2016-11

Is the U.S.'s PPBS applicable to European post-communist defence institutions?

Young, Thomas-Durell

Young, Thomas-Durell. "Is the USs PPBS Applicable to European Post-Communist Defence Institutions?." The RUSI Journal 161.5 (2016): 66-75.
https://hdl.handle.net/10945/50927

THE RUSI JOURNAL

IS THE US'S PPBS APPLICABLE TO EUROPEAN POST-COMMUNIST DEFENCE INSTITUTIONS?

THOMAS-DURELL YOUNG

The US has exported versions of the Department of Defense's Planning, Programming, and Budgeting System (PPBS) to almost all the legacy defence organisations of former communist states in Central and Eastern Europe to enable them to plan and create modern financial management systems. Thomas-Durell Young traces how these efforts have largely failed to produce viable defence plans, and argues that only by strengthening the influence of policy over programming will this be possible.

The budgeting method that has come to be known as the Planning, Programming, and Budgeting System (PPBS) – or Planning, Programming, Budgeting, and Execution (PPBE) within the context of the US Department of Defense (DoD) – was created in the early 1960s by then Secretary of Defense Robert McNamara with the view of aggregating the independent budgetary processes of the service headquarters.[1] Since its implementation in the DoD, 'programming' was subsequently adopted in a number of Western countries, but was quickly dismissed – for example in Canada – as being inappropriate to their needs because it was seen as creating a distance between policy priorities and their financial execution.[2] Following the end of the Cold War, the DoD initiated a technical assistance programme that exported a version of programming to almost all the legacy – that is, not created from scratch – and new defence organisations of the former communist states in Central and Eastern Europe: Poland; Bulgaria; Romania; Hungary; Albania; the Czech Republic; Ukraine; Slovakia; Estonia; Latvia; Lithuania; Slovenia; Macedonia; Georgia; Moldova; Croatia; and Azerbaijan.[3] These engagements consisted of undertaking formal advice and assistance projects, as well as producing assessments. It should be noted that these programmes were initiated despite an academic literature that is critical of programming as an instrument of public finance by finding the method at best problematic, and at worst a failure.[4]

This article explores the relationship between programming and its implementation of government-endorsed priorities, as expressed in defence plans, to discern if this method could be better employed. This is an important issue that deserves to be investigated on a number of levels. In light of Russian President Vladimir Putin's aggressive foreign policy towards Europe, the question of how much military capability these communist-legacy defence institutions are capable of producing is tied directly to their ability to create defence plans that are firmly based in financial reality. As such, as almost all former communist members of NATO have struggled to implement PPBS, it is important to ascertain whether this method can be better implemented in these defence institutions. Officials in these countries can only make the decision that PPBS is fit for purpose once they have re-evaluated its relevance. Many of these reforming defence institutions have yet to fully recognise that programming is – at best – only likely to function when there is strong and continual *control* exercised by a defence ministry's policy directorate as expressed in endorsed *and costed* defence plans.

This article will address why programming – the method used by the most powerful armed force in the world – has not been more successfully implemented in these communist-legacy defence institutions. To answer this question, the analysis briefly presents the record of failures of these countries to produce viable defence plans. This is followed by a brief comparative analysis of the different programming methods employed by three of the US armed services. This is useful because these services conduct their planning and programming differently. It will be argued that the US Department of the Navy is unique because it institutionally isolates policy from budgetary execution. Practical examples of policy oversight management from the other two services show that programming might yet be made to function effectively, but only when firmly controlled within a context of policy and planning oversight. The article concludes with a discussion of whether PPBS is an appropriate method for modest- to medium-sized defence institutions. It is argued that this question can be discerned only once

 DOI: 10.1080/03071847.2016.1253382

Exporting US defence structures to other countries has proved difficult. *Courtesy of David B Gleason/Wikimedia Commons.*

the policy and planning direction and oversight requirements have been fully implemented, thereby allowing officials to determine whether the method is indeed appropriate to their requirements.

Record of Failure to Produce Viable Defence Plans

In the published literature, the experiences of reforming defence institutions paint a bleak picture. A number of contemporary examples illustrate the problems encountered.

In the Czech Republic, the government admitted officially in 2011 that although it formally implemented PPBS in 2002, it never truly adopted the system.[5] In neighbouring Slovakia, the remarkably candid 2013 defence white paper acknowledged the defence institution's inability to carry out even the most rudimentary defence planning.[6]

Countries in Southeast Europe encountered similar difficulties. Although implemented in 1998, a Hungarian official acknowledged as late as 2010 that the country's Ministry of Defence's PPBS method did not have a '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'.[7]

Although in 2004 the Romanian Ministry of National Defence conducted a strategic defence review to determine requirements and finance priorities, the General Staff on its own authority in 2007 developed a 'transformation strategy' of the armed forces which essentially ignored the 2004 guidance.[8] Not only was this document drafted by the General Staff without effective input from the Ministry of National Defence, it ignored the process and procedures established in the 2004 Law on Defence Planning.[9] In 2008, facing the prospect of fewer financial resources, the ministry proposed conducting another strategic defence review, which the General Staff opposed since it had its own transformation strategy, albeit one that was not a standard (routine) planning document. In the end, the Ministry of National Defence never accepted all of the document's conclusions – a major point of contention was that the General Staff had not *costed* the plan. Tellingly, although PPBS was officially embraced by the ministry in 2002, in 2010 an official candidly acknowledged that they still could not conduct programming properly due to its intensive personnel requirements.[10]

Notwithstanding the introduction of PPBS, as late as 2007 the Macedonian defence planning system was not required 'to develop planning assumptions, recommendations or alternatives'.[11] Furthermore, after years of effort and assistance from US-funded contractors, in 2012 the Macedonian Ministry of Defence formed a working group to simplify its existing programming structure, which suggests the obvious question: why was a less complex approach not developed from first principles?

