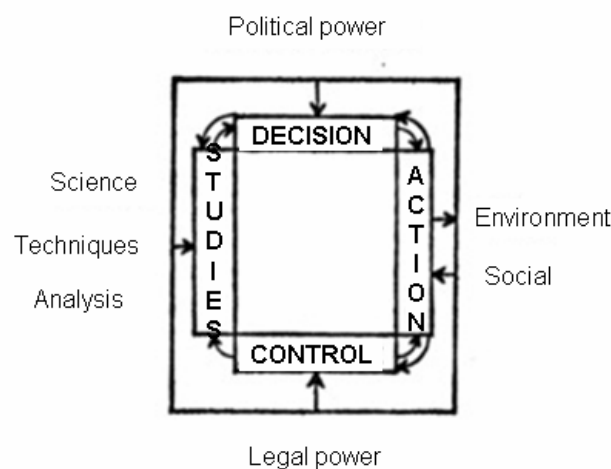


Figure 5 [3]

Last, but not the least important cause for the failure of RCB was the strong tutelary view of the Finance Ministry on the matter of public expenses, which generated significant obstacles to the collaboration with the main credit holders (the ministries), with their objectives, programs, performance indicators etc.

Due to its shortcomings, the RCB was abandoned, but the need to reform the budgetary system persisted, so a new approach was needed. It came in the form of the Organic Law Regarding the Finance Law - La loi organique relative aux lois de finances, LOLF, adopted starting with the year 2001.

The LOLF is intended to profoundly reform the public management, by implementing a more performant and democratic resource management. Implemented in all the public administration starting with 2006, the LOLF tries to solve some of the problems of the budgetary process by focusing on two principles: the emphasis on the public performance and the transparency of the budgetary information, with a tight Parliamentary control over the public spending. Similar with PPBS, the LOLF shifts the focus from inputs to the outputs and the effectiveness of using the public resources, with an increased accountability of the managers (credit holders). Following the PPBS footsteps, the state budget is made of various missions and programs (Figure 6) and Annual Performance Projects (*Projets Annuels de Performance* (PAP) are established, presenting the actions and activities for each administration entity for the next year. The objectives evaluation is done the next year, in the Annual Performance Reports (*Rapports Annuels de Performance* (RAP)).

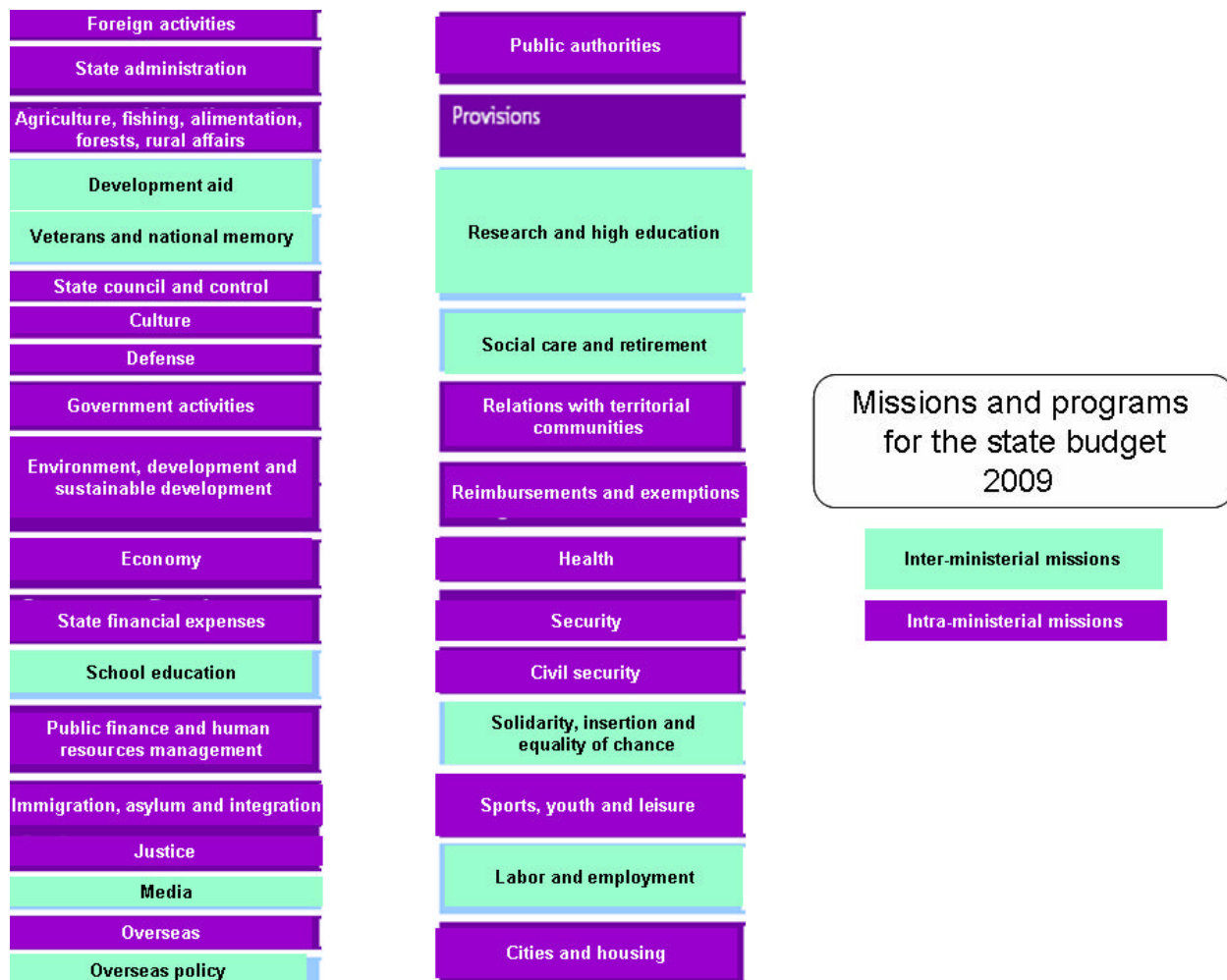


Figure 6 [4]

In conclusion, a common feature of the PPBS and the RCB and LOLF is the focus on outputs rather than inputs and on the improvement of the public performance, while each system has its own specifics, benefits and challenges generated by each country's specific legislation and political, economic and social environment. The failure of RCB was not only linked to the intrinsic problems of the system, but also if the lack of political will of implementing it. As with the PPBS, the RCB is just a tool, subject to alterations, improvement and the weaknesses and strengths of the people implementing it.

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SOME CONSIDERATIONS ABOUT THE PPBES INTO THE AMERICAN MILITARY SYSTEM

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Abstract

The Planning, Programming, Budgeting and Execution process in the US Department of Defense defines the internal methodology used to allocate resources to capabilities deemed necessary to accomplish the DoD missions. One output of the PPBS process is the funding proposed to be included in the budget; the ultimate objective is to provide Combatant Commanders with the optimal mix of forces, equipment, and support attainable within established fiscal constraints. The aim of this paper is to analyze the US Planning, Programming, Budgeting and Execution System and to identify the benefits and drawbacks of this system.

Introduction

The origins of PPBS are in America in 1960s. After his election in 1960, President-elect John F. Kennedy first offered the post of Secretary of Defense to former secretary Robert A. Lovett; Lovett declined but recommended McNamara. He was offered the Treasury position and also the Department of Defense. He declined the first offer but accepted the second, although he had just become president at Ford Company.

Although not specialist in defense matters, McNamara immersed himself in the subject, learned quickly, and soon began to apply an "active role" management philosophy, in his own words "providing aggressive leadership questioning, suggesting alternatives, proposing objectives and stimulating progress." He rejected radical organizational changes, such as those proposed by a group Kennedy had appointed, headed by Sen. W. Stuart Symington, which would have abolished the military departments, replaced the Joint Chiefs of Staff (JCS) with a single chief of staff, and established three functional unified commands. McNamara accepted the need for separate services but argued that "at the end we must have one defense policy, not three conflicting defense policies. And it is the job of the Secretary and his staff to make sure that this is the case."

He also created the Defense Intelligence Agency and the Defense Supply-Agency.



The Planning, Programming, Budgeting and Execution process in the Department of Defense internal methodology used to allocate resources to capabilities deemed necessary to accomplish the DoD missions. One output of the PPBS process is the funding proposed to be included in the budget; the ultimate objective is to provide Combatant Commanders with the optimal mix of forces, equipment, and support attainable within established fiscal constraints.

PPBS evolved from the Planning, Programming, and Budgeting System (PPBS) introduced into the American DoD in the early 1960s by Robert McNamara during his tenure as Secretary of Defense. The PPBS was a cyclic process consisting of three distinct, interrelated phases: planning, programming, and budgeting. These were sequential until 2001 when the American DoD began conducting the programming and budgeting phases concurrently. PPBS establishes the framework and provides the mechanism for decision making for the future and provides the opportunity to reexamine prior decisions in light of the present environment (e.g. evolving threat, changing economic conditions).

While PPBE process retains most of the previous PPBS features, it added greater emphasis on execution of the budget authority provided by Congress in response to the DoD budget requests in the President's Budget. Major reviews of funding requirements are made on a biennial basis and only minor changes are made in the following year. The approach under PPBS is to do a more complete, but less frequent, analysis and matching of resources against requirements, and to continuously evaluate whether individual programs are providing the expected benefits (greater emphasis is given to the evaluation of performance outputs than to budgeting inputs). This approach is expected to drive improved upfront resource allocation decision and combine a review of the effectiveness with which Congressional funding is being used to accomplish the DoD assigned missions.

The Planning Phase

Planning includes the definition and examination of alternative strategies, the analysis of changing conditions and trends, threat, technology and economic assessments in conjunction with efforts to understand both change and the long-term implications of current choices. Basically, it is a process for determining requirements.

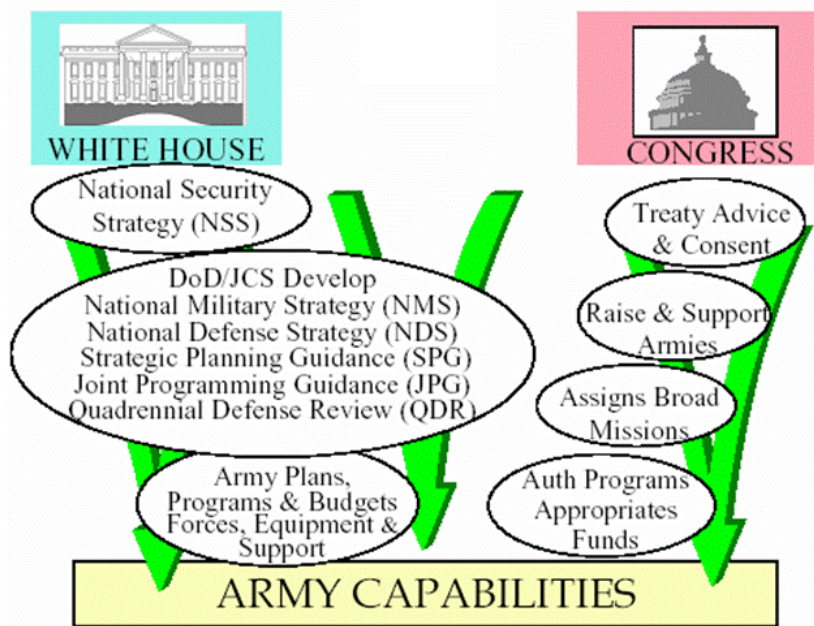


Figure 7 [1]

In America, the Army breaks the planning timeframe into three sections: the far term (out to 25 years), the mid term (out to 16 years), and the near term (out to 6 years). It almost goes without saying that consistent and coherent direction during the planning phase is critical, if the plan is to be relevant. If the plan is constantly changing or is not realistically attainable, it loses credibility and people will soon ignore it. Therefore army provides stability by fiscally informing resource allocation and force structure development during the planning phase.

Here follows the **steps** in the planning phase in the American military system:

- The National security Council prepares the National Security Strategy;
- The Joint Chiefs of Staff (JCS) use the National Security Strategy as guidance to develop the National Military Strategy;
- Combatant Commanders provide the Secretary of Defense and the JCS with estimations of issues and major problems;
- Strategic Planning Guidance is issued;
- The Office of the secretary of Defense and JCS conduct a combined examination of the major issues and performance metrics;
- The Office of the secretary of Defense issues the Joint Programming Guidance documents.

The National Security Strategy should define the actual status of a country and its role in the world, taking into consideration the changing security environment. It has to establish the strategic objectives, the way to accomplish them and some important implementation guidelines. The National Security Strategy should also define the capabilities and attributes of the country.

The National Military Strategy focuses on how the military instrument of power can be used to achieve national security objectives. The current strategy identifies four strategic objectives: securing the United States from direct attack; securing strategic access and retaining global freedom of action; establishing security conditions conducive to a favorable international order, stable and secure peace; and the strengthening of alliances and partnerships. The accomplishment of these objectives is guided by four defense policy goals. The first goal is to assure the allies by demonstrating US steadiness of purpose, and military capability and by strengthening and expanding alliances and security relationships. The second goal is to discourage adversaries from developing threatening forces or ambitions. America will stop any aggression and counter coercion against the United States, its allies and friends by developing

and maintaining the capability to swiftly defeat attacks with only modest reinforcement. Lastly, when directed by the President, U.S. will decisively defeat adversaries at a time, place and in a manner of US choosing.

The National Military Strategy also provides strategic-level guidance for developing force structure.

The most important document that reflects DoD intent for these strategy elements is the Defense Planning Guidance. Joint strategic planning examines the global security situation. It develops National Security Strategy to achieve national security objectives and sets related force requirements. It also prepares strategic and contingency plans, prepares supporting joint logistic and mobility plans, and conducts capability assessments.

The Defense Planning Guidance (DPG) contains defense strategy and the guidance for key planning and programming priorities to execute that strategy. It places responsibility and authority for program execution with the Services and other DoD components but maintains central direction. Serving this central purpose, the DPG presents strategic plan for developing and employing future forces. The DPG is a principal product of planning. It reflects military advice and information: service long-range plans and positions on policy; problems bearing on command missions.

By promulgating the Defense Planning Guidance document, the Secretary of Defense increased his authority over the development of programs and budgets. The Defense Planning Guidance prepare mid-term, mission oriented planning guidance using the strategic guidance and translate mission-oriented planning guidance into functionally-oriented programming guidance.

The DPG is the starting point for the Major Programmes.

The Programming Phase

The second requirement for the PPBS is the development of a program structure to meet the planned objectives. Once the goals have been established, each part of the whole must form into programs all projected activities related to these objectives. Without quantifying objectives in the planning stage, it is impossible to establish exactly the effectiveness of a program and to rationally choose between alternatives. The PPBS emphasizes first the identification of need and the development of objectives and, second, the program analysis for solution of these needs.

The purpose in building a program structure is to provide the decision maker with an objective-oriented framework to facilitate the analysis of the programs. The program structure becomes a series of output-oriented categories which encompass all the activities of a structure of a whole. A subprogram and further sub-program elements are helpful in understanding the relationships of all the operations. Each program element is an integrated activity which combines the personnel, equipment and facilities (inputs) to one specific output within the program category.

In the programming phase, the DoD Components shall develop proposed programs consistent with the Defense Guidance. These programs shall reflect systematic analysis of missions and objectives to be achieved, alternative methods of accomplishing them, and the effective allocation of the resources. The JCS (Joint Chief of Staff) will analyse the programs and provide a risk assessment based on the capability of the composite force level and support program for the U.S. Armed Forces to execute the strategy approved during the planning phase. A program review is conducted; the results are issued in Program Decision Memoranda (PDMs).

The Defense Planning Guidance is translated into a financial plan of effective and executable programs. The programming phase starts with the last four years of the program developed in the previous PPBS cycle. Programming produces a six-year program for each component through the development of a Program Objectives Memoranda (POM) and a DoD database called the Future Years Defense Program (FYDP). Each service develops a six-year plan for allocating their financial resources called POM. The office of the Secretary of Defense reviews the POM and makes necessary amendments.

The intent of the DPG is to transmit to the military services guidance on the capabilities desired to meet the established National Security Strategy (NSS), to highlight items of specific concern, and to identify departmental priorities. Over the past twenty years, the content and context of the DPG has alternated between a document containing a relatively high degree of specificity on programs to be pursued, and a more general document open to broad interpretation.

Once the programming phase is finished, the budgeting phase will follow.

Budgeting

The budgeting phase of PPBS occurs currently with the programming phase. Each DoD component submits its proposed budget estimate simultaneously with its Program Objectives Memoranda (POM). Upon submission each budget estimate is reviewed by analysis from the office of the Undersecretary of Defense (Controller) and the Office of Management and Budget (OMB). The Program Budget Decision (PBD) proposes financial adjustments to address any issues and problems identified during the associated budget hearing.

The Program Budget Decisions are forwarded to deputy Secretary of Defense for decisions. These decisions will be reflected in an updated budget submission provided to OMB. The budgeting phase is complete when the President sends his budget (with DoD input) to Congress, no later than the first Monday in February.

Budgeting includes formulation, justification, execution and control of the budget. Basically it is a process for convincing the Congress to provide the necessary resources to be spent in accordance with the law. It is very important to understand that these general definitions relate to the functions performed and not to a specific organizational element that performs them.

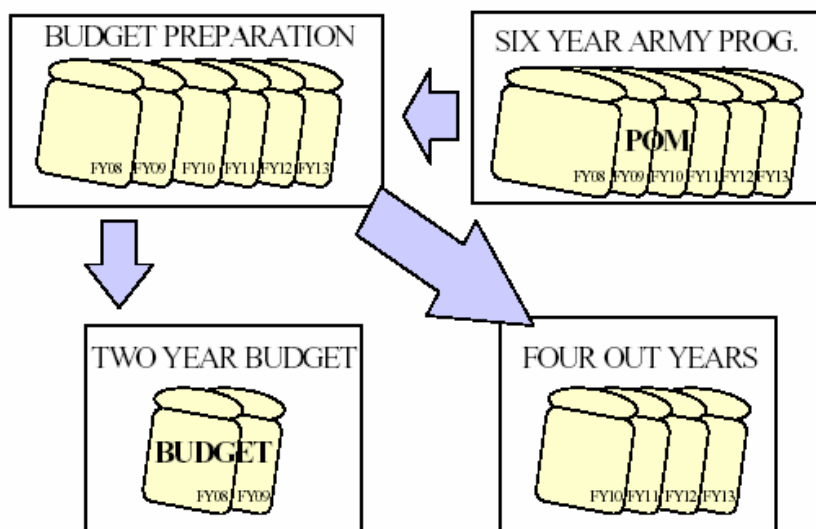


Figure 8 [2]

In the budgeting phase the DoD component should develop detailed budget estimates for the budget years of the programs approved during the DoD programming phase. The results are issued in Program Budget Decision (PBD).

Program budgeting is a means of identifying the functions of defense forces and the costs of these forces. The budgeting phase was designed “to assist in planning and coordinating defense budget”. Budgeting provides the framework for undertaking cost-effectiveness studies which estimate the cost and defense effectiveness of alternative force arrangements and various weapon systems in relation to some specific objective.

The PPBS cycle has a two-year budgeting phase. The major advantage of biennial budgeting is that it allows state officials more time for thoughtful planning and more careful analysis of budget execution.

Budgeting provides information for answering questions about the efficiency with which the DoD uses resources. It seeks answers to four questions. First, what are the objectives of the DoD and is it possible to formulate a set of programs which can be related to these objectives? Second, what are the current and expected life cycle resources costs of each program? Third, what are the results or outputs of each program? Finally, are there alternative methods of achieving each program and what are the costs and outputs of each alternative?

Apart from these basic phases of PPBS, one more phase has been added which is known as EXECUTION.

Execution

In May 2003, the longstanding PPBS was expanded to include the “E” in PPBES, thus signifying the addition of a new phase devoted to assessing program and budget execution. As originally envisioned, a robust budget execution review would be conducted during the off-years of the biennial cycle to evaluate if the intent of the budget and defense strategy was being achieved, both in the spending plan and in program performance against the objectives.

However, for a number of reasons, including time-consuming pressures of ongoing operations, the intent of this reform has never been achieved. Measurement of budget and program performance has been a longstanding goal of the Office of Management and Budget.

The execution process and review occurs together with the program and budget reviews. The purpose of the execution phase is to provide feedback to the senior leadership concerning the effectiveness of current and prior resource allocation. Subsequently, matrices are developed to support the execution review that will measure actual output versus planned performance for defense programs. The execution review may lead to recommendations to adjust resources and/to restructure programs to achieve performance goals.

PPBES help to assess results by developing performance indicators, setting performance targets, monitoring target achievements, measuring result-efficiency and effectiveness.

A performance indicator is a measure of performance. Such measures are commonly used to help an organization define and evaluate how successful it is, especially in terms of making progress towards its long-term organizational goals. The performance indicators differ depending on the nature of the organization and its strategy. They help to evaluate the progress of an organization towards its vision and long-term goals, especially toward difficult to quantify knowledge-based goals.

Performance indicators are selected, they must reflect the organization's goals, they must be key to its success, and they must be quantifiable (measurable). Performance indicators usually are long-term considerations. It is also important to define them and stay with the same definition from year to year.

These indicators are not perfect measures, without error or problems of definition and interpretation, but they are important pointers to the functioning of the system and taking them into considerations is one aspect of quality control. Persons responsible for the management of a large and very complex system, as DoD, need some key indicators to assist them.

In the execution phase, the PPBES evaluates actual output against planned performance and adjust results as appropriate. During the execution phase, performance metrics are developed, the actual output is assessed against planned performance and the resources are adjusted to achieve performance goals.

The benefits of the performance indicators are the following:

- measure performance by setting targets;
- accountability is results oriented;
- improve program performance.

Conclusions

In the United States of America the PPBES has undergone a number of changes over the past four decades, but the core elements and basic flow of the process remained the same.

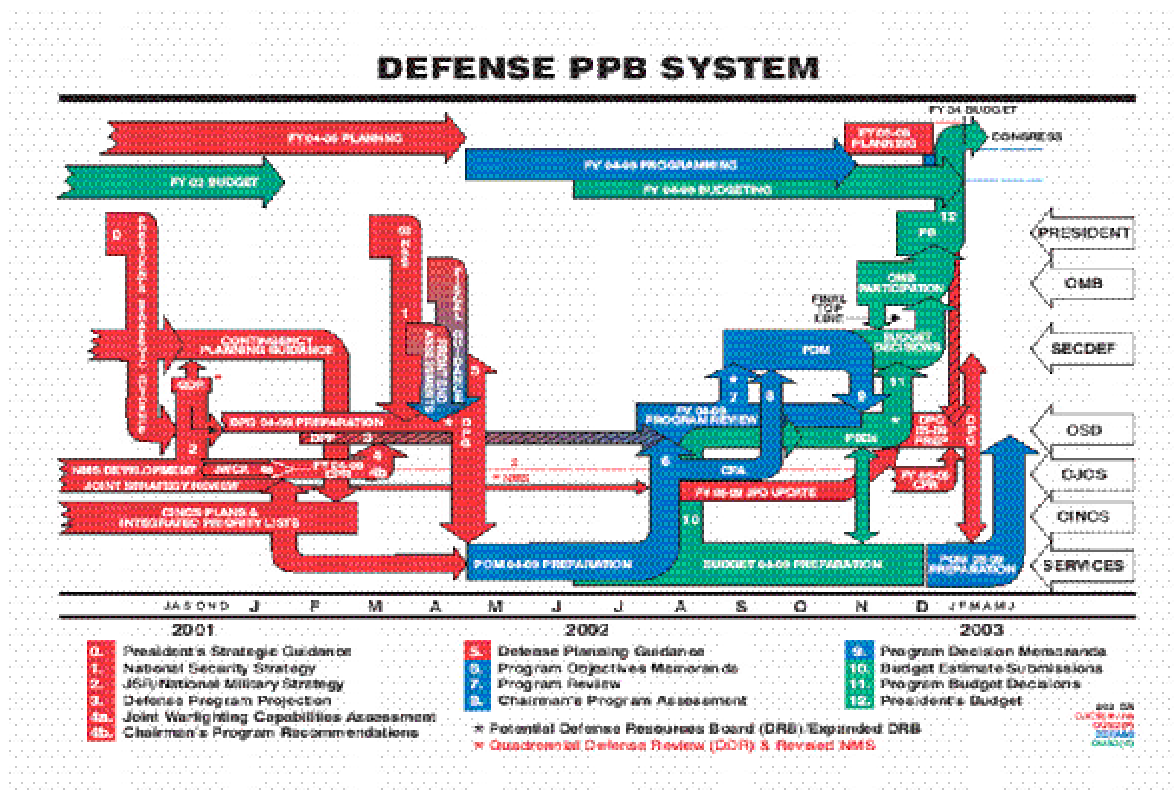


Figure 9 [3]

The PPBS system, on paper designed to consist of sequential, dependent phases, has evolved into a process where the phases overlap to the point of being essentially indistinct. The schedule is heavily compressed because of the effort required to perform all phases of the PPBS annually, and aggravated by a lack of discipline in raising issues and enforcing time lines.

The PPBS was designed in a much different security context than faces America today. In the early 1960s and for nearly three decades beyond, the USA faced global competition from a large, well-armed, military power, the Soviet Union.

Threats to The US security and to that of their allies have taken on a different character. The threats are more diffuse, harder to identify with certainty, and less tied to nation-states with powerful standing military forces. Threats for the foreseeable future are far more likely to arise from terrorists or rogue nations with access to weapons of mass destruction.

The PPBS is considered to be a resource management tool. It was created to set defense long-range objectives derived from national security strategy and to develop alternatives for satisfying them. It is also a tool for translating programs into budget and legislative proposals and for providing a structure for decision.

The phases of PPBS need to be tightly managed so that detailed guidance can be sequentially and smoothly translated into programmatic and budget detail. Essentially, this requires greater attention from the Deputy Secretary of Defense in his capacity as the Department's Chief Operating Officer.

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PPBES PROCESS OVERVIEW - CONSIDERATIONS REGARDING ITS IMPLEMENTATION AND USE

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Abstract

The PPBES ties strategy, program and budget together and helps building a comprehensive plan in which budgets flow from programs, programs from requirements, requirements from missions, and missions from national security objectives. The patterned flow from end purpose to resource cost defines requirements in progressively greater detail. PPBE system implemented in the Romanian Armed Forces is trying to meet the requirements of NATO planning, Romania providing further through continuous improvement of internal procedures in this area, the improvement of defense planning system in order to be in accordance with the similar process of NATO and its own assessment process of defense planning.

Early Steps of PPBES - United States of America and Romania

The PPBS system, based on a concept developed at the RAND Corporation in the 1950s, began in 1962 as a management innovation of *President Kennedy's* Secretary of Defense (SecDef), Robert McNamara; the PPBS inaugurated a multi-year programmatic focus, annual ceiling reductions being given way to analysis centered on major force and support programs over a 5-year program period.

Before this, each Military Department had prepared its budget following individual Service interests with very little guidance. Previous SecDef involvement was for the most part limited to dividing the budget ceiling of DOD between the Services. If the Services exceeded their "share of the pie," the SecDef would reduce their budget, usually by a percentage cut across all appropriations. Introducing the PPBS changed all this.

Significant events recorded by presidential administration show how the system has evolved, revealing a dynamic system.

The first major change in the PPBS occurred in 1969, under *President Nixon's* SecDef, Melvin Laird, whose management style stressed participatory management; the Office of the Secretary of Defense (OSD) no longer initiated detailed program proposals, only review those put forward by the Services using specific budgetary ceilings.

President Carter introduced zero-based budgeting to the Federal Budget. The goal of zero-based budgeting, which finally achieved only limited success, was to identify marginal programs more clearly. Decision Packages arrayed resources at three different levels, giving OSD greater opportunity to alter Service program proposals, each Service developing procedures to array the decision packages. As an aid in building and displaying its program, the Army

installed a program development increment package -PDIP which evolved into a management decision package (MDEP). In 1979, as a result of a RAND Corporation's Rice Study, Secretary of Defense Brown formed the Defense Resources Board (DRB), designed to manage the PPBS more effectively.

The Reagan Administration pledged to revitalize American military strength in the most effective and economical manner. This objective led to significant changes in the PPBS known as the Carlucci initiatives (1981), which included a greater emphasis on long-range planning, a greater decentralization of authority to the Services, closer attention to cost savings and efficiencies, a refocus of DRB Program Review on major issues only, and a general streamlining of the entire PPBS process. The DRB would now review and approve policy and strategy in the planning phase, which produced Defense Guidance (DG). In this year, the Army added execution to its process and re-titled PPBES.

In 1984, the Deputy Secretary of Defense William Howard Taft introduced procedures to allow combatant command commanders a greater voice in the process for developing Program Objective Memorandums (POMs) and the DRB Program Review and gave an enhanced role for the Joint Chiefs of Staff (JCS) in the review and coordination of commander concerns.

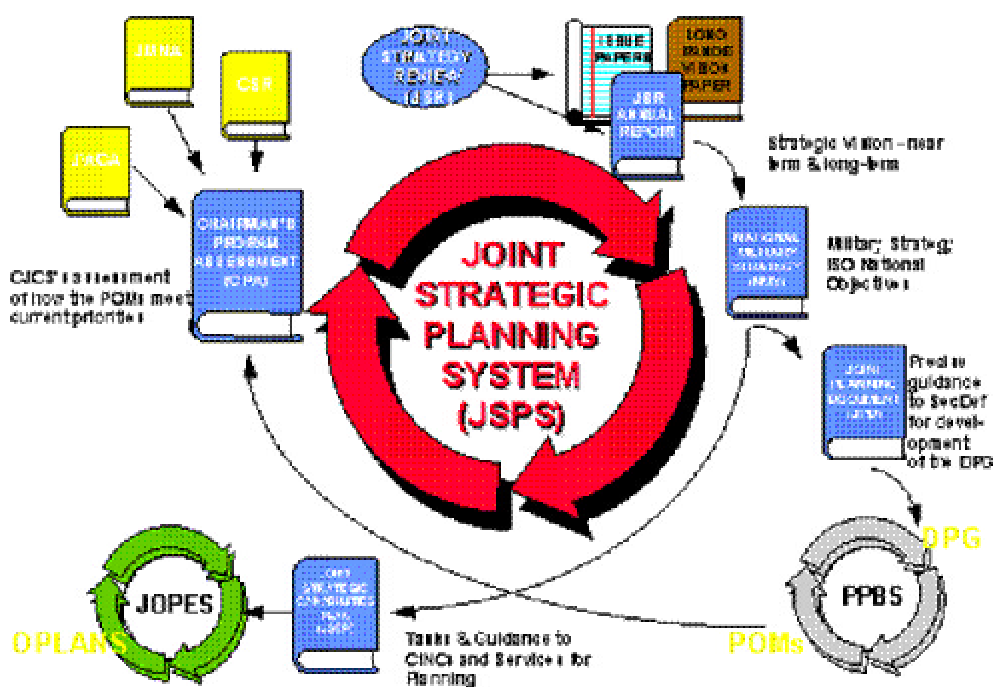


Figure 10 [1]

In response to his Blue Ribbon Commission on Defense Management (Packard Commission) and the DOD Authorization Act of 1986 (Public Law 99-145), President Reagan, in 1986, issued National Security Decision Directive 219, which produce a 2-year budget beginning with the FY 1988 and FY 1989 budget years; in response to this direction, OSD and the Military Departments implemented a *biennial PPBS process*. Despite these efforts to make a biennial process, because of Congress insistence on an annual budget, PPBS has remind an annual process continually updating planning guidance, programming detail and budget content.

