



SMARTER DEFENSE AND INTELLIGENCE

Maintaining war-fighting capabilities in an era of reduced budgets

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„I know that in an age of austerity, we cannot spend more. But neither should we spend less. So the answer is to spend better, and to get better value for money. To help nations to preserve capabilities and to deliver new ones. This means we must prioritize, we must specialize and we must seek multinational solutions. Taken together, this is what I call Smart Defense.“

— NATO Secretary General Anders Fogh Rasmussen

The global economic malaise over the past several years, lack of confidence for sustained growth and ballooning government deficits are driving reductions in government budgets and, therefore, defense budgets, for the foreseeable future. Even countries with strong economies that are expected to weather the economic turbulence have set budgets that are at best flat, while most countries are planning reductions in defense expenditures over the next five years. At the same time, there has been no reduction in demand for militaries to perform operational missions in response to periodic flaring of regional tensions, as world events continue to validate.

The competing tensions of national security concerns and pressure to address structural fiscal issues are causing the militaries in many countries to search for efficiencies and cost-reduction approaches. These efforts are essential to sustain the operational forces, equipment and personnel defense organizations have worked assiduously to develop, with the additional goal of investing in modernization efforts and future capabilities.

Militaries are extensive and operate a complex infrastructure

IBM understands that military funding has significant impact on governments' plans, priorities and expenditures, with budgets equaling 1.5%-4.8% of gross domestic product (GDP). The US Department of Defense is the largest employer and integrated organization in the world. Its annual

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