Like many of its counterpart legacy defence institutions, the Serbian Ministry of Defence has published a plethora of policy and planning documents since the end of state union with Montenegro in 2006. In fact, it would appear that the Ministry of Defence has published every possible 'defence policy' document produced in the West (including, among others, the UK's National Security Strategy and its Strategic Defence and Security Review, and the US National Military Strategy), which may explain the lack of clear and consistent guidance. To add more confusion to Serbian defence planning, it included the unusual practice of drafting, *inter alia*, a long-term defence plan in June 2010, which covered the period 2010–2020, and a strategic defence review, published in April 2015. Whilst both were approved by the parliament, neither has ever been released to the public.[12] Finally, the

experience of the Serbian Ministry of Defence in introducing PPBS in 2008 has not resulted in its envisaged outcome – to bring clarity and discipline to defence planning. One assessment says that these new PPBS methods produced institutional confusion (perhaps due to the omission of designating/empowering a coordinating authority), and did not improve communication within the defence institution charged with programming. In the end, the new methods did not result in linking strategic planning and financial decision-making.[13]

Prior to its claims of introducing programming in the reformed Armenian Ministry of Defence, defence officials stated that they would follow a method of creating a priority of requirements within mid-term programme sets. This was an uncompelling assertion given that when this claim was made, the Ministry of Defence was still in the early stages of creating a defence planning cell, as agreed in its 2006 Individual Partnership Action Plan with NATO.[14]

Ukraine's defence institution has also failed repeatedly to produce a viable five-year state development plan of the armed forces that survives beyond its first year. This shows its inability to tie priorities to planning execution. In the 2006–10 version of this plan, the financial shortfall between what was anticipated and what was allocated by the Ukrainian parliament, was a startling 25 per cent. With a small amount of understatement, a Ukrainian officer wrote, 'We can say that until now in Ukraine we have not had a clear solution on how to optimize the cost of defense, how to allocate resources *via* rational planning, and finally, how to improve overall efficiency'.[15] This observation is underscored by the fact that in 2010, approximately 87 per cent of the defence budget was allocated to personnel costs.[16]

In Georgia, PPBS was first introduced in 1998 and was subsequently 'reformed' with Dutch assistance in 2006–07.[17] The new method reinforced a financial management system based on a four-year planning and budgeting cycle, which was ignored when Georgian defence officials prepared their subsequent budgets, fifteen years after it was originally introduced.[18] As late as 2013, the defence planning and resource management system was officially acknowledged as *still* underdeveloped due to the immaturity of the defence system.[19]

In sum, all of the countries discussed have reported the failure of PPBS to enable them to develop achievable and costed defence plans. This is despite the fact that many of these defence institutions have influential PPBS directorates in their ministries of defence where financial decision-making is highly centralised.

Programming Defined

Identifying a universal definition of PPBS is no easy task. There are various definitions of the term, as well as its individual elements. One of the best definitions is provided by Jack Rabin:

> Planning, programming, and budgeting system [sic] is a rational decision-making technique which may be used to make more systematic decisions, given a set of objectives and the information at hand. PPBS emphasizes the long-term benefits and costs of programs, rather than the short-term. PPBS is composed of program budgeting and systems analysis, which typically involves cost/benefit studies.[20]

In a budgetary methodology sense, programming envisages aggregating similar activities in a common category (that is, a programme) which enables cross-budgetary analysis. A key assumption of PPBS is the necessity of long-term planning and programming. In its implementation in the DoD, the Secretary of Defense provides guidance to the armed forces by which they develop their budget proposals (known as program objective memoranda – POMs), which are then analysed by the Office of the Secretary of Defense (OSD) to discern compliance with defence policy.

It is often little appreciated that the US method is uniquely decentralised, continuing the prevailing practice of disunity within the DoD's financial management. The reason for this is that a critical opportunity to achieve financial centralisation under the Secretary of Defense was missed during the early development of PPBE in the early 1960s as a result of two fateful decisions. First, the creators of the PPBE determined that the OSD would not *change* the existing budgetary system of the service headquarters, thereby leaving them to retain their financial independence. Second, they decided that the OSD's PPBE system would be initiated from policy priorities – at that time, in the form of the then Joint Strategic Objectives Plan – provided by the chairman of the Joint Chiefs of Staff (essentially an accumulation of service plans without hard choices having been made),[21] and that that office's Defense Planning Guidance document would follow later. Although the service headquarters had to adopt similar processes and structures to feed into the new OSD system, according to Peter Haynes, 'The process became the essential means by which the U.S. military services protected their respective identities, preferred weapons systems, and relevance'.[22] As such, the ultimate use of the methodology in any application can be questioned, given that it was originally designed specifically with the objective of isolating budgetary execution from higher-level policy oversight.