Implementation of System Planning, Programming, Budgeting and Evaluation in the Romanian Ministry of Defense began in 1999, with support from American experts from the Institute for Defense Studies, the initiative having the endorsement and encouragement of NATO Staff. In 2002 the system began being operational – the PPBES offices at the program managers level were consolidated, program review was improved and the process of translating programs

into budget became more efficient; starting with 2003 MoD is using a fully operational PPBES, from then , every year new improvements are made and lessons learned applied.

General Descriptive Elements of PPBES in Different Military Structures

Being a major decision-making process, the objective of PPBES was to link Department of Defense strategic goals to the programmatic requirements needed to carry out the Nation's military missions. It develops and maintains the Army portion of the defense program and budget, supporting Army planning, program development and budget preparation at all levels of command and also execution of the approved program and budget by both headquarters and field organizations. During execution, it provides feedback to the planning, programming, and budgeting processes.

The PPBES ties strategy, program and budget together and helps building a comprehensive plan in which budgets flow from programs, programs from requirements, requirements from missions, and missions from national security objectives. The patterned flow from end purpose to resource cost defines requirements in progressively greater detail.

By attempting to introduce constrained optimization techniques into the budgeting process, the PPBS was seen as a means of encouraging an analytical, intertemporal approach to decision-making that emphasized the systematic evaluation of alternatives through the use of cost-benefit and systems analysis. Instead of the annual focus of previous budgeting systems, the PPBS encouraged multi-year discounting, intertemporal tradeoffs among competing programs, and provided incentives for the complete accounting of all relevant costs, including the positive and negative externalities associated with budgetary decisions [1]. The PPBS introduced one other significant innovation by attempting to explicitly link program elements (measurable inputs) and program categories (intermediate outputs and activities) to multi-year objectives.

The *main objectives of PPBES* are:

- to organize and align resources of an organization toward achieving Strategic Plan outcomes;
- to assess progress in meeting Strategic Plan outcomes;
- to prioritize resources among competing requirements;
- to select the best alternative program plan to meet Strategic Plan outcomes;
- to focus budgeting and accountability on expenditure details (inputs) and on the results (outputs and impact) from the expenditures;
- to manage the cost, schedule, and performance of programs;
- to adjust resource requirements based on execution performance.

The PPBES approach consisted of *four major interrelated phases*:

The Planning phase defines organization's goals, strategy, and guidance for the upcoming programming phase regarding resources and requirements to meet objectives.

The Programming phase aligns available resources against validated and prioritized requirements, allowing the executive leaders to apply effort and resources in areas where there is the greatest potential return on investment. Programming provides the programmatic and fiscal basis for the organization's budget translating planning decisions, into a comprehensive allocation of forces, manpower, and funds.

Budgeting phase determines final resource requirements to meet program commitments, to further develop and justify these requirements, and to determine the impact of revised resource levels and executability of programs at the approved funding level.

Evaluation phase determines if the objectives had been achieved.

PPBES in the Romanian Armed Forces

According to the Constitution, The Presidency develops the main documents on defense and national security policy, of which the most important is *National Security Strategy*. The other defense planning document at national level is The *White Paper of Security and National*

Defense, first published in 2002, designed to enforce the provisions of Security Strategy at governmental level by stipulating the main objectives of different ministers and agencies, the actions to be taken and resources they are to provide in order to achieve their goals.

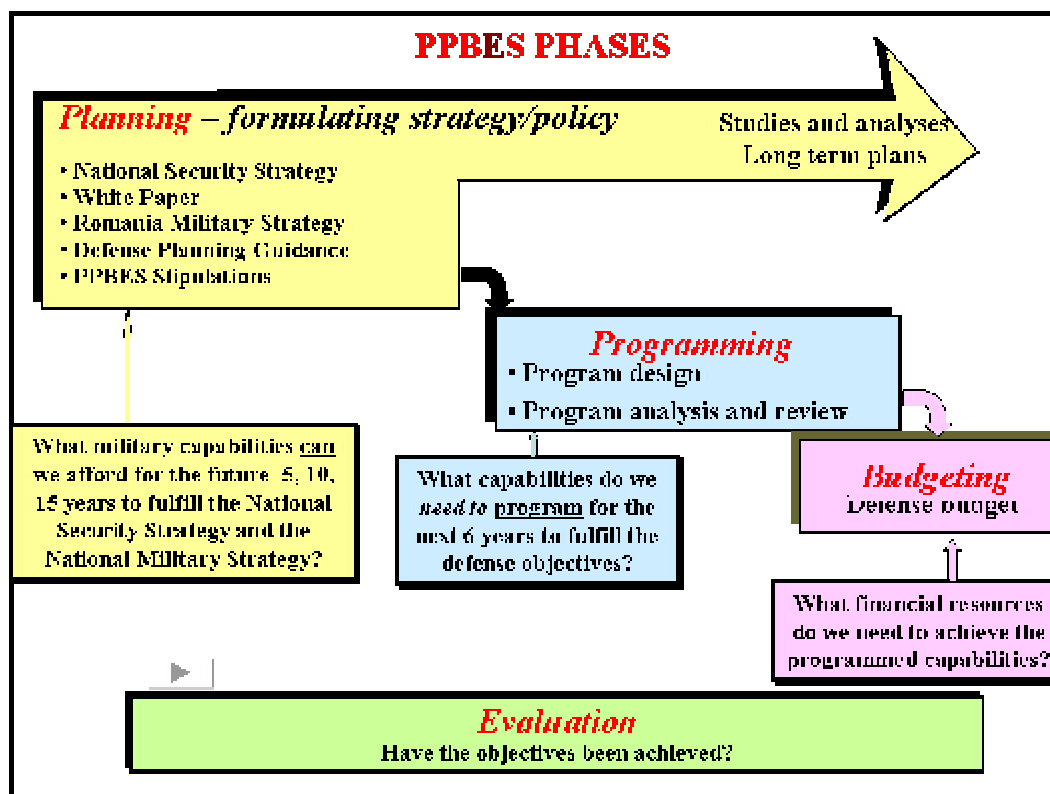


Figure 11

Main defense planning documents at MoND level are *The National Military Strategy* - establishing force structure and missions, assigning resources to achieve the national objectives stipulated in the Security Strategy and *Defense Planning Guidance* – the document which plans forces, activities and resources within the MoND, having the same period of validity as the previous document mentioned.

The Instructions (PPBES Stipulations) on defense planning line are based on the *Defense Planning Guidance* and through them are established the objectives, ways of acting and resources for the subordinated structures.

The statements (Programs) on defense planning line are made by the chiefs of the Armed Forces staffs and by the commanders of army corps and concern the way the instructions are fulfilled.

Each phase of PPBES establishes the basis for the next one- Defense Planning Guidance represents the basis for programming, the program is the starting point for budgeting and evaluation is based on DPG provision and program implementation stage.

Planning phase –the planning documents elaborated in this phase are described the *main goals*, established *objectives and priorities* and settled up *the resources*.

The programming-within this phase are specified the programs and necessary resources to achieve goals and objectives. In this respect, programming is viewed as the art of translating objectives into actions and resources. A program represents the integration of tasks and events to be performed, in order to achieve a specific element of a plan and the employment of human, financial and material resources to their execution. The most critical task, for this phase is probably the attempt to integrate all the different requirements into a balanced program, as it is very difficult to achieve this balance within constrained resources.

In accordance with Defense Planning Guidance Disposals (PPBES stipulations), each program (structured as Program name, Code, Program Manager, Aim, Objectives, Indicators,

Costs, Subprogram, Subprogram Elements, Expenditure categories) has its own program manager, responsible for managing the activity in that area.

The Main MoND Programs are: *Land Force, Air Force, Naval Force, Logistic Support, Strategic Command/General Staff, Central Administration and Pensions, Defense Intelligence, International Representation.*

Within the *budgeting phase*, the first programmed year is specified into financial details being prepared - *the Annual Plan for the Preparing and Modernization of the Romanian Armed Forces and the Budget of the Ministry of Defense.*

The budgeting phase includes:

- computation of costs needed to build up (modernize) the forces within a given planning period, by programs, in relation with the forces' utilization or mission;
- transformation of costs established for the building up (modernization) of forces in budgetary expenditures;
- preparation of the Bid for the Ministry of Defense Budget;
- sustaining the requests as forwarded by the Ministry of Defense (i.e. the Budget Bid) in front of the Government and Parliament;
- draft and execution of the Annual Plan for the Preparing and Modernization of the Romanian Armed Forces.

The relevant aspect of this phase is the establishment of the performance indicators.

The evaluation represents the final phase of the PPBES where in the accuracy of planning phase is assessed.

During this phase one establishes the possible ways ahead with a view to achieving the planned goal and includes:

- analysis of results;
- comparison of planned parameters against the achieved ones;
- corrections;
- analyses and studies for the future.

This stage does not include the preparation of distinct, specific documents; it is meant to set forth the optimum program alternative that would ensure the highest proficiency of planned forces and actions, with an efficient use of available resources.

Romanian Intelligence Service – status



Romanian Intelligence Service is the state institution responsible in organizing and implementing activities for the collection, verification and recovery information necessary knowledge to prevent and counteract the actions which by law are liable to harm national security of Romania.

In the context of the unpredictable developments in the international security environment and threats of globalization, the Romanian Intelligence Service tried to supply a dynamic rhythm as their contribution to regional security, European and Euro-Atlantic, through active participation in multilateral cooperation formulas.

Romania's integration in the European and Euro-Atlantic security area means:

- the harmonization of national security interests and priorities with the collective defined basic strategic documents (incorporating in the National Defense Strategy the provisions of the EU Security Strategy and the Strategic Concept of NATO);
- the processes of national transformation with the community and allied structures, including the coordination of programs and activities, funds and resources, in an integrated planning manner, in order to combat security threats and risks;
- promotion of national interests in allied and community forums.

Early Implementation of PPBES in Romanian Intelligence Service

The institutional reform of the Romanian Intelligence Service started from the need of the Service to adapt to dynamic security risks and to Romania's status as NATO and EU member. This means not only a better management of domestic vulnerabilities and security risks but also opportunities to promote Romania's strategic interests in a changing world.

The reorganization of the Romanian Intelligence Service, a process started in 2007, was aimed at reducing the bureaucracy and increasing the efficiency of intelligence activity and brought innovations in *three key fundamental aspects*:

1. Increasing operational capacity through a modern management of the intelligence activity.

- abolition of intermediary structures of decision, improved horizontal cooperation and a high reaction capacity on crisis situations;
- increasing analytical capacity and expanding assessments and forecasts on opportunities to promote the strategic interests of Romania;
- the development of modern planning documents tailored to existing systems in member states of NATO and the EU - the development of Information Strategy of the Romanian Intelligence Service;
- switching to a corporate-type planning system, aimed at allocating resources to priority under multi-annual programs;

2. Adaptation of The Romanian Intelligence Service to the new risks through:

- a broad approach to new security risks emerging at national and European level- the area of cyber security, energy security, new forms of terrorism and cross-border crime, proliferation of weapons of mass destruction;
- the increased collaboration with services of NATO and EU Member States in managing common security threats ;
- the development of an analysis of open sources, basis field for new intelligence developments in the EU and NATO;
- the development of areas of expertise as a basis for modern management of IT systems of the Romanian Intelligence Service;

3. A new orientation and openness to developing cooperation with civil society.

A key element of the transformation approach is the implementation of **a new integrated planning system**, which targets the convergence of objectives with the resources allocated, in accordance with the priorities and the Service's strategic directions for action.

The concept of integrated planning is considering setting up a rigorous mechanism for planning, from strategic level and go down to the tactical, which will permit a comprehensive approach of national security activities, the predictability of the budgetary needs of the Service on a the multi-projection, by main programs.

The basis of this system is *The Information Strategy of the Romanian Intelligence Service* (yet unapproved by the Supreme Council of National Defense), designed as a tool for achieving goal derived from National Security Strategy and Military Strategy of Romania, adoption of it should provide a better conceptual and acting foundation of approaches made by

the Service to knowledge, prevention, countering and removing risks factors and security threats to Romania and for promotion and supporting the national and alias's values and interests.

The intellectual and analytical foundation of the Information Strategy is set by the framework agreed at general state on national security priorities, as these are reflected in National Security Strategy, Military Romania's Strategy and the program government. The strategy is also based on a very serious analysis of national and international security environment and the strategic priorities for action in information on a medium term five years.

Its development is based on the fact of reduction in conventional internal-external dichotomy, even political-military regarding risks to the states, another premise of the document concerns the management of threats generated by the special geographical position of Romania bordering Eastern European NATO and EU as well and that these organizations also have their own security policy objectives, based on the framework documents.

Considering that the asymmetric risks are now increasingly enhanced by the increased mobility of cross-border flows of various kinds (flows of goods, people, financial, even of ideas), the Service's needs a broad approach on the security zone.

The Strategy analyzes the interference between the development of asymmetric risks already become classics terrorism, organized crime newest cyber threats, where on the size of cyber-intelligence, Romanian Intelligence Service has acquired the status of national authority.

Integrated in a complex environment and based on the principles of professionalism, flexibility, capabilities, cooperation and security culture, **the main goals** of Romanian Intelligence Service are:

- **Professionalizing** by:
 - optimizing the selection policy / training / promotion of staff, with emphasis on components collection/analysis/forecasting information.
 - introduction, through career guide staff, a mandate limited in time, to fill a function - a mechanism which will ensure appropriate human resource dynamics
- **The development of the Service's capability to fulfill missions** by:
 - using dynamic and innovative means and methods of preventing and countering the risks and threats;
 - increasing the protection of service by adopting a new organizational security concept;
 - developing **a Strategic Planning System** by allocating, balance and integration of resources according to objectives and priorities and developing an **Information Strategy**.
- **Flexibility of service's structure** by:
 - reducing the bureaucracy, increasing the autonomy and decentralization of decision making structural level;
 - appropriate balance of responsibilities, by their uniform distribution in the driving system;
 - rethinking practices and internal regulations and support horizontal cooperation between the structures;
 - realignment of the central and regional structure to maximize performance.
- **The development of cooperation with partners** by:
 - strengthening the way of acting on the external dimension;
 - creating a pragmatic climate of cooperation between structures in the intelligence community.
- **Strengthen democratic values inside and outside the Service** by:
 - promoting a culture of security modern European and Euro-Atlantic, in the spirit of human rights and civil liberties, transparency and political equidistance, including among society as a whole;
 - building a proper public image – as an institution located in the service of nation and citizen and put under the control of the authorities settled by law.

In order to achieve its goals, Romanian Intelligence Service's **priorities** are:

- ***Investing in human resources***
 - increase the attractiveness of the service, to recruit highly qualified personnel;
 - educate selected staff, in the spirit of a new culture of security;
 - evaluation and promotion, the individual, according to clearly defined criteria of professionalism and competence.
- ***The development of complex mechanisms, to increase Service's pro-active attitude*** by:
 - constant reassessment of risks factors and vulnerabilities;
 - dynamic reallocation of resources on operations;
 - decentralization of decisions and rapid communication and horizontal;
 - auditing quality by the results of operations and not only by statistical indicators.
- ***Increased capacity for information from open sources and intensive exploitation of their***, in this way being improved the function of warning / alert on events / trends, guiding and documenting the operational component, component analysis, and also promoting rational use of secret sources in the early stages of the specific activities.
- ***The development an integrated information infrastructure***, reliable and efficient, the catalyst role, ensuring all structures Intelligence shared information services at minimal cost.
- ***Introduction of a sound integrated planning of resources*** to ensure convergence of missions, capabilities, operations and activities in accordance with the development of a Strategy of Information derived from the National Defense Strategy.
- ***Establish a structure for strategic planning***, as a sensor of institutional weaknesses and holding the correction or modernization proposals submitted from inside and outside the structure and plan the processing into stages pragmatic and relevant.
- ***Improving the analytical component***, well integrated with the landing operations, to ensure capacity of:
 - correct forecast, medium and long term, in fighting asymmetric risks - internal and external - to interference responsibilities under various national intelligence agencies;
 - multidisciplinary expertise necessary risk analysis and understanding current phenomena;
 - connecting to "network" national analytical, by implementing a limited-term contracting of projects using research institutes and academic analysis, economic and civil society.
- ***The cooperation on national level, with the other information services*** and strengthening the profile of SRI in the intelligence community and the diversification of external connection, bilateral and multilateral format will represent an important multiplier of Service's efforts in anticipatory service and the operational level.
- ***Diversification of beneficiaries and products developed by the Service*** enabling increased efficiency and usefulness of the institution in support of policies pursued by the state.
- ***Defining the appropriate tools*** in order to relate with civil society and private sector.

Speaking about the missions of the Romanian Intelligence Service there is some continuity in the area of competence in terms of major objectives to protect state interests, the independence of Romania's national identity and preservation of national values – which are classic strategic missions provided by the Constitution.

Risks have changed significantly and national security concepts have gradually expanded to incorporate other policy areas – we could mention here energy security, environmental developments and cyber security which are important areas of interest for the Service, including at the level of the exchange of information and analysis with other external information services. These new areas generate major objectives, such as, par example in countering the cyber threat is already built an institutional concept and its service architecture and for the management of phenomena associated to cyber risks is also needed a very good communication with the private area, including agreements with stakeholders with relevant expertise from the private sector in order to ensure the security of critical infrastructure in the field of information underlying the government.

Service missions are defined on four basic levels. First, it is about the *mission of knowledge*, which is specific to any information service which is based on a set of goals related to improving the capability for gathering information, analysis and forecasting. A second mission of the Service relates to *the size of protection*, constant on some levels, while on others, includes new targets to protect the citizen against asymmetric risks. The third mission is *a predominantly operational, the counter against the current security risk* – to increase the number of capabilities and to adapt to current requirements. Finally, a new mission can be identified, related to *the active promotion of the security interests of Romania, in cooperation with partners in the Euro-Atlantic* and other services that have major implications in the international system.

So, all types of information are important in helping the Romanian state to acquire a variety of strategic advantage in discussions, negotiations, talks that are external or in decisions that have strategic value in terms of internally.

Conscious of its role in a democratic state, the Romanian Intelligence Service promotes a policy of information consistent with national security interests, efficiency of the Service being not only to achieve the goals in information area, but concerning about the unfolding of their main activities in accordance with the law, in the spirit of the rule of law.

Challenges in PPBES implementation In the United States - nowadays

In USA the need for DOD to achieve the National Defense Strategy, has never been greater. Current and potential contingency operations demand forces with the versatility and agility to adapt rapidly to increasingly fluid operational environments. Developing, equipping, and sustaining these forces demand an equally dynamic planning, programming, and budgeting process that effectively responds to emerging warfighting needs across a broad spectrum of missions. Yet this system must simultaneously address growing fiscal constraints, exacerbated by the massive costs associated with the Nation's ongoing financial crisis.



So, early in his tenure as Secretary of Defense, Donald Rumsfeld sought to improve the responsiveness of the DOD planning, programming, and budgeting processes. The new Pentagon leaders did not think that strategic planning, identification of required capabilities, systems acquisition, and budget development were adequately integrated into a comprehensive, resource-constrained decision making process. Several significant reforms were instituted, and changes continue to be incorporated into PPBES in an attempt to improve this integration. Significant among the changes was implementation of a 2-year PPBES, which was meant to reduce the workload associated with annual POM (*Program Objective Memorandum*) analysis, program development, and subsequent review while permitting an “off-year” to focus on budget execution and program performance. During off-years, Service and agency activities would focus on “fact-of-life” and other necessary changes to the previously approved “on-year” program.

The biennial cycle, while fine in theory, has not fared so well in practice. Annual congressional appropriation changes; large increases in fuel, health care, and manpower costs; and significant cost growth in several major acquisition programs has essentially driven the system back to an annual program submission. The development of an investment strategy and broad guidance on a 2-year cycle may make sense, but the Obama administration should consider returning the program and budget process to an annual cycle.

Disadvantages brought by PPBES applying for almost 40 years could be:

- PPBE undercuts organizational creativity and improvisation. Although plans, programs, and budgets seem to provide some contingent actions (i.e., plans for branches and sequels) based on present views of required capability, managers shun forms of to deal with the unexpected; whereas, adhocracy may serve them and their clients better in some cases than institutionalized solutions.
- PPBE fosters "mindless" decision traps. Regulatory approaches to budgeting activities make even the smartest managers prone to repeat patterns of action that have worked in the past (a form of mindlessness); rather, being mindful of the uniqueness of situations that makes the pursuit of best practices or benchmarks seem dangerous.
- PPBE has an impossible assumption of predictability when viewed in the context of political reason in the midst of environmental hyper-turbulence. Whereas there are no irrefutable assumptions of technical rationality in the political context, political reasoning is better viewed by management professionals as a sense-making bridge between the illusion of predictability framed by PPBE and the reality of uncertainty framed in the context of the COE (contemporary operating environment). In short, their clients are engaged in a type of reasonableness with the effect of trying to imagine something indefinable into something that is workable. The more that savvy resource management professionals can work beyond the context of the PPBE process, the more open they may be to sharing different appreciations with their clients. They work as partners with clients to help them build the sense-making bridge--by "comprehending, redressing, constructing meaning, interacting in pursuit of mutual understanding, and patterning"[2] in the broader context of the COE.

In Romanian Organizations

I think that the main challenge to all institutions in Romania, which have implemented or will implement this system is to overcome inadvertence between *a multi-year dimension in the budget process* (a feature of PPBES) and restrictive law on public finance.

Public Finance Law 500/2002

Art 2. Definitions

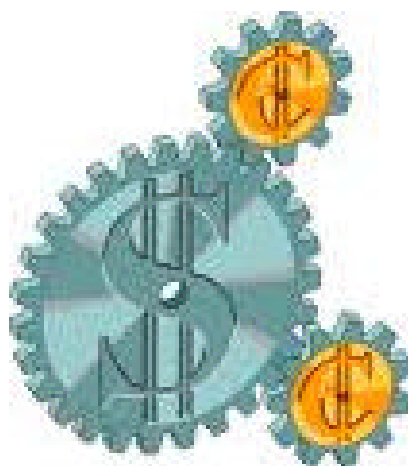
...(26) financial year – the budget year equal to the drafted, approved, executed and reported the budget.

Annuality Principle

Art.11.(1) Income and expenditure are approved by law for a period of one year, corresponding to the financial year.

Concentrating all efforts on the improvement of budget execution solely within the context of the annual budget overlooks the close connection between the annual budget formulation process and the longer-term budgetary problems countries face. Indeed, any budgetary process that fails to prioritize expenditures over the medium term or that fails to internalize the linkages between budget decisions in the current year and expenditure requirements in subsequent years is exposed to inconsistencies and, ultimately, failure.

So, probably in Romania, the introduction of *a multi-year dimension in the budget process* (or the transformation of a multi-year development plan into a true multi-year budget strategy) should have improved the budgetary process in a variety of ways.



Perhaps most importantly, a multi-year budget framework could make a substantial contribution to correcting the perennial fiscal problem: the imbalance between the available resources and the government's expenditure commitments. Placement of the budget in a medium term context would provide a framework to analyze fiscal strategy issues and provide a mechanism to build a political consensus on national priorities. The multi-year dimension would also allow for the structural review and prioritization of expenditure commitments as opposed to the arbitrary across-the-board cuts which are often relied on in the absence of a clear multi-year framework. In this application, multi-year estimates would serve as a tool to increase the efficiency of the public resource allocation process.

Multi-year budget estimates could provide a projection of fiscal outcomes under alternative economic conditions. In this sense, multi-year budget estimates would function as an early warning signal for policies that are not compatible with the medium-term fiscal objectives of the government. A multi-year budget approach could further be used to provide stability and continuity to the budget process by using this year's expenditure forecasts as the starting point for the annual budget formulation process for the following year. Finally, a multi-year budget strategy could encourage increased involvement of line ministries in the budget process. These various objectives of the multi-year dimension are by no means exclusive or incompatible, most governments pursuing a combination of these objectives simultaneously.

As *main challenges* related to implementation of PPBES in Romania could be mentioned:

- difficulties in integrating plans that have different assumptions, times lines and sometimes are financially unrealistic;
- cooperation between the structures which are responsible for the programming phase and budgeting phase should be very close, but this in not always happen;
- difficult to relate financial management and relevant performance indicators in order to have a composite picture on program implementation;
- main planning document are issued significantly later than originally planned, therefore the programming phase is usually compressed;
- PPBES is bureaucratic and a slow process, being involved too many participants in it , with his/her own agenda; each one of these should play specific roles-role which is not always very clear specified - in this case being the risk of overlaps and intricacies of a delineation of responsibilities;
- it is hard to have specific and clear responsibilities for program mangers and for each of the organizations involved in system;
- PPBES needs adequate number of people, with specific skills - this is a challenge that Romanian organizations trying to cope with, being a disadvantage of PPBES implementation because the process of creating specialists takes time and more important, financial resources; lack of experience of people who implement PPBES , makes this process longer'

- PPBES is time constrained while the Acquisition operates on a milestone basis, these two systems being incompatible.

Issue raised by applying this system over the time like as positive could be:

- PPBES is a process indented to distribute risks in a structured way so that national security is maximized while the opportunity costs paid by the public are minimized;
- providing for more efficient use of defense resources, a better allocation of the budget, which can finally bring savings to the budget;
- greater transparency in the use of public money;
- enhancing the effectiveness of military operations;
- improve the management and administration of the Defense Policy Planning Department;
- PPBES is centrally directed and controlled, while execution is quite de-centralized, which in my opinion is a good thing, because anyone of the central structure may not define better main goals of the system and no one of the lower levels can know the possible ways ahead with a view to achieving the planned goal
- responsibility is delegated (taking about a „bottom-up” approach), although still a need for a better division of responsibilities between military and civilian structures;
- program managers will be in competition with each other for resources, and thus the system increasing its flexibility;
- defense policies development & implementation are under a strong civilian/democratic control (through Defense Integrated Planning Directorate-in Romanian case)

Conclusions

„Since first installed in Pentagon in 1961 by The Defense Secretary Robert S. McNamara, PPBS has endured without fundamental changes for ever forty years, through many administrations, both Republican and Democratic. It has grown in size and complexity while continuing to provide the fundamental structure and process under which military strategy is developed and laboriously translated into an annual defense budget, one that dwarfs any other on the planet. To some, the process is a marvel of management; to others a classic case of bureaucratic excess”[3].

PPBE system implemented in the Romanian Armed Forces is trying to meet the requirements of NATO planning, Romania providing further through continuous improvement of internal procedures in this area, the improvement of defense planning system in order to be in accordance with the similar process of NATO and its own assessment process of defense planning.

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WAYS TO IMPLEMENT PPBES IN MOLDOVA'S MOD (ADVANTAGES AND DISADVANTAGES)

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Abstract:

This paper focuses on the analysis of the opportunity of implementing the Planning Programming Budgeting System into the Republic of Moldova's Ministry of Defense, as one of the main challenges refers to the possibility of correctly distributing the budget, especially in situations of crisis. In this circumstance, Moldova needs a realistic and real program for finding new models to improve the budgetary system not only concerning the planning budget, but also its redistribution.

N 14) In the following pages I will try to relate some aspects about possibility or impossibility apply the PPBES in MoD of Moldova. The problem number one I think starts at the stage of planning and programming budget. Also the possibility of correctly distributing the budget is of a big importance, especially in situations of crisis. Now Moldova needs a realistic and real program for finding new models to improve the budgetary system not only concerning the planning budget, but also its redistribution.

At this stage in the application are some projects designed to improve the current situation in field of planning budgeting, medium-term expenditure framework. But these process provide planning of budget for 1-3 years and don't provide solutions for a long term.



Often the problems arise from the superficial elaboration of local budgets by the responsible people (in term of PPBES managers of subprograms) from military units and inadequate analysis of existing resources. So after elaboration and approval budget in Finance Minister, some problems appear related to insufficient budget for some categories of expenditure and the contrary surplus of allocated resources for other expenses. In these conditions, a frequent solution is to change the initial budget. This approach is causing a decrease of efficiency in allocating financial resources and unjustified loss of time related to the change of the initial plans. To solve these problem and others related the current budget system, Moldova will apply,

starting with 2011 a new Budget classification and new charts of accounting in public institutions.

Connected with these aspects maybe we can try to change some approaches related of planning and programming of budget. In my opinion the planning and programming of budget is closely linked to the redistribution process of public resources and the change of one of its components should be analyzed.

In connection with aspect I tried to do a small analysis about possible application of PPBES in Moldova. For the implementation model of PPBES programs, I took the current structure of MoD of Moldova.

The implimentation of PPBES system in Moldova could be determined of a lot of factors but in my opinion these are the most important:

- National Security Strategy;
- Political situation;
- Existing budget police(money and resources).

Based on national priorities and the factors who could affect national security in Moldova, the following issues can be mentioned:

- A position regarding the exclusion of military arsenals, of the use of force and solving every conflict on a peaceful way;

- Compliance with the principle of inviolability of the state border under the provisions of the Vienna treaty;

- The promotion a permanent-neutrality policy;

- Not to allow our territory to be used in different purposes for aggressive actions or for the military aggression of other countries;

- Strict observance of agreements about the use of nuclear weapons, arms control and support efforts to disarm under international treaties;

This approach begins by defining national interests. They are the most basic, unchanging goals of a state. The main national interest of the Republic Moldova is maintaining neutrality country, fact mentioned in the Constitution of our country. Although they are expressed differently from country to country, they cluster around the concepts of national sovereignty, economic well being and values (such as religion, democracy, etc.). Planners and strategists in our country must be clear about the country's most important interests, such as sovereignty and the purpose for which they would be willing to use force – and less important interests, for which economic and diplomatic tools of power would be more appropriate.

The next step is to analyze the evolving security environment. At the least, this analysis must consider the major trends of international relations, weighing changes in the relative power of other countries that will most affect a state's future. A complete assessment should examine the impact on national interests of other driving forces, such as economic globalization, political interdependence, and the rate of technological change, environmental degradation, ethnic conflict, migration and proliferation of weapons of mass destruction. The primary objective in this respect is solving the trans-nistrian problem in a peaceful way in the context of preserving the integrity of our country. We also need to promote the democracy, peace, and stability not only in our country but also in neighboring countries despite the fact that we are a small country.

Based upon this analysis, planners usually identify more specific and time-sensitive objectives. At first, they tend to be quite numerous and varied. However, they will prove very hard to achieve unless national security planners organize them in terms of their relative importance. It is especially helpful to view them as sub-sets of the main national interests.

This is the stage where the measures and actions meant to ensure the restructuring of the military body are established according to the objectives, tasks and resources earmarked in the Defense Planning Guidance, and according to the commanders' orders. At this stage we elaborate the "Programs for Forces Establishment, Upgrading and Training". These programs need comprise all the activities and measures necessary for the establishment, upgrading, procurement, training, maintenance during peace and crisis of all the structures in the Ministry of

National Defense. It is mainly a process of balancing and integration of resources in the framework of diverse programs, according to priorities.

The central element is the resources management, point that can sometimes become critical. It ensures the link between the plan and the budget and it is, in fact, the process that reconciles the aspirations in the defense field with the economic and financial constraints. It is the stage where to get “the best value for the money”, or in other words, “to get the biggest bang for one’s buck”. Defense is a long-term business.

The next step in a “top-down” approach is to develop an overall strategy for achieving the national objectives and promoting national interests. This could be the most important output of the national security decision-making process. If possible, it should address all the tools of national power and explain how they will be used to achieve the declared national objectives. This strategy is then a key input to other planning documents, such as military strategy, that guides the selection of future forces.

In connection with this is important to establish force structure, missions, organization, equipment, training level, operational level, logistics and infrastructure needs to be covered, as well as the force training plans and rules of engagement for military actions to be fulfilled by the Moldavian military.

So in term of realizing National Security Strategy and economy strategy in Moldova the major efforts should to be directed for:

- Achieving the institutional transformation for the effective coordination of actions in terms of insuring the economic security of the state;
- Developing the implementation of new technologies an modules;
- Developing the economic infrastructure which is necessary for the realization of structural transformations;
- Ensuring more efficient use of resources;
- Developing scientific and technical potential;
- Creating the conditions for the achievement and improvement of human resources;



Any new policy should be applied only if we in the end it can get better results. Referring of the PPBES outcomes, some possible results could be the decrease of pubic expenses and budget deficit, reducing inflation, a greater efficiency through the use of performance indicators.

