

Multi-year Defence Agreements in the Netherlands

Clingendael Report

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June 2016

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Multi-year Defence Agreements in the Netherlands

The manner in which Dutch defence policy comes about should be changed. Accumulating budget cuts and a mismatch between ambitions and resources have left the Dutch defence establishment craving a long-term perspective. A variant of a Multi-year Defence Agreement might offer a solution.

Since the end of the Cold War, the Dutch defence budget has gone into free fall. With the sharp rise in the level of threat in and around Europe, there is growing concern on the part of the government and a substantial part of the House of Representatives that the Dutch armed forces have been eroded too drastically to perform their tasks adequately. Due to successive budget cuts, the strength and sustainability of the Dutch armed forces have decreased to such an extent that NATO concluded in a report in March 2016 that their quality can no longer compensate for their lack of quantity.¹ The Netherlands does not come close to the Defence Investment Pledge (2% of GDP) made at the NATO summit in Wales, with the percentage set to continue falling from 1.16% of GDP at present to 1.08% by 2020 if policies remain unchanged. However, the imbalance between the demands made of the armed forces and the resources available is not the only problem. Overlapping budget cuts have led to destruction of capital, budget underspending, a reduction in the attractiveness of the Ministry of Defence as an employer, the postponement of investments and a lack of basic readiness.

At an earlier stage, concerns about the state of the armed forces led to a slight increase in the defence budget. In response to a motion in parliament (the Van der Staaij motion, 7 November 2014), the Ministry of Defence stated that 'the strengthening of the armed forces should be based on a multi-year perspective'. The use of the term 'perspective' was apparently mainly intended to indicate that the upward trend of the budget would be sustained over a longer period. However, it turned out in practice that such a perspective retains its validity only for as long as the current government and the current Minister of Defence remain in post. The multi-year character of the defence budget is an intention, but loses its political value after an election. And even so, interim government decisions may be taken to trim ministry budgets.

In a Clingendael Report from September 2015, the pros and cons of the practice of Multi-year Defence Agreements in Denmark and Sweden were analysed.² One of the conclusions from that report was that the benefits that Defence Agreements have

1 *NATO Defence Planning Capability Review 2015/16 – The Netherlands – Draft Overview*, annex to the Letter from Minister of Defence J.A. Hennis-Plasschaert on 'NATO Defence Planning Capability Review' to the Speaker of the House of Representatives, 24 March 2016.

2 Margriet Drent and Minke Meijnders, 'Multi-year Defence Agreements: A Model for Modern Defence?', *Clingendael Report*, The Hague, September 2015.

brought to these countries might be of interest for the Netherlands (see box). The report recommended looking into the extent to which the use of Multi-year Defence Agreements should be considered in the Netherlands. On 24 November 2015, a motion was brought before the House of Representatives by Labour Party defence spokesperson Angelien Eijnsink to the effect that the House should 'look into whether multi-year defence plans might also have advantages in the Dutch context'. The motion received widespread support. Following a meeting for MPs and their staff in January 2016 at the Clingendael Institute, a round table discussion was held in the House on 25 May 2016 on the subject of Multi-year Defence Agreements. Among other things, this report was intended as substantive input for that meeting.

Box : International variants of Defence Agreements

Internationally, there are numerous different variants of Defence Agreements. The Danish and Swedish approach opts for a high level of involvement by parliament. In these countries, a parliamentary committee prepares reports analysing the international security situation. This forms the basis for the Defence Agreement, which covers subjects such as how the armed forces should respond to security conditions, what level of ambition is appropriate and how the military and its branches should be organised, as well as determining the level of the defence budget. In Denmark, these Defence Agreements take the form of five-year extra-parliamentary political agreements, whereas in Sweden the Agreement is transposed into a Defence Act. The practice in France is also interesting. After an intensive and inclusive process, a White Paper on National Security and Defence has been issued approximately every 15 years since 1972, on which the *Loi de Programmation Militaire (LPM)*, introduced every five to six years, is based. However, the implementation of the LPM still depends on the actual allocation of the defence budget. Another example is Italy, where a White Paper was issued in 2015 for the first time since 1984. This White Paper is the basis for a six-year Military Planning Act for major equipment projects. Such a multi-year framework ensures continuity and certainty regarding major investments.