Comparing the PPBEs of the US Army, US Air Force and US Navy

Although the DoD employs PPBE as its key budgeting instrument, the service headquarters conduct PPBE in their own unique way. To be certain, the services must adhere to OSD guidance when producing their budgetary proposals for the following years, but the authorities of each of the services – as set out by Title 10 of the US Code – are responsible for producing them. The programming practices of these all-but-independent 'ministries of defence' provide some useful lessons for the legacy defence institutions of post-communist states. Table 1 shows some key planning and programming characteristics followed by the three service headquarters. Compared with its service counterparts, the US Navy Staff's strategic planning system is unquestionably unique as it isolates financial decision-making from policy guidance and planning priorities. Whilst hardly comprehensive, the

Table 1: A Comparison of the US Armed Forces Planning, Programming, Budgeting and Execution Systems.

	Policy Defining Planning	Key Policy/Planning Documents	Lead Directorates in Planning	Oversight of Programming	Cost-Informed Planning	Result/Reaction to Budgetary Uncertainty
Navy Staff	None	Irregular *Navy Strategic Plan* Ad hoc policy initiatives and documents	De facto OPNAV N8 (Programming Division)	OPNAV N81	No	$4-billion underfunded 30-year ship-building plans.
Army Staff	(AR) 1-1	The Army Plan: The Army Vision. New, to be coauthored by the secretary of the army and Army Chief of Staff's offices as required.[1] *Army Strategic Plan*. New, to be developed by the G3/5/7, Strategic Plans and Policy Directorate every four years; reviewed every two years. Army Planning Guidance. New, to be developed by the G3/5/7, Strategic Plans and Policy Directorate, annually. Army Program Guidance Memorandum. To be developed the G8, Program Analysis and Evaluation Directorate annually. Army Campaign Plan. To be developed by the G3/5/7, Army's Deputy Chief of Staff for Operations and Plans semi-annually.	G-3/5/7, Operations and Plans Directorate	G-3/5/7 with G-8	Adopting	Reformed planning system to reinforce policy priorities.
Air Staff	Air Force Policy Directive 90-11	Air Force Strategy. New, to be issued by the new directorate of Strategic Plans and Programs (A5/8) every four years and reviewed every two years. USAF Strategic Master Plan.[2] New, to be updated biannually by the A5/SS.[3] Strategic Planning Guidance. New, to be drafted annually by the A5/8. Air Force Planning Force. Retained, to be issued biannually by the Directorate of Strategic Plans and Programs, A5/8, or as required.	Reorganised Air Staff to reinforce strategic planning in a new A5/8 (Strategic Plans and Programs)	Comptroller	Practised	Removed programming from Air Staff to reinforce strategy function.

Sources:

1 US Army, 'The Army Vision: Strategic Advantage in a Complex World', Department of the Army, 2015.
2 US Air Force, 'USAF Strategic Master Plan', May 2015.
3 Sarah Sicard, 'Air Force Chief Reveals Parts of the New Master Plan', *National Defense*, 16 September 2014, <http://www.nationaldefensemagazine.org/blog/Lists/Posts/Post.aspx?ID=1608>, accessed 28 September 2016.

following practices should merit close study and analysis.[23]

Planning Policy

In terms of planning policy, the US Navy's practices lag behind those of the other services. The Navy Staff does not possess a strategic planning policy document, endorsed by the Navy Secretariat, which establishes and outlines the Navy Staff's planning process and assigns respective roles and responsibilities to officials across the staff's divisions. Moreover, although the Navy Staff has a formal instruction outlining how to conduct force structure assessments, it does not detail how to manage the use of such reviews in a comprehensive planning process.[24] The US Army,[25] US Air Force,[26] as well as the Joint Staff,[27] have established policy that outlines their respective planning progresses at the headquarters level. These practices ensure that policy guidance and planning priorities *drive* planning and programming.

Planning Documents

As Table 1 demonstrates, the US Army and Air Staffs conduct extensive planning; and they issue plans on an as-needed, annual, biannual and quadrennial basis. Crucially, these represent the expression of priorities agreed by senior service officials which require interpretation, coordination and consensus-building in order to provide specific guidance about *what* to purchase. The systems of both the army and air force have been recently revised due to the experience of congressionally mandated sequestration, the immediate need to recapitalise weapons and systems following the lengthy wars in Afghanistan and Iraq, and the uncertainty of whether the 2011 Budget Control Act will be fully implemented (and therefore cut the defence budget). The combination of these factors caused the senior leadership of both the army and the air force to examine their own planning and programming methods to make them more responsive to policy and strategy in an era of financial stress.[28] These two services have elevated financial decision-making to senior-level officials who are tasked with establishing priorities that cut across their respective services, to ensure money is only spent on service-wide priorities and not individual communities' parochial objectives such as, for example, armour or multi-role fighter aircraft.