In this context it should be mentioned that any implimentation of a new sistem depends heavily on the political situation in country, because development of any sistem is not posible if we do not have a policy on long-term stability. In this issue, the political connotation is less important than the preservation and development of a long-term sistem, such as PPBES. Among the main problems and this level in Moldova I could mention the existence of the proclaimed ilegitimate-separatist regime in Tiraspol city and the Moldavian Gouvernment’s impossibility to act in this area. This aspect is important because we can not estimate and control all of our available ressources and also the existance of the possibility of development of smuggling, illegal human traffic etc.

The existence of a stable political framework in Moldova would lead not only to solving some internal problems but also to increasing our credibility towards our foreign partners, the development of the economy and finally the existence of the necessary conditions for the implementation of new projects. In the political field we need to implement those policies which would maintain the state's defence capability and would support those economic policies in order to preserve the sovereignty and integrity of our country.

In my opinion the most important for the start of implementation of PPBES in Moldova is the correct assessment at the correlation between cost and effectiveness. This fact can take a lot of time if we look at the countries with more experience in this field. On the other hand, we may get the desired results more quickly because the application area of PPBES in Moldova is not too large and we do not need so many programs. This work can be done simultaneously in several subunits of Moldova's MoD. Another positive point is the fact that if we were to start this process in the MoD, we may avoid some mistakes by analyzing this process in other countries. This may significantly reduce some of the potential future expenses.

Developing reliable performance indicators is usually the responsibility of the key spending unit that manages a program. The Ministry of Finance should get involved in this area, as its role is to approve the choices of indicators made by the spending unit, in order to ensure they are consistent with the Ministry's policy initiatives, although there may be cases where the Ministry could assist in making those choices. As part of this process, the spending unit should also develop targets for each performance indicator to justify its expenditure requests. Since each spending unit is subject to a spending ceiling, the unit will need to create procedures for internal consultation that will allow it to reconcile its ability to meet its chosen targets with the amount of budgeted resources.

The key spending unit is also responsible for defining and implementing the procedures that are to be used for performance appraisal under the oversight of the Ministry of Finance. This task will require the spending unit to generate the output data needed to carry out the appraisal. Some of these data may be captured through the routine reporting of achievements by service delivery agencies controlled by the key spending unit. Reporting of this nature may be critical in distinguishing between good and bad service performers.

An important aspect for the implementation of PPBES in Moldova refers to the existence of various problems related to increasing the effectiveness of using the public budget. It is necessary that through PPBES we may elaborate analyses and forecasts for medium and long term, as one way to correlate the allocation of public resources with government policies and strategies. This is a new system for us and it can be one tool of management of public resources. It is going to include all the components of public budget and can be introduced for:

- Improving the financial discipline;
- Improving the macroeconomic and fiscal forecasts, elaboration of a real and comprehensive framework of resources through performance indicators;
- Ensuring a good connection between the resource allocation and priority policies;
- Identifying key issues regarding the use of the national budget and developing solutions for optimization;
- Increasing the capability of public authorities (MoD) regarding the management of existing resources;
- Ensuring the transparency of the public resources management process;
- Improving the decision making in the field of long term use of public resource;

The implementation of a new project always takes time and it needs money and resources. For example the Moldova National Army budget for 2010 is around 0,3 percent of estimated Gross domestic product (decreasing compared with year 2010), of which 73 percent are salary costs, 7 % common utilities, 18 % maintenance costs and only around 1 % for procurement and capital expenses. Considering this situation, it is hard to tell if this is the right moment to start implementing PPBES in the MoD of Moldova. In these conditions it is very difficult to approach the introduction of PPBES system in Moldova, because at the current level

we don't have the necessary prerequisites for the implementation of this system. In order to begin this process we would need to make a lot of expenses, like those related to improving the infrastructure through the presentation of the acquisition needs. Other expenses are related to the analysis process, which requires a large number of personnel and to the expenses for initial training, professional improvement and other unforeseen expenses. Unfortunately now we have a lot of problems related to the development of long term plans and projects, mainly related to the poor use of performance indicators and the difficulties related to cost estimation.



In my opinion, as now the time horizon for a major program is over 10 years, this is much longer than the governmental budget project can cover for us. It is the same in the case of the human resources planning, as you cannot recruit officers from the labor force.

For the implementation of new policies like the development of PPBES system in National Army of Moldova it may be necessary first of all to develop a legal framework and a working group which would analyze the opportunity and disadvantages at this process in Moldova. If we were to start from what we have now, this could form the next structure at PPBES in Moldova:

1. Elaboration and development of policies into the defense system - this program would include the next subprograms;
 - Minister of defence;
 - General Staff of Minister of Defence;
2. Land Forces - this program would include the next subprograms;
 - Land Force Headquarters General Staff;
 - 1st motorized infantry brigade
 - 2nd motorized infantry brigade;
 - 3rd motorized infantry brigade;
 - Guard batalion;
 - Engineering batalion;
 - Artillery division;
3. Air Forces - this program would include the next subprograms;
 - Air Force Headquarters General Staff;
 - Air defense regiment
 - Aircraft base;
4. International and peace support operations;
 - Defence planning direction MoD;
 - International operations;

- Peace support operations;
- 5. Communications and information - this program would include the next subprograms;
 - Direction of communication and information General Staff;
 - Center of information and military communications;
- 6. Logistical support of National Army - this program would include the next subprograms;
 - Logistic Headquarters General Staff;
 - Acquisitions Department;
 - Fuel and lubricants base;
 - Central Military Clinical Hospital;
 - Central Army House;
 - Central sports army Club;
 - Advisory diagnosis center;
 - Preserving the military heritage base;
- 7. Education - this program would include the next subprograms;
 - Human resource management direction of MoD;
 - Armed Forces Military Institute.

All of these programs can be divided into the smallest elements at level of special military units (batalion, base, depot,).

In accordance with these programs and subprograms, we can choose and name the directors (managers) of programs and subprograms. In case of application PPBES in MoD managers of programs may be people with positions of responsibility from MoD (chief of directions) at the programs related of elaboration policies and education or the people from General Staff (chief of directions, head of military commands). The director of all programs could be a person in rank of Vice Minister from MoD, or the person in rank of Director from General Staff. In turn managers of subprograms could be independent military unit commanders. The analyses and establishment of the main tasks and objectives are going to be performed by managers and directors of programs and subprograms. Working groups formed by managers of main programs should centralize all the system's objectives and after that they need to make the right decision.

But at this level could be appear more problems. Each of people mentioned previous are going to manage the created situation, but at this stage many of them do not have special training for PPBES system. Also, at level of subprograms and their elements (meaning of independent military units) do not exist positions related to this process, which also require special knowledge. Here I consider knowledge into economics, programming and planning, evaluation, special military technology, sometime accounting system. Unfortunately now we don't have many specialists with skills developed in all these areas of activity. Usually this kind of tasks and missions are attributed specialists in financial services or those trained into logistical support. In my opinion this aspect makes very difficult the implementation of PPBES in MoD of Moldova. For the successful implementation of this process in MoD is necessary to involve in the initial phase a lot of specialists from military units from the logistic, accounting, armament, communications areas e.t.c. in order to make a correct assessment of the correlation between cost and effectiveness. This can take a lot of time if we look at the experience of other countries in this respect; on the other part we can get the desired results more quickly because the application area of PPBES in Moldova is not too wide and we do not need so many programs. This work can be done simultaneously in several subunits of MoD from Moldova. Another positive point is the fact that if we were to start this process in MoD, we can avoid some mistakes following the analysis of the evolution of this process in other countries. This may significantly reduce some of the expenses we may need to support in the future.



In conclusion, the possible application of PPBES system in Moldova could have the following advantages:

- The improvement of current framework for planning and administrative control;
- The experience of other countries could offer the opportunity to avoid some mistake in application of PPBES;
- The small area of application at PPBES;
- Increasing the importance of using performance indicators;
- Increasing the capacity to planning and programming for long term;

The possible application of PPBES system in Moldova has the following disadvantages:

- The insufficient number of people trained in this system;
- The need for a long time for analyses and implementation a new system, as the budget system is not a good solution in current conditions (economic crisis);
- The insufficiency of necessary infrastructure;
- Large share of salary expenses in total budget;
- Decreasing of allocated budget;
- Low experience at elaboration of plans and programs for long term;
- Low application in the planning and programming phase of the correlation effectiveness-cost;
- Lack of financial resources for new projects.

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THE RESOURCE, COST AND BUDGET PLANNING SUB-SYSTEMS IN THE DEFENCE PLANNING SYSTEMS AND THEIR MISSIONS

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Abstract:

The aim of this paper is to underline the substance of Resource, Cost and Budgetary Planning Sub-systems, their aims, missions and tasks within the NATO Defense Planning System (NDPS), PPBES and Hungarian Portfolio Defense Planning System (PDPS). This paper intends to provide a short outline of the Planning Systems and highlight the role of planning organizations, decision makers in the Resource, Cost and Budget Planning procedures.

In this context, is necessary to emphasize that the Planning Systems are only tools in the hands of defense planners, proponents and decision makers to elaborate ambition levels of Armed Forces, aims, goals and tasks of military units, ministerial and other background organizations.

Introduction

Within the frame of determined topics and connection with the Planning Programming Budgeting Evaluation System (PPBES), I would like to demonstrate substance of Resource, Cost and Budgetary Planning Sub-systems, their aims, missions and tasks within the NATO Defense Planning System (NDPS), PPBES and Hungarian Portfolio Defense Planning System (PDPS). I will describe shortly the Planning Systems and highlight the role of planning organizations, decision makers in the Resource, Cost and Budget Planning procedures.

I would like to emphasize that the Planning Systems are only tools in the hands of defense planners, proponents and decision makers to elaborate ambition levels of Armed Forces, aims, goals and tasks of military units, ministerial and other background organizations.

In my point of view, the most critical and challenging elements of Planning Systems are Resource, Cost and Budgetary Planning Sub-systems, its reasons are the following:

- Elaborating of Capability and Armament development, O&M and training of Armed Forces, than their Resources- and costs planes have been occurred for long (10-15 years)-, medium (4-6 years)- and short (1-3 years), but terms of detailed Resources-, costs and Budgetary plans are usually one year (fiscal year);

- Capability and Armament development, O&M and training of Armed Forces and their Resources- and costs planes based on program – sub-program - sub-program elements structures, but the budget is only similar, it based on the regulations of Budget Law, Public Finance Law and Law of Public Accountancy;

- Resources- and costs planning procedures are based on norms and normative, but elaboration, counting, calculation and actualization of the norms are reasonably difficult and challenging, these activities require having of long time and professional staff or employees;

- The budget resources are less than estimated or potential total costs of the program or project. The vital question is the risk management, which is appropriate when past

statistical evidence suggests that the commitment rate is consistently lower than the projected total cost.

- The budgetary organizations have different approach, during the Fiscal Year, they concentrate on the budget execution and control, they do not interested in re-planning and re-programming procedures;
- One of the most challengeable risk factor is, within NATO resources and annual budgets of Alliances have appeared budget deficiencies, reductions, cuttings, unfunded requirements and missions (tasks), it is not possible to carry out our tasks, missions and aims, concerning the level of ambition of Armed Forces;
- As a new phenomena, sequestrations and frozen items have appeared within the budgets of NATO and Alliances different periods of the fiscal years, but we don't have sufficient time and professionals employees for re-planning and re-programming procedures;

The NATO Defense Planning System and Resource Policies

The NATO Defense Planning System is one of the fundamental mechanisms of the Alliance. 'Defence planning in the Alliance is a fundamental element of the arrangements which enable its member countries to enjoy the crucial political, military and resource advantages of collective defence and other common military efforts to enhance security and stability. It prevents the rationalization of defence policies, while at the same time recognizing national sovereignty.' [1]

On this figure, I would like to illustrate the key defense planners, proponents and decision makers within the defense planning procedures; of course the most important defense planner organization is the Allied Command Transformation (ACT).

'The aim of defence planning is to provide a framework within which national and NATO defence-related planning can be harmonized so as to meet the Alliance's agreed requirements in the most effective way. In other words, defence planning seeks to ensure that the Alliance has the requisite forces, assets, facilities and capabilities to fulfill its tasks throughout the full spectrum of its missions in accordance with the Strategic Concept. As such, it covers both NATO's own capabilities and those of Allied countries.' [2]

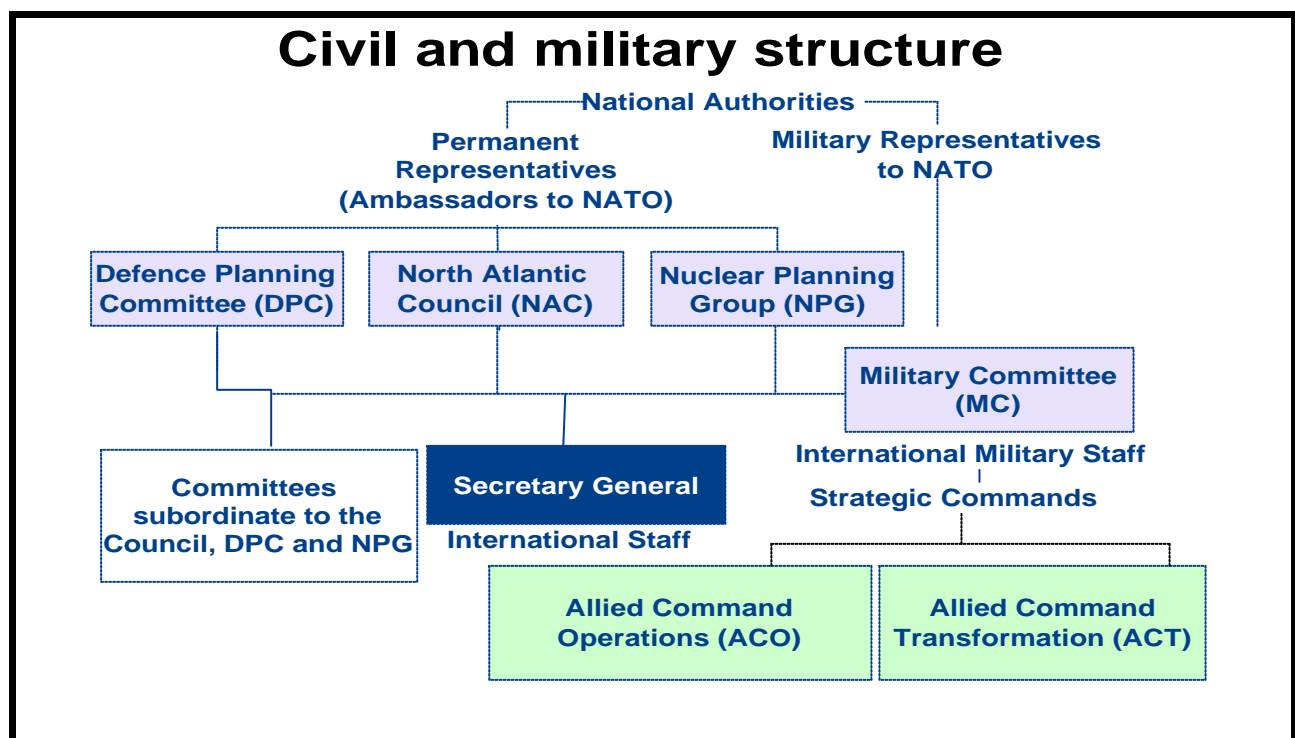


Figure 12 Key defense planners, proposers and decision makers

The NATO Defense Planning Process (NDPP) basically translates Alliance political concepts and vision into practical guidance for members as they prepare their defense programs and budgets.

“The aims of NDPP is to provide a framework within which national and Alliance defense planning activities can be harmonized to meet agreed targets in the most effective way. It should facilitate the timely identification, development and delivery of the necessary range of forces that are interoperable and adequately prepared, equipped, trained and supported as well as the associated military and non-military capabilities to undertake the Alliance’s full spectrum of missions.” [3]

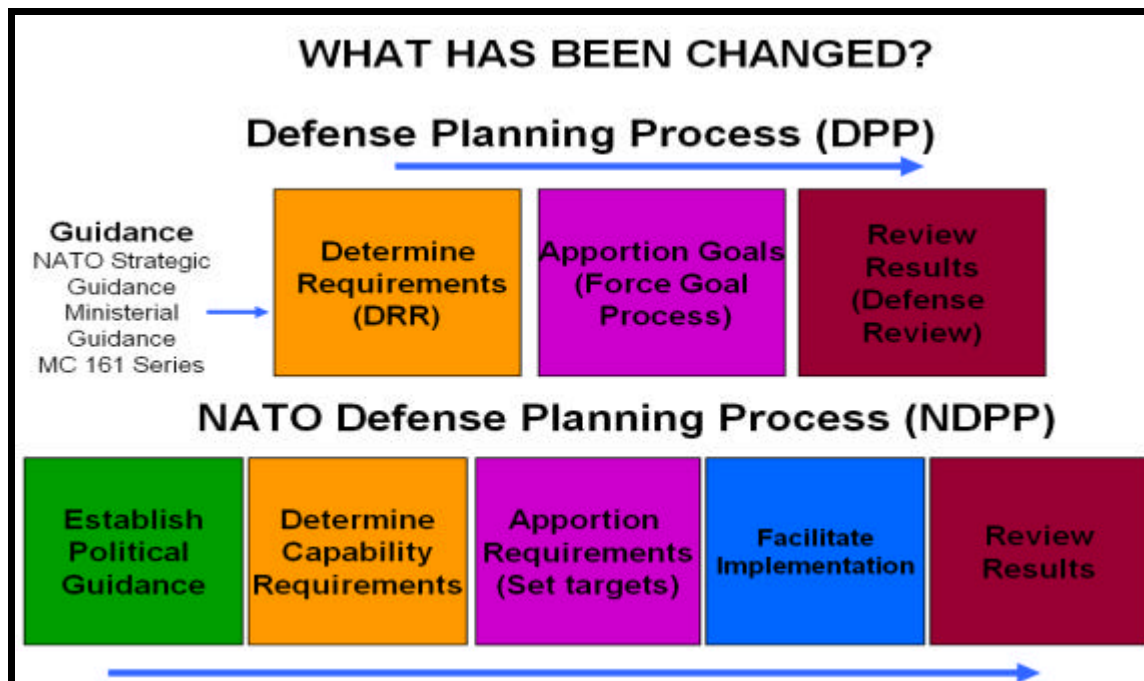


Figure 13 The old and the new NATO Defence Planning Procedure [4]

The procedures of NDPP consist of five elements, those are establish Political Guidance, determine Requirements, than apportion requirements and set Targets, after that facilitate Implementation, at the end review results. (Figure 10)

The establishment of a link between the Defense Planning Process (DPP) and the budget/resource plans, that is, the Capability Package (CP) process which identifies the capabilities the Strategic Commander requires to fulfill his mandated missions.

The CP a combination of national and NATO funded assets (infrastructure), associated costs and manpower which, together with the military forces and other essential requirements, enable a NATO Commander to achieve a specific Military Required Capability.

The CP directly links military requirements with established force goals by focusing on those activities most essential to the new strategy; the resultant forces and command structure and address overall resource implications, both national and international identifying all elements necessary for the package to function.

National planning and defense spending are influenced by Alliance policy and planning activities, which set the overall framework, the level of ambition the force goals to be achieved and the priorities to be considered. Within the planning activities the standardization and interoperability requirements are also very important.

Member countries remain responsible for their own capability development and for the use of those capabilities.

NATO Resource Policy

“NATO needs resources to run its own civil and military HQ-s, to sustain its own activities and programs, to run crisis response operations and, more broadly, to have the necessary capabilities to meet its objectives and priorities. Almost all these capabilities funded and maintained by the member countries of the Alliance.” [5]

The large majority of resources are national.

NATO resource planning aims to provide the Alliance with the capabilities it needs, but focuses on the elements that are joined in common funding, that is to say where members pool resources within a NATO framework. In this regard, resource planning is closely linked to operational planning, which aims to ensure that the Alliance can fulfill its present and future operational commitments and fight new threats such as terrorism and weapons of mass destruction.

The NATO Resource Policy is based on the Chapter 4 of the NATO handbook, several reports and recommendations of the NATO Senior Resource Board (SRB).

Countries chose to cooperate in pursuit of capabilities. In fact, multinational cooperation within and outside the NATO framework is increasing.

Multinational cooperation within in the NATO framework has two well-established components: joint funding and common funding.

Joint funding arrangements are structured forms of multinational funding within the terms of an agreed NATO charter. The participating countries still identify the requirements, the priorities and the funding arrangements, but NATO has visibility and provides political and financial oversight.

Common funding arrangements include the NATO Civil and Military Budget and the NATO Security Investment Program (NSIP). These are the only funds where NATO authorities identify the requirements and set the priorities in line overarching Alliance objectives and priorities. All 28 countries participate. For those elements directly related to the Alliance's integrated military command structure, participation is limited to 27 members.

The common funding structure is diverse and decentralized. Certain multinational co-operative activities relating to research, development, production and logistic support do not involve all and, in some instances, may only involve a small number of member countries.

NATO common funding embodies the principles of transparency, flexibility, and fairness. It based on an agreed cost sharing formula, member nations contribute based on what can reasonably be expected of a member, and of course their ability to pay. In addition, member nations have agreed to a rigorous, multilateral budgetary screening process, which ensures mutual accountability and political control.

The key players and decision makers of the NATO resource policy

The Senior Resource Board (SRB) is the senior advisory body to the North Atlantic Council on the management of military common-funded resources. NATO members have reinforced NATO's management structure by promoting the development of capability packages, which identify the assets available to and required by NATO military commanders to fulfill specified tasks. They are prime means of assessing common-funded supplements as well as the civilian and military manpower required to accomplish the task. One of the main tasks of the Senior Resource Board is to review these packages and endorse them from the point of view of their resource implications prior to their approval by the North Atlantic Council. [2]

The NATO Office of Resources (NOR) brings together, under the direction and leadership of the Director NOR, all international staff working on NATO military common-funded issues with the aim of reinforcing military common-funded resource management at the NATO HQ. Its mission is to support the Secretary General, the Council, the Resource Committees, and other bodies as required over the full spectrum of military common-funded resource activities. The NOR provides integrated staff advice and support to the Senior Resource Board (SRB), the Military Budget Committee (MBC) and the Infrastructure

Committee (IC) as well as their Chairmen. The NOR provides staff advice to the divisions of the IS and IMS, and other bodies as required, on NATO military resource issues. [2]

The SRB produces the Medium Term Resource Plan (MTRP) and the Annual Report.

The MTRP provides basic planning data and forms the basis for the financial ceiling for the next year as well as planning figures for the next four years.

At the same time, the Annual Report:

- provides the North Atlantic Council with an overview of the key common-funded resource program issues, and possible impact on wider Alliance policies;
- based on the financial ceilings and guidance from the Council;
- the military priorities given by the Military Committee and the resource;
- it is evaluated by the SRB, and the three implementing committees, the Military Budget Committee (MBC), the Infrastructure Committee (IC) and the NATO Defense Manpower Committee (NDMC).

The Military Budget Committee (MBC) executes the Military Budget, which finances the operating costs of the Integrated Military Structure, including civilian personnel and overhead wages, as well as supporting programs such as NATO AEW, Crisis Response Operations and Exercises

NATO budgets are becoming more flexible, and importantly, subject to more rigorous prioritization. The total expenditures represent less than half of one per cent of the total defense expenditures of NATO countries.

The Infrastructure Committee(IC) manages the NATO Security Investment Program (NSIP), which provides for capital investments in installations and facilities, such as airfields, communications and information systems, military headquarters, fuel pipelines and storage, radar and navigational aids, and port installations.

NATO member countries contribute to the NATO Security Investment Program (NSIP). This covers major construction and command and control system investments needed to support the roles of the NATO strategic commands, but which are beyond the national defense requirements of individual member countries. Both the Military Budget and the NSIP, are guided by the “over and above” rule: “Common funding will focus on the provision of requirements which are over and above those which could reasonably be expected to be made available from national resources”.

The NATO Defense Manpower Committee (NDMC) manages NATO Defense Manpower on behalf of the Military Committee (MC). The most important document is the NATO Annual Manpower Plan (NAMP), which includes both civilian and military posts serving the integrated military structure.

The MC is the senior military authority in NATO under the overall authority of the North Atlantic Council and the Defense Planning Committee. Among its many tasks, it assists in developing overall strategic concepts for the Alliance and prepares an annual long-term assessment of the strength and capabilities of countries and areas posing a risk to NATO's interests. The Military Committee has an important role in all defense planning disciplines.

The NATO Budget

The most important elements of the NATO Budget are the Civil Budget and the Military Budget (MB).

The Civil Budget is supervised by the Civil Budget Committee (CBC) and implemented by the NATO International Staff (IS). The Civil Budget funds the operation and maintenance of the NATO HQ facility and site, the salaries, pensions and travel and per diem costs of the IS working at the NATO HQ, the International Board of Auditors and the NATO HQ Public Diplomacy Program and other related programs and activities;

The Military Budget (MB) is supervised by the Military Budget Committee (MBC) and implemented by the individual budget holders. The MB funds the operation and maintenance costs of. NATO's integrated command structure (NCS), the International Military Staff (IMS)

and the NATO Standardization Agency (NSA), the overarching elements of the NATO-wide communications and information systems, deployed theatre HQ and critical theatre-level enabling capabilities for NATO-led operations and missions, the NATO Airborne Early Warning and Control capability and other related NATO program offices and centers. In all cases the provision of military personnel remains a nationally funded responsibility. The NATO Military Budget is in fact composed of over 50 separate budgets. The Military Budget can be divided into NCS HQ budgets, Agency budgets (NCSA), mission and operations budgets and program budgets

**NATO Common Budgets Contributions
and Cost Shares, 2005**
(expressed in percent, with all 26 members contributing)

Member State	Civil Budget	Military Budget	NSIP
Belgium	2.4947	2.8855	2.8855
Bulgaria	0.3400	0.3400	0.3400
Canada	5.6000	4.5000	4.5000
Czech Republic	0.8870	0.8870	0.8870
Denmark	1.3682	2.0112	2.0112
Estonia	0.1070	0.1070	0.1070
France	13.7505	12.8693	12.8693
Germany	15.5075	17.3186	17.3186
Greece	0.5000	0.5000	1.0500
Hungary	0.6500	0.6500	0.6500
Iceland	0.0550	0.0475	0.0000
Italy	6.5000	7.3500	7.6645
Latvia	0.1371	0.1371	0.1371
Lithuania	0.2068	0.2068	0.2068
Luxembourg	0.1000	0.1500	0.1500
Netherlands	3.0000	3.4427	3.4427
Norway	1.2000	1.7260	1.7260
Poland	2.4449	2.4449	2.4449
Portugal	0.7000	0.5500	0.5500
Romania	1.0934	1.0934	1.0934
Slovakia	0.4466	0.4466	0.4466
Slovenia	0.2551	0.2551	0.2551
Spain	4.0000	3.9000	3.9000
Turkey	1.8000	1.5000	1.5000
United Kingdom	15.0462	12.1385	12.1385
United States	21.8100	22.5428	21.7258
Total	100.0000	100.0000	100.0000

Tabel 1 [6]

The most important financial principles are deposit of costs where they were planned, supporting minimum capability and military requirements and correspondence of over and above principle.

The principles of the Annual Budgets:

- Credits only available for commitments during the Financial Year for which they are approved;
- Credits are not committed at the end of the Financial Year, its should be cancelled or lapsed;
- Commitments may be carried forward for the following two years;
- Credits are not cash.

Financial management

Financial management within NATO is structured to ensure that the ultimate control of expenditure rests with the member countries supporting the cost of a defined activity, and is subject to consensus among them.

Financial management of the organizational budgets

The financial management of the Civil and Military Budgets differ from that of the NSIP. Financial regulations provide basic unifying principles around which the overall financial structure is articulated. They are approved by the North Atlantic Council, and are complemented by rules and procedures adapting them to specific NATO bodies and programs.

Financial management of the NATO Security Investment Program

Implementation of the NSIP has its starting point in the capability packages. Once these have been approved, authorization of individual projects can commence under the responsibility of the Infrastructure Committee. The Host Nation prepares an authorization request. Once the IC has agreed to the project, the Host Nation can proceed with its final design, contract award and implementation.

Planning Programming Budgeting and Executing/Evaluating System (PPBES)

Generally the PPBES is a Management System; it is the policy development, resource, cost, and budgeting, of course an execution process for National Defense.

The PPBES is a tool for resources management, as well as in the hands of defense planners, proposers and decision makers to elaborate ambition levels of Armed Forces, aims, goals and tasks of military units, ministerial and other background organizations.

In Romania the PPBES is regulated by law, the Defence Planning Law has been issued to ensure compliance with NATO defence planning, and to streamline the process for developing defence planning documents.

The aims and structure of PPBES

The aims of PPBES to identify what forces and capabilities are needed (planning), determine how and when they will be acquired and what that will cost and ensuring they can be afforded (programming) and allocating appropriate funds (budgeting), then assessing the implementation (evaluation/execution), ensuring that best use is made available resources and demonstrating to elected representatives and individual citizens that Defense Budget is necessary and will be spent appropriately and its transparency and visibility.

The planning process involves determining the defence capabilities one needs and comparing this to current capabilities to assess shortfalls. It should proceed from the general to the detailed. The starting point needs to be development of a Foreign & Security Policy Framework, which provides an assessment of national interests and commitments, for example, arising from membership of international organisations together with threat assessment covering both current and future threats and one's broad security priorities.

On the Figure 11, I should like to present the PPBES phases and the main products (documents) of each phase; it is obvious that each phase establishes the basis for the next phase of the system.

The Figure 12 performs key organizations, who responsible for planning process and decision makers, shows the most important steps of program development process.

