



The 19th International Scientific Conference
**“DEFENSE RESOURCES MANAGEMENT
IN THE 21st CENTURY”**
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**DEFENSE RESOURCE MANAGEMENT IN THE COUNTRY OF
GEORGIA**

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Abstract:

Defense Resource Management (DRM) is a crucial component of military and defense organizations around the world, ensuring that resources are allocated efficiently to achieve operational objectives in an affective way. This paper examines the evolution of DRM, highlighting the contributions of figures like Robert S. McNamara and the adoption of innovative practices such as Program Planning Budgeting System (PPBS). Within the Georgian Ministry of Defense (MOD), DRM has undergone significant reforms, including the implementation of program-based budgeting and collaboration with international partners.

Key words: Defense Resource Management (DRM); PPBS; crucial component; efective and efficient; allocation resources; Robert S. McNamara MOD; collaboration

1.Introduction

Effective Defence Resource Management (DRM) is a crucial component in the success of any military or defence organization. DRM ensures that the resources allocated to the organization are used efficiently and effectively to achieve the desired operational objectives. It involves a range of activities, including financial planning, budgeting, procurement, human resource management, logistics, and infrastructure development.

DRM is not just about allocating resources; it is also about making strategic decisions that ensure optimal utilization of scarce resources, such as funds, personnel, equipment, and facilities. These decisions are guided by the organization's priorities, threat assessments, operational requirements, and budgetary constraints. When done correctly, DRM maximizes the impact of defence resources on national security while minimizing waste and inefficiency.

Therefore, a robust DRM system is necessary for any military or defence organization to succeed. It guarantees that the organization is well-equipped to face any challenges that may arise and can allocate its resources efficiently to achieve its objectives. By implementing an effective DRM system, military and defence organizations can be confident that they are doing their part to maintain national security.

The aim of this final study is to emphasize the importance of Defence Resource Management (DRM) in the Georgian military. It will explore the history of its development, its current position within the Ministry of Defence (MOD), and the opportunities and challenges it faces while carrying out long-term planning procedures. The knowledge gained from this paper will emphasize how vital efficient DRM is and how military and defence institutions must prioritize it to ensure a sustainable future.

2.Shortly About of The History of DRMS



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“My own strong belief is a manager should be an aggressive leader, an active leader, asking questions, suggesting alternatives, proposing objective.... “ Robert S. McNamara.

Robert S. McNamara was a key figure in the corporate world and played a critical role in shaping defence resource management (DRM) during his tenure as the Secretary of Defence for the United States from 1961 to 1968. McNamara was known for his innovative management practices, which were often referred to as "McNamara's Management Revolution". Before becoming the Secretary of Defence, McNamara served as the President of the Ford Motor Company and earned the nickname "Whiz Kid" for his analytical prowess. President John F. Kennedy recognized his expertise in organizational management and appointed him to the position. As Secretary of Defence, McNamara introduced a systems analysis approach to defence planning, emphasizing the use of quantitative methods and cost-benefit analysis in decision-making processes. He sought to apply principles of rational planning and management to the defence establishment, with a focus on maximizing the effectiveness of military spending while minimizing waste.

At that time, the main approach to government budgeting was line-item budgeting. This method involved classifying expenses into specific categories or line items like personnel, operations, and maintenance. However, this approach was not transparent and did not provide a clear connection between budget allocations and desired outcomes or objectives. One of McNamara's most significant contributions was the implementation of Program Planning Budgeting System (PPBS) within the Department of Defence (DoD). This approach involved linking budget allocations directly to specific programs and objectives, rather than traditional line-item budgeting.

McNamara acknowledged that effective defence resource management is crucial to enhancing military capabilities and readiness. However, the allocation of resources is a complex process influenced by a range of factors, such as strategic priorities, operational requirements, technological advancements, and fiscal constraints. To overcome these challenges, decision-makers must prioritize resource allocation based on strategic objectives, operational requirements, and emerging threats, carefully weighing competing priorities to ensure the optimal use of resources in achieving military readiness and capabilities.

McNamara emphasized the importance of accountability and performance measurement in enhancing efficiency and accountability to reach maximum effectiveness within the defence establishment . In summary, Robert S. McNamara's role in defence resource management was characterized by his innovative approach to modernizing Pentagon management practices. Through initiatives such as Program Budgeting and a focus on accountability and metrics, McNamara sought to maximize the efficiency and effectiveness of defence spending, leaving a lasting imprint on the field of defence management.

3.DRMS in The Georgian Ministry of Defense (MOD)

The Over the years, the Ministry of Defense's resource management system has experienced substantial modifications. Program-based budgeting was initially implemented in 2006 as a result of an agreement between the Georgian MOD and the Kingdom of the Netherlands MOD.

As a result, training sessions launched for the first time in 2007-2008. In 2009, the Ministry of Defense signed an agreement with “VIPD International,” a Dutch company, to improve the qualifications of its civil servants in planning, programming, and budgeting. Accordingly, around 70 military and civilian employees, including decision-makers and the management team, received training between 2009-2010 in order to ensure the success of the project implementation.