The US Navy's practices lag behind those of the other services

Conversely, the Navy Staff does not have a history of producing influential planning documents that drive the organisation's programming.[29] In effect, the Navy Staff has yet to find an effective, *and repeatable*, means of developing and expressing policy to develop financial priorities. Rather than publishing a series of planning documents – the army and air force staffs publish planning documents that border on being voluminous – the Navy Staff has issued a single (and remarkably short) planning document. The record of effectiveness of the navy's strategic plans has been problematic since their inception in 2006. For example, *Navy Strategic Plan '14* was never endorsed by the Chief of Naval Operations, for Fiscal Year 2016 a strategic plan for the navy was not developed and the Fiscal Year 2013 version was not staffed or coordinated by the Navy Staff. As a result of the irregular issuance of these general documents, there has been imprecise and inconsistent guidance to enable the establishment of priorities to direct the creation and management of programmes.[30]

Lead in Planning

Within the US Army Staff, the Directorate of Operations and Plans (G-3/5/7) is responsible for drafting and implementing planning guidance to drive the development of programmes.[31] This is done by an extensive consensus-building process amongst the key staff elements of the Army Staff. Importantly, this includes the continual engagement of planners in the development of programmes. Due to the serious investment challenges it faces,[32] the Air Force has undertaken a major reorganisation of the Air Staff with the objective of reinforcing the importance of policy and strategy to develop options and to remove this staff from involvement in short-term budget battles.[33] In fact, the operations and programming directorates have been merged, but the responsibility for programming has been *removed* from the Air Staff and now resides in the financial management directorate of the civilian secretariat.

The Navy Staff's planning division (OPNAV N51) has traditionally been at a severe bureaucratic disadvantage vis-à-vis other divisions as it has been very small and staffed mainly with junior officers. Indeed, many of the policy- and planning-related initiatives undertaken by Chiefs of Naval Operations have not been carried out by the planning division, but rather as ad hoc efforts. Due to its understrength staffing and lack of a strong institutional memory, this division has not been able to consistently produce timely policy guidance in sufficient detail to drive the budget development process. Probably the best example of its relatively weak position within the Navy Staff is the fact that the Quadrennial Defense Review – which constitutes a quintessential policy- and planning-driven process – is managed not by that division, but by the programmes division (OPNAV N8). It seems that there has been a strong ambivalence by successive senior naval leaders for many years towards the need for the Navy Staff to have a strong institutional planning capability.[34]

Oversight of Programming

The Army Staff's Operations and Plans Directorate develops policy and priorities which are set out in the Army Planning Guidance. The rationale for this practice is that it 'Links requirements to strategy and guides development of resource priorities for operational tasks over the mid-term period of the next six-year POM [budget proposal] plus 5-7 additional years'.[35] Importantly, the document provides details and *resource priorities* to guide the development of programmes and the budget to meet core US Army competencies identified in the US Army's Field Manual 1. All of these efforts ensure that the Directorate

of Operations remains at the forefront of the development of the army's budget, which is supported, but not dominated, by programmers.[36]

The US Air Staff's new planning method, whilst organisationally different from the Army Staff, shares the same objective of strengthening policy, strategy and planning in its strategic planning process to guide resource decision-making. This effort is envisaged to produce fiscally constrained investment guidance that will create a balance between current and future air force priorities.[37]

The processes in the US Navy Staff differ markedly. The lack of consistent and strong planning guidance issued by the planning division means that the programming division dominates the entire programming effort. For instance, the 30-year Shipbuilding Plan, a key 'planning' document,[38] is formulated by the warfare systems division (OPNAV N9) without reference to the planning division's guidance, but yet is developed with heavy involvement from the programming division. Moreover, the programming division 'produces' the data derived from its own in-house campaign analysis, which can then be used to justify the priorities that the division itself has determined. It also has the Navy Staff's Comptroller residing *within* this division. In effect, the programming division creates its *own* strategic plans that express the objectives and priorities it has determined, all the while exercising influence over financial execution of the Navy's budget. Due to the wide-ranging responsibilities of determining US Navy priorities, programming and budgeting, the programming and warfare systems divisions possess approximately 80 per cent of the entire Navy Staff.[39]

Cost-Informed Planning

According to Air Staff officials, the US Air Force has a long history of developing cost-informed plans; an official on the Army Staff claims that the army is in the process of adopting this practice to ensure that its plans are more financially disciplined.[40] A review of the planning documents produced by the Navy Staff's planning division clearly shows that they fail to express guidance and priorities in financial terms. Additionally, one could argue that these documents have been too general and have not differentiated sufficiently between what activities the navy has to do very well, and what capabilities need only be good enough.[41]

Results and Reactions to Budgetary Uncertainty

As stated above, both the US Army and Air Staffs have reacted in a similar way to the need for recapitalisation, the uncertainties that have accompanied the passage of the Budget Control Act and the ensuing budget sequestration. Albeit using different methods, a common practice by both has been to tighten financial decision-making in order to preclude their organisations from indulging in funding their own community parochial interests at the expense of what is best for the entire organisation. This has resulted in the elevation of financial decision-making to senior officials.