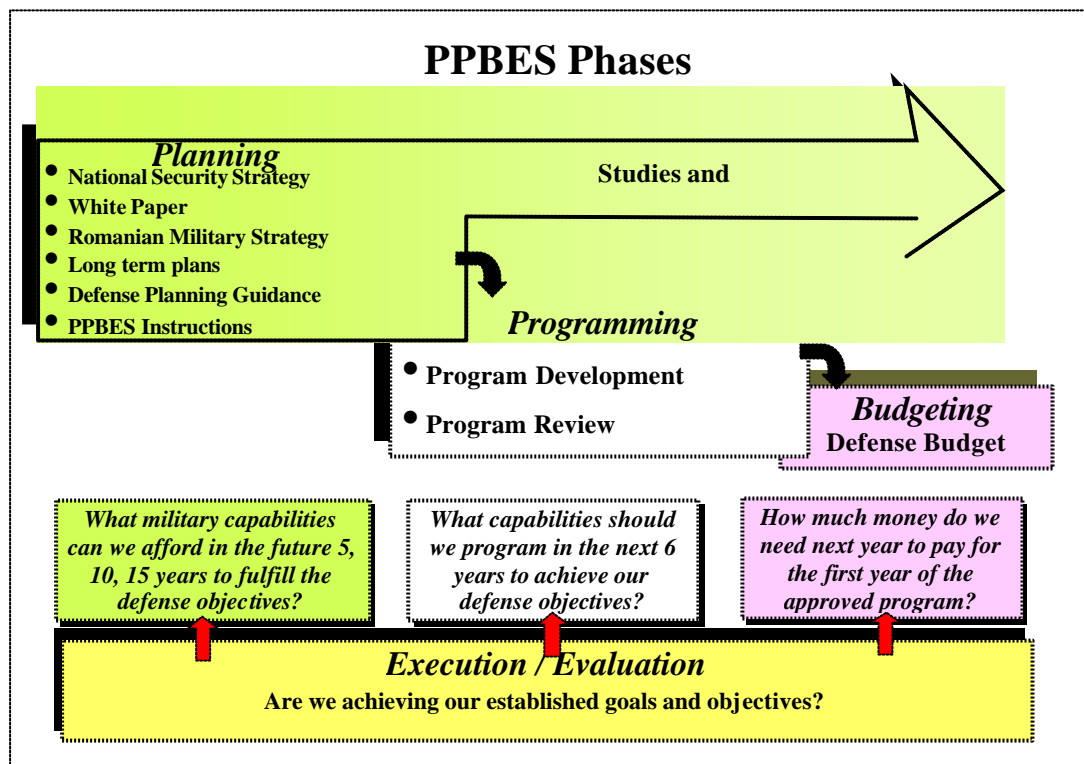


Figure 14– PPBES phases

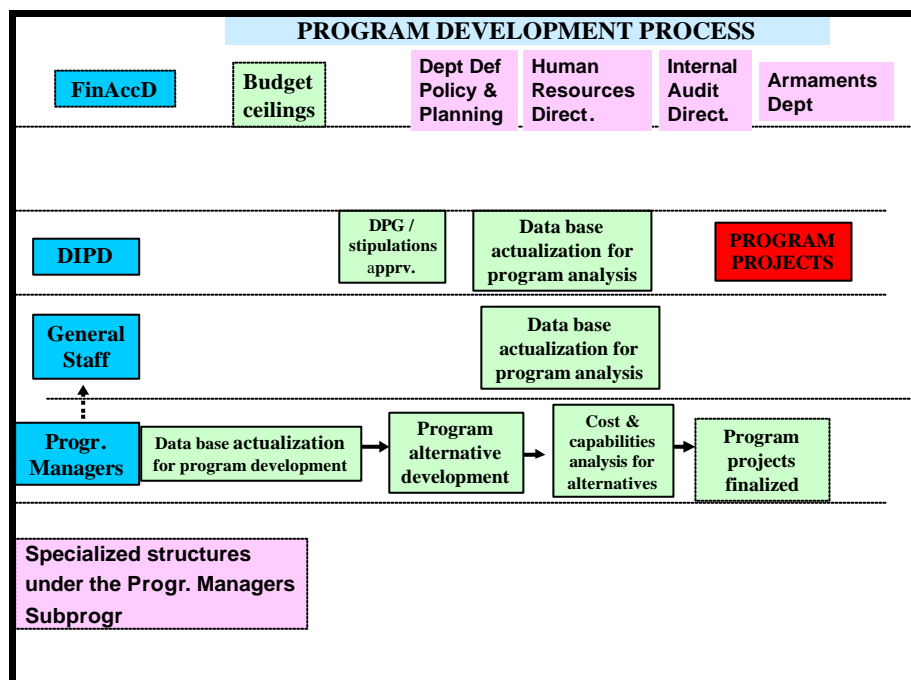


Figure 15 Program Development Process

In accordance with my topic, I would like to concentrate on Resource-, Cost and Budgetary Planning procedures within the PPBES. If we would like to compare, we can see the Resource, Cost and Budgetary Planning Procedures within the PPBES are different from the NATO Resource Policy and Budgeting System and the resource, cost and budgeting procedures of Hungarian PDPS too.

Resource planning in the PPBES

There is no independent sub-system for resource- and cost planning, this procedure is an organic part of the Programming Procedures.

Within the programming phase, programmes and necessary resources to carry out the goals and objectives are specified. This phase has as an output the issuing of defence programmes. Each program has a program manager, who responsible for managing this area of work and makes elaborated the program resource plan.

In my point of view, the programming phase is perhaps the most critical and central issues for the resource management and decision makers. It provides the link between the plan and the budget and financial constraints; of course it determines probably the most favorable allocation of financial resources.

Budgeting in the PPBES

Budgeting is the third phase in the PPBES cycle. The budget expresses the financial requirements necessary to support approved programs that were developed during the preceding phases of planning and programming. It is through the budget that planning and programming are translated into annual funding requirements. The budgeting phase is completed when the budget is approved by the Parliament.

Within the budgeting phase, the first programmed year is specified into financial details. In Romania each year, in this process certain steps are followed, starting with May 1, when MoD forwards to the Ministry of Public Finance the draft proposed budget detailing expenditure and income for the next financial year, comparing it to expenditure incurred during the current year with accompanying explanatory notes covering any variations, and ending on October 10, when the Government submits to the Parliament approval the bids of the aforementioned budgets, accompanied by the Budget Law bids.

DIPD together with the program managers establish the expenditure ceilings on programs and estimations for the next 3 years, which is based on the program managers' proposals and the approved programs. The program manager subordinated organizations make the budget proposals within the financial ceilings, allocated to subprogram elements MPF sends to MoND the expenditure ceilings for the next year and estimations for the next 3 years, than the DIPD elaborates the MoND budget project.

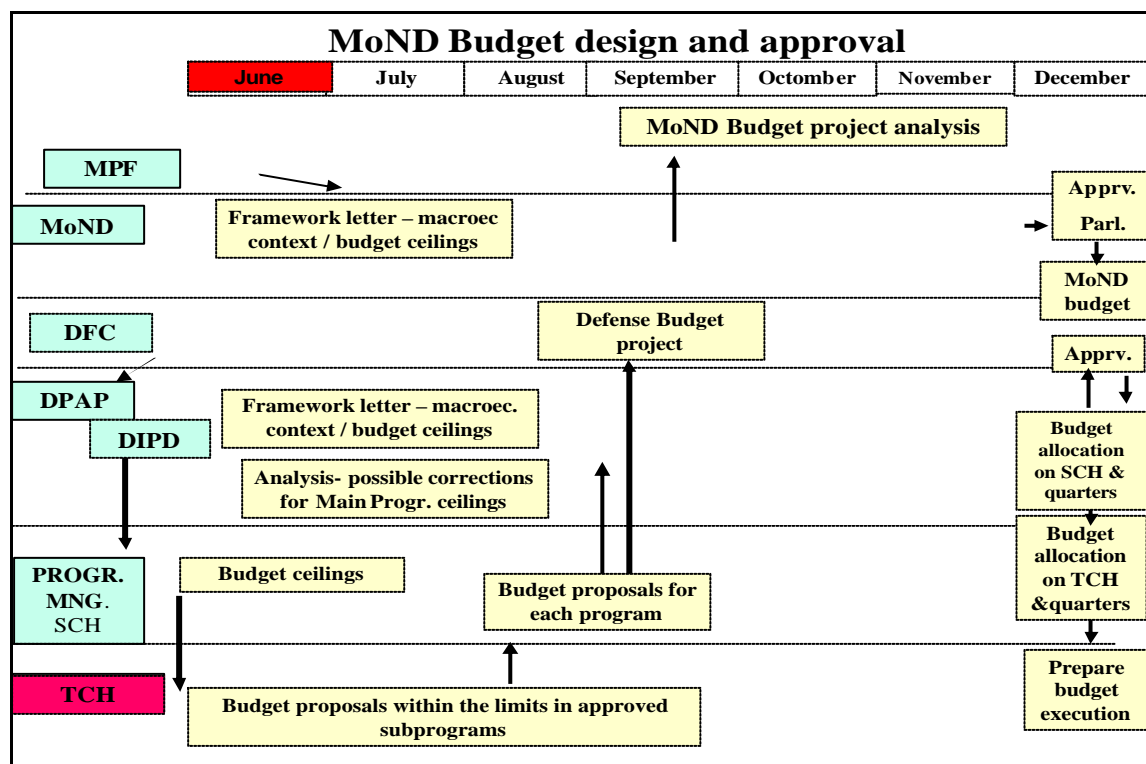


Figure 16 MoND budget approval process

The accounting-financial activity is based on principles, objectives and concepts formulated in the fundamental planning documents of defense and in the documents relating to the organization, coordination and control activities stipulated in the schedule for restructuring the units, while ensuring normal execution of current specific tasks.

The key organization in the Budgeting Process is the Financial Accounting Directorate (FinAccD). The FinAccD is responsible for participation in drafting the budget of the MOND, the execution of Annual Budget for MOND and the main credit holder, organizing and leading the accounting activity, preparing forecasts and calculations of financial indicators on expenditure budget which is based on economic and financial analysis. Furthermore its missions are elaborating of legislative documents on economic activity, financial accounting activity and implementation of the programs and computer applications on budget execution, personnel salaries and so on.

Main challenges within the Resource-, cost- and budget planning phases (elements) of PPBES are the following:

- Difficult to integrate plans that use different assumptions, time lines, and sometimes they are financially unrealistic;
- Cooperation between programming and budgeting organizations should be based on similar program, sub-program structures;
- There is sequestrations and frozen items have appeared within the budgets, therefore the Ministry of Public Finance (MoPF) has often changed the spending plans by quarters;
- For the planning of resources and budgeting, the PPBES organizations need adequate number of people, with specific skills and require having of long time.

The execution phase has provided feedback to the senior leadership and decision makers about the effectiveness of the budget execution. During this last phase of PPBES, program metrics are developed throughout the process and they can help measure actual output versus expected performance.

The Hungarian Portfolio Defence Planning System (PDPS) - Structure and goals of the PDPS

The Hungarian PDPS is a logically and functionally integrated ministerial level tool, according to the current development, has four interrelated pillars, such as the Strategic Guidance Planning Subsystem, the Military Capability and Mission Planning Subsystem, the Resource- and Cost Planning Subsystem and the Budgetary Planning Subsystem.

The most important proponents (in each case decision maker) temporary organization is the Defense Planning Committee (MOD DPC). The system is supervised by the Head of the Cabinet Office (Chief of the administrative part of the MOD) who is the Head of MOD DPC too. Supervision function activities and system development functions are delegated to the Head of Department for Defense Planning and Asset Management.

The main goals of establishing the PDPS are to harmonize and integrate the planning process from Strategy to Budget, to enhance the effective allocation of resources, the Minimum Capability Requirements of Armed Forces and interoperability, mainly for the contributed forces in order to meet the due requirement of NATO and to identify of the long- and medium-term requirements to the HDF and NATO.

Objective of the PDPS is to develop and maintain a deployable and sustainable defense force in accordance with basic security and defense policy documents.

Mission of the PDPS is the long- mid- and short-term planning of the development, operation and maintenance of required military (defense) capabilities.

The Strategic Guidance Planning Sub-system is responsible for development of the defence policy objectives; it is supervised by the State Secretary for Defense Policy.

Sub-Systems	Strategic Guidance Planning Sub-system	Military Capability and Mission Planning Sub-system	Resource- and Cost Planning Sub-system	Budgetary Planning Sub-system
Leaders of sub-systems	MOD Department for Defense Policy	MOD Department for Force Planning; MOD Development and Logistic Agency	MOD Department for Defence Planning and Asset Management	MOD Economic and Finance Agency
Elaborating and collaborating organizations	MOD Department for Defence Planning and Asset Management	HDF Joint Forces Command; HDF Military Medical Center	MOD Infrastructural Agency, MOD State Medical Center; Military Services of National Security; HDF Joint Forces Command; HDF Military Medical Center	
Decision proponents (makers)	Defense Planning Committee; MOD Head of the Cabinet Office; MOD State Secretaries; Chief of Defence Staff; General managers of Development and Logistic, Economic and Finance and Infrastructural Agencies; HDF Joint Forces Commander			

Figure 17 Portfolio Defense Planning System

The Military Capability and Mission Planning Sub-system is responsible for identification of military capability requirements, and supervised by the Chief of Defence Staff.

It is unfortunately evident, and one of the biggest challenges is the elaboration of the annual Acquisition plan separates clearly from PDPS subsystems, elaboration of the Acquisition plan fits to the outputs of the subsystems and the implementation of the Acquisition plan reflects significantly to the realization of plans, rolling of the plans and elaboration of new plans. The defence planning process makes an attempt determining the conformity of the Acquisition Plan and the long-, mid- and short-term plans.

Let's me I concentrate in detail on responsibilities of the Resource and Cost Planning and the Budget Planning Sub-systems.

Resource and cost planning in PDPS

The Resource- and Cost Planning Sub-system is responsible for planning of resources, for co-ordination of planning activities and for the development of the final documents. The sub-system is supervised by the States Secretary for Defense Planning and Infrastructure. This is designed for funding and costing of options elaborated by the Capability- and Mission Planning Sub-system, and for allocation resources to the whole spectrum of activities of the defense portfolio. During this process, the sub-system in cooperation with other sub-systems, is working out proposals for balancing between the available and required financial resources.

The Resource Planning Sub-system and the Resource Planning should be divided into two different parts, as programmed planning and normative planning, because they are require different approaches in the planning procedures.

Programmed planning includes planning of capability, force and Armament development, infrastructural investments and several portfolio managed projects. This process is pretty complex, requires more coordination and collaboration activities.

Normative planning comprises counting of manpower costs, training and exercises, costs of operation and maintenance for logistics and medical care, as well as running costs of military

infrastructures. As I mentioned earlier, the normative planning procedure is based on elaborated tasks, norms (aggregated norms) and normative, so this could be managed easier.

The Budgetary Planning in PDPS

The Budgetary Planning Sub-system is responsible for development of the budget plan of the portfolio. This subsystem is also supervised by the States Secretary for Defence Planning and Infrastructure. This is designed for deriving the yearly budgets based on the approved short- and long-term force plans; to form the mission oriented budgetary needs to budgetary estimations, to prepare the budgetary presentation for the Parliament, to pursue backward planning based on the budget appropriations of the portfolio and documentation of the execution of the approved budget. A further task of the Sub-system is the supervision and control of elementary budget of stakeholders and other military organizations.

During the process of military planning the political leadership determines the level of ambition of the Armed Forces, force goals, and expected capabilities which based on Minimum Capability Requirements and the Alliance's commitments, furthermore the military leadership identifies the missions and tasks for the Armed Forces.

Within the budgetary planning process budget needs and requirements are transformed into budget estimates, parliamentary introduction and after the approval elementary budget estimates are made.

The budgetary planning is a complex process which has been achieving by some methods of planning. In the course of planning applied techniques are for instance normative budgeting, program-budgeting, zero-based budgeting and based planning. This subsystem consists of whole estimates of revenues and expenditures.

In Hungarian MOD, as a central budgetary organization basically has to adapt the regulations and rules of Ministry of Finance for the Budget planning techniques. The tasks related to budgetary of economy and sphere of authority are based on the regulations of Budget Law, Public Finance Law and Law of Public Accountancy.

Since 1997 Hungary adopted rolling planning means that there has yearly budget estimate plus 3 years outlook. Nowadays, the responsible, appointed military organization for annual budgetary management is the Economic and Finance Agency in co-operation with other stakeholders and budget handling organizations.

During the budget planning there are some very important, fundamental principles, as verity, punctuality, economy, visibility perspicuity and equilibrium (balance).

The keeping of these principles are essentially necessary because the civilian control focuses attention on sharply the consuming of the money of taxpayers and citizens. The next figure describes well that the main status of budgetary planning is a circle-process based on mutuality and of that parts are in close connection with one another.

It needs to comment on the above figure there finds equilibrium point very rarely because into practice is scarcity of resources, especially money.

The MOD is part of the central (state) budgetary system thus of that budget structure fits to the traditional budget structure which is: Chapter/ Title/ Sub-title/ Estimate of cost (functional - accumulating)/ Approved estimate of cost (personal or manpower, investment, material or O&M, and renewal)/ Article/ Sub-article.

From level of articles could be say that in the public administration and regulations of budget planning is extravagantly circumstantial and this makes more difficult in time the execution of budget, budgetary planning and Annual Accounts.

After appointed military organizations of budgetary planning assembled budgetary plan of MOD in prescribed budget structure in previous year that is submitted for acceptance on schedule.

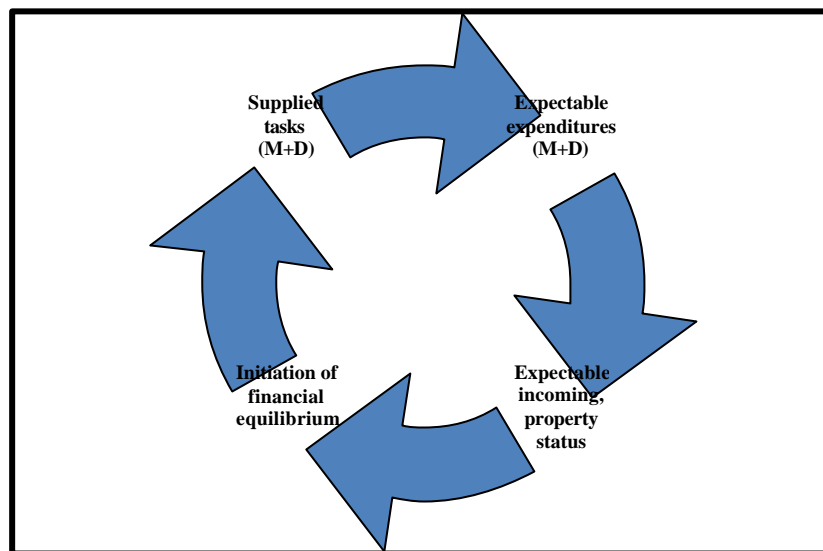


Figure 18 The main status of budgetary planning

APPROVAL PROCESS OF CENTRAL BUDGET ESTIMATE		
Document / Paper	Executive Power	Date
Budgetary Directive	Ministry of Finance ----- Government	30-June
Plan of Budget Law	Ministry of Finance ----- Government	15-October
Open the Budget Law	Government ----- Parliament	31-October
General and Section Debate in 2 round (sum-total of incoming and expenditure, deficit, surplus)	Parliament	30-November
Ending Vote of Budget Law	Parliament	31-December
Law of Annual Accounts (about previous year)	Government ----- Parliament	31-August

Figure 19 Process of budget approval

It has been evident, that the DPDS structure is not consistent; there are several challenges working out a real, output oriented, well structured defense planning procedures.

New Budget Planning Procedures and Budget Structure were introduced in 2008, and launched for a trial in 2009. Using for this is compulsory from this Fiscal Year, it is based on a particular Public Professional Task System (PPTS), but unfortunately inside the new PPTS, the chapter – title - sub-title and article - sub-article structure has been saved by the Ministry of Finance.

Conclusion:

In this paper, I tried to review some issues of resource-, cost- and budget planning process within Defense Planning Systems, starting from NATO DPS and DPP, continuing with the PPBS in general, ending the Hungarian PDPS. My aim was to demonstrate substance of Resource, Cost and Budgetary Planning Sub-systems, their aims, missions and tasks and highlight the role of planning organizations, decision makers in the Resource-, Cost and Budget Planning procedures.

If we are facing in today's world, on the one hand we can see the globalization, world economic crises and a slowing down economic growth, as a result of that in most NATO

countries having difficulties in the annual budgets, growing deficit and more importantly competing ministries and government agencies for the more and more scarce budget resources, on the other hand, in spite of the fact the governments need to provide our societies with the adequate security.

Based on my analyses which have been done during this work I would like to emphasize some obvious issues:

- The Hungarian program approach and the program structure are different from the NATO and from the Romanian one as well. While the Romanian program structure is a Force Based approach, the Hungarian DPDS based on Capabilities.

- In Hungary the strategic plan is developed for a 10 year period, while in Romania a 6 years long plan is made.

- In contrast with the requirement of the Alliance and the recommendation of the NATO SRB, in order to the countries have the necessary capabilities and to meet NATO objectives and priorities, its have to plan and spend 2% of the national GDP on the defense expenditure, only five countries (Bulgaria, France, Greece, UK and USA) have met the requirements in 2007 and 2008 years, for this reason budget deficiencies and dept have appeared. It has been evident, the effective governments have been trying to maintain (or protect) the social peace and to preserve the achieved social welfare system and standard of living, at the same time to cut down inflation and national debt, so that to meet the joining requirements of the Euro zone, therefore some NATO countries could not be able to spend enough money on their military forces.

- The NATO DPP and the funding of capabilities focus on mainly on the medium or long term timeline (up to 6 or possibly 10 years) while the government budgeting always concentrate on short term, that is usually one fiscal year budget. In consequence of many governments' budgeting has been focusing much more on the inputs (revenues) to make the budget as much balanced as possible to avoid the deficit going out of hand, while the DPP is more focused on output, which is in general the new capability.

- At present the NATO budgets are "Input based budgets". These are well known for the budget planners and budget officers, familiarity amongst stakeholders, but no linkage to NATO needs objectives and outputs. The North Atlantic Council has endorsed Outputs and Objective based Budgeting System which has some added value, as relating recourses to identifiable outputs, providing possibility of prioritization of Resource Planning System and giving more details to stakeholders what the resources are used for.

- NATO wants to adopt its funding policy of non article 5 operations and should there be more commonly funded projects, but the Nations want to limit common funding because an increase in common funding increases their overall cost, in general they dislike the fact that, for anything that is common funded and they cannot take the credit in spite of it might be more advantageous to contribute their capabilities. On the other hand, there are also national views that they like and want the common funding when it has met their own capability requirements, aims, interests and operations. Nevertheless the two different points of view, I think that is a good conception wants to adopt its funding policy of non article 5 operations, it is in harmony with the further specialization in capabilities of the member states.

- The PPBES is a very well structured, planning and cost effective system, but it seems to me the budgeting organizations have used different kind of approach. In my point of view instead of the Force Based approach should be better a Capability Based version and would be need establish an independent Resource Planning Sub-system.

- Within the Hungarian DPDS there is not real complex programme based approach, areas of resource planning have been isolated from each other, and the program budgets do not contain costs of manpower and running costs of military infrastructures. It seems to me, the budgeting sub-system "goes a different way", it has several different regulations and time period, as well as translating of capability and resources plans are very complicated. In my opinion, Hungary has to start thinking about how to adopt and to apply the NATO DPP in keeping with our government planning procedure and budgeting cycle.

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PLANNING PROGRAMMING BUDGETING EVALUATING SYSTEM ISSUES

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Abstract:

The Planning, Programming, Budgeting, and Execution (PPBE) is the process through which resources are allocated in order to provide commanders with the best mix of forces, equipment and support to accomplish their missions, all these being done within fiscal constraints. This is process based on the sequential steps of the generic rational decision-making process and it comprises four stages (planning, programming, budgeting, and execution) which overlap all along the cycle. The Romanian MoND has implemented this system with some modifications and adaptations to our country's specific, with the same purpose: to identify priorities and best allocate resources given within budgetary limitation.

PPBE system

The Planning, Programming, Budgeting, and Execution (PPBE) is the process through which the Department of Defense (DoD) allocates resources to capabilities considered necessary to accomplish the Department's missions. Moreover it is meant to provide Combatant Commanders (COCOMs) with the best mix of forces, equipment, and support attainable within fiscal constraints. Based on the anticipated threat, a strategy is developed. The requirements of that strategy are then estimated and programs are developed to execute it. Finally, a budget is developed to pay for the programs.

Although the process has evolved to be a very complicated series of planned events and documentation, PPBE is essentially rooted in the sequential steps of the generic rational decision-making process, borrowed from the modern scientific method of hypothesis testing:

- (a) Define the problem (reducing the complicated to a manageable dependent variable);
- (b) present all facts and assumptions bearing on the problem (what affects the variable);
- (c) develop courses of action (COA) to solve the problem (search for the independent variable);
- (d) select the best COA based on objective criteria for analyses (how to make the independent variable more powerful in a reproducible way);
- and, (e) implement and provide feedback (analyze the results and report in preparation for the next cycle).

PPB(E)S structure

The PPBES was originally the Planning, Programming and Budgeting System (PPBS), first implemented in the early 1960s by then-Secretary of Defense Robert McNamara. Later PPBS was modified to become the PPBES in the USA the PPBES process in its entirety is not exercised every year even though DOD must request funding from Congress annually. Planning and programming activities occur in even-numbered years (called “onyears”) while budgeting and execution activities occur in both on-years and “offyears” (odd-numbered years). In the off-years, Budget Change Proposals (BCPs) can be requested by programs or result from DOD review of program execution metrics.

The PPBS was a cyclic process consisting of three distinct, but interrelated, phases: planning, programming, and budgeting. These phases were sequential until 2001 when DoD began conducting the programming and budgeting phases concurrently. PPBS established the framework and provided the mechanisms for decision making for the future and provided the opportunity to reexamine prior decisions in light of the present environment (e.g., evolving threat, changing economic conditions, etc.).

The current PPBE process, which was established in 2003, retains most of the previous PPBS features; it added greater emphasis on execution of the budget authority provided by Congress in response to the DoD budget requests in the PB (President's Budget). Another change from PPBS is the decrease in the annual reviewing of decisions made in the prior year; instead, major reviews of funding requirements are made on a biennial basis and only minor changes are made in the following year. The idea is to do a more thorough, but less frequent, analysis and matching of resources against requirements, and to continuously evaluate whether individual programs are providing the expected benefits (i.e., greater emphasis is given to the evaluation of performance outputs than to budgetary inputs). This approach is expected to drive improved upfront resource allocation decisions.



PPBE summarizes forces, resources and equipments associated with DOD programs and it also summarizes the changes that take place. Major Force Programs (MFP) reflect the force mission at a bigger scale or a support mission of DoD and contain the resources necessary to achieve a broad objective or plan. They reflect fiscal time-phasing of mission objectives and the means proposed for their accomplishment. Each MFP consists of a number of program elements. The program element (PE) is the primary data element, the smallest allocation of resources. It generally represents a collection of functional or organizational entities and their related resources.

Overview of the process

Because the PPBE process is calendar-driven (i.e., there is a requirement that by a specified date a specified action must be accomplished, a specified event must occur, or a specified decision must be made), it is appropriate to view those required actions, events and decisions along a timeline. However, because some DoD appropriations are active several fiscal years rather than just a single fiscal year, and those required activities, actions, events and decisions overlap among fiscal years and calendar years, the timeline must be able to

accommodate both multiple fiscal years as well as those multiple events and activities that occur during those years.

PPBE – Planning Phase

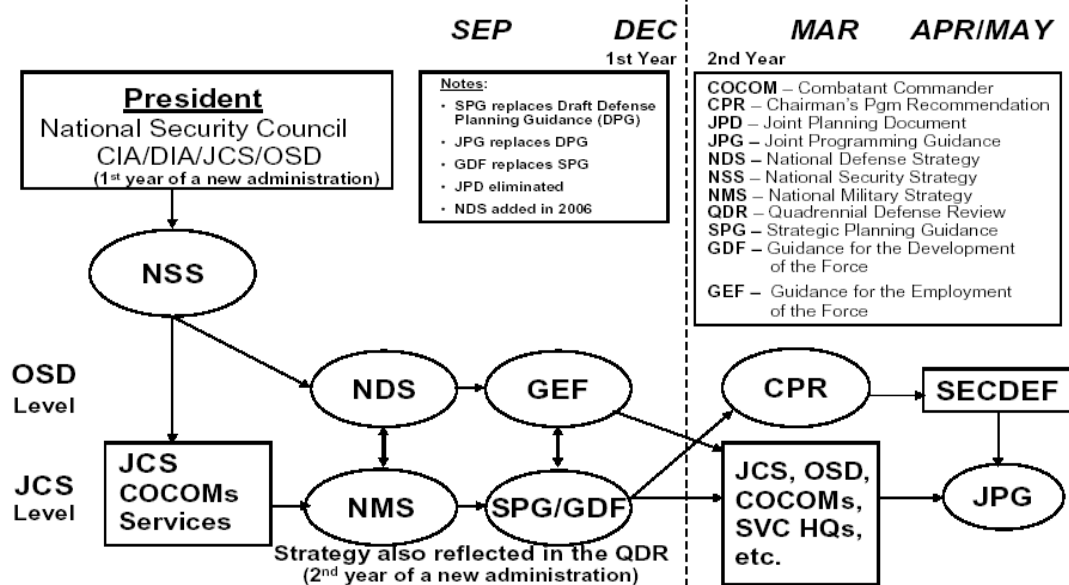


Figure 20 [4]

Planning is the first step in the DoD resource allocation process. This phase ends with the issuance of the Programming Guidance. The Planning Phase identifies the capabilities required to deter and defeat threats. It defines for the upcoming Programming Phase national defense policies, objectives, strategy, and guidance for resources and force requirements to meet the capabilities and objectives.

The purpose of the Programming Phase is to allocate resources to support the roles and missions of the Services (i.e., Army, Air Force, and Navy) and Defense Agencies. During the Programming Phase, previous Planning decisions, programming guidances are translated into detailed allocation of time-phased resource requirements which include forces, personnel, and funds. This is accomplished through systematic review and approval processes that "cost out" force objectives and personnel resources in financial terms for six years into the future. This process gives an idea of the impact that present day decisions will have on the future defense position. Each program manager will have to present a balanced allocation of available resources within specified constraints: Program Development.

PPBE - Concurrent Program/Budget Review

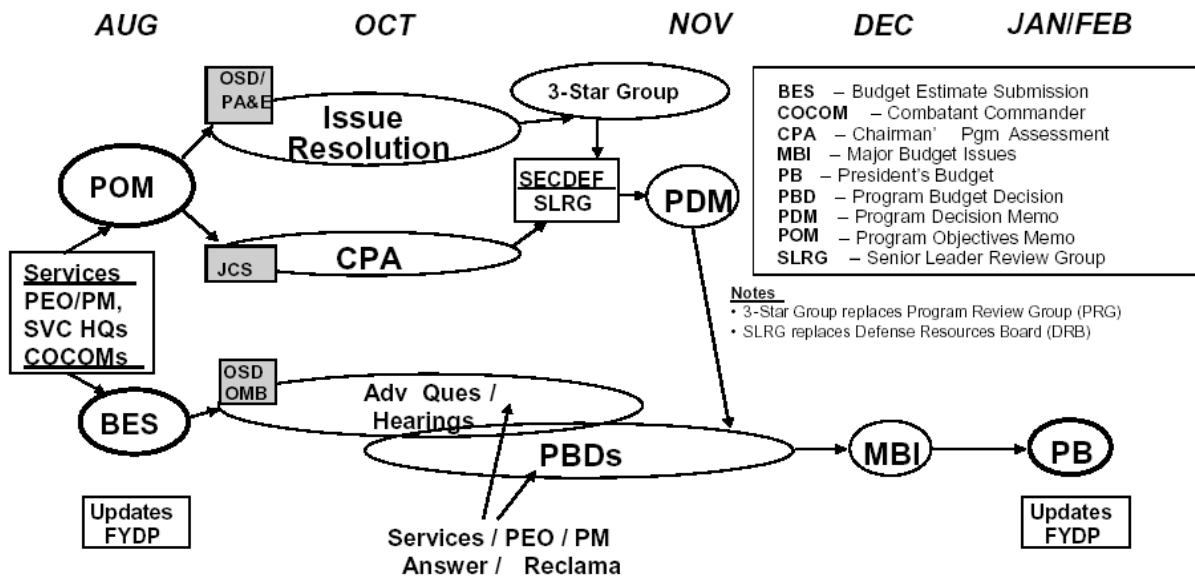


Figure 21 [4]

Program review and decisions

After submission of the proposals, they are reviewed and decisions are taken. The Budgeting Phase of the PPBE process occurs concurrently with the Programming Phase. Budget analysts conduct a review of the BES (Budget Estimate Submission) portion of the Components' submission done on proper budget justification and execution; however, the analysts also consider program alternatives being developed on the programming side.

Program change proposals (PCPS) and budget change proposals (BCPS).

Sometimes there appears the necessity to change certain things in the resource allocation for a program and to assess the performance of on-going programs. Now are made "Budget Change Proposals" (changed to "Fact-of-Life Changes" for the USA) and the "Program Change Proposals" (changed to "Change Proposal" for the USA).