The table below illustrate how military demands were converted into the Defense budget according to the budget classifications before MOD started reforms.



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MOD Budget Classification

Code	Classifier
2	Expenses
2 1	Salary
2 2	Goods and services
2 2 1	Salary of non-staff workers
2 2 2	Business trip
2 2 3	Office expenses
2 2 4	Representative expenses
2 2 5	Meals expenses
2 2 6	Medical expenses
2 2 7	Expenses related to the acquisition of textile products, uniforms and personal hygiene
2 2 8	Expenses related to exploitation and maintenance of transport, equipment and weapons
2 2 9	Expenses related to acquisition of military equipment and ammunition
2 2 10	Other goods and services
2 6	Grants
2 7	Social security
2 8	Other expenses
31	Non-financial assets
31 1	Fixed assets
31 1 1	Buildings
31 1 2	Machines and inventory
31 1 3	Other fixed assets
31 2	Material supplies
32	Financial assets
33	Liabilities

Table N1 - MOD Budget classification, before Program budget

Moreover, from 2011 to 2013, the MOD of Georgia and the US Department of Defense collaborated on an initiative to enhance the expertise of personnel working in the field of resource management. As part of this effort, the Defense Institutional Development Group (DIB team), comprising American advisors, conducted a series of 19 work seminars. These seminars covered a wide range of topics, including defense planning, managing human and material resources, strategic planning, doctrine development, procurement planning, and defense market research. The seminars were designed to equip the attendees with practical skills and knowledge to manage resources more effectively and efficiently.

As a result of this, the MOD of Georgia has taken significant steps to ensure that the budget planning and implementation process is well-organized and efficient. They have achieved this by institutionalizing the process within the framework of the country's basic data and directions document (BDD). The BDD line-up with National Security Concept of Georgia reflects the medium-term development plans of the different ministries of Georgia, and it is developed in coordination with the Ministry of Finance of Georgia and approved by the Government of Georgia. The defense program budget is a critical component of the BDD, and it is carefully considered during the development of the programs. The Ministry of Defense designates responsible persons who plan and implement the measures within the program. This system of management ensures that the implementation of the financial management and control system is simplified and streamlined.



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Through these efforts, the MOD can effectively manage its budget and ensure that its programs align with the country's development plans.

Furthermore, the MOD of Georgia expressed its willingness to participate in the implementation of the Financial Management and Control System (FMC) in February 2016. The need for this system arose from Article 279 of the Association Agreement, which obliges the European Union to assist Georgia in reforming its public finance management, as well as the recommendations made in the third round report of the OECD Anti-Corruption Network and the Law of Georgia "On State Internal Financial Control".

As part of the reform, the system operating in the MOD underwent a thorough evaluation. Within the framework of the FMC, the process of allocating responsibilities was formalized, resulting in the establishment of a three-level management system. At the top of the system, there are program heads who are responsible for the overall management of the program. Below them are coordinators who ensure that the program is implemented efficiently and effectively. Finally, budget holders are responsible for managing and allocating financial resources for the program.

The minister's order appointed individuals to these positions and clearly defined their functions and duties. The creation of this system has improved financial management and control within the MOD, making it more transparent and accountable.

Therefore, the resource management system has undergone significant changes in terms of regulatory, legal, and conceptual frameworks. To enhance this process, the Georgian Defense and Readiness Program (GDRP) institutionalized the budget planning and execution process as one of the directions of the resource management effort line. This began in 2020 and was further detailed in the Resources Policy Guide (RPG).

The RPG align with the Ministry's Vision and Strategic Defense Review documents, provides a comprehensive manual that outlines the principles of planning and management of defense resources. It also describes the main stages of budget development and the roles and responsibilities of the various structural subdivisions of the Ministry system involved in the process of budget development and execution.

To achieve this, GDRP defined a line of efforts that began with an analysis of the existing training programs in the field of resource management. Workshops were then planned, and various topics were defined to address the identified gaps. Defense resource management workshops/trainings were held for the structural subdivisions involved in the defense resource management process to ensure that they are equipped with the necessary knowledge and skills to effectively manage and allocate the available defense resources.

The RPG significant important in the defense resources planning process of the ministry. It serves as a comprehensive guide for short to medium-term planning, emphasizing the priorities outlined in the country's strategic document. This document provides all-important recommendations and guidelines to program managers, coordinators, and budget holders, which are crucial in supporting the budget development process for the current year. The RPG also contains a detailed analysis of financial data, which considers both past years' financial data and future indicators. Overall, the RPG is a critical document that plays a significant role in the budget development process for the defense sector.