There is likely no more persuasive evidence of the serious lack of policy-endorsed priorities being reflected in the Navy Staff's programming efforts than in an anticipated $4-billion shortfall in the navy's current 30-Year Shipbuilding Plan, used to justify its shipbuilding plans.[42] While the other services have made efforts to address the stark financial realities facing them, the US Navy has only recently begun to embark on such a programme of reform to the existing PPBE method aimed at introducing policy priorities to influence programming.

It should be clear that the Navy Staff's approach to PPBE is at odds with the practices of the Army and Air Staffs. Its organisational arrangement produces what can be best described as 'strategic budgeting' and limits the influence of policy guidance affecting resource priorities, even by the secretary of the navy and the chief of naval operations. Former Chief of Naval Operations Admiral Vern Clark claimed that the US Navy's strategy and plan was its annual budget proposal.[43] Perhaps the current programming system is optimal in that it responds effectively to the fleet's requirements today, but it must be acknowledged that this is at the expense of isolating financing from policy priorities that look to the future.

The Difficulty of Defence Planning in the Legacy Defence Institutions of Former-Communist European States

Before discerning lessons from the experience of the DoD's various PPBE systems as they might be applicable to post-communist legacy defence institutions, it is appropriate to examine why these organisations have found conducting defence planning to be so challenging. The difficulties they have faced stem from the confluence of a number of factors. These have been expressed in different manifestations and intensities, depending on the specific communist legacy – Soviet, Warsaw Pact or Yugoslav – and the origins of the institutions, whether legacy or newly created.

First, it must be recognised that, upon independence, many defence institutions were (re)created with no institutional memory, let alone experience, in *national* defence planning. This was, for example, the experience of many members of the Warsaw Pact. In some countries, due to conflict accompanying their independence (as in Bosnia and Herzegovina, Croatia, Armenia and Azerbaijan), or the threat of war (as in Macedonia), defence planning was understandably a low priority as they focused on more immediate concerns.

Second, with the advantage of hindsight, early Western advice and assistance in defence planning – that is, exporting PPBS – had the deleterious effect of encouraging the institutionalisation of programming *before* the creation of the strong policy frameworks needed to control programmers. As a result, opaque processes and new controlling bureaucracies were created. Building on existing legacy bureaucratic practices, these controlling bureaucracies have come to dominate 'planning' in a highly centralised way. The bureaucratic result has been to forestall the introduction of policy priorities to control defence budgets. In this respect, the evidence suggests that PPBS methods have

indeed been inappropriately applied in these countries as the introduction of this method has reinforced legacy centralisaton practices, but with a newly applied patina of Western legitimacy.

Third, with respect to financial management, these defence institutions have highly centralised decision-making processes (reinforced by PPBS), a weak understanding of the Western concept of policy and all too often conflate 'policy' with civil code legal systems. Combined, this has made formulating executable defence plans challenging.

Solutions to Planning and Programming Challenges

In light of these conditions in communist-legacy defence institutions, officials and analysts could find solutions to their planning challenges by examining the more successful planning and programming practices employed within the DoD with the objective of strengthening the link between policy and budgetary execution. Where such practices already exist on paper in these defence institutions, it would still be prudent for officials to examine and validate whether they are actually functional and produce their envisaged outcomes. Specifically, several practices and techniques should be studied with the objective of improving the implementation of the method of programming.

There is a need to establish/reinforce strategic planning policy. This initiative needs to be more than simply producing a document, but rather to codify functional programming practices. Such policy should address the identification of officials' roles and responsibilities in the defence institution's strategic planning process. It must be clearly enshrined in policy that the policy directorate of the ministry of defence is designated the lead in establishing defence objectives and priorities. This policy document *must* include specific deadlines for the release of planning priorities in a codified planning guidance document to ensure the effective and efficient operation of programming. Finally, a revised policy document should create a common planning lexicon that applies across the defence institution.

Analysts could find solutions to planning challenges by examining the more successful practices employed by the Department of Defense

In terms of defence plans, a guiding policy and planning document should be issued annually, or biannually with an annual review, which must include clearly stated planning priorities. Any document published *after* the initiation of the development of the defence budget will be meaningless. That said, the timely release of policy guidance and planning priorities must have the minister of defence's strong ownership if they are to have the necessary gravitas to maintain influence over the development of defence programmes. As a senior US Army official told this author, as sophisticated as the US Army PPBE is, it cannot function without senior leadership establishing policy priorities. The US Navy's practice of drafting brief, uncosted and general Navy Strategic Plans has proved to be insufficiently detailed to provide the guidance needed to frame trade-off decisions throughout the development of programmes. Thus, by extension, policy needs to establish where money should and should not be spent. Ideally, this planning guidance should endeavour to narrow the scope of planning priorities, in effect expressing in financial terms in what areas risk needs to be reduced, and in what areas more risk should be accepted.