Execution review

The final activity in the PPBE process is the Execution Review, which occurs concurrently with the Program and Budget reviews. The purpose of the Program Review is to prioritize the programs which best meet military strategy needs; the purpose of the Budget review is to decide how much to spend on each of these programs; and the purpose of the Execution Review is to assess what is received for the money spent (i.e., actual output versus planned performance). Performance metrics are being developed and used to measure program achievements and attainment of performance goals. Over time, these metrics will be analyzed to ascertain whether resources are appropriately allocated.

For Romania we have a different phase of the system called Evaluation in which programs are evaluated in order to compare planned performance against results to determine what went wrong and to give guidance for the necessary changes.

PPBES issues

Although this system was created to make things clearer and easier it seems to have failed in certain areas. If we compare the current process with the original intention of those who developed it we will see that was built around six "basic ideas":

- Decision-making based upon explicit criteria of national interest.

- This is a very useful idea, the only problem is that the criteria of national interest are hard to be defined.
- The simultaneous consideration of military costs and needs.
- But in the absence of clear guidance on either strategy or priorities, it is difficult to make meaningful decisions. In addition, what costs are the most significant and useful for decision-making: near-term procurement costs or longer-term life-cycle costs?
- The identification and consideration of viable alternatives to current programs.
- The creation of an analytical staff directly supporting the Defense Secretary.
- The projection of foreseeable forces and costs into the future.
- Again difficult to make due to the volatile environment (social, economic and military).
- Decision-making founded upon open analysis and debate.

Still this system has some advantages: for those who know the way it functions it offers a clearer image of the entire situation of the military organization; we can see which the main priorities of the military are or the amount of funds allocated for every activity in detail (starting from a program and going to the smallest program element). It also puts into relation planning with programming and budgeting taking into account the restrictions, the requests, the necessities and the priorities. It also offers the tools to evaluate the level of achievement of the planned activities and to discover what went wrong using performance indicators. If performance indicators are correctly created and applied when analyzing a mission/ activity they can tell very much about the way the activity was developed.

Still, the system is not perfect and its implementation in our country has some flows (some of them are caused by the differences between the in the administrative, economic and military organizations between Romania and the USA. Nevertheless, the system can be made to work after identifying the problems (differences).

In Romania, one of the problems that appear is created by the annual budgetary system. It is very difficult to plan on a long term when we have the annual budget formulation plus the long-term budgetary problems the country faces. Any budgetary process that cannot prioritize expenditures over medium term or which cannot make links between budgetary decisions in the current year and expenditure requirements in subsequent year will not be consistent in its actions and eventually will fail.

The introduction of a multi-year budgetary process could improve the situation in more ways:

- Perhaps the most important will be correction that will be done for a very old fiscal problem: the imbalance between the available resources and the government's expenditure commitments. Having a budget for a medium term period (2- 3 years) could help us analyze fiscal strategy issues and identify and obtain consensus on national priorities.
- A multi-year budget permits more easily reviews and prioritization of expenditure in comparison with the cutting which are done arbitrarily. In a few words multi year budgeting will increase the efficiency of public resources allocation.
- This type of budgeting can help project fiscal outcomes under alternative economic conditions, meaning that budget estimates can function as warning signals for policies which are incompatible with the medium term fiscal objectives of the government.
- Multi year budgeting provides stability and continuity to the budgetary process by using the current year forecasts as a starting point for the budgetary formulations for the next year.

An additional element to the multi annual budgeting could be performance based budgeting which signifies an attempt to quantify performance and to link resource allocation with performance. But, performance oriented multi-year budgeting cannot be successful without reforms in other supporting budget processes. The role of the central finance department has to change from generating estimates and resource allocation to providing budgetary guidance,

consolidation and evaluation of the estimates of the other departments (the line departments will generate their own budget estimate). Devolving more authority in the budget process will enhance accountability and transparency of the budget process. It is hard to correlate a multi annual planning and budgeting system with an annual planning and budgeting system.



Another problem is the huge amount of papers that have to be done during the entire process. Some of the papers are unnecessary or duplicates and unfortunately, due to their big number and very intricate flow some of the interested departments (offices) do not manage to see/ study them, do not have enough time or personnel to read and analyze them or receive them too late.

As we can see when researching this process one of the advantages it holds over other planning and programming systems is the possibility of having several alternatives to one course of action. When the situation prevents the unfolding of the activity the way it had been planned alternatives are always taken into consideration. Unfortunately, again due to the lack of time and personnel we do not have the possibility of analyzing them thoroughly and of choosing the most appropriate one considering all the restrictions and the new elements that appeared.

A positive element of the system, performance indicators, has been turned into something useless again due to the lack of personnel and time. Creating these indicators is not an easy job if you want them to be reliable and significant and they are very useful in the evaluation phase. Unfortunately they have been elaborated for very few activities and they are used for even fewer.



And as a last comment (though I am sure I have not exhausted the subject) we have another problem with money reallocation between programs, subprograms or program elements. We have Law 500 of the public finances which says that between programs we can reallocate sums up to 10% between budgetary chapters at the level of the main credit holder and 5% between programs (from the program to which the money goes). These reallocations can be made only starting with the third trimester of the budgetary year. To my opinion these limitations (especially among the elements of a subprogram or among the subprograms is very restrictive and it prevents and slows very much the achievement of the objectives (one subprogram could have money in excess and another could be very short of funds).

Conclusion

DoD uses the Planning, Programming, Budgeting, and Execution (PPBE) process to determine priorities and allocate resources. In the Planning Phase, the capabilities required to counter and defeat threats to national security are established and the forces needed to provide those capabilities identified. In the Programming Phase, these force requirements are prioritized and resources allocated to best meet the needs within fiscal, manpower, and force structure constraints. In the Budgeting Phase, the components and OSD scrub their programs to ensure efficient use of scarce budget authority. Finally, in the Execution Review, program output is assessed against planned performance to determine the best return on investment. The Programming, Budgeting, and Execution Reviews take place concurrently.

As every new system it is not perfect and it should not be taken for granted. It has positive and of course negative parts, this is why we should keep and put into practice what suits our organization and for the rest we should try to adapt to our specific in order to make the entire system work properly.

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CAPABILITIES BASED PLANNING – A NEW APPROACH TO PLANNING

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Abstract

Capabilities-Based Planning is a form of planning for everything that could happen. It addresses the environmental uncertainty we face by using a wide range of possible scenarios to bound requirements thus reducing the tendency to fixate on any one threat or set of conditions. Capabilities Based Planning aims to advise on the most appropriate force options to meet government priorities. The force options developed should meet strategic objectives, minimize cost and risk and comply with other constraints.

Lately we have been hearing a lot of discussions about capabilities and capabilities based planning. The trend now is to switch from planning against a clearly identified foe toward planning against a threat. The new planning process tries to link many disparate elements together in a process of strategic transformation - different from the process first initiated in the 1960s under Defense Secretary McNamara to build a new multi-year defense planning system. This is a very challenging process especially due to the tendencies bureaucracies and organizations have, to focus on their own specific task.

When talking about this new process we could start from the definition of the military capability: “The ability to achieve a specified wartime objective (win a war or battle, destroy a target set). It includes four major components:

force structure, modernization, readiness, and sustainability.

a. force structure--Numbers, size, and composition of the units that comprise US defense forces; e.g., divisions, ships, air wings.

b. modernization--Technical sophistication of forces, units, weapon systems, and equipments.

c. unit readiness--The ability to provide capabilities required by the combatant commanders to execute their assigned missions. This is derived from the ability of each unit to deliver the outputs for which it was designed.

d. sustainability--The ability to maintain the necessary level and duration of operational activity to achieve military objectives. Sustainability is a function of providing for and maintaining those levels of ready forces, materiel, and consumables necessary to support military effort.” [1]

The aim of the new type of planning is make the best use of capability type for more than one specific domain. Moreover most defense equipment is multi-role and thus contributes to several capability domains. This is why it is important to share the information elicited in one domain with the others and to prepare analysis using consolidated force development options when providing insights on the final force structure.

Capabilities-Based Planning is a form of planning for everything that could happen. It addresses the environmental uncertainty we face by using a wide range of possible scenarios to bound requirements thus reducing the tendency to fixate on any one threat or set of conditions.

“The United States cannot know with confidence what nation, combination of nations, or non-state actors will pose threats...decades from now. [A capability based strategy] focuses more on how an adversary might fight [and] requires identifying capabilities that the U.S. military forces will need to deter and defeat adversaries who will rely on surprise, deception, and asymmetric warfare” [2]

CBP differs fundamentally from other forms of traditional Capability Planning in two ways: first, it concentrates on what you need to do rather than what you have and second, it attempts to move away from suggesting solutions too early in the process.

Capabilities Based Planning involves a functional analysis of operational requirements. Capabilities are identified based on the tasks required, this is why first of all a capability inventory is required to be defined, and then we need to look for a most cost effective and at the same time the most efficient options which could satisfy the requirements.

After many years of thinking how to respond to a possible threat, Capabilities Based Planning (CBP) was developed as an alternative. It is also trying to break down traditional stovepipes and to offer more transparency and coherence. Capabilities Based Planning provides a rational basis for making decisions on future acquisitions, and makes planning more responsive to uncertainty, economic constraints and risk. For this type of planning we start by asking questions regarding *what we need to do* rather than *what equipment we are replacing*.



Capabilities Based Planning is a collection of processes and alternatives which are presented in comparison and which compete against each other, rather than working together, in order to produce the best recommendations for a decision. Here we need people who have the general picture of what is happening and what is really needed so that the trade off decisions would be the correct ones.

Capabilities Based Planning aims to advise on the most appropriate force options to meet government priorities. The force options developed should meet strategic objectives, minimize cost and risk and comply with other constraints. The basic idea is “planning under uncertainty to provide capabilities suitable for a wide range of modern-day challenges and circumstances while working within an economic framework that necessitates choice.” [3]

Capabilities Based Planning is output oriented, and derives its objectives from government guidance. Capabilities, or the ability to perform a particular task, provide the common framework used for relating and comparing disparate elements of a defense organization. CBP will analyze and take into consideration the way in which the force will fight. This generally takes the form of top-level doctrine. CBP wants to divide the organization into more manageable groupings, some standard groupings - capability clusters or capability partitions (domains) to

make the process easier. Then, the resulting capabilities are realized with what resources are available.

When CBP is properly done one it helps avoiding single-service stovepipes. The reason why this happens is the need to use systems and concepts from multiple services to achieve each capability. This joint work makes the decision-makers judge in a broader defense context of force goals rather than taking into consideration only their own service when making decisions. For example, it replaces questions such as “what options are there for new artillery?” with “how can we provide fire support to land forces?”.

At the end CBP should be a strategy for effective investment that develops and sustains the capability priorities identified through planning. The CBP starts with the governmental guidance, identifies capability gaps, looks for options and analyses them, and at the end comes up with an affordable investment plan.

When developing CBP there are two main groups to be considered: the decision-makers and capability developers, two groups who generally need different things due to their differing requirements.

Decision-makers belong to the defense leadership and government officials. They are the ones who make the decisions about trade-offs in defense capability development. They want to know how they can reach the strategic and what impact or risk will bring about their decisions upon defense.

Capability developers are those planners who are required to implement the chosen initiatives and projects. Their aim is to provide the best options to achieve capability goals and need to understand the way their options will interact with rest of defense capability.

CBP has many strengths:

- CBP is more suitable for a more diffuse and dynamic strategic environment;
- CBP makes the connection between procurement decisions and strategic goals and provides an audit trail;
- CBP moves away from determining equipment solutions too quickly; and
- CBP provides better information to defense decision-makers and defense capability developers.

When we set some capability goals we should base our determination on ensuring success (appropriately defined) even for the most stressing task facing a particular capability in a specific scenario. This way we can establish the maximum capability level required and reduce the number of goals that have to be developed and measured, for each capability. These goals will vary between different campaigns and over time.

The UK in their CBP process identified three classes of goals. The goals are:

Explicit - The goal which can be quantified from campaign analysis..

Implicit - The goal which can be defined in terms of capabilities required to ensure the course of events seen in a model (war game or campaign) and which could be followed, even though they may not actually be employed.

Enabling - The capability which enables an implicit or explicit capability and can be assessed only when the solutions to those capabilities are understood. (e.g. For a war fighting scenario, airlift capability would be an enabler because it helps and provides for the movement of combat and other assets to where they are required.)



The goals developed will be different from one type of scenario tested to the other; one capability could have an explicit goal in one scenario but for another scenario could be an enabling capability.

Very important in establishing the goals is to determine the level of aggregation to be used in the analysis. Higher levels of aggregation mean lesser goals and thus fewer assessments. These assessments will be analyzed using specific tools and subject matter expertise. Lower levels of aggregation result in more but simpler assessments, as the goals may be similar to requirement statements for individual systems performing single tasks. The risk with working at a lower level is that the presence of certain force elements or the need to perform certain tactical tasks may become an input assumption.

The following example illustrates the above issue:

Suppose that a capability domain scheme has a ‘sea control’ capability. A suitable definition for this capability might be to achieve a certain level of survivability for friendly maritime platforms within a scenario. This could be assessed, but would require some form of maritime campaign model able to capture the contributions and interactions of the range of force elements that would contribute toward survivability.

An alternative approach would be to break down ‘sea control’ into a set of less aggregated capabilities such as ‘track submarine’. However, doing so would presume an operational concept that requires submarines to be tracked and the presence of suitable assets (such as maritime patrol aircraft) in the deployed force. Although the lower level approach might be prejudging the operational concept it is likely to lead to simpler goals and easier assessments.



In the first case the goal, and associated metric, is likely to be complex. For example: *Force elements in area A to have probability of survival of B over duration C whilst subject to attack from surface, subsurface and air threats E, F and G.* This would require detailed analysis to evaluate.

In the second case goals would be simpler, for example: *Surveillance systems to have a probability of W of maintaining track on a submarine class X operating in area Y at a distance Z from friendly high-value assets.* The assessment of this goal will be easier to make and may be amenable to expert judgment. [4]

Capability Assessment

Capability assessment means comparing all the elements of the capability against the capability goals developed at various times in the future. When doing the assessment we should use the most suitable method available, which could include analysis, lessons learned and expert judgment.

It is important to assess capability from the present or near future to the distant future. This is to allow for changes in defense capability to be tracked over time and to determine when changes occur. There are nations practicing CBP who typically assess capability three or four times over approximately 15 years to strike the balance between excessive work and large gaps in the assessment.

Whether Capabilities Based Planning is better than the current planning processes remains to be seen. Still the strategic challenges will have to be not only defined but also capable of shifting overtime to reflect the evolving security environment. For the CBP process to be clear it is very important that each composing element to understand its role and place in relationship with the other CBP elements and their combination to attain and maintain a balance in the process.

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THE PLANNING PROGRAMING BUDGETING SYSTEM AND ITS IMPLEMENTATION IN THE SERBIAN MINISTRY OF DEFENSE

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Abstract:

The main purpose of introducing the PPBES to the Serbian Ministry of Defense and the Serbian Armed Forces is to provide a rational management of resources and to maintain and build capacity of the Ministry and the Serbian Armed Forces in order to achieve their goals, objectives and missions.

Expected results of implementation of the PPBES are reflected in increasing the efficiency and rationalization of the defense planning to a higher level, ensuring compatibility with defense planning and budgeting system of the state and developing a foundation for the effective management of defense resources.

Introduction

The current state of the defence system of Republic of Serbia defined ways ahead of its development, created necessity for conducting of completely different system of planning and financing the defence. Other countries experiences and determination of the political and military structures have influenced the Serbian Ministry of Defence to start with implementation of the planning, programming, budgeting and execution system (hereinafter: PPBES) in the year of 2010. Willing for implementation of such kind of planning and using available resources, comes from the desire to use them in best possible way, in order to avoid unnecessary overlaps between expenses and to reduce the costs to the level of available restrictive budgets. Reasonable way of using the recourses with adequate proportional allocation of budget appropriations has to fulfil the expectations previously created in strategic documents of Republic of Serbia. Precondition of successful implementation of PPBE system is creating the atmosphere for correct understanding of the processes by all the actors included in PPBES. This is especially dedicated to the top management of the MoD and the program managers throughout the Defence system.

As a system, PPBS emerged in USA, as attempt to establish control over the costs of armed forces in function of fulfils the goals, and to answer the question: "How much is enough?" Until the implementation of the PPBS, all the services in the US Army had been created their own budget proposals, which in time gradually, were increasing. In order to impose the control in such big system, PPBS inventor Robert McNamara requested from the services to create multiyear programs, which were translated into 5 years plans. Later, during the implementation of the programs, it become clear that there were no longer overlaps between the programs.

In time, system of PPBS has suffered important changes, and today looks different than in the beginning. On the other hand, today, it is based on few basic postulates:

- 1) Integral observing of functioning and development of all defence elements;
- 2) On-going process of planning and evaluation;

- 3) It is based on clear criteria's and objective analysis;
- 4) At the same time, concerning military needs and budget expenditures;
- 5) Making major decisions by choosing one of more possible solutions; and
- 6) Using multiyear planning in order to correct the results of the previous period and making correct decisions to the future.

Planning, programming, budgeting and evaluation can be seen as a process. Basic elements of that process are also phases of that process.

Planning, as a PPBES process concerns to the strategic environmental estimates, defines national security interests and objectives, and develops the way of there's achievement. Strategic environmental estimate, despite security challenges and threats, includes economical, technological, political and other trends. National security interests and goals are defined according to strategic environmental threats. The last version of National Security Strategy in Republic of Serbia has been adopted in the October of 2009. It has been a base for further development of strategic planning documents.

Programming in Republic of Serbia, as the base of PPBS process, has been developed on the force structure basis. Plans were transferred into corresponding structure with requested capabilities, considering available recourses. The result of programming is approved group of major programs which have to include all activities of the defence system in a specific time period.

Unfortunately, while the first steps have been done, budgeting has the bigger importance then it possibly could have. Restrictive budget, from year to year, affects creating of financial plan. Therefore, final goals have to be achieved according the budget capacities. The stress of budgeting phase of PPBES should be to convince competent political structure to approve resources which are necessary for executions of the major programs.

Execution is the last phase of PPBES process. Realization of that phase has to secure persistent implementation of the plans, programs and budgets, including necessary corrections during the implementation.

Implementation of the PPBES system has to adapt to the restricted resources. Also, managing the PPBES creates better conditions for efficiency improvement of all elements for accomplishing missions and objectives.

Planning Phase

The starting phase of PPBES is the planning phase, which identify long term goals of the defence system and creates long term documents for defence planning. This phase is based on long term studies and analysis, and has to respond which necessary capabilities have to be created in order to realize goals defined by strategic (long term) documents.

Long term Development Plan of the defence system of Republic of Serbia is document of defence planning in which are defined: strategic orientations for developing the defence system, necessary capability of Serbian Armed Forces (hereinafter: SAF), content and dynamics of organizational changes, development of human and material resources, financing the defence system, and other issues for increasing functionality of the defence system, according to its missions and objectives. Long term plan, in basic, consist of: introduction; strategic environmental estimates; long term goals and objectives for development; necessary capabilities of the defence system; assumptions for execution of the plan; way of following the process; conclusions and attachments. After concretization of the long term documents, middle term documents are being developed out of their concepts.

Middle term documents in Serbian Ministry of Defence are:

- Guidelines for creation of Middle Term Plan and Program for Development of the Defence System;
- Middle Term Plan and Program for Development of the Defence System;

- Middle Term Plan for Functional Plans (midterm plan for human resources, midterm educational plan, and midterm plan for logistics, IT, etc...).

According to the goals and objectives, determinate in the long term and middle term documents, short term documents are following some additional documents which are more detailed. Documents for short term planing are:

- Ministerial Guidance;
- Annual plans of functionalities in the defence system; SAF

Once completed planning phase, has to be transformed into major programs.

Programming Phase

Programming as the most complex phase of PPBES process has been developed using experiences of the other countries. In order to create adequate PPBES system, Strategic Planning Department of the Serbian MoD (hereinafter: SPD) narrowly coordinated with Defence Integrated Planning Directorate of the Romanian MoD. As a result, after necessary preparing, starting from the 1st January 2009, system of PPBES took its place in the Serbian defence system.

But, before I start with programming processes describing, I want to remind on few theoretical facts considering programming. Programming is a permanent iterative process in witch approved planning documents is transferred into major programs, subprograms, and subprogram elements for a specific period using available resources. It consists of range of activities with final goal to transfer strategic plans into specific details in order to execute them in a particular time. It is based on analysis of available financial resources, because of theirs direct correlation.

Programming is being used for the choice of best solution in order to achieve goals and objectives. The most important output of the programming phase is a group of major programs of the defence system. Major programs are one term management decisions which are helping to achieve the goals and objectives. They are important managerial instrument. In spite of their role in the planning process, they can offer also implementation control. By gathering the data of program execution, managers are able to impose corrective actions. Major program data can be used for Parliamentary control over the defence system.

Process of programming comprises two basic phases: 1) Developing the major programs and 2) coordination of the major programs. Even it has only two phases (excluding later reviews and reprogramming), it is a complex process, and phases have range of activities with many participants, witch usually have different attitudes and requirements. And by adding the time limitations, we can get the whole picture of its comprehensiveness.

Developing major programs begins with analysis of strategic documents, previously adopted in the planning phase. Such analysis is being made by Program Managers together with their own teams of specialists. During the analysis, the stress is on every separate goal of the program, including time tables, priorities and available resources. The result of the analysis is getting an idea about the goals witch have to be achieved by the programs and possibilities and limitations (constrictions) for their achievement.

After planning document analysis, Program Managers, trough the Defence Planning Council of the MoD (hereinafter: DPC), are defining requirements for development of different options of realisation of each goal had been previously defined. Program Managers guide their teams and indicate on problems could appear during executing phase. Also they signify the ways of solutions.

After receiving the requirements from program Manager, program coordinators, with their staffs, are preparing alternatives of realization of each goal of major programs in detailed analysis for all of them. They analyse every possible option from aspects of practicability, results they offer, costs they produce, in support of detail explanation for their advantages and disadvantages. After analysis of the options made by the teams of specialists, Program Managers

decide about the best options. The choice of the best option has to be based on defined instructions, practicability, capability level, costs they produce, and other relevant factors.

Developing of major program proposals is activity made by the program coordinator staff, after previously chosen best option for achieving the goals. Major program is in basic made of:

- Name of the major program and general data about program manager;
- Goals (general and specific);
- Expected results;
- Subprograms, projects and their activities;
- Assumptions and risks;
- Performance indicators;
- Testing means;
- Time schedule;
- Resources plan;
- Plan of revenues and expenses

Names and program managers are determined by the Guidelines for Developing Plan and Program of Developing Defence System. In case of changes, it is possible to add a new major program, by special decision of the Minister of Defence.

General and specific goals are defined for each major program. General goal describes goaled state of the defence system on witch major program contributes, but together with other major programs. Specific goal is the top result of major program implementation. Reaching the specific goals we are getting closer to the general goals.

Expected results are outcomes produced by the major programs. They are being determinate for all specific goals, and each project or activity based on program. When we determine expectations, it is necessary to determine timeframe for expected results.

Structure of the major program is hierarchic and complex. Major program has its own subprograms and subprogram elements, projects and activities. For all the activities, we have to functionality carriers.

Very important elements of the major programs are assumptions and risks. Assumptions are expectations that something is going to happen, and that action will support major program execution. Risks are possibilities that something could become an obstacle in program execution and to prevent reaching the goals.

Performance indicators are parameters witch role is to express the program results in measurable way (quantities, qualities...), in order recognize changes after program executing. Indicators make possible to follow the degree of realization and how successful are program activities.

Testing means are written materials (reports, studies, norms, etc.), which have objective indicators about the improvements. It is desirable for them not to require additional analysis and researches, due to lack of time and costs.

Time schedule gives dynamics of executing the major programs. Therefore, Program Manager has to be precise when he decides about goals in current year and in each year of the program.

Resource plan has all necessary data about resources (equipment, material, human resources etc.). Resource plan is in relation with time schedule and it is base for plan of revenues end expenses.

Plan of Revenues and Expenses consist necessary data about financial needs for executing the major programs, projects, and activities according to time schedule (by years). Base for creation of Plan of Revenues and Expenses, are activities and resources expressed in amounts of money. Expenses are divided into three groups: a) personnel expenses; b) operative expenses; c) investments. Revenues and expenses are expressed according to the Budget classifications for every program year and for the whole period. Dividing revenues and expenses yearly is the base for annual budget developing.

The second phase of programming is coordination of the major programs and functional carriers' plans. Responsible for that phase in programming is Strategic Planning Department (hereinafter: SPD) of the MoD. The first activity is major program analysis. As a result of that activity, SPD realises the correlation between major programs and Guidelines, and gather the data about the degree of possible realization of the goals determined by Guidelines.

After the correlating of the major programs, SPD determines issues for Defence Planning Council, which is the highest advising body for the Minister of Defence in planning area. DPC consider suggestions about major program proposals and gives the final decisions. After that, if necessary, program managers are organizing joint review and make corrections according to the DPC instructions.

After approval of the major programs by DPC, SPD prepares Middle Term Plan and Program for Defence System Development. Mid-term plan is being prepared every year. It consists of detailed plan for current year and projection for the next 1 (budget) + 5 (forecast) years. Basically, that document consists following elements:

- Short content
- Competency of the Defence system
- Long term goals of the Defence system
- Situation analysis
- Middle and short term goals of the Defence system
- Short review of the major programs and
- System of reviewing for executing the major plans and programs

Inclusive parts of this document are also: detailed review of all the major programs with programs projects and activities, matrix with major programs parameters, financial plans, used methodology, etc.

Process of building the Middle Term Plans is on going process thru the whole year. On the other hand, creation of the document, its correlation, and adopting by DPC depends on time limitations and budget calendar. After adopting made by DPC, the Minister of Defence, approves it. After its approval, implementation of the document becomes possible.

Relevant and efficient organization and coordination between programs is sometimes impossible during the common ongoing processes in the defence system. Therefore, adequate managing is precondition for successful business.

Budgeting phase

Budgeting phase is accurate allocating of the funds for each program for the fiscal year and should answer the question what amount of funds and the period in which the funds should be allocated to implement the tasks set.

Budgeting expresses financial needs for personal expenses, operative expenses and investments according to Defence Law, and for executing major programs during one fiscal year.

Budgeting activities at the MoD of Republic of Serbia are based on Budget system law, and Annual Budget law. Budget Proposal is being made for current and +2 forecast years, according to Annual Operational Plan.

Respecting the activities regulated by mentioned laws, the Defence System has its own procedures which are compatible with the time table for all budget users.

After adoption of Budget Memorandum on 01 of June, Minister of finance is issuing Guidelines for creating Budget proposals. On 01 of August all direct users apply their Budget proposals to the Ministry of Finance. At the beginning of October, Government, on Ministerial Proposal approves reviewed Budget Memorandum, considering updated macroeconomic frame. On 15 of October, Minister of finance sends to The Government Budget Proposal. On 01 of November Government receives and approves Budget Proposal and sends it to the Parliament. On 15 of December Parliament approves The Budget.

According to Guidelines of Minister of Finance for developing the Budget Proposal and Middle term Plan and Program, Department for Budget and Finance (hereinafter: DBF) of the MoD, prepares Guidelines for Financial Plan of the MoD. DBF sends Guidelines to the Program Managers and functionality carriers, organises and coordinates the activities, gives instructions and sends necessary elements for developing of financial plans proposals (guidelines, conclusions, criteria's, etc).

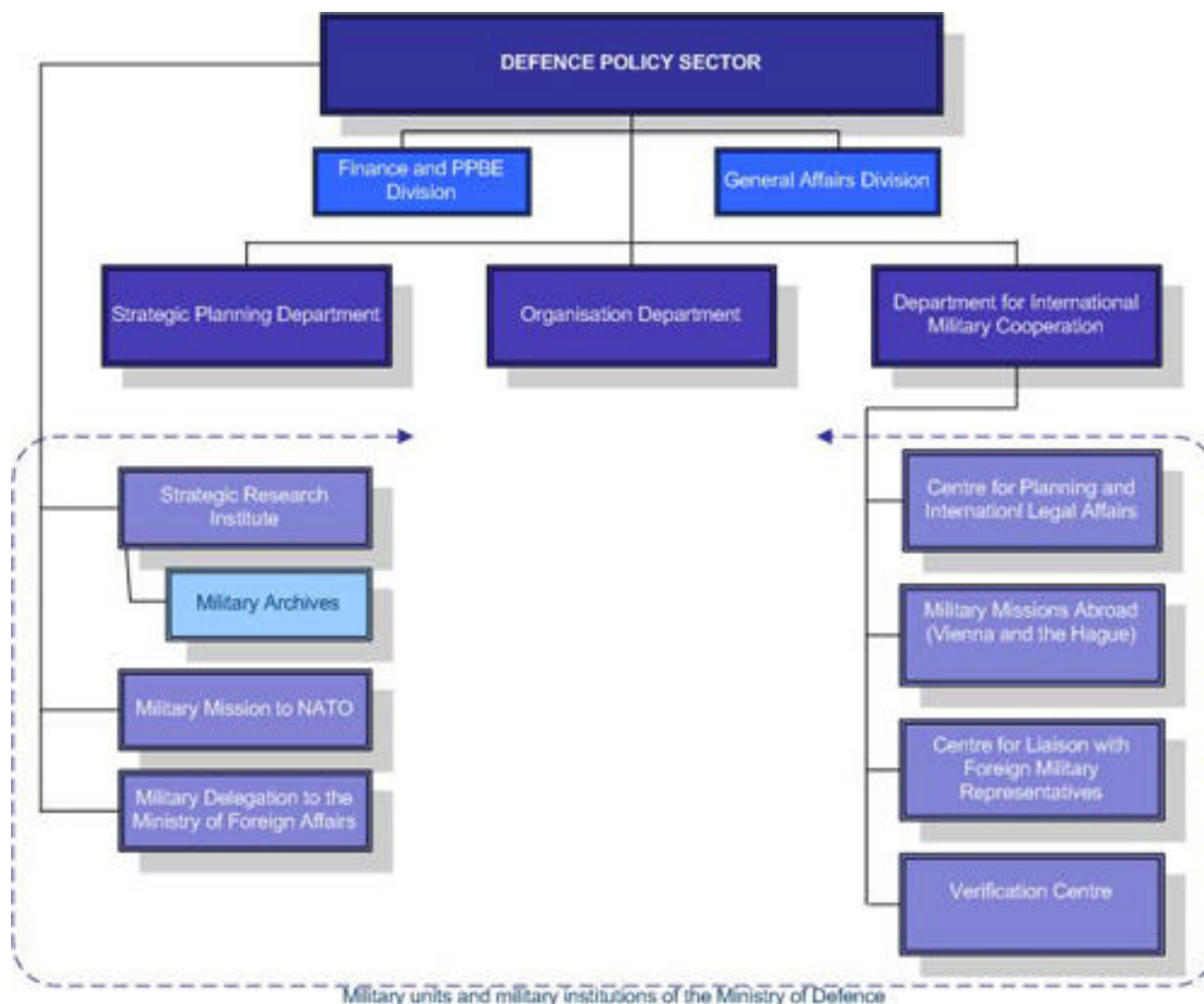


Figure 22 [1]

Functionality carriers at the MoD and SAF give the necessary data to the program managers for developing of Proposal of Financial Major Program. Department for Budget and Finance gathers all Proposals for all Major Programs, estimates the necessities and capabilities and develops Proposal of The Annual Financial Plan of the MoD. DBF's duty is to prepare the Proposal of The Annual Financial Plan of the MoD in time schedule according to regulations and to send it to DPC. For organization, and conduction of all the steps for developing of Proposal of The Annual Financial Plan of the MoD, responsible is Head of DBF. Program Managers are obligated to send their own Proposals to DBF according to time limits. For organization, and conduction of all the steps for developing of Proposal of Financial Plan of Major Program, responsible is Program manager.

