Netanyahu Decides on 3 Billion Shekel Cut to Defense Budget

Prime Minister Benjamin Netanyahu ruled Monday that the defense budget will see a 3 billion shekel ($840 million) cut, in lieu of the original 4 billion shekel ($1.1 billion) cut originally proposed by the Finance Ministry. The additional NIS 1 billion ($280 million) cut the Finance Ministry demanded would be taken from the ministry's reserves.

The cabinet was still in session to vote on the budget, after which it will be sent to the Knesset floor for ratification.

Netanyahu's decision followed a lengthy cabinet meeting during which a compromise reached between the Finance and Defense ministries was presented to the ministers. The compromise was finalized on Sunday night following marathon meetings between IDF, Defense Ministry and Finance Ministry officials.

"I have decided to present the cabinet, and later on the Knesset, with a smaller cut to the defense budget to the tune of 1 billion shekels. This will not be made at the public's expense. I would like to stress that the Israel Defense Forces, its soldiers, officers and weapons are vital to public security," Netanyahu said.

"They are vital on both fronts—the defensive and the offensive. The latter is self explanatory and the defense keeps expanding and now includes the entire homefront—all of Israel. That is why we need the IDF to continue with its streamlining plans, but we also need more Iron Domes. I believe that the path I'm presenting today will create the right balance between the economy's needs and our defense needs and allow us to achieve our goals on both fronts. These needs always require a compromise and I think we made the right one.”

The prime minister stressed that ensuring the government, and subsequently the Knesset, votes in favor of the budget “is the most important thing. In today’s economic climate, when the world is experiencing a recession, it is important that the State of Israel shows it can devise a budget. This decision on defense spending will allow us to do so.”

The defense establishment’s original budget for 2012 was NIS 54 billion ($15 billion), but it was later revised to NIS 60 billion ($17 billion). The defense establishment had originally demanded a NIS 64 billion ($18 billion) budget for 2013, but the Finance Ministry would like to see it cut to NIS 50.5 billion ($14.2 billion).

IDF officials have warned that major cuts in the 2014 budget might be particularly harmful to the military because of the ongoing threats on multiple fronts. They warned that the cuts would decrease the IDF’s combat readiness and effectively undo the progress made since the 2006 Second Lebanon War.

Monday’s compromise between the Finance and Defense ministries states that some of the funds the defense establishment agreed to cut for the 2013 budget would be reintroduced in the 2015 budget, allowing it to keep its perennial work plan—especially pertaining to the Iron Dome, Arrow and David’s Sling missile defense systems, future acquisitions of German submarines for the Navy and stealth technology for the Israel Air Force—in place. In addition, the IDF also sought to safeguard a NIS 6 billion ($1.7 billion) deal with Italy to acquire state-of-the-art training aircraft.

The cut all but assures a favorable government and Knesset vote on the budget, making Finance Minister Yair Lapid the first finance minister in recent years to make a substantial cut to the defense budget.

As the budget stands, the cuts will lower government spending by NIS 25 billion ($7 billion) over the 18 months: NIS 7 billion ($2 billion) in 2013, and another NIS 18 billion ($5.1 billion) in 2014. New taxes are expected to yield in NIS 20.5 billion ($ billion) of revenue: NIS 6.5 billion ($1.8 billion) in 2013 and another NIS 14 billion ($3.9 billion) in 2014.

The Finance Ministry has also hinted that it will backtrack on plans to raise deductibles for HMOs and consultations with family doctors and specialists. The Finance Ministry also decided to leave police and IDF career officer pension plans untouched, the latter being a major source of contention as army pensions go into hundreds of billions of shekels over time.

In addition, the budget called for cuts to the Chief Scientist’s office in the Economy and Trade Ministry, but the Finance Ministry is weighing whether to scrap that cut as well. Economy and Trade Minister Naftali Bennett said he was still discussing the matter with Lapid. The Chief Scientist’s Office helps to incubate technology startups in Israel, and thus a reduction in its budget could affect this vital sector of the Israeli economy in the years to come.

In addition, the government will discuss lowering the age of free dental care, and tax credits awarded to those who pursue higher education.

A tough battle is expected around the issues of charging value added tax to tourist services, and cutting child allowances by one-third to NIS 150 ($42) per child.

Meanwhile, after 10,000 protesters crowded central avenues in Tel Aviv on Saturday night, economic protests continued on Sunday in Jerusalem, where some 100 people gathered with baby carriages to demonstrate against Lapid’s budget.

Protesters chanted, “Without investment our children have no future,” and “Lapid, don’t hurt working parents.”

Rachel Azaria, a member of the Jerusalem city council from the Yerushalmim faction and the initiator of the protest, referred to the stroller protests in 2011, saying, “We protested two years ago because we felt we weren’t managing to keep our heads above water. Raising kids is going to be too expensive. The [budget] proposal has too many cuts that affect working parents: canceling subsidized afternoon day-care programs, increasing school fees and cutting child allowances. We, the working parents, do not agree to more cuts.”

Meanwhile, the State Control Committee announced plans on Monday to investigate “who is responsible for the deep deficit that was created in the budget,” according to Army Radio.

Committee Chairman and Shas MK Amnon Cohen said that within the next two weeks, the control committee will look into which decisions led to the NIS 40 billion ($11 billion) deficit, and who made those decisions. The results of the investigation will be passed along to the state comptroller.

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