Defence is a core function of government and should be able to rely on policies and budgets that are assured over a reasonable time period. In addition, the Netherlands needs to be a reliable and predictable partner internationally in order to maximise the benefits of international cooperation. A Multi-year Defence Agreement could offer a solution. What model could be considered for the Netherlands that ensures more continuity, (planning) certainty, structure, political engagement and a better balance between ambition and resources?

This report was originally published in Dutch. Excerpts of this report are provided in this English translation. A number of possible variants of the Multi-year Defence Agreement in the Netherlands will be discussed, ranging from more to less ambitious interpretations. The report concludes with a brief list of policy recommendations.

Three variants of Defence Agreements

There are roughly three variants of the Defence Agreement. These are: (1) the ambitious variant; (2) the intermediate variant and (3) the light variant.

The ambitious variant

The ambitious variant is in line with the practice in Sweden and Denmark. This starts with a policy review-type exercise³ being carried out, in which a committee consisting of parliamentarians from all the participating parties, together with experts from the relevant ministries, the armed forces, academic circles and research institutes, prepares an analysis of the international security situation. This committee is assisted in the drafting process by the Ministries of Defence and Foreign Affairs. Ideally, parliament itself can draw on independent expertise, either developed internally or acquired through outsourcing. The report identifies the core security interests of the Netherlands and what is required in order to safeguard them. Based on the committee's report, a Defence Agreement is written, setting out the armed forces' main tasks and organisation and a detailed financial framework for at least five years. For long-term capital spending, for example on materiel, this timeframe could be extended to 15 or even 20 years. To this end, a Defence Materiel Investment Fund can be created, with a separate multi-year status in the budget. The Multi-year Defence Agreement is based on the largest attainable majority of the States General, and subsequently re-ratified annually, in accordance with the Government Accounts Act. The signatories agree that the Defence Agreement will remain in force for the agreed period, regardless of any change of government.

Whether this ambitious variant is feasible for the Netherlands depends to a great degree on the sense of political urgency of the security and defence issue. Politicians in Sweden and Denmark have been familiar for decades with forming agreements across the boundaries of coalition parties and beyond coalition terms. This takes political courage and mutual trust, but it also requires a recognition that security and defence interests are a matter of high politics, an essential public good that transcends short-term political interests.

3 New policy reviews should be based on a broad definition of security, considering the security environment as a whole, and so too the role of the armed forces. This requires a 'whole of government' approach that takes account of the intertwined nature of internal and external security.

Intermediate variant

The intermediate variant differs from the ambitious variant in the status of the resulting Defence Agreement. This Agreement does not become part of the Government Accounts Act and thus does not acquire legal status. Rather, the Agreement has the status of a political agreement between parties and is thus less embedded in the parliamentary rules. Parliament is closely involved in determining the substance of the security policy analysis, but, unlike with the ambitious variant, does not take the lead role. The period of validity remains at least five years, with a longer term for capital spending. The financial part of the Agreement is less detailed, but serves as a guideline for the eventual annual budget, which is based on it.

Light variant

The light variant is a Defence Agreement in which a majority – preferably a comfortable one – of both Houses of the States General draws up and assents to a number of principles and benchmarks for defence policy over a longer period of time. This Agreement underscores the importance of continuity and stability for the organisation of defence and for balancing ambitions and resources. The Agreement is designed to extend beyond the life of a coalition, and plays an important role as a framework in the preparation and handling of the defence budget.

Conclusions and recommendations

Defence Agreements exist in numerous variants in different countries. The time seems ripe to take a different approach to the formation of Dutch defence policy and to introduce a variant of a Defence Agreement in the Netherlands. At a time when the Netherlands faces a seriously deteriorating security situation, its armed forces are in danger of being unable to offer an effective response. Overlapping and accumulating budget cuts and a mismatch between ambitions and resources have left the Dutch defence establishment craving clarity and a long-term perspective on how the armed forces will meet these challenges. There are good reasons why defence in particular is regarded as a suitable subject for the conclusion of such an Agreement. The defence department occupies a special position in the Netherlands in relation to other government departments: as an essential public good, security requires long-term investment in an international context, with the development of core systems taking an average of 20 years.