Proposal of The Annual Financial Plan of the MoD with explanations and attachments, DBF sends to DPC not later then 20 of July in current year, in order to develop priorities and to develop Final Proposal of The Annual Financial Plan of the MoD.

Final Proposal of The Annual Financial Plan of the MoD, DBF sends to the Minister of MoD for approval not later then 25 of July in current year.

According to the Budget Law and approved Budget Classification amounts, DBF develops Financial Plan of MoD and sends it to the Minister of MoD for approval not later than 30 days from the day that Budget Law enters into power. Financial Plan of MoD expresses revenues and expenditures of MoD and SAF for current budget according to sources of revenues.

Execution phase

The executing phase involves implementing the planned activities according to the approved schedule and budget. After developing of the Financial Plan of Serbian MoD, DBF prepares Annual Ministerial Settlement for Serbian Ministry and SAF. Once that amounts are approved, the user (hereinafter: credit holder- beneficiary) can start with spending allowed amounts of money in order to achieve and realize its tasks and goals. Accounting jobs and all the payments in relation to the approved funds to carry out financial plans for users of funds, perform Accounting Centre of the Ministry of Defence (hereinafter: AC). Monitoring and control on budget execution are also being made by AC, which is, in fact, executive body of DBF of MoD. Finally, different kinds of reports are being prepared for all credit holders -beneficiaries and they get feedback from the AC (for all units). Credit holders - beneficiaries of the Ministry and SAF are responsible for the execution of its duties, making commitments, realization of incomes, payment of obligations created, recording the approval of funds and expenditures and reporting on the execution of financial plans proceed according to law.

The DBF of the Ministry of Defence, is required to plan cash flow liquidity funds of the Ministry, in accordance with the methodology and the deadlines prescribed by the Minister responsible for finance. The obligations taken by authorized persons in the Ministry and the Army must match the approved appropriation for its purpose for the budget year.

Material and beneficiaries of financial operations are being analyzed at least once a month at the level of user funds. According to the time schedule reports can be: Monthly, periodical and annual. They can be prepared according to: code numbers for credit holders, budget classification and according to sources of revenues. The subjects of financial analysis and financial operations are:

- Implementation of financial plan for the previous fiscal year period as follows; (degree of fulfillment of financial plans, ability to perform the tasks in relation to available resources, causes of deviations from plan level of incomes, etc.)
- State according to financial reports;
- other elements could be possibly important.

Based on the analysis of material and financial operations of ordering take appropriate measures to eliminate detected flaws in the business.

Conclusion

The main purpose of introducing the system PPBES to the Serbian Ministry of Defense and the SAF is to provide a rational management of resources and to maintain and build capacity of the Ministry and the SAF in order to achieve their goals, objectives and missions.

Expected results of implementation of the PPBES are reflected in increasing the efficiency and rationalization of the defense planning to a higher level, ensuring compatibility with defense planning and budgeting system of the state and developing a foundation for the effective management of defense resources.

The PPBES enables decision makers to see the consequences of their decisions in the future and to assess the organization's progress toward established goals. In the process of PPBES focus is on the results of the program, expressed the effort to increase the effectiveness of programming and budgeting process and a great emphasis is placed on budget execution.

The main objective of the process of PPBES is to provide the best force structure, equipment and support within the limited resources.

The PPBES can be seen also as a system that has its own structure and rules of operation, on going process which consists of phases: planning, programming, budgeting and execution. It is basic system for managing resources within the MoD which includes defining: goals and objectives at the defence system level, specific objectives for each major program, determining program priorities, ways of their realization, allocating resources, assessing the actual results compared to planned performance and taking corrective action.

The first steps of the PPBES have been done, with trully believe in its success.

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THE DEFENCE PLANNING SYSTEMS AND THEIR IMPLICATIONS

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Abstract:

Defence planning in the Alliance is a fundamental element of the arrangements which enable its member countries to enjoy the crucial political, military and resource advantages of collective defence and other common military efforts to enhance security and stability. In this respect, the aim of this paper is to outline the role of the Armed Forces and the specific processes aiming to achieve the ultimate goal of a nation regarding national security, with focus on defense planning and the PPBS.

The implications of NATO and National Defence Planning Systems focusing on the Armament developments

National security is the requirement to maintain the survival of the nation through the use of economic, military and political power and the exercise of diplomacy. Measures taken to ensure national security include:

- using diplomacy to rally allies and isolate threats
- marshalling economic power to facilitate or compel cooperation
- maintaining effective armed forces
- implementing civil defense and emergency preparedness measures (including anti-terrorism legislation)
- ensuring the resilience and redundancy of critical infrastructure
- using intelligence services to detect and defeat or avoid threats and espionage, and to protect classified information
- using counterintelligence services or secret police to protect the nation from internal threats

Dealing with defence planning I would like to focus on the role of the Armed Forces and the specific processes aiming to achieve the ultimate goal of a nation regarding national security.

Let's see what the definition of that phenomenon is? *‘The armed forces of a country are its government-sponsored defense, fighting forces, and organizations. They exist to further the foreign and domestic policies of their governing body, and to defend that body and the nation it represents from external aggressors.’ [1]*

What to do next, if we have clear goals, objectives, we have the tools, which are the Armed Forces? We should structure the challenges, the goals, the objectives, the tools and the required resources into one process, which is called Defence Planning. We can do that nationally, or participating in a defence organisation, it does not matter, the end of the day this very important activity should be done.

NATO Defence Planning Procedure (NDPP)



There exists an organisation called NATO which was made up of many different Nations and, in an attempt to find out what resources amongst these Nations so that it could better prepare for all eventualities, it invented a process called ‘Defence Planning.

Defence planning in the Alliance is a fundamental element of the arrangements which enable its member countries to enjoy the crucial political, military and resource advantages of collective defence and other common military efforts to enhance security and stability. It prevents the re-nationalization of defence policies, while at the same time recognizing national sovereignty.

Aim of NDPP

To provide a framework within which national and Alliance defence planning activities can be harmonized to meet agreed targets in the most effective way. It should facilitate the timely identification, development and delivery of the necessary range of forces that are interoperable and adequately prepared, equipped, trained and supported as well as the associated military and non-military capabilities to undertake the Alliance’s full spectrum of missions.’[2]

The process consists of 5 steps

1. Establish Political Guidance
2. Determine Requirements
3. Apportion Requirements and Set Targets
4. Facilitate Implementation
5. Review Results

Although basic process is cyclical, some elements can occur at different frequencies and Step 4, exceptionally, is a continuous activity.

Previous Defence Planning Process was a cyclical process with three major stages (Figure 20):

- The Defence Requirement Review (DRR) to determine the required capabilities and subsequent shortfalls,
- The Force Goals (FG) process that apportioned goals to Nations (or to NATO organisations and looked for common funded solutions);
- And the feedback element, the Defence Review using Defence Planning Questionnaire (DPQ)

This Defence Planning Process dealt with mid-term capability requirements (2 to 10 years).

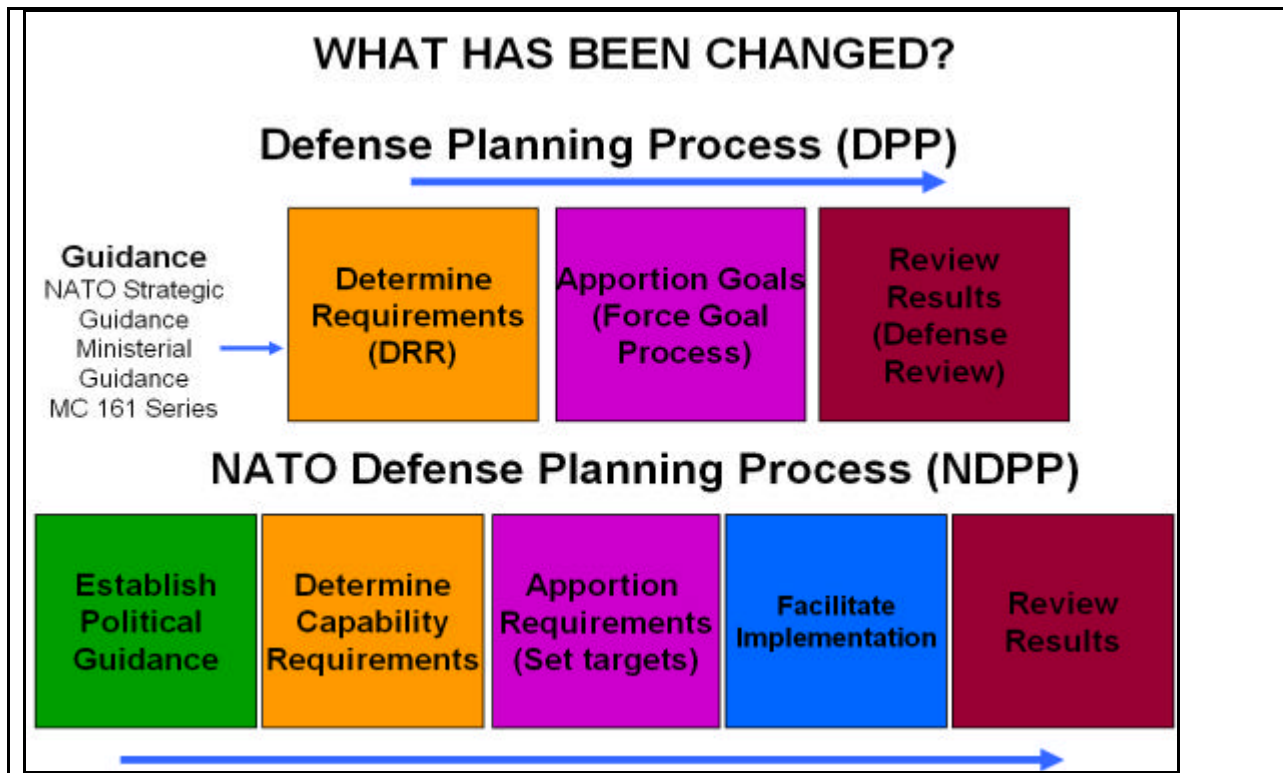


Figure 23. - The old and the new NATO Defence Planning Procedure

The “old” Defence Planning process had several deficiencies. The most important had to do with inconsistent application of guidance in the different planning disciplines and domains, lack of oversight and control, lack of responsiveness to ongoing operations, lack of sufficient harmonisation and coordination between the different planning disciplines.

To resolve these shortcomings, the NATO Defence Planning Process has been developed and was agreed in Apr 2009. The Outline Model of this NDPP consists of five main functions or steps which are generally sequential and cyclical (4 year cycle with bi-annual elements) in nature (Figure 21.):

- **Step 1:** Establish a single top level political guidance;
- **Step 2:** Determine on this basis one set of required capabilities as input for all defence planning domains;
- **Step 3:** Apportion the requirements and set targets to nations, individually, multi-nationally or collectively.
- **Step 4:** Facilitate the implementation. This is a continuous activity which seeks to acquire the required capabilities by monitoring and encouraging national implementation, by facilitating and supporting multinational implementation and by executing collective implementation.

- **Step 5:** Review the results. This seeks to examine the degree to which the requirements have been met, to assess the ability of NATO to meet its ambitions, and to offer feed-back and direction for the next cycle of the Defence Planning Process.

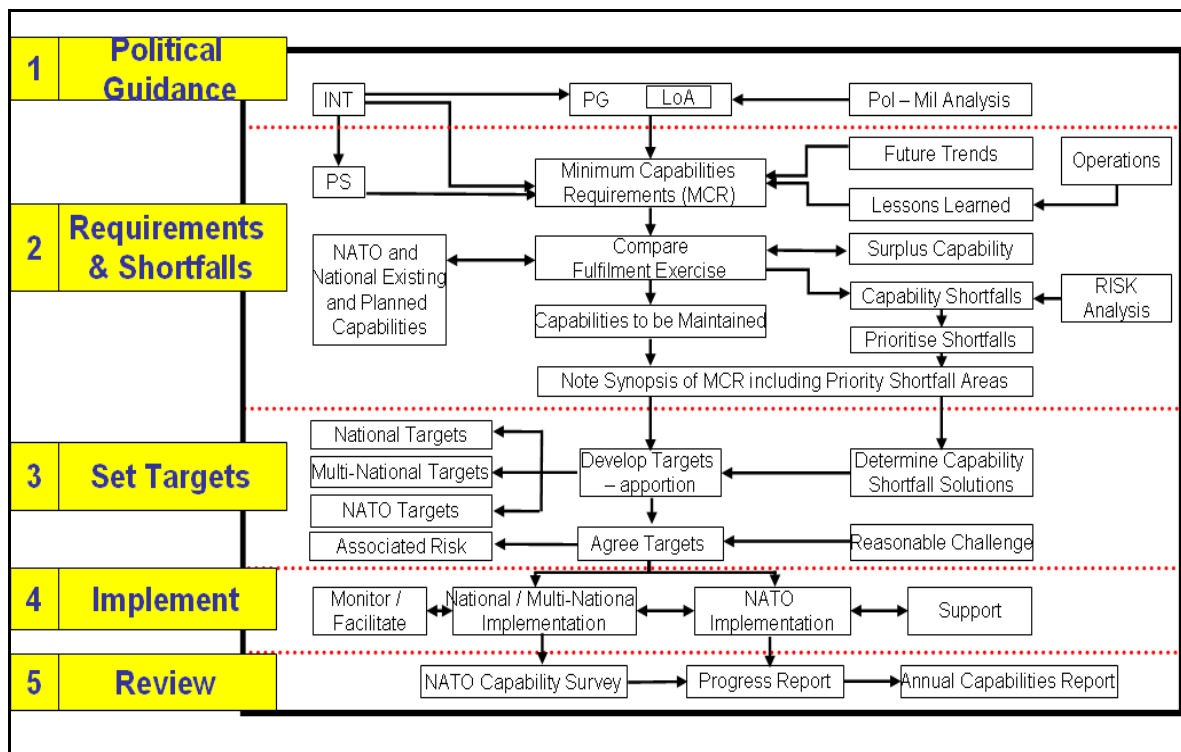


Figure 24 – The (new) NDPP

The NDPP focuses on mid and longer term capability development, and remains responsive to urgent requirements from current operations.

Generally speaking, the aim of defense planning is to provide a framework within which national and NATO defense-related planning can be harmonized so as to meet the Alliance's agreed requirements in the most effective way. In other words, defense planning seeks to ensure that the Alliance has the requisite forces, assets, facilities and capabilities to fulfill its tasks throughout the full spectrum of its missions in accordance with the Strategic Concept. As such, it covers both NATO's own capabilities and those of Allied countries.

In specific terms, defense planning encompasses seven different planning disciplines. There are three primary disciplines: force, resource and armaments planning; and four supporting disciplines: logistics, nuclear, C3 (consultation, command and control), and civil emergency planning.

Defense planning is also related to other disciplines, such as air defense planning, standardization, intelligence, operational planning, and force generation. Most of these disciplines are conducted with the participation of all Allies, under the aegis of the North Atlantic Council and the Defense Planning Committee.

The defence planning disciplines

- **Force planning**

Force planning deals specifically with providing NATO with the forces and capabilities from members it needs to execute its full range of missions, in accordance with the Alliance's Strategic Concept. In essence, it seeks to ensure that Allies develop modern, deployable, sustainable and interoperable forces, which can operate abroad with limited or no support from the country of destination.

The force planning process is based on three sequential main elements, namely political guidance, planning targets and defence reviews. Political guidance sets out the overall aims to be

met, including NATO's Level of Ambition that establishes in military terms the number, scale and nature of operations that the Alliance should be able to conduct. Planning targets include both a detailed determination of Alliance requirements and the setting of implementation targets to fulfill those requirements. Defence reviews provide a means to assess the degree to which the planning targets are being met.

- Resource planning

The large majority of resources are national. NATO resource planning aims to provide the Alliance with the capabilities it needs, but focuses on the elements that are joined in common funding, that is to say where members pool resources within a NATO framework. In this regard, resource planning is closely linked to operational planning, which aims to ensure that the Alliance can fulfill its present and future operational commitments and fight new threats such as terrorism and weapons of mass destruction.

There is a distinction to be made between joint funding and common funding:

- Joint funding covers activities, managed by NATO agencies, such as the NATO Airborne Warning and Control System and NATO pipelines;
- Common funding involves three different budgets: the civil budget, which covers the running costs of NATO headquarters; the military budget, which essentially covers the running costs of NATO's integrated military command structure and the NATO-wide communication and air defence networks; and the NATO Security Investment Programme (NSIP) that covers core NATO-wide investment requirements for communication systems, air defence systems and core networks of airfields, fuel supplies and command structures. The military budget and the Security Investment Programme also support the theatre headquarter elements of crisis response operations.

Relatively speaking, these budgets represent a small amount of money, but they are key for the cohesion of the Alliance and the integration of capabilities. NATO's military common-funded budget represents 0.3 per cent of the combined defence budgets of Allied members.

- Armaments planning

Armaments planning is one of the main constituting elements of NATO's defence planning process. It aims to support the Alliance's military and political objectives, as well as its capabilities, and focuses on the development of multinational (but not common-funded) programmes. It does this by promoting cost-effective acquisition, co-operative development and the production of armaments. It also encourages interoperability, and technological and industrial co-operation among Allies and Partners.

- Logistics planning

In NATO - as is the case at a national level - logistics planning is an integral part of defence and operational planning. It aims to identify the different logistics capabilities that need to be acquired by members and NATO to support the NATO and national Level of Ambition.

- Nuclear planning

To preserve peace and prevent coercion and any kind of war, the Alliance will maintain for the foreseeable future an appropriate mix of conventional and nuclear forces based in Europe. Both elements are essential and cannot substitute one for the other.

- C3 planning

The effective performance of NATO's political and military functions requires the widespread utilization of both NATO and national Consultation, Command and Control (C3) systems, services and facilities, supported by appropriate personnel and NATO-agreed doctrine, organizations and procedures.

- Civil emergency planning

NATO civil emergency planning is a small scale, but relatively wide-ranging activity that touches on different aspects of civilian and military planning and operations. Its main roles consist of civil support for military and crisis response operations, support for national authorities in civil emergencies and the protection of civilian populations. It also focuses on improving civil preparedness for possible attacks with chemical, biological, or radiological

agents. In sum, civil emergency planning aims to coordinate national planning activity to ensure the most effective use of civil resources in collective support of Alliance strategic objectives.

- Related disciplines

There are a number of other related disciplines, which are closely linked to the defence planning process. These include air defence planning, standardization, intelligence, operational planning, and force generation.

The facts

Basically, the things mentioned above are the theories, but what is the reality, what are the facts?

- Currently there are not enough qualified Defence Planners,
- Multiple functionally integrated task forces working in parallel under different lead (cross staff working method)
- No experience, have to redefine all products
- Need to develop a common understanding
- No additional staff resources

The short introduction of the PPBS

To link the NDPP with national systems, let's analyse a little bit the idea of PPBS. Why is it, what can we do with the help of this kind of system and what can be the results of using that?

The aim of PPBS

There are 3 broad purposes of a planning, programming, budgeting and executing/evaluating system.

Firstly, it should identify what forces and capabilities are needed (planning), determine how and when they will be acquired and what that will cost and ensuring they can be afforded (programming) and allocating appropriate funds (budgeting), then assessing the implementation and in case of any malfunctions making modifications (evaluation/execution).

Secondly, it should also ensure that best use is made available resources.

Thirdly, it should demonstrate to elected representatives and individual citizens that taxpayers money devoted to defence is both necessary and will be spent appropriately and wisely.

The planning phase

The planning process involves determining the defence capabilities one needs and comparing this to current capabilities to assess shortfalls. It should proceed from the general to the detailed. The starting point needs to be development of a Foreign & Security Policy Framework, which provides an assessment of national interests and commitments, for example, arising from membership of international organisations together with threat assessment covering both current and future threats and one's broad security priorities. The production of this Strategy will usually be a responsibility of the Government as a whole, probably coordinated by the Foreign Ministry. It will usually be produced through a formal review and may involve consultation with academic institutes and other experts outside Government as well as other Ministries. It may be informed by some form of 'SWOT' analysis (analysis of one's strengths, weaknesses, opportunities and threats). SWOT analysis most commonly used to develop corporate strategy but is also appropriate for developing National Security Strategy (NSS).

The NSS will inform two further planning foundations. Firstly, the development of broad defence missions or objectives and more specific military tasks. The latter will usually comprise the following elements:

- Peacetime security and aid to civil powers
- Territorial defence and deterrence

- International peace support and humanitarian operations
- Commitments to allied countries
- war fighting

Secondly, the National Security Strategy, together with accumulated military experience, will inform the Defence Doctrine or Military Strategy. These two foundations will determine the assessment of the level of forces required in terms of their type, scale, capabilities and readiness making assumptions about the duration of specific operations and their concurrency (how many operations may need to be undertaken at the same time). This provides the bases for more detailed analysis of required forces and capabilities in terms of manpower, training, equipment, logistics, infrastructure and force structure. One can then assess shortfalls against requirements by comparing with current forces and capabilities. This is essentially what `gap analysis` is. This then leads into the programming phase.

Until this stage it was not mentioned of consideration of economic and financial constraints. These are usually confronted only in the programming and budgeting phase. However the finance/economic experts will normally have some input the development of the overall NSS. They will want to ensure that this takes account of the national economic position and prospects. There is no point in developing an ambitious security policy which the country cannot afford and then much later having to reconcile a military wish list of required forces and capabilities with insufficient budget provision.

The culmination of the planning process is the Defence Planning Guidance (**DPG**), issued by the Minister of National Defence. Generally, the Defence Planning organisation is responsible for drafting the documents, together with inputs from the General Staff, the Services and other structures involved in the defence planning area. DPG constitutes the legal and policy grounds for the MoD specialized structures, plans the force structure and capability, matches resources to objectives, and sets out policies and sectorial programs. The DPG covers always the timeframe for which a strategic plan will be developed. Since this DPG is not detailed enough, the PPBS instructions should be developed and addressed to the planning entities. This will be the real link between the planning and programming phase.

The programming phase.

The programming phase involves the development of a costed and affordable programme for acquiring the individual capabilities identified in the planning phase. In contrast to the planning phase it needs to proceed from the detailed components (equipments, manpower, and infrastructure) to the comprehensive. Also, instead of being a sequential process proceeding from one stage to the next one need to consider individual components in parallel and address the linkages and trade offs between them. There will be some programmes which will need to complement each other (the acquisition of particular equipment will require manpower to use it and to support and maintain it and infrastructure to accommodate the equipment and necessary spares and logistic support). In other cases one programme may substitute for another (the acquisition of new equipments with a smaller crew and easier and cheaper maintenance may allow front line manning levels to be reduced and cutbacks in logistics).

The programming phase is perhaps the most critical and central to defence resource management. It provides the link between the plan and the budget and Is the process by which one reconciles one's defence aspirations with economic and financial constraints. It is also the phase at which one seeks to optimise for money.

Defence is a long term business. We would expect most, if not all, of the major defence systems we acquire today to still be in use in twenty years time. Such systems are extremely expansive. The acquisition of new and replacement fighting equipment will thus have to be phased over a considerable number of years otherwise one would have very dramatic fluctuations in the defence budget from year to year. One can hardly expect the Government to shut all the hospitals for a year to enable the Defence Department to buy new Armoured

Personnel Carriers and helicopters. The defence programme will thus need to cover a long time horizon, commonly 10 years, much longer than the overall Government budget covers.

This phase has as an output the issuing of defence programmes. According to the actual PPBES instructions, the program structure can be formulated on a force structure based, or on a mission based, perhaps a mix of the two ones.

Each program should have a program manager responsible for leading the activities and managing this area of work.

Within the context of the PPBES, a program represents the integration of tasks and events to be performed if a specific element of a plan is to be achieved, and the employment – according to a detailed schedule – of financial, human and material resources to their execution

The budgeting phase

Budgeting is the third phase of the PPBES. The budget expresses the financial requirements necessary to support approved programs that were developed during the preceding phases of planning and programming. It is through the budget that planning and programming are translated into annual funding requirements.

The budgeting phase is completed when the budget is approved by the Parliament. At the end of each year the accounts will need to be audited. This will usually be carried out by an organization that is independent of the Executive and reports directly to the Parliament.

The execution/evaluation phase

The execution reviews occur at the same time as the program and budget reviews.

The execution review provides feedback to the senior leadership about the effectiveness of the budget. During this last phase of PPBES, program metrics are developed throughout the process and they can help measure actual output versus expected performance.

If the program can not reach the desired goals and objectives, then the execution review may lead to recommendations to adjust the budget or program so it does make those goals.

Frequency and timing of the overall process.

The budgeting process will normally need to follow an annual cycle. As well as being the means of allocating overall Government spending to individual programmes it is also, along with decisions about taxation, an instrument for managing the economy at the macro level. It may be appropriate to tie the defense programming process into the budget process by also making this follow an annual cycle. It will usually be necessary to at least review the program on an annual cycle.

The planning process usually needs to be completed fully far less frequently. It reflects to the NSS of the Government and needs to take account of the state of the world. It thus needs to be revised only where there is a significant change in the country's foreign policy, possibly following a change of Government or where there is a major change in the external environment.

After this short summary of the PPBS activities, now it is the high time to turn a little bit into the national implementation of these theories. In the next chapter I will summarize the specification of the Hungarian Defence Planning System.

The Hungarian Portfolio Defence Planning System (PDPS) - The background

The Portfolio Defence Planning System was launched for trial in 2004, and introduced in 2005. Since then the System has been developing with success but it is not finalised yet. It is still undergoing significant transformation as well as the collective defence planning procedure.

Theoretically the structure of the defence system has been built up as it can be seen in figure 3.

The National Security Strategy and the National Military strategies provide the solid basis for the development of Military Strategic Concepts. This is a very good approach since

from the global situation, through the specific goals and objectives we can go to the specific tasks and missions necessary to plan in response to the challenges.

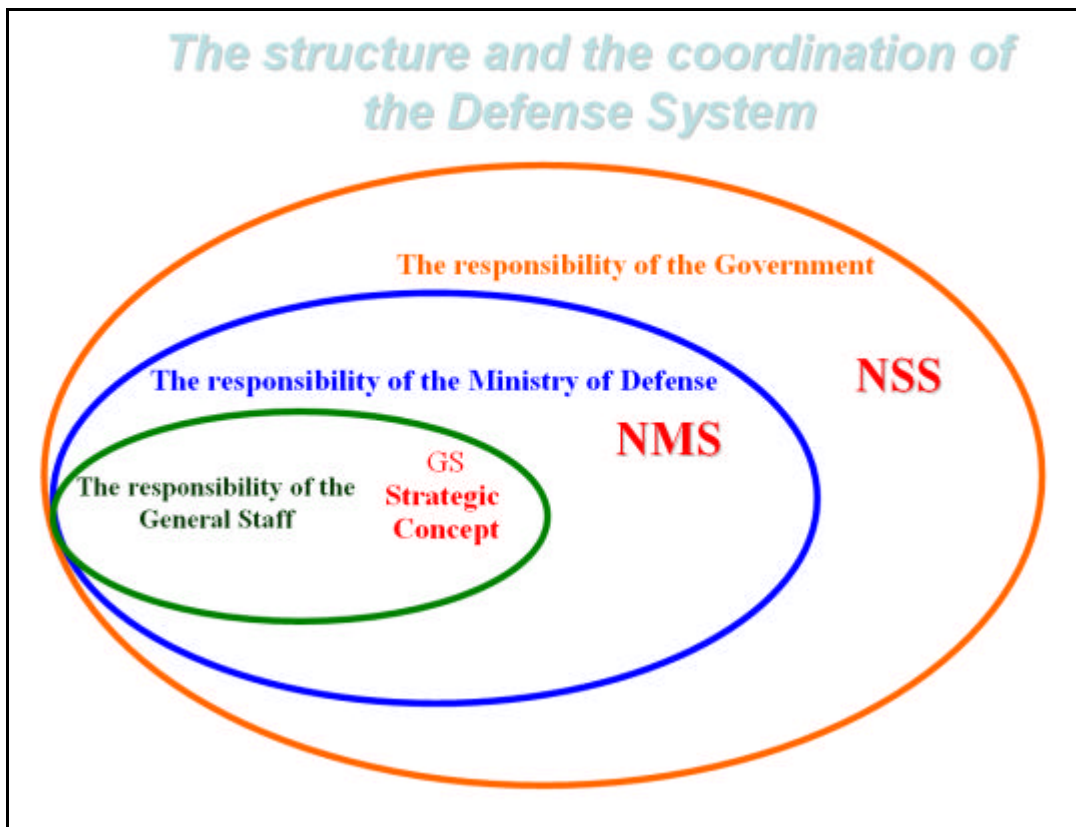


Figure 25– The structure of Defence Planning System

The main goals of introducing the System was:

- To harmonize the planning process from Strategy to Budget;
- To integrate the capability (military) and economic planning;
- To enhance the effective allocation of resources;
- Identification of the necessary long-term requirements to the HDF and NATO.
- Restructuring of the armed forces in such a way, that it will provide a more cost effective sustainability and to support the development of the planned capabilities for the HDF.
- Focusing on the programs, which improve the life- and working conditions.
- Focusing on the establishment of an advanced, expeditionary force by developing the new capabilities. Pushes capability improvements in order to meet the requirements.
- Also taking attention for the niche capabilities in order to reduce the shortfalls of Alliance.
- One of our most important goals is to contribute to peace-support operations more effectively by concentrating forces according to our interests and meeting greater professional challenges.
- Enhances interoperability mainly for the contributed forces in order to meet the due requirement of NATO.

Objective of the PDPS is to develop and maintain a deployable and sustainable defense force in accordance with basic security and defense policy documents.

Mission of the PDPS is the long- mid- and short-term planning of the development, operation and maintenance of required military (defense) capabilities.

The structure of PDPS

The PDPS has four pillars: the Strategic Guidance Subsystem, the Capability- and Mission Planning Subsystem; the Resource- and Cost Planning Subsystem; and the Budgetary Planning Subsystem. (Figure 23)

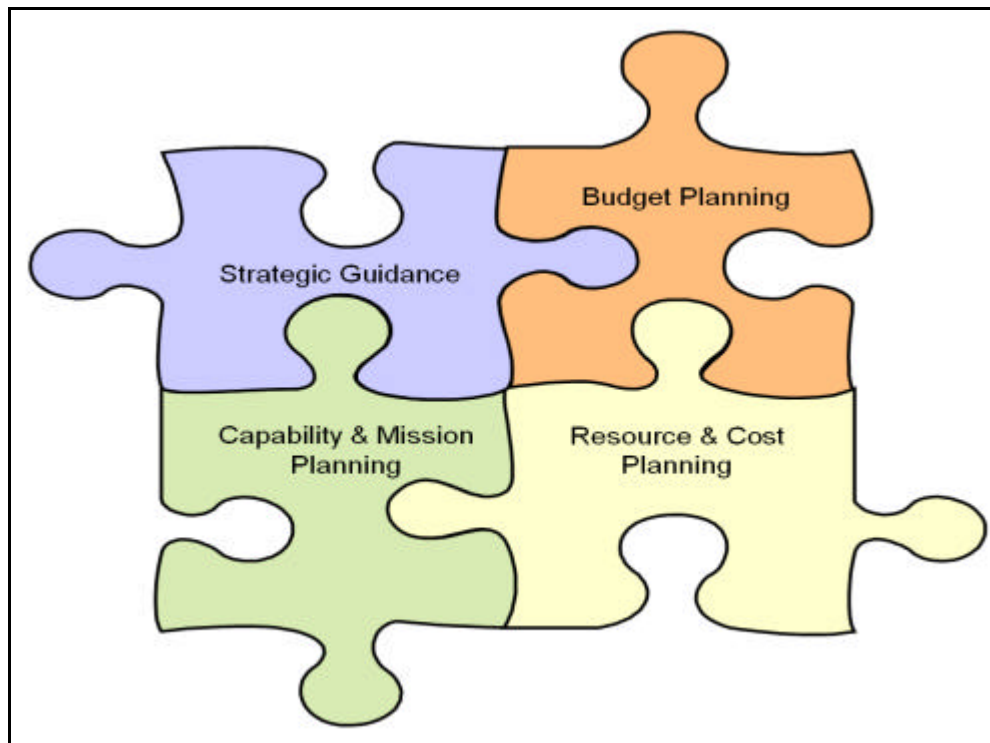


Figure 26– The structure of PDPS

The Strategic Guidance Sub-system provides political guidance as a basic input for the definition of required military capabilities, summarizes requirements for the forces, and prioritizes capability-requirements based on the Government's objectives. This sub-system produces Hungary's level of ambition for participation in military missions and issues the Ministerial Guidance for Defense Planning.