Please find below a detailed overview of how The Ministry of Defence practices a three-level defence programs management system, as a result of reforms and policy changes. For each program, the Minister appoints a program manager, coordinator, and budget holder/manager, each with their own distinct responsibilities. Table N2 and N3 provide further details on the responsibilities of the MOD Defence Programs, subprograms, their managers, coordinators, and budget holders/managers.



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This table is an excellent resource for anyone interested in understanding the structure of the MOD programs.

MOD Current Defence Programs Structure

Code	Budget	Defence Programs
29 00		
Ministry of Defence of Georgia		
29 01		
Defence Management		
29 02		
Professional Military Education		
01	29 02	Basic Military Training (Cadets Military Lyceum)
02	29 02	Military Education (National Defence Academy Of Georgia)
03	29 02	Professional Development (Defence Institution Building School)
04	29 02	Specialist Training
05	29 02	Training Courses
29 03		
Social Support and Healthcare		
01	29 03	Medicare Development (Military Hospital)
02	29 03	Social Support
03	29 03	Healthcare and Medical Support
04	29 03	Psychological Support and Rehabilitation
29 04		
Command, Control, Communications and Computer Systems		
01	29 04	Cyber-security Support (Cyber Security Bureau)
02	29 04	Communications and IT Development
29 05		
Infrastructure Development		
29 06		
Scientific Research & Military Industry Development (STC Delta)		
29 07		
Capabilities Development		
29 08		
Logistics Support		

Table N2 - Programs and subprograms.

3.Main Challenges and opportunities of DRMS in the long term planning process



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As The Defense Resource Management System (DRMS) implementation was a complex and demanding reform, requiring the consent of the head of the structure and all the structural units participating in the defense system. This reform was critical for switching to the program budget principle, which demanded argumentative justification from all the direct executors and unit heads. However, the biggest challenge was the lack of acceptance of new things that would change the daily routine due to a shortage of relevant knowledge.

Numerous workshops and training sessions were conducted to address the issue of the defence resource management model and its importance for medium and long-term planning. The process started in 2011, and after overcoming many hurdles, the first program budget was drafted in 2016, which was adapted to the reality of the defence system. Although it was far from the basics of the program budget, the introduction of a new term, "resource," was a notable development. Our strategic partners, the US Office of Defence Cooperation (ODC), and NATO played an essential role in providing a range of relevant experts and education platforms in this process. Simultaneously, within the organization, we continued to push reforms until the concept was well understood, and we involved a wide range of personnel in educational activities.

All these efforts led to the establishment of the budget programs, which was a significant milestone toward implementing the Defence Resource Management System (DRMS) in 2018. These programs are shown in Table N3. The 2019 budget consisted of ten programs, which were on par with those shown in Table N2.

The Georgia Defence and Deterrence Enhancement Initiative (GDDEI) has designated two lines of effort for DRMS institutional enhancement. The first line of effort is Resource Management Development, which aims to establish a modern resource management system by September 30th, 2027. This system will be driven by clear and detailed policies and priorities that will guide program-based budgeting processes and procedures, inclusive of all requirements, in order to reduce risk and increase readiness.

The second line of effort is Strategic Defence Acquisition, which will conduct a comprehensive review of the current Defence Acquisition system of the GDF and develop a new Defence Acquisition concept by 2025. The two LOEs will work together to develop and enhance DRMS at the MoD level as well as to define the responsibilities between civilian and military structures. This will include reviewing legal procedures and implementing structural changes for better synergy effects.

4. Conclusions

In conclusion, effective Defence Resource Management (DRM) is vital for the success of any military or defence organization. It ensures that resources are allocated efficiently and effectively to achieve operational objectives, maximize impact on national security, and minimize waste. Throughout the history of DRM, exemplified by figures like Robert S. McNamara, innovative approaches like the Program Planning Budgeting System (PPBS) have been introduced to modernize defence planning and management practices.

Within the Georgian Ministry of Defence (MOD), DRM has undergone significant developments and reforms over the years. Initiatives such as program-based budgeting, collaboration with international partners, and the implementation of the Financial Management and Control System (FMC) have contributed to enhancing resource management practices. The establishment of a three-level management system for defence programs and the adoption of comprehensive resource policy guides further demonstrate the MOD's commitment to efficient and transparent resource management.



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However, challenges persist, including the need for greater acceptance of new practices and the continuous refinement of DRM processes. Training and educational initiatives have played a crucial role in overcoming these challenges, but ongoing efforts are required to ensure widespread understanding and adoption of modern resource management principles.

Looking ahead, the Georgia Defence and Deterrence Enhancement Initiative (GDDEI) outlines ambitious goals for further enhancing DRM. By establishing a modern resource management system and conducting a comprehensive review of defence acquisition processes, the MOD aims to reduce risks, increase readiness, and strengthen synergy between civilian and military structures.

In summary, DRM remains a cornerstone of effective defence planning and management, both in Georgia and globally. By prioritizing efficient resource allocation, fostering collaboration, and embracing innovative approaches, military and defence organizations can better equip themselves to address evolving security challenges and safeguard national interests.

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