This report identified a number of basic starting-points and principles which characterise the Defence Agreement and its value for the Dutch context. In our view, such an Agreement should be one in which a large parliamentary majority guarantees the stability and continuity in the defence organisation over a period of years,

transcending changing coalitions. Defence Agreements should be established by means of an inclusive and transparent process and based on a broad political consensus on how to balance the level of ambition of the armed forces with the available resources.

The starting-point for Defence Agreements in the Netherlands lies with the will of the House of Representatives to initiate the process. The ball is emphatically in parliament's court. It alone has the power to determine how it intends to organise its work, agenda and handling of budgets. The parliamentary parties can decide for themselves whether to conclude a Multi-year Agreement with one another, and can ask the ministries to cooperate with them on this. It is up to them to decide whether resources are allocated to make this process possible, and to do so they will also need to make demands on the time and finances of the facilitating ministries (including the Ministry of Finance). For this to happen, it is important that it is not only the defence spokespersons of the different parties who support this method. This delicate political process needs to be supported by the entire party, and in particular the financial spokespersons and the political leaders.

What happens next? The time between now and the elections of March 2017 can be used to gather broad support in order to prepare for this process. In the short term, a temporary committee could be composed of members of the House of Representatives, which sketches out the new method. Moreover, the intention of introducing the system of Defence Agreements in the Netherlands should be mentioned in the election manifestos of the various political parties, so that a new coalition can include it in the coalition agreement and a new parliament can get to work on such a system from March 2017.

Point-by-point conclusions:

- Defence Agreements may be a **good way** to help solve the problems faced by the Dutch defence organisation;
- Defence Agreements ensure **certainty and continuity for the defence budget**, which is beneficial for the armed forces' operational management and task performance;
- Defence Agreements clarify the role, tasks and level of ambition of the armed forces; in so doing, they facilitate medium-term and long-term **defence planning** by providing certainty regarding the investment budget over several years;
- Defence Agreements facilitate **international defence cooperation** because they offer greater clarity/predictability in an international context about the course of the defence organisation. This makes it easier to align planning, procurement, maintenance, training, exercises, etc. with partners. When more European countries

work with Defence Agreements, this may have a positive impact on defence cooperation;

- **It is not just the result that is important, but the process too.** It gives parliamentarians a very important **proactive role** in thinking about the usefulness of and need for the armed forces and the importance of a sound financial basis for them. The mere fact of parliamentarians and experts discussing security and defence policy together is regarded as a benefit.
- Defence Agreements can help create a **'strategic narrative'**, an account of what the Netherlands wants from its defence, with a potentially positive impact on support for the armed forces;
- Defence Agreements can contribute to **increased knowledge, interest and involvement** with regard to defence policy **in society** by provoking debate on the usefulness of and need for defence.

Point-by-point recommendations:

- The introduction of Defence Agreements in the Netherlands should be taken up by a **temporary committee** of the House of Representatives;
- The Defence Agreement method should be included in the political parties' **election manifestos**, so that a start can be made on the process **after the March 2017 elections**;
- The **ambitious variant** of Defence Agreements is preferred, because it offers the most benefits in terms of stability/continuity, involvement of parliament and the balancing of ambitions and resources;
- The Netherlands should advocate the formation of Defence Agreements internationally, because of their benefits for **transparency, synchronisation of planning** and hence international defence cooperation;
- Defence Agreements should not come about in isolation, but take account of **EU-NATO shortfalls** and opportunities for collaboration with partner countries;
- Renewed reflection on the security policy environment and the role of the armed forces provides an opportunity to analyse **internal and external security threats** in conjunction;
- Defence Agreements presuppose more **autonomy in terms of parliamentary expertise** and hence parliament's own research capacity or sufficient budget to commission independent research.