The Capability- and Mission Planning Sub-system is responsible for the short-, mid- and long-term force planning; the development of capabilities required by missions and tasks. This sub-system identifies force structure and operational requirements, and elaborates mission- and capability indicators required for resource planning. In co-operation with the Strategic Guidance Sub-system, this sub-system elaborates options for force development and armament and equipment programs required for capability improvements.

The Resource and Cost Planning Sub-system is designed for costing of options elaborated by the Capability- and Mission Planning Sub-system, and for allocation resources to the whole spectrum of activities of the defence portfolio. During this process, the sub-system, in cooperation with Strategic Guidance and the Capability- and Mission Planning Sub-systems, strikes a balance between the available and required resources.

The Budget Planning Sub-system is designed for deriving the yearly budgets based on the approved short- and long-term force plans; to form the mission oriented budgetary needs to budgetary estimations, to prepare the budgetary presentation for the Parliament, to pursue backward planning based on the budget appropriations of the portfolio and documentation of the execution of the approved budget. A further task of the Sub-system is the supervision of elementary budgets, and planning of budgetary provisions of tasks under the authority of the Sub-system.

Management of the Portfolio Defence Planning System

Operation of the Strategic Guidance Sub-system is supervised by the State Secretary for Defense Policy, and is the responsibility of the MoD Department for Defense Policy.

The work of the Capability- and Mission Planning Sub-system is supervised by the Chief of Defense Staff and is the responsibility of the MoD Force Planning Department.

Operating the Resource and Cost Planning Sub-system is controlled by the State Secretary for Defence Planning & Infrastructure and is the responsibility of the MoD Defence Planning Department.

The Budget Planning Sub-system is controlled by the State Secretary for Defence Planning & Infrastructure and is the responsibility of the MoD's Economic and Financial Agency.

The defence planning process:

The theoretical process can be seen in Figure 24.

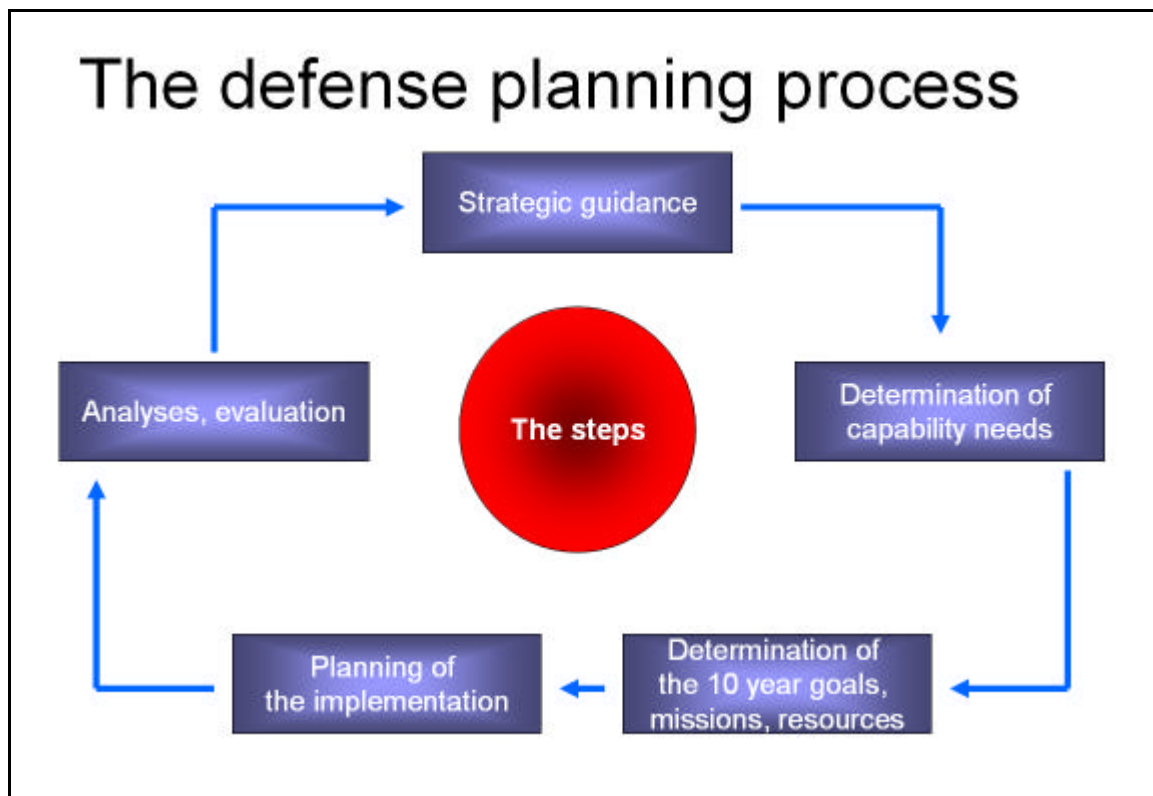


Figure 27– The process of PDPS

Strategic guidance:

It contains the national and alliance expectations, goals and objectives for the defense and for the necessary forces. It is really general in term of long term period, but very specific regarding the guidance for the planning period, which is currently a 10 year period.

Determination of capability needs:

The determination of the military capability needs will be the bases for the establishment of the capability development directions and objectives. It takes into account the current state of the Armed Forces and the ongoing development processes. The output of this phase is the Proposal for the capability development for the Armed Forces. Ideally this proposal should contain the suggestions for the plans of the capability/organization development, its main tasks, priorities, timing and proposals for programs and the necessary resources.

Determinations of the 10 year goals and the necessary resources:

The development of the plan is executing in two phases. During the first phase the design of the plan is developed with different kind of options. The decision makers (Ministry of

Defense) can choose one option and the detailed plan will be developed according to that intention.

Planning of the implementation:

The approved 10 year strategic plan is the basis of the development of the short term detailed planning activities. Taking into account the annual approved budget and the prognoses for the next year, very detailed short term plans are developed (annual and 1+n year plans).

Analyses, evaluation:

During the planning and the implementation phases it is really necessary to evaluate the situation, the analyses of the percentage of the implementation and reviewing the harmony between the objectives and the execution. This feedback can be an input for the next year's plans or if it is necessary it can be the cause of an adjustment.

The link between the PDPS and the procurement of Main Military Equipment

The defense portfolio has paid significant attention to the development and modernization of the military equipment. Modernization, NATO interoperability and procurement of the military equipment are an important part of the comprehensive reform within the Hungarian Defense Forces. The Defense Planning System, through the capability requirements, determines the development and procurement of the military equipment.

According to NATO AAP-6 (Allied Administrative Publication), MC 319/2 and C-MC (2003) 101 documents logistics – in widest sense – encompasses the following activities:

- a) planning, development, acquisition, activation, storage, supply, operation-maintenance, withdrawal, economic management
- b) delivery, materials handling
- c) acquisition or provision of services
- d) installation procurement, construction, maintenance, operation and distribution
- e) medical services

Based on the Hungarian regulation, in context with the above mentioned activities, the HUMOD Development and Logistics Agency is responsible (among other serious issues) in Hungary for the planning, the implementation and the management of the Armament Development Programs (**ADP**) for the Armed Forces.

In Hungary, the Capability/Organization Development Programs (**C/ODP**) determine the main capability areas, which should be developed for specific organizations, as part of the defense planning system. The CDOPs consist of some Support Element Development Programs (**SEDP**) as we can see in the Figure 25.

These so called Support Element Development Programs are the following:

- Manpower (Humane),
- Infrastructure,
- Medical,
- Training and
- Armament Development Programs.

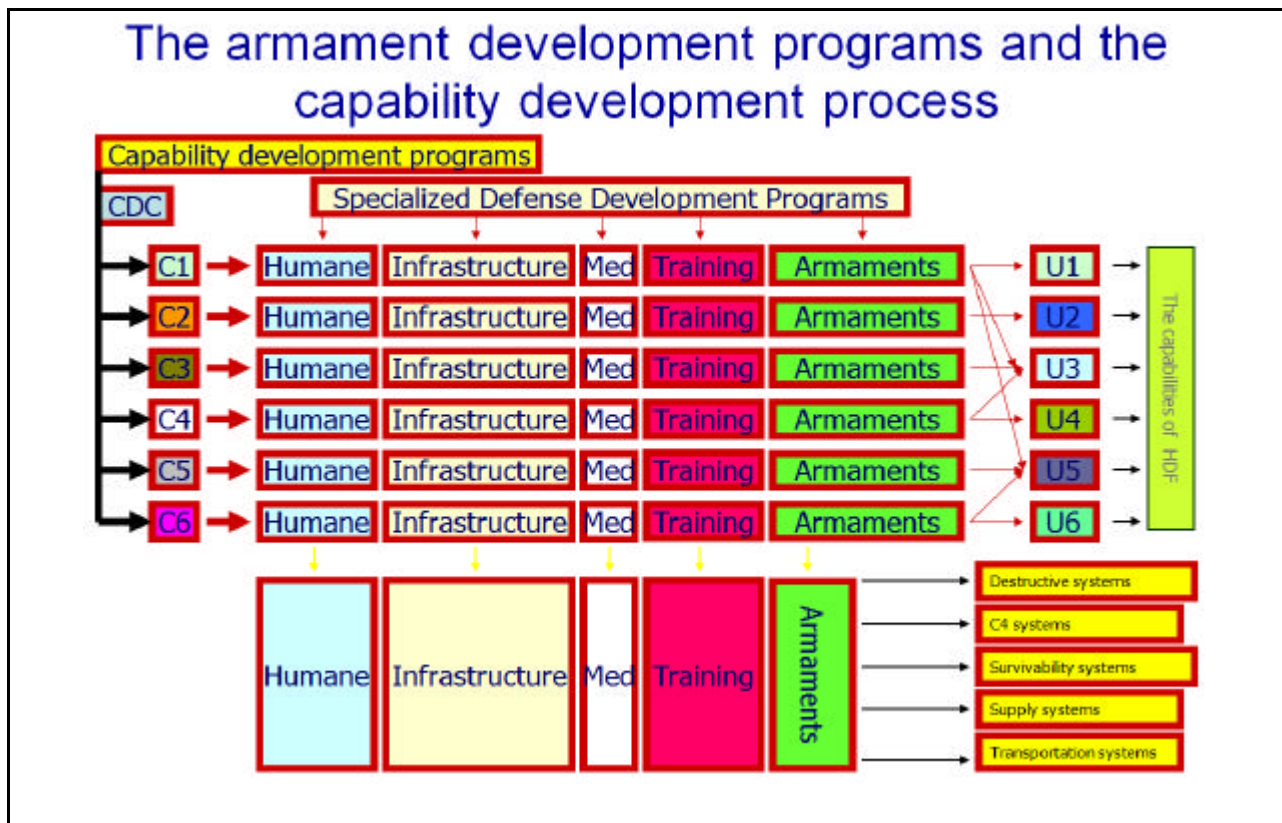


Figure 28. – The system of the capability planning

To this end, we can state, that without a coherence approach, without proper and effective cooperation our Main Programs, which are C/ODPs can not achieve their goals. So, the implementations of Support Element Programs are vitally important in terms of conducting capability development and executing defense planning.

Reform in public administration

Within the framework of state finance's reform in 2006 a lot of military organizations extincted and so there remained the Ministry of Defense background institutions and decreased the number of agencies sum total 7 from 32 (Figure 26). The reorganization (reform) especially touched on the background organizations and not the units..

The legal status of MoD DLA is supported by Minister of Defence's direct command, acts as the Hungarian Armed Forces supreme logistics control organisation.

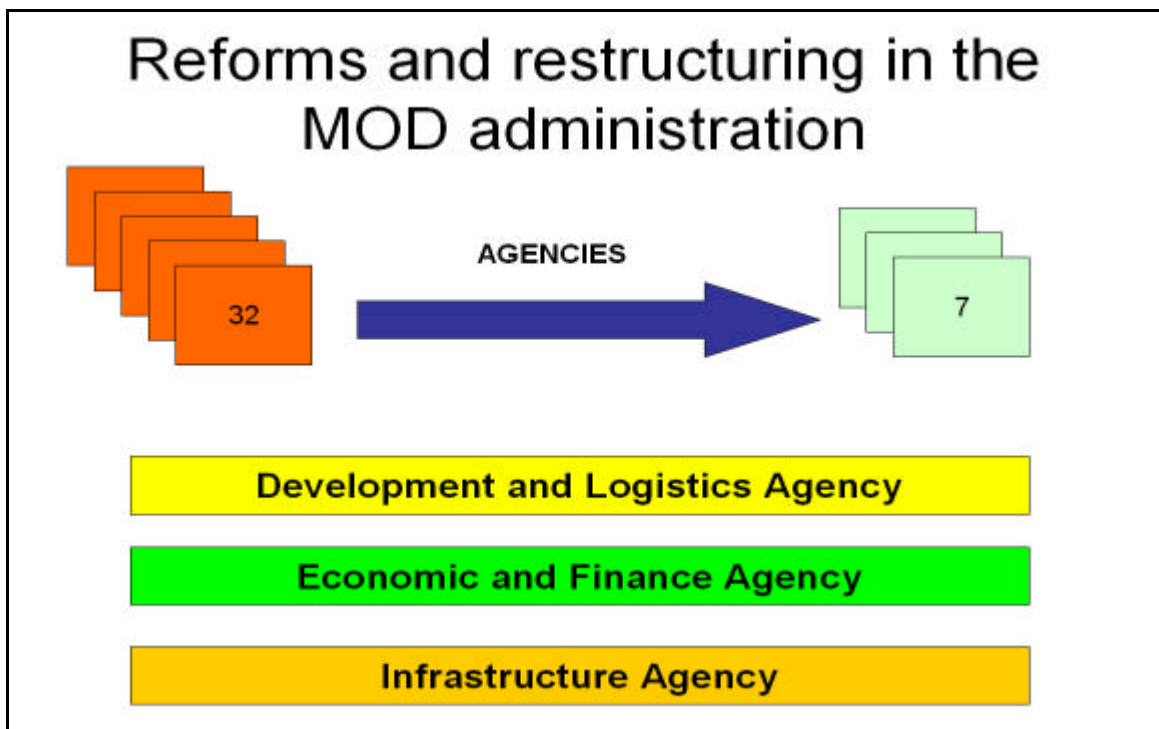


Figure 29– Reform in MOD administration

Reforms in the field of Logistics

Separation of logistics areas

Approaching now the field of the Armement Development Programs let's concentrate a little bit to the logistics organisations, which are responsible for this very important activity.

Earlier expressed NATO expectation generated the establishment of the production and the consumer logistics and furthermore the separated infrastructural and medical services.

The production and consumer logistics were drifted apart on 1st of January in 2007. The MoD Development and Logistic Agency (DLA) was set up (integrated from several predecessors) to direct and accomplish production logistical activities, while the Hungarian Defense Forces Joint Forces Command (HDF JFC) is responsible for consumer logistical activities.

In the professional command line, in the strategic level DLA directs the upper level logistics, while in the chain of command, in the operational level the medium level logistics is controlled by JFC.

The logistics system

The Figure 27. below demonstrates well that the operation of the logistics system is based on requirements and provision activities and information sharing between the two basic organizations (DLA – JFC). The DLA has the responsibility to create the appropriate framework for the JFC for its missions, of course this is a very simplified explanation since the processes are far more complex, than just one is requesting something and the other is just providing everything. The resources available are always key factors in the process.

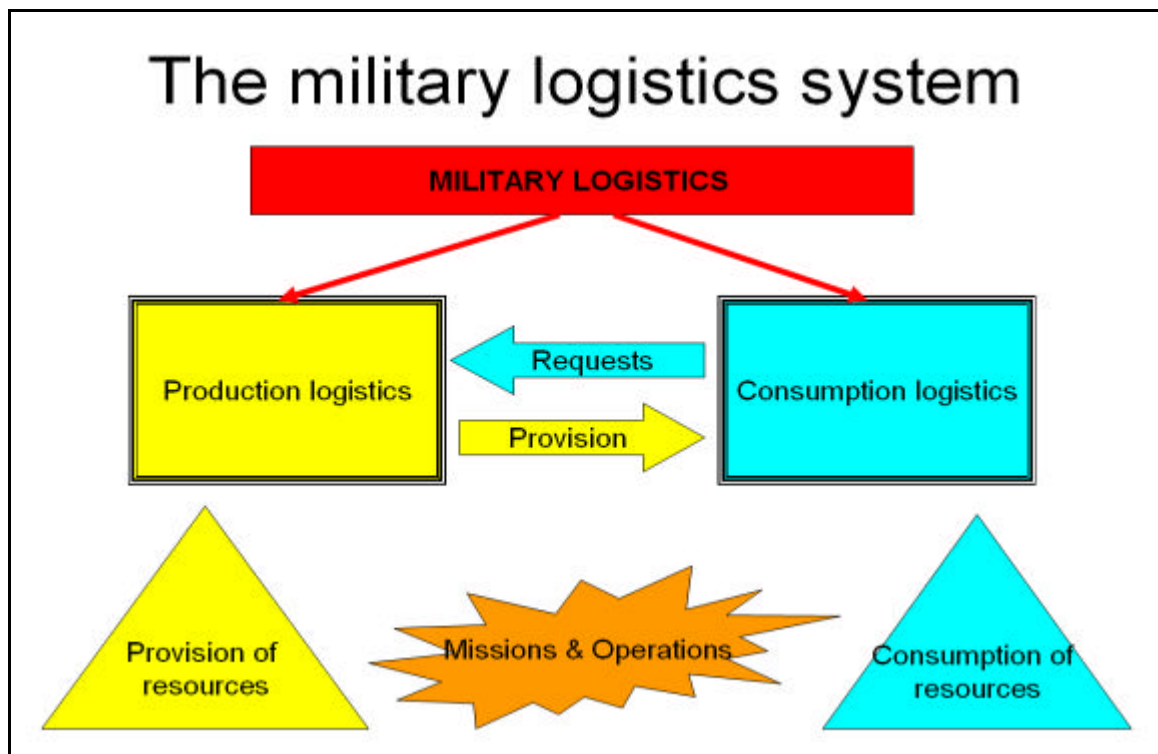


Figure 30– The military logistics system

In logistics field (as other field as well), of course, there is a need for continuous reviews and modification, which could be more (in terms of quantity), and more specific (in terms of quality) regulation and maybe more separation of the sphere of authority between production and consumer logistics in the near future.

About DLA

As I wrote DLA a military background organization of the MoD was established for direction of upper level logistics, whose has **responsibility** about the following tasks:

- Flexible reacts to the changing circumstances;
- Provides transparent, legal relationships within the military logistical system;
- Assures and provides program-based planning;
- Harmonizes with NATO logistics system;
- Provides the continuity of cooperation during Alliance operations;
- Provides a more cost-effective solution than the earlier system, since it does not contain superfluous overlaps and it is strength-saving.

Fundamental designation of DLA (structure in Figure 28.) that to accomplish production logistical activities and support international activities, in which **main activities** are showed as follows:

- logistical planning, direction,
- armament planning,
- resources management,
- development, acquisition,
- logistics economic management,
- withdrawal management,
- international support, protocol tasks,
- Research and Development.

The professional profile of DLA is given by capability groups, integrated branches, trying to follow matrix type activities in the field of:

- C3 systems (C3, C4I, radar, IT, electronics, EW);

- Destruction systems (armament, aviation, armor-vehicle);
- Survivability systems (engineering, NBC, optical, training-technique, topographical);
- Supply systems (clothing, catering, POL, human material);
- Transportation systems (transportation, movement-control, delivery).

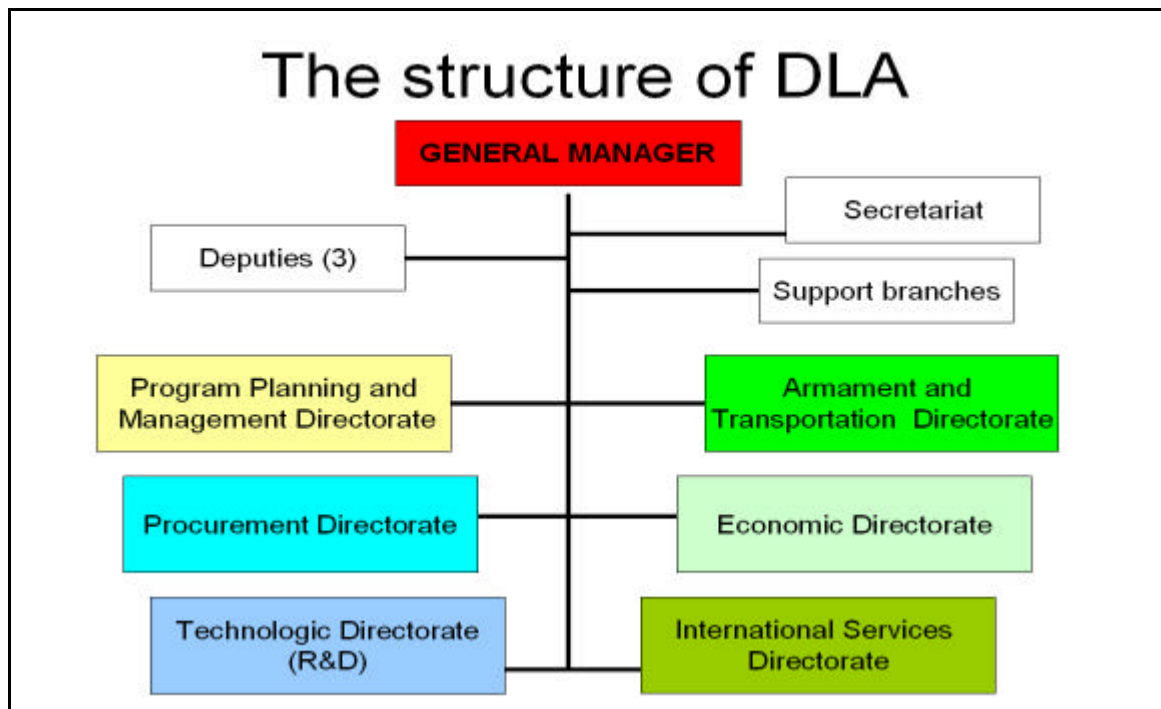


Figure 31. – The structure of DLA

The professional activities are carried on in 6 directorates of DLA. The Program Planning Directorate plans the armament development programs and the necessary resources. The Armament and Transportation Directorate provides some expertise for the planning and programming procedure and oversees the consumer logistics activities. The Procurement directorate plan and execute the acquisitions requested by the users and planners. The Economic Directorate manages the production logistics budget. The Technological Directorate conducts R&D activities and the International Service Provider Directorate supports the missions in abroad.

The Armament Development Programs (ADPs)

Going into the details a little bit, in Hungary the Armament Development Programs are grouped into four categories, as it can be seen in Figure 29.

1. Programs, which are financed only nationally,
2. Through the NATO Security Investment Programs (NSIP),
3. Funded by a multinational cooperation group,
4. Through the USA FMF activities

These Armament Development Programs strictly support the Capability Development Programs, which are determined in the 10 year strategic plan.

In this context, the definition of the word: `program` is a little bit different from the meaning of the programs, which are developed in the PPBS.

Our definition is as follows:

`A program is a development plan, which supports the goals and objectives, and it is appropriately detailed both in terms of format and in terms of content. It has the necessary and planned financial background and the phases of implementation are well defined.`

`A project is a stand alone development plan, but could be the part of a program as well.`

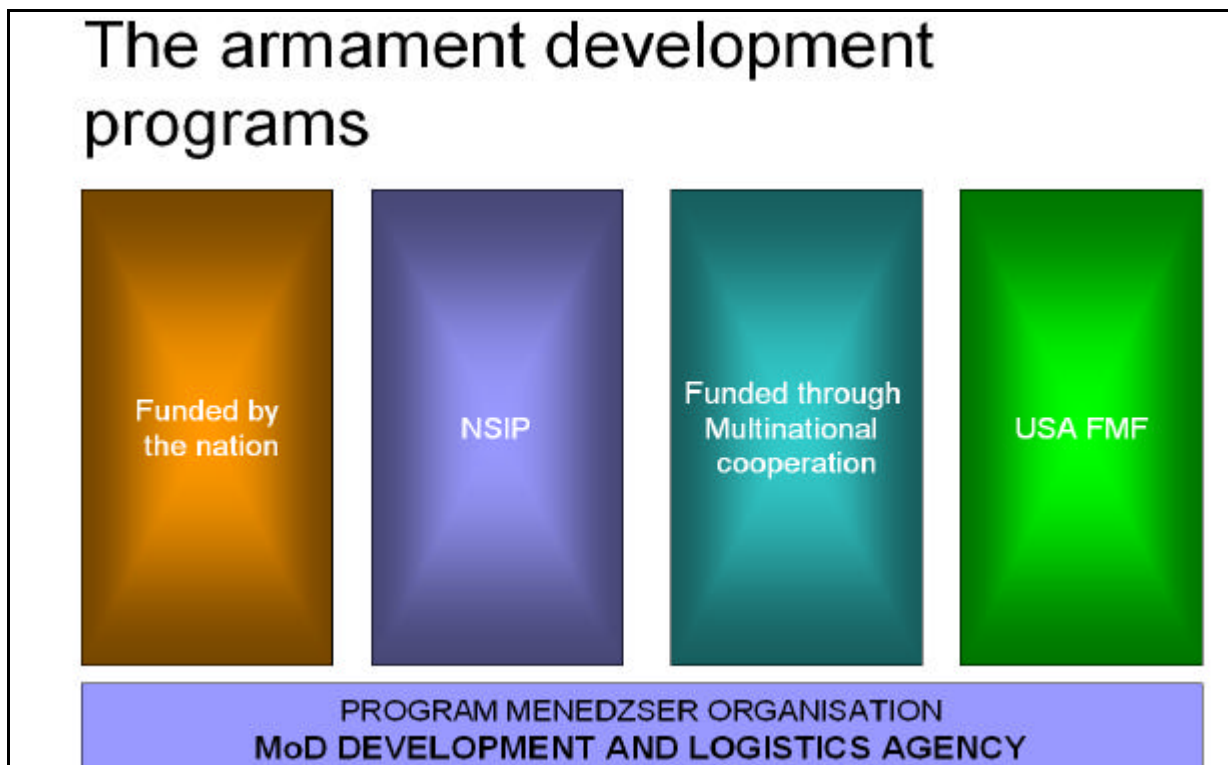


Figure 32– The types of the ADPs

Conclusion:

Summarizing my thoughts, in this paper, I tried to review the situation in the field of defense planning, and analyse the implications of this very important activity. Starting from the broadest defense planning activities, which is aiming the NATO's global security, continuing with a little bit of PPBS in theory, through the Hungarian defense planning and its components were reviewed.

Finally based on the analyses have been done during this work I would like to highlight some issues:

- The Hungarian program approach and the program structure is a little bit different from the US and from the Romanian one as well. While the Romanian program structure is a Force Based approach, the US has a mixed one, but in Hungary we are building a defense program structure mainly focusing to the capabilities first and those Capability Development Programs are aiming to be implemented with the support of the so called 'Support Element Development Programs', which are elaborated and planned with the appropriate level of detail.
- In Hungary the strategic plan is developed for a 10 year period, while in Romania a 6 years long plan is made.
- The expression 'program' has different interpretation in the two/three countries. The program is related only to the Main Areas in the PPBS and has a different meaning in the Hungarian Defense Planning System. In Hungary there are two type of program categories, the Capability/Organisation Development Programs and the Support Element Development Programs, both are with different goals and objectives.
- In the Hungarian system there are no dedicated program managers for the so called main programs, instead there are organisations, which are responsible for the management of them
- The IT support of the defense planning related activities is very important, but the development of such kind of tool is very complex. As of now NATO has several programs supporting its procedures (e.g. NDPASS- NATO Defense Planning Assistant and Support System), but nations have not been developed a single tool for this purpose, yet.

- The compatibility of processes with NATO and EU planning is more or less solved, because the specific inputs and outputs are phased to the time period, when the alliances request them.

The defense planning is a very broad area and also it is a very responsible and vital activity in terms of providing national and international security. Based on the goals and objectives envisaged in the NSS and the NMS, experts should think and work a lot to achieve those objectives.

The financial resources available are very important because without the necessary support the plans remain plans and the implementations change into dreams.

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THE ADVANTAGES AND DISADVANTAGES OF THE PPBES

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Abstract:

PPBS established the framework and provided the mechanisms for decision making for the future and provided the opportunity to reexamine prior decisions in light of the status and the dynamics of the environment (evolving threat, changing economic conditions and so on).

In essence, it is a management tool, nothing more than that, and every care must be taken so that it does not become the main objective in itself. One can say that it is “a” management tool and not “the” management tool.

The basics for evaluating the PPBES

The PPBES evolved from the Planning, Programming, and Budgeting System, introduced in the early 1960's by Robert McNamara during his tenure as Secretary of Defense, which was a cyclic process consisting of three distinct, but interrelated, phases: planning, programming, and budgeting. PPBS established the framework and provided the mechanisms for decision making for the future and provided the opportunity to reexamine prior decisions in light of the status and the dynamics of the environment (evolving threat, changing economic conditions and so on).

The current PPBE process retains most of the previous PPBS features and it also contains the evaluation component, which is essential for optimization.

In order to properly evaluate the PPBES in terms of advantages and disadvantages, one must bear in mind its core **principles**:

1. Decisions should be based on explicit criteria of national interest, not on compromises among institutional forces.
2. Needs and costs must be considered simultaneously.
3. Major decisions should be made by choices among explicit, balanced, feasible alternatives.
4. The decision makers should have an active analytic staff to provide him with relevant data and unbiased perspectives.
5. Open and explicit analysis, available to all parties, must form the basis for major decisions.
6. A multiyear force and financial plan is required to project the consequences of present decisions into the future.

*Victorious warriors win first and then go to war, while defeated warriors
go to war first and then seek to win.*

Sun-Tzu



In terms of advantages and disadvantages, the PPBES, as any other system, can and must be subject to evaluation entirely based on facts. As the present work is about to put into the light, it has some very tempting advantages for anyone interested in the judicious management of the resources. On the other hand, a certain degree of caution must be exercised, as the system proves to have some flaws as well, part of these being caused by its own design and others by the specifics of today's environment.

The advantages and the disadvantages

Although a more extensive analysis may identify further issues for debate regarding advantages and disadvantages, I will outline below the most relevant (in my opinion) issues.

The essential **advantages** of the PPBES are as follows:

1. Fully compliant with the democracy
2. Deep understanding of the modern, economy based, reality
3. Pragmatism (mission oriented)
4. Flexibility in optimization
5. Great for forecasting
6. Measurable in terms of performance
7. Of American origin
8. Good for both military and non-military fields
9. It can help reducing casualties

On the other hand, the system is affected by the following main **disadvantages**:

1. Easy to glimpse at, but hard to master
2. Very sensitive: kind of a playing cards castle
3. Not in full accord with the legislation
4. Labor intensive
5. Completely tied to money
6. The future is sometimes hard to predict
7. Has not yet have the chance to actually prove its full potential in huge scale conflicts

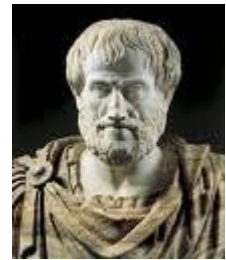
Advantages

1. Fully compliant with the democracy

Every democratic society must have an army firmly rooted in its most important principles, centered on the wellness of the human being. In the modern state, the man is not subject to people, but rules, established by the community. The militaries are only a special class of officials who are subject to the rules of public bureaucracies, their power being legitimated by society's rules.