On a bureaucratic level, consideration should also be given to ensuring that the policy directorate and the planning branch need to be represented in the interface of the defence headquarters with service and joint commanders, in order to understand fully and within the proper context their respective short-, medium- and long-range planning priorities. This implies the need for policy and planning officials to have some expertise with operation plans to be able to translate accurately their financial constraints on programming.[44] Thus, an annual/biannual defence plan, with supporting financial guidance, could serve as the initiation of the planning process, but it must be followed by the development of implementation guidance (developed across the ministry of defence and defence staff) to provide clear priorities to programmers.

As an element of crafting more detailed planning guidance, policy directorates and their planning branches will need to address an important reform challenge – they must reconceptualise how they expresses policy guidance and priorities. So far, in most European communist-legacy defence institutions, defence plans have largely been statements of objectives framed in an absolute sense; they have not been making the hard decisions of what and what not to fund as priorities are, by definition, zero-sum. To be blunt, what is needed is for policy directorates to recognise that if their guidance is to be implemented by programmers, such guidance and priorities *must* be expressed in financial terms. In short, money *is* policy, and therefore needs to be expressed as such in the development of strategic planning guidance.

The planning branches in these countries must begin the practice of developing plans articulated in financial costs and expressing guidance in terms of money, which is understandable to programmers in a clearly binary manner – for example, funding to this limit is to be spent on capability or activity X. This means that planning branches must come to dominate, and should control, the defence institution's costings databases in developing its own new planning guidance. This could well become bureaucratically contentious in many of these ministries, because when many of the PPBS directorates were established, Western advisers encouraged them to place the cost models in these directorates. As such, they have come to dominate the entire resource decision-making process, as they control not only the development of programmes, but maintain costings, and have not always operated them in a collaborative manner – for example, through sharing costing

databases – with other elements of the defence institution.

In such bureaucratic environments, where programmers have long dominated in an opaque manner the assignment of priorities, the continued practice by planners of producing long-term development plans will only serve to isolate policy directorates from decision-making regarding where the defence budget is actually spent. The important point being that policy directorates need to establish the objective that any new strategic planning process needs to include and be driven by financially informed guidance that eventually produces an annual plan that is costed, thereby making it financially sound.

Finally, policy directorates – supported by their planning branches in their respective ministries of defence – need to become both the de jure and de facto leaders for strategic planning. This includes maintaining continuous management responsibilities for the translation of policy guidance into programmes. To be more precise, policy directorates should monitor and assess the development of programmes as they go through each decision gate and be prepared to provide a policy review as needed. And it is during this phase of programming that the personnel of policy directorates will need to attend these programme meetings, and they will need to be armed with financial data.

Therefore, defence plans need to be reconceptualised as more than developing the initial guidance that starts the planning process, but must include oversight responsibilities *throughout* the entire development and execution of programmes. Policy oversight of the development of programmes and their execution process is essential as guidance and priorities may change, and so policy directorates will need to be prepared to interpret their planning priorities throughout the execution phase. A measure of success could be discerned if programming directors increasingly focus attention on developing capability optimisation solutions, as opposed to guessing at policy guidance and priorities.

As policy directorates grow to exert control over planning priorities by developing more detailed and useful guidance, there will likely need to be more formal staff coordination forums to ensure that guidance and priorities are reflected in the development of programmes, as well as provide mid-course corrections should policy and priorities change. Logic would dictate that as policy directors increasingly drive the planning process, those officials should co-chair with the chief of defence meetings where policy and resource recommendations are being developed for ministerial approval.

Conclusion

Institutional incompatibilities – where decision-making remains highly centralised and, given the presence of hard financial realities, defence plans are often aspirational – mean that the defence institutions in former communist countries in Central and Eastern Europe continue to struggle to introduce effective planning methods. As a consequence, there is a substantial degree of policy incoherence as these armed forces endeavour to develop viable defence plans that are implementable and supported by existing and envisaged defence budgets. Examining the manner in which the US armed forces have created their respective PPBEs provides an indication of the means that can be emulated by reforming defence institutions if they want to implement fully the method of programming.

But there are two issues which political and defence officials in Central and Eastern Europe need to consider when determining how to create planning and execution methods that are more responsive to policy. First, irrespective of budget methods used, these institutions need to reinforce the authorities of policy directorates so that they become capable of expressing guidance and priorities in financial terms and not just words. In essence, policy officials must begin speaking the language of programmers. The challenge to policy directorates is to initiate the practice of outlining budgetary cost guidance to programmers by creating defence plans that express *costed priorities*. A guiding principle that should be adopted by policy directorates is that without a priority being costed, its true value to defence will always remain elusive. Defence institutions must adopt one of the tenets of the original PPBS approach, which held that policy establishes 'what', while programmers determine 'how'.

Second, and again irrespective of the budgeting methods employed, defence planning needs to be redefined to include more than just drafting plans. This activity needs to be expanded to include the critically important activity of ensuring that programmes are developed in agreement with policy priorities. In most defence institutions in Central and Eastern Europe, defence plans are seen as a discrete and almost isolated activity from the rest of the management of the armed forces, due to the fact that they rarely, if ever, address how 'defence' can fit within the existing budget. If programming methods are going to be adopted and fully implemented, the lessons from the US armed services point to the need for planners to remain actively involved in supporting policy directorates as programmes are developed. It is for this reason that costing models should be placed under the responsibility of planning branches to ensure that they are fully capable of producing costed defence plans. This would also support planners when they argue their case before policy directorates when resources and/or events necessitate changes in plans and programmes.

The defence institutions in former communist countries in Central and Eastern Europe struggle to introduce effective planning methods

In the end, if these reforms are accepted and adopted, they may well produce detailed thinking on the part of policy directorates as to the precise value added by programming as a method and organisational principle within their defence institutions. After all, if plans are costed and endorsed by

policy, via their planning branches, then in many of these defence institutions there may well be little need for bloated PPBS directorates which have long dominated resource decision-making. Moreover, using these new principles, policy officials could determine that formal programming – with its key tenet of long-term and multiyear planning assumptions – could be antithetical to their objective of linking more closely budgetary execution to policy priorities. As almost all of these defence institutions adopted programming when their policy directorates were either non-existent or very weak, this would bring full-circle well-intended Western efforts to assist in improving financial management of these reforming institutions. So far, these technical assistance projects have produced PPBS directorates that have come to isolate budgetary execution from policy. A rebalancing of responsibilities in terms of who makes financial decisions in these defence institutions is long overdue. ■

Thomas-Durell Young is Program Manager, Europe, Center for Civil–Military Relations, Naval Postgraduate School, Monterey, CA.

The views expressed in this article are those solely of the author and do not reflect the policy or views of the Naval Postgraduate School, US Department of the Navy, the US Department of Defense or the US government.

Notes

1 Charles J Hitch, *Decision-Making for Defense* (Berkeley, CA: University of California Press, 1965); Charles J Hitch and Roland N McKean, *The Economics of Defense in the Nuclear Age* (New York, NY: Athenum, 1975).

2 For an example relating to the Canadian experience see R V Segsworth, 'P.P.B.S. and Policy Analysis: The Canadian Experience', *International Review of Administrative Sciences* (Vol. 38, No. 4, December 1972), pp. 419–25.

3 See Defense Resource Management Study Program, 2010 Annual Report, Irregular Warfare Division, Office of the Secretary of Defense, Cost Assessment and Program Evaluation, Washington, DC, 2010, 20 (Appendix 2).

4 One of the most influential writers on strategic planning, Henry Mintzberg, admittedly from a business perspective (which in the case of PPBS only confirms his relevance) writes that the development and adoption of PPBS constitutes one of the greatest efforts and failures of all time in the area of public finance. Henry Mintzberg, *The Rise and Fall of Strategic Planning: Reconceiving Roles for Planning, Plans, Planners* (New York, NY: Free Press, 1994), p. 19. A leading expert on public finance at the time of the development of PPBS for the DoD, Aaron Wildavsky, writes that 'PPBS has failed everywhere and at all times'. Aaron Wildavsky, *The Politics of the Budgetary Process*, 4th edition (New York, NY: Little, Brown, 1984); he continues, 'Nowhere has PPBS (1) been established and (2) influenced government decisions (3) according to its own principles. The program structures do not make sense to anyone. They are not, in fact, used to make decisions of any importance', p. 121.

5 Ministry of Defence of the Czech Republic, *The White Paper on Defence* (Prague: Ministry of Defense, 2011), p. 54.

6 Ministry of Defence of the Slovak Republic, *The White Paper on Defence of the Slovak Republic* (Bratislava: Ministry of Defence, 2013), pp. 16, 18.

7 Jozsef Paor, 'The Resource, Cost and Budget Planning Sub-Systems in the Defense Planning Systems and Their Missions', in National Defense University, *Planning, Programming, Budgeting, Evaluation System – Benefits and Challenges* (Bucharest: Carol I Publishing House, 2010), p. 59.

8 Romania, 'Strategy of Transformation of Romanian Armed Forces', approved by State Secretaries for Euro-Atlantic Integration and Defense Policy, and Armament, Chief of General Staff, and Secretary General of the Ministry of National Defense, Bucharest, 2007.

9 'Law No. 473/2004 on Defense Planning (Romania)'.

10 Oana-Raluca Manole, 'PPBES Process Overview: Considerations Regarding its Implementation and Use', in National Defense University, *Planning, Programming, Budgeting, Evaluation System*, p. 36.

11 See Islam Yusufi, 'Republic of Macedonia: Defence Sector Assessment', in Anja H Ebnöther, Philipp H Fluri and Predrag Jurekovic (eds), 'Security Sector Governance in the Western Balkans: Self-Assessment Studies on Defence, Intelligence, Police and Border Management Reform', Centre for the Democratic Control of Armed Forces, 2007, p. 149; Macedonian Ministry of Defence, *White Paper on Defence* (Skopje: Ministry of Defence, 2012), pp. 30–31.

12 Serbian Ministry of Defence, 'White Paper on Defence of the Republic of Serbia', 2010.

13 Robert M McNab, 'Implementing Program Budgeting in the Serbian Ministry of Defense', *Public Budgeting and Finance* (Vol. 31, No. 2, Summer 2011), pp. 216–30.