We make war so that we may live in peace.

Aristotle



The relations between the military institution and the democratic society, as component of security policy, are a complex mechanism of democratic oversight of the military, to exercise civilian control by democratically elected politicians and the relations also involve the existence of a professionalized military organization operating as an expert to defend the nation.

The PPBES is by itself a very “clean” and transparent system of management. Every decision and the allocation of every monetary unit can be fully justified and defended before any potential inquiry, as the core of the processes reside in the very judicious usage of resources.

2. Deep understanding of the modern, economy based, reality

It is undeniable that, as the evolution of the humanity has shown, the money is by far the most important tool for fuelling the daily activities.

Ever since the Phoenicians invented money, there has been only one answer to [the question "How can I show you my appreciation?"].

Clarence Darrow



Everything in the PPBES can be evaluated and fully expressed in terms of monetary value. That fact is very important because it connects the military organization to the reality of the economy. Getting the best result for a fixed amount of money (the budget) is in unbreakable connection with the knowledge of proper evaluation of the resources in terms of monetary value.

2. Pragmatism (mission oriented)

To really know what you want to achieve should be of the utmost importance. In regard to that truth, even biggest decision being taken in the military organization make no difference compared to the most trivial of every day decisions: strokes of luck or misfortunes are nothing else but residual, unpredicted turns of events. One must always know from the very beginning what he wants to achieve.

If a man does not know to what port he is sailing, no wind is favorable.

Seneca the Younger



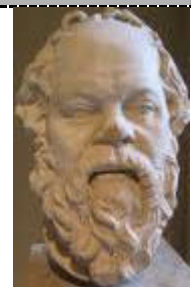
The PPBES is based on actually knowing what is wanted to be achieved and then finding the best ways for that objective to come to be achieved. The system offers us a very clear view about where are we on the path at a given moment, based on where we wanted to go to from the very beginning. This way, the efforts can be focused in a very pragmatic manner.

4. Flexibility in optimization

The aim to optimize system planning, programming, budgeting and evaluation, as it is expressed in the Transformation Strategy for the Romanian Army, is chiefly oriented to improvement of the ability to estimate costs, the improvement of synthetic indicators used in major programs and the improvement of the reporting tools.

A disorderly mob is no more an army than a heap of building materials is a house.

Socrates



On medium and long term, the optimization is meant to improve the response capacity of the defense planning system, in order to quickly provide settlement options, which support decision making, at the emergence of additional applications, unplanned or budgetary constraints. The optimization itself can be supported by a fully computerized system for defense resource management, through interconnecting structures in a single database, with the possibility of real-time information and analysis.

5. Great for forecasting

It is very desirable to always be aware of what will be in the future. One key element of the PPBES is that it offers the possibility to look into the most likely evolution of the next years, in terms of projected costs at least. That being said, the decision makers are able to choose the best options taking full consideration of the dynamics of the program elements.

Focus on where you want to go, not on what you fear.

Anthony Robbins



Still, great for forecasting as it is in theory, the PPBES' advantage might be unfortunately diminished by the uncertainty of the environment. With a quite predictable environment however, the system will shine in terms of prediction usefulness.

6. Measurable in terms of performance

Concerning the indicators for performance measurement, the systems' architecture is in itself an asset, because it is way easier to measure what is easy to quantify in the first place.

Wars begin when you will, but they do not end when you please.

Niccolo Machiavelli



The very reason for measuring performance should be reporting the extent to which the goals set down in the strategies have been achieved. Based on those facts, as well as the continual analysis of the environment, there are offered some strong premises for the dynamic adaptation of the military organization to the reality.

7. Of American origin

Whether one likes it or not, one must probably be from out of this world to deny that the United States are the leading force of the present days in terms of military organization and management as a whole. The fact that the PPBES was developed and started to be put to use in that country has some undeniable weight.

What coast knows not our blood?

Horace



It is very good to benefit from the experience of the Americans, as they have always had to put in practice innovative ideas. Even with some flaws, their military might and many successes in both organization and conflicts, offer essential background on the workings of the PPBES. Adaptations to the specifics of our environment are necessary, that is for sure, but being able to use at least some of the knowledge database of the USA and NATO on the topic is definitely a plus.

8. Good for both military and non-military fields

The PPBES started as a military management tool, that is beyond doubt. However, if one looks at the bigger picture, it becomes clear that it can have a broader applicability.

We went there to serve God, and also to get rich.

conquistador Bernal Diaz del Castillo



As an old maxim says that about every invention being turned into a weapon eventually, the same fact can turn around concerning the PPBES. If we put aside all the aspects regarding the military field, we will get a very good management tool for the budgetary institutions in general. That actually happens in these days, as the system is being quite easily adapted to other domains, like practice has shown concerning state education in the United States of America, for an instance. If we go even further, we have in our hands a very good management tool in general for the private companies as well. One can use it to build household budget over the next few years, even. So, the wide applicability is a great asset for PPBES.

The funny thing is that the smaller and more autonomous the organization is, the easier it will be to actually put the PPBES into practice. When you have your very own budget, there will not be the forced to wait for the Ministry of Public Finance to allocate you the budget that you've asked for, not to mention to impose sudden reductions on it.

9. It can help reducing casualties

I have put this advantage as the last one even if it clearly refers to a most important objective for the armed forces in the event of a conflict. By doing so, I wanted to close the circle that started with the compliancy with the democratic societies, as we are coming back to the essence of the military.

War is delightful to those who have had no experience of it.

Desiderius Erasmus



It must always be kept in mind that the military effort is supposed to generate success and success is supposed to ensure the rightful benefit for the righteous people. As an example, it

is enough to mention that a piece of proper equipment obtained with responsibility, that gets in the theatre of operation at the right time can save a lot of lives, both from the men and women in the army, but also from the ones at home.

A victory is twice itself when the achiever brings home full numbers.

William Shakespeare



In conclusion, supporting the military effort, which is exactly what PPBES does, triggers a chain of positive aspects that ultimately reduce your casualties.

Disadvantages

1. Easy to glimpse at, but hard to master

No matter how we look at it, the PPBES is a big system. Big and complex. It also has the tendency of becoming even bigger.

If you try and take a cat apart to see how it works, the first thing you have on your hands is a non-working cat.

Douglas Adams

As the PPBES keeps evolving, it creates some sort of a snow boulder effect. The problem does not reside as much in the flaws of either the organization or the system itself, but is rather caused by the inherent complexity of the modern environment.

Pain is Temporary. Quitting lasts forever.

Lance Armstrong



If using the system is or is not necessarily depending on its full understanding by all personnel might be a subject of debate. The solution to achieve the capability of actually using the PPBES should take two convergent paths. For the end user is probably enough to understand very well the working procedures. On the other hand, for the higher levels, a wider understanding of the system is definitely a must.

2. Very sensitive: kind of a playing cards castle

The PPBES, as any other very complex entity, heavily depends on the good functioning of its components, unlike simpler, rougher systems.

*And many strokes, though with a little axe, hew
down*

and fell the hardest-timbered oak.

William Shakespeare

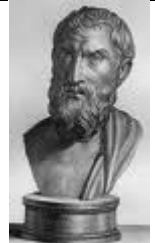
The processes are so many and the connections can be so strong that even small setbacks propagate all over the system. Just take into consideration a few days of delay here and there on the circuits and you get quite a big overall delay. And that is just the case of delays, but if the errors start to occur, they grow in cascade and the problem increases exponentially until it will be pin pointed at least.

3. Not in full accord with the legislation

The PPBES still has to be fully adopted and implemented in harmonization with the laws and, unfortunately, the legislation is becoming quite obsolete compared to the dynamics of today's environment. That gap is hard to fill and the control over the flow of money is an issue of utmost importance.

*It is pleasant, when the sea is high and the winds are dashing the waves
about, to watch from the shores the struggles of another.*

Lucretius



Most of the problems are generated by the different views over how the overall management plans should unfold. The PPBES based budgetary institution keeps track of its needs over the next years, but that fact can not yet reflect as it should in the standard budget proposal submitted to the Ministry of Public Finance, Parliament and so on, as it is the accustomed way to actually ask money only for the next year.

Another essential aspect would be the different view over the public procurement. Taking into consideration the life cycle cost (PPBES-style) might turn out a quite different result in terms of what the best alternative is, compared to the specifications imposed by the dedicated law.

4. Labor intensive

A system that is simple to operate tends to be preferred over a more difficult to handle one and that is a fact.

If it fails, admit it frankly and try another. But above all, try something.

Franklin D. Roosevelt



Unfortunately, the PPBES is from its very beginning a labor intensive system. That tendency accentuates over the time, even if the gain in personnel's experience makes its operating somewhat more facile. To dig after the reasons for this tendency could easily be the subject for an entire new work, so prudence is advisable here.

A good plan today is better than a perfect plan tomorrow.

George Patton



The external environment forces on many occasions the organization to react very quickly, not to mention the need to be pro-active, and that can be very tricky to put into accord with the essence of the system's flow. As the personnel involved in actually maintaining the PPBES is not supposed to do that and only that and generally has other duties as well, the pressure must always be kept under close observation so that it does not generate errors.

5. Completely tied to money

The translation of all aspects in terms of money could prove to be a two-edged blade, both a significant advantage and a source of limitations.

You can't wake a person who is pretending to be asleep.

Navajo proverb

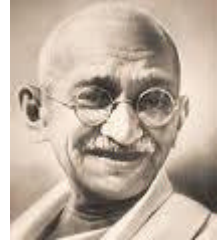
The question arises on how to actually evaluate everything. Let us consider the example of a potential counter terrorism protection program. Some innovative equipment should be purchased in order to enhance the capability of the counter terrorism units. That equipment is not classified, or restricted, so every enterprise, public or private, may purchase it. Your fighting personnel in the units will be instructed how to take advantage of it; that can be evaluated in terms of money. But, as your personnel is getting better with that equipment, other organizations might get interested in hiring that specialists, thus increasing the risk of fluctuation in your force. How to connect that fact with the PPBES process flow is quite a challenge.

6. The future is sometimes hard to predict

All our knowledge about looking into the future is based on our understanding of the world, actually on the understanding of its fabrics and dynamics.

The future depends on what we do in the present.

Ghandi



Since science has already shown us that the universe is not a deterministic one as it had be thought, but entirely a probabilistic one, we must ask ourselves how much we can rely on the data about the dynamics of elements that we put into the PPBES' algorithms. Strong analysis has to be performed and the statistical confidence limits must always be determined, as even slight changes can have major implications in the future.

7. Has not yet have the chance to actually prove its full potential in huge scale conflicts

Everything must finally face the test of time. Only confronted with the most difficult and dangerous conditions, a system can prove its real value.

Logistics is the ball and chain of armored warfare.

Heinz Guderian



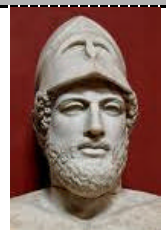
Anyway, as far as any righteous human being is concerned, I think it can't be wrong to say that we all hope never to be in the situation to find out PPBES' real value.

Conclusion

Beyond the "good or bad" approach, we must look at the PPBES with unbiased judgment and both eyes open. In essence, it is a management tool, nothing more than that, and every care must be taken so that it does not become the main objective in itself. One can say that it is "a" management tool and not "the" management tool.

Men of Athens, I do not have much time for exhortation, but to the brave a few words are as good as many.

Pericles



So far, our judgment tells us that it is a worthy system, but should things change in the future, so should change our view on the PPBES. It is best for us to always try achieving its full potential and get the most benefit from it.

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THE ADVANTAGES AND DISADVANTAGES OF IMPLEMENTING THE PLANNING, PROGRAMMING, BUDGETING AND EXECUTION SYSTEM (PPBES)

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Abstract:

Defence planning in the Alliance is a fundamental element of the arrangements which enable its member countries to enjoy the crucial political, military and resource advantages of collective defence and other common military efforts to enhance security and stability. In this respect, the aim of this paper is to outline the role of the Armed Forces and the specific processes aiming to achieve the ultimate goal of a nation regarding national security, with focus on defense planning and the PPBS

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PPBES in the US Department of Defense

PPBES was initially implemented in the US Department of Defense (DoD) by Robert McNamara, Secretary of Defense under President Johnson, during the Vietnam War. Before becoming State Secretary, McNamara was CEO of Ford Motor Company and used extensively this approach.



PPBES helps build a comprehensive plan in which budgets flow from programs, programs from requirements, requirements from missions, and missions from national security objectives. The four phases of PPBE are very distinct but interrelated, each phase relies on the output of the preceding phases.

The Planning, Programming, Budgeting, and Execution (PPBE) process is the DoD internal methodology used to allocate resources to capabilities deemed necessary to accomplish the Department's missions. The PPBE system is the policy development, resource planning, and budgeting process for national defense. The ultimate objective is to provide the military with the optimal mix of forces, equipment, and support attainable within established fiscal constraints.

The Planning phase is designed to identify the future strategic environment and forecast the capabilities needed for success. In this phase is developed the military's plan for forces in order to accomplish the contingencies and structured national, defense, and military strategies in terms of manning, training, supporting, sustaining, and maintaining requirements. It is also in the

Planning phase that resources are allocated to requirements to achieve the national security objectives and priorities.

The Programming phase identifies gaps and redundancies in force capabilities as they belong to the strategic environment and results in the allocation of resources to achieve the best capability mix. During the Programming phase allocations change from assumptions to actual programs and take the form of tangible assets (money, materiel, and manpower). The Programming phase ends with resource allocation decisions, which are the foundation of the budgeting phase.

The Budgeting phase translates the resource allocation into budget terms to facilitate its justification for receipt of budget authority from Congress. During the Budget phase program funding takes place and resources are adjusted based on execution feedback.

The Execution phase begins when the funds are appropriated and ends when the whole budget is spent. During this phase, resources are received in support the mission needs in order to provide requirements and capabilities to ensure the sustaining of the armed forces.

Implementation of PPBES in the Romanian Ministry of Defense. A Historical Perspective. [11]

From 1989 to 2000, medium and long-term budgeting in the military remained unachieved ideal, due to continued uncertainty at the level of state budgeting, to slow and negative economic growth, to rapid downsizing, and to repeated military reorganizations.

In 1993, interest in effective planning and budgeting procedures become evident within the armed forces. At the beginning of that year, General Staff requested a visit by American specialists in the Planning, Programming, Budgeting and Evaluation System (PPBES) used by the US Armed Forces. Beginning in 1994, the Romanian MOD began including the implementation of PPBES as an aim in their planning.

However, because the required expertise did not exist in Romania, the comprehensive introduction of PPBES was postponed, with each new government promising to introduce it in the next year.

In 1998, in cooperation with the US Naval Postgraduate School in Monterey, California, an initiative was launched to establish a Regional Centre of Defense Resources Management that would provide PPBES training, but this institution did not become operational until 2000. Also, in 1999, the government introduced an ordinance stipulating the introduction of PPBES in the MOD for 2000. However, this declaratory goal was not implemented.



Along with the lack of a reliable state budget and expertise shortcomings, civilian control over budgeting was also hindered because responsibilities had long been divided between the MOD and the General Staff.

As of February 2001, the General Staff's Directorate for Strategic Planning has been replaced in the National Security Strategy formulation chain by the MOD, especially by Defense Planning Council (DPC) and the Department for Euro-Atlantic Integration and Defense Policy. The MOD and the same department now also play the principal role in preparing the Military Strategy, although they work closely together with the GS in doing so.

The DPC was reformed, streamlined, and invested with real authority to coordinate defense planning at the MOD level. The generation of the single joint defense plan and single joint defense budget is the responsibility of the reformed Defense Integrated Planning Directorate (DIPD), under the State Secretary for Euro-Atlantic Integration and Defense Policy, George Maier, and headed by a civilian director. The DIPD had been set up by Maier's predecessor, but never became operational due to a variety of causes, including the entrenched practice of GS autonomy over defense planning and budgeting, the fact that the initial heads of the DIPD were senior military officers, and the lack of either ministry or governmental support to change the status quo.

Under the direction of the DPC, the single defense plan is now drawn up in the MOD's DIPD, based on information and figures from both the MOD's staff and from the GS. It is then discussed and approved in the DPC, and given final approval by the Parliament. The DIPD works with the program managers in preparing the plan, while the GS usually endorses the programmes developed by the services, by the Logistics Command, and by the Signal Command. Potential opportunities for the GS to influence the process during the implementation phase are very limited given the system of program managers responsible for the progress of each of the programs.

Since 2002, MOD has a joint planning system well in hand and under civil control and DIPD runs the system and integrates all planning, programming, and budgeting activities within the MOD.

The Advantages of Implementing PPBES.

The overall concept of PPBE relies on a causal connection that synchronizes policy, strategy, programs, and budgets together into one single timeline. The process is hierarchical in nature and requires multiple actions at multiple levels within military in order to accomplish the desired final result.

The PPBES provides efficiency and improvement in resource allocation and establishes long-range planning objectives and affordability projections. The system analyzes the cost and benefits alternatives of current and proposed programs in order to meet the stated objectives in strategic guidance, and translated high-priority programs into budgets.

PPBS provide the following capabilities and improvements:

- it defines a procedure that equitably distributed available resources among competing programs;
- it assures system financial discipline and integrity;
- it develops effective programs to address existing and emerging needs, and establishes more stringent controls on the review and approval process.

PPBE provide the consistency and accountability needed for cost-effective resource management in the military system. It's a good approach to analysis and competition between alternative programs, weapons systems and multi-year programmatic objectives.

PPBES also provides a systematic and structured approach for allocating resources in support of the national security strategy. The ultimate goal of the PPBES process is to provide the military with the best mix of forces, equipment and support achievable within resource constraints.

PPBE assists the military in:

- developing strategy;
- identifying needs;
- planning programs;
- estimating and
- programming, allocating, requesting and acquiring resources.

PPBE accomplishes total resource management in a single system construct and more closely aligns defense's internal cycle with external requirements residing in laws and policies [3].

PPBES is used to assist in rigorously reviewing and making determinations about all the programs, particularly to determine priorities and allocate resources. In the Planning Phase, the capabilities required countering threats to national security are established and the forces needed to provide those capabilities identified. In the Programming Phase, these force requirements are prioritized and resources allocated to best meet the needs within fiscal, manpower, and force structure constraints. In the Budgeting Phase, the accent is putted to ensure efficient use of scarce budget resources. Finally, in the Execution Review, program output is assessed against planned performance to determine the best return on investment [6].

Form a political point of view, the advantage of following PPBE is that valid policy objectives are created from effective strategies. Also actual programming occurs and produces the capabilities that satisfy policy objectives [2]. Until PPBES, the Secretary of Defense had played a limited role in budget review as each military service developed and defended its own budget. The implementation of PPBES takes control of DOD planning and budgeting away from the military and put it in the hands of civilian leadership and allows participatory management and decentralization of power. Historically speaking, the motivation for establishing PPBS had as much to do with control and politics as it did with rational resource planning and budgeting [5].

The system is also valuable for long-range resource planning and allocation and it's the primary resource decision and allocation mechanism used by the military. Today's PPBE provides decision makers with a capability to examine and analyze information and make more informed decisions in an uncertain, complex, and usually ambiguous environment [3].

The program budgets that resulted from PPBS could provide to senior leadership information on what the military is/was spending for particular categories, across all its services, departments and agencies. Consequently, in the final program budget they could determine how much was spent on different missions/services/objectives in total in all departments, and this could promote deliberation over whether this was enough, too much or too little.

PPBES is also valuable because it is a thorough analysis and planning system that incorporates methods from various disciplines (including economics, systems analysis, strategic planning, cybernetics, and public administration) to array and analyze alternative means and goals by program and then derive benefit/cost ratios intended to indicate which approach to choose [5].

PPBE is good at allocating funds to the known programs and missions' needs within the funding levels available, providing tangible deliverables at the level of specificity required for compliance with hierarchical requirement justifications and requests and distributing funds to support the programs [1].

The PPBE system continues to be used in several Ministries of Defense from NATO and non-NATO countries, partially because the military purchases substantial long-lived capital assets and since it requires long-range planning as its first component, it suited the needs of the MoDs.

The Disadvantages of Implementing PPBES.

Historically speaking, for almost half a century, the DoD had the reputation of being accountable by presenting rational solutions to well-defined requirements. The DoD's PPBES process has evolved into one of the most sophisticated examples of comprehensive strategic planning in the world. However, the efficacy of the strategic planning paradigm as a method for allocating resources has been under considerable attack, because of several reasons that will be presented.

First, PPBS can be a very time consuming effort in getting the cost factor for each program and relating this information to data and system goals and objectives. It is perceived as consuming too much staff time for preparation and analysis, being too slow and sometimes did not deliver the expected results on a timely basis. Also is a paper-heavy process (*"DOD is*

required to prepare and submit some 26,000 pages of justification and more than 800 required reports to Congress each year- many of marginal value, most probably not read” [9]).

From a sociological point of view, the PPBE complex resource allocation process demands constant “feeding”. PPBE exerts a powerful gravitational force on any efforts to change and can cause timely ideas to be lost because the process is too long, too complicated to be understood, and not responsive to the pace of ideas and technology. PPBE obstructs organizational creativity and improvisation, because regulatory approaches to budgeting activities force even the smartest managers to repeat patterns of action that have worked in the past. Also, sometimes the problems and solutions are not necessarily in synch with each other and often solutions are overcome by the events of the operational environment [1].

Today, different offices manage different parts of PPBE in a series of stove piped processes, even if there must be a single basis for analysis and decisions. The current multitude of program elements and constantly changing programming constructs, followed by budgeting and execution by operational units precludes accountability, hinders analysis and decision making, and yields poor cost-effectiveness [6].

The current Planning, Programming, Budgeting, and Execution System (PPBE) resource allocation process is not integrated with the requirements process and does not provide sufficient resources for joint programs, especially in critical early stages. Lack of coordination between and perturbations in resource planning and requirements planning frequently result in program funding instability. Such instability increases program costs and triggers schedule slippages across acquisition programs. Chronic under-funding of some programs is endemic to the current resource allocation system, funding received is most often less than required [10].

PPBE does not offer a rapid acquisition mechanism that provides a way for rapid insertion of new capabilities for forces engaged in war time operations [10]. Donald Rumsfeld once said that “... the time it takes to produce or purchase a new weapon system has doubled, even as new technologies are arriving in years and months, not decades” [9]. Traditionally, wars were initially funded with emergency supplemental funding until the cost of the war could be added into the baseline budget process. The Global War on Terror (GWOT) is funded in US DoD outside the PPBE process through supplemental appropriations. With acquisition of these types of items migrating from the base budget to supplementals, it is evident that the base budget process (PPBE) is not able to cope with and address world events in real time [2]. This is a major disadvantage and a threat to the PPBE: is not made for war times but for predictable peace years.



The complicated architecture and processes of national defense planning, programming, budgeting and execution and the defense acquisition decision system lead to unintended and negative consequences for defense acquisition and procurement [5]. PPBE system is considered to be an inflexible process, unable to accommodate emerging unexpected requirements or

technological improvements to programs or systems planned or previously programmed [3]. In conclusion, deviation from the normal PPBE process is occurring in an attempt to find a budgeting system that can keep pace with the dynamic nature of the post 9/11 environment.

From a human resource and managerial point of view, it is nearly impossible to implement a system not understood by the leadership, since direction in any organization generally comes from the top. The lack of top-down support for PPBES implementation could create confusion and frustration at lower levels [2]. Usually, program managers tend to achieve stability through standardization versus ad hoc actions resulting from current situations. Consequently, people tied up by top-down guidance, strategy and policy within the system, tends to focus on predictions from models and past experience rather than on realities faced at the lowest levels.

Consequently, PPBE tends to provide transient rather than permanent solutions to problems (“... *problems are never solved...at best they are only resolved—over and over again*” [8]). In large measure, this happens due to the lead times required by the system and the resultant lack of actionable feedback from the end user of the resources.

An idealized description of PPBE process may say that it is a deliberate and static process incorporating years of planning and programming to formulate each budget. For this ideal to be realized, the PPBE system would have to remain relatively unchanged over time to allow constant and comparable outputs. In reality, the PPBE system is modified by nearly every new government [2]. Also, the assumption of a relatively stable environment and the ability of the national strategy documents to predict today’s needs as well as predict future requirements is almost impossible to be achieved.

From a budgeting point of view, the purpose of program budgeting is to choose the most efficient and effective mix of programs to meet the nation’s national security objectives. An ineffective strategy results in ineffective programming. PPBE has deviated from a strategy-driven process to a budget-driven process and operating within budget authority becomes the strategy. Clearly, a combination of programs that can satisfy all contingencies and fit within budgetary constraints is not possible [2].

Although PPBE evolved to be a very complicated series of planned events and documentation, it essentially consists in sequential steps of the generic rational decision-making process:

- define the problem;
- present all facts and assumptions bearing on the problem;
- develop courses of action to solve the problem;
- select the best course of action based on objective criteria for analyses;
- implement and provide feedback.

This rationale assumes problems can be defined in relative independence from other conditions (through reductionism). For example, in the DoD's force management, the current practice is to reduce and categorize problems and associate them with potential funding of programmatic solutions in doctrine, organization, training, materiel, leadership, personnel, and facilities.

In this respect, a major weakness of PPBE is that managers assume that problems of defense are relatively stable and will generally be the same problems defined now as when they are eventually “solved” five or more years from now, which is obviously false. “*Resource management professionals may have to consider the possibility that PPBE is the DoD culturally narrow construction of reality that serves as nothing but a ritual to temporarily bring a sense of clarity in the fog of chaos*” [7].

Some specialists recommended the replacement of PPBES with longer term capital and performance oriented budgeting, in combination with radical military business process reengineering, because [3]:

- PPBES is perceived as an overly bureaucratic and process heavy system that interferes with rather than facilitates acquisitions;

- PPBES is slow and involves too many participants, each with its own agenda;
- PPBES is time constrained while acquisition operates on a milestone basis.

PPBES Success Factors [2]

From the US DoD experience, we can identify several success factors that could allow a successful implementation of PPBES in any interested organization:

- a) DoD possessed a Secretary of Defense (Robert McNamara) who understood and supported the PPB System. He understood program budgeting well, so he was able to use the analytical tools that comprised the system to make better decisions for the organization and get the organization onboard;
- b) PPB was tailor-made for DoD and DoD believed that PPB could benefit the organization;
- c) DoD had personnel trained and experienced in disciplines necessary to perform and analyze the technical and analytical functions PPB required. The DoD workforce consists from people with unique, analytical skill sets required to conduct this type of analysis and the experience necessary to run a functioning PPB system. The implementation of the PPB system is easier with personnel who understand how to use and manage the system existed within the organization;
- d) An incremental implementation is needed to allow the ministries to determine where and if program budgeting worked within their organizations and to tailor the system to meet the needs of their agencies.

In conclusion, PPBES could be successfully implemented in the military system, if it is commanded by a strong leader who understands and supports the system, the agencies personnel have the experience and expertise necessary to use and manage the system and the military structures understands the need for an incremental installation of the system.

Also the PPBE system could be successful because it was itself originally tailored for use within the DoD. The agencies in which PPBE failed lacked a sufficient combination of these four factors to allow a successful implementation of the PPBE system.

Possible PPBES Implementation Failure Factors

A common possible failure scenario is when organizations found themselves in the position to forcibly implement an “alien” budgeting system that did not match the needs and capabilities. In that case, the benefits of adopting the PPBS system are not unidentifiable.

Another one of the most common problems when implementing PPBES is that few personnel possess the expertise and experience to run the mechanisms of program budgeting. Organizations lacked personnel who understand policy analysis, capable of creating valid policy objectives and then performing the analytical functions to choose the programs that meet these objectives.

Another failure factor could be represented by the lack of proper data systems and the capable personnel to manage the data systems required producing accurate work and costing reporting. Without these systems properly functioning, in addition to a lack of knowledgeable personnel, organizations found themselves with no ability to turn the data into useful information. Without the ability to link actions to impacts, there is no program budgeting and there is no basis for being able to choose the best and most efficient programs capable of satisfying objectives [2].

Other possible failure factors are [5]:

- the members at the lowest levels having little knowledge or input into the programs;
- inadequate guidance - that means that the issuing of the Defense Planning Guidance - which led to decisions about what to fund for the budget year - is late, unrealistic, unaffordable and did not provide a clear statement of priorities;
- the continuous every year rework, rebuild and review of the national/military budget;

- programming for the acquisition process required excessive detail and is projected too far into the future years;
- decisions made during one year/cycle were not always recognized and respected in the next.

Finally, the current international environment and also the economic crisis represent the most critical failure factor for the good functioning of the PPBES. It was introduced in the DoD in the 1960s in order to link strategies to programs that best satisfy the nation's policy objectives and fit within budget constraints. Over the past 50 years, the original intent of PPB remains intact. Traditionally, wars were initially funded with emergency supplemental funding until the cost of the war could be added into the baseline budget process.

But lately, because of the changing nature of the threats (terrorist and asymmetric ones), the Global War on Terror (GWOT), is funded outside the PPBE process through *supplemental appropriations*. Separate budget requests and emergency supplemental appropriations have funded the war while the baseline departmental request has been budgeted through PPBES and appropriated in the annual defense appropriation [2].

The removal of the planning, programming and analytical aspects of PPBE from funding the war allowed an erosion of budget discipline. This erosion has not been apparent to the casual observer, because the supplementals have created the illusion that the DoD is operating within budget. The reduced transparency of war costs inherent in supplementals has provided the DoD with another source of funding and has reduced its need to make serious trade-offs in choosing between the needs and requirements that are ultimately funded. This method of war funding greatly increases the difficulty in separating the incremental costs to fund contingency operations and longer-term costs that would normally be funded through the base budget process. While supplemental funding is faster and more flexible than base budgeting, its reactionary nature means less thought goes into spending decisions and less effort goes into ensuring that resources are allocated efficiently [2].

Another consequence of continued deviation from the PPBE process is distortion of the defense base budget. The just-in-time budgeting system created by use of supplementals in many cases ignores long-term expenses. *"If we have 22 brigades on the ground in Iraq and Afghanistan, their home station training is nowhere in our base budget"*.



US DoD is now doing equipment purchases in supplementals, that takes the decision making out of the (PPBE) programming process. Many of these procurement items have large total life cycle costs (operating, support and disposal costs) which are invisible to the supplemental appropriation process [2].

Recommendations

Following the US DoD model, it is recommended to create a two-year decision cycle with a complete review in year one followed by limited incremental review in year two, because this can decrease turbulence and reduce unnecessary re-making of decisions. These changes made each on-year cycle quicker by compressing the programming and budgeting cycles, but

preserved the decisions made in the on-year cycle through the off-year by limiting reconsideration of decisions to only the most necessary updates. In this way, decisions would be made more quickly, but last longer. [5].

Regarding the long-range planning component of PPBES, we may observe that during the 1990s it was clear that the shift from a Cold war mentality to a new framework was proceeding slowly. Despite all the discussion about asymmetric threats, network centric warfare and terrorist threat, much of the defense budget is focused toward a Cold War scenario. The planning phase is one of the weakest parts of PPBS, because of the contingent nature of threat assessment, the huge volume of information and absence of data coordination. To solve this issue, in order for military to plan to counter threat effectively, it seems to us that a capabilities-based planning process within PPBES is necessary in order to acquire the needed capabilities to mitigate threats wherever they occur, no matter where are geographically located.

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