14 See Aghasi Yenokyan, 'Country Study – Armenia', in Philipp Fluri and Viorel Cibotaruv (eds), *Defense Institution Building: Country Profiles and Needs Assessments for Armenia, Azerbaijan, Georgia, and Moldova Background Materials* (Geneva: Centre for the Democratic Control of Armed Forces, 2008), pp. 20, 26.

15 Vitaliy Kosianchuk, 'Cobb-Douglas Production Function as an Approach for Better Resource Allocation in the Ukrainian Armed Forces', Master's thesis, Naval Postgraduate School, 2013, p. 27.

16 Ukraine Defense and Security Policy Centre, 'Defense Bulletin No. 5', 2010,

p. 14, <http://en.defpol.org.ua/files/OV_05_2010_eng.pdf>, accessed 3 October 2016.

17 Ministry of Defence of Georgia, *Manual Planning and Control: PPBS/FMS* (Tbilisi: Ministry of Defense, 2007).

18 Teona Akubardia, 'Overview of the Legislation Facilitating the Civil Democratic Oversight of Armed Forces in Georgia', in Tamara Pataraia (ed.), *Democratic Control over the Georgian Armed Forces since the August 2008 War* (Geneva: Centre for the Democratic Control of Armed Forces, 2010).

19 Ministry of Defence of Georgia, 'Strategic Defence Review, 2013-2016', 2013.

20 Jack Rabin, 'PPBS: Theory, Structure, and Limitations', in Robert T Golembiewski and Jack Rabin (eds), *Public Budgeting and Finance*, 4th edition (New York, NY: Marcel Dekker, 1997), p. 490.

21 Hitch, *Decision-Making for Defense,* pp. 25–26.

22 Peter D Haynes, 'American Naval Thinking in the Post-Cold War Era: The U.S. Navy and the Emergence of a Maritime Strategy, 1989–2007', PhD dissertation, Naval Postgraduate School, 2013, p. 7.

23 For a more comprehensive comparison of the three services' PPBE practices see Thomas-Durell Young, 'When Programming Trumps Policy and Plans: The Case of the US Department of the Navy', *Journal of Strategic Studies*, doi:10.1080/01402390.2016.1176564.

24 US Department of the Navy, 'Force Structure Assessments', OPNAVINST 3050.27, N81, 12 February 2015.

25 US Department of the Army, 'Planning, Programming, Budgeting and Execution System', Army Regulation (AR) 1-1, 30 January 1994.

26 US Department of the Air Force, 'Air Force Strategy, Planning, and Programming Process', Air Force Policy Directive 90-11, 6 August 2015.

27 US Chiefs of Staff, 'Joint Strategic Planning System', Chairman of the Joint Chiefs of Staff Instruction, CJCSI 3100.01B, 12 December 2008.

28 US Department of the Army, 'Revisions to The Army Plan', Washington, DC, 2014; Department of the Air Force, 'America's Air Force: A Call to the Future', 2014.

29 See Peter Swartz with Karin Duggan, 'U.S. Navy Capstone Strategies and Concepts (2001-2010): Strategy, Policy, Concept, and Vision Documents', MISC D0026241.A2/Final, Center for Naval Analysis, 2011, p. 319.

30 Steve Kelley, 'Linking Strategy to POM Development: The Navy Strategic Plan in Support of POM-12 (NSP-12)', undated unclassified briefing, slide no. 6.

31 US Department of the Army, 'How the Army Runs: A Senior Leader Reference Handbook, 2015-2016', Carlisle Barracks, US Army War College, 2015, pp. 8-9–8-10.

32 Jeremiah Gertler, 'The Air Force Aviation Investment Challenge', R44305, Congressional Research Service, 2015.

33 Aaron Mehta, 'Lt General Michael Moeller: USAF Deputy Chief of Staff, Strategic Plans and Programs', *DefenseNews*, 24 April 2014.

34 Peter M Swartz, 'Organizing OPNAV (1970-2009)', Center for Naval Analysis, January 2010, <https://www.cna.org/cna_files/pdf/D0020997.A5.pdf>, accessed 4 October 2016.

35 *Ibid.*

36 US Department of the Army, 'How the Army Runs', pp. 8-9–8-10.

37 US Department of the Air Force, 'America's Air Force'.

38 US Department of Defense, 'Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2017', Office of the Chief of Naval Operations, Deputy Chief of Naval Operations, April 2016.

39 Haynes, 'American Naval Thinking in the Post-Cold War Era', p. 36.

40 Author interview with senior Air Force planner, Washington, DC, July 2014.

41 See Swartz and Duggan, 'U.S. Navy Capstone Strategies and Concepts (2001-2010)'.

42 Ronald O'Rourke, 'Naval Force Structure and Shipbuilding Plans: Background and Issues for Congress', RL32665, Congressional Research Service, September 2016.

43 Haynes, 'American Naval Thinking in the Post-Cold War Era', pp. 227–88.

44 Arthur H Barber III, 'Joint Warfare Analysis: The Key to Shaping DoD's Future', *Phalanx* (Vol. 47, No. 1, March 2014).