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Budget 2019: Defence allocation methodology and rationale remain elusive

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The pitfall of our current acquisition system, mired with inordinate delays and hollowness, lies in our inability to undertake this exercise successfully.



The need therefore is fuelled by adgebra ained resources.

By Lt Gen Anil Ahuja (Retd)

Interim Budget for the Financial Year 2019 – 20 was presented in the Indian Parliament on February 01, 2019. This budget is of the sixth largest and fastest growing economy of the world, which is aspiring to become a \$5 trillion economy by 2024 and a \$10 trillion economy by 2027. It also is the budget of a nation whose strategic significance prompted United States to rechristen its Pacific Command to the Indo – Pacific Command in 2018. It is the budget of a nation whose armed forces, according to the

Prime Minister (speaking at the Shangri La Dialogue last year) are building partnerships in the Indo – Pacific Region (in fact, across the globe), maintaining peace , security, providing humanitarian assistance and disaster relief, combating piracy .

Besides being at the vanguard of ensuring a free and open Indian Ocean, domestically, these armed forces are securing over 3400 Km borders with Pakistan (including 110 Km in the Siachen Glacier), 3488 Km along the Line of Actual Control with China and over 7500 Km of Coast line. It is the stark reality of guarding un -settled borders with nuclear armed neighbours, combating state sponsored proxy war and other security challenges that compels India to maintain 1.4 million personnel standing armed forces. Provisioning for them is an `insurance premium' for the emerging regional power and a five and ten trillion dollar economy! Building economy and hard power are complementary and mutually supporting pursuits, is a lesson that the global powers learnt through their journey. India also needs to become mindful of this reality.

In an election year budget, where there are competing priorities, the government has `Provisioned for' Rs 3,18, 931.22 Crs for defence sector. This is a 6.87% increase over the budget finally allotted (Revised Estimates) for the year 2018 – 19 and against the backdrop of 4.6% inflation. It constitutes 1.52% of the GDP and 11.5% of total Central government expenditure for the Year 2019 – 20. Last year, the amount allotted was 12.10% of total Central government expenditure. Allocation for pensions of Rs 1, 12080 Crs is towards fulfilling the `terms of engagement' of the personnel in the armed forces and an important social responsibility towards select section of society, the veterans.

It therefore needs to be viewed differently. I like to view the allocations made in the budget as `provisioning' or `earmarking', distinct from `budgeting' for the reasons that we would do well to comprehend. The fact that all sections of society :farmers, workers in organised/unorganised sectors, middle class, traders, small industrialists, start- ups.. different sectors like: health, education, agriculture, infrastructure, internal security.. need to be addressed, even in a non-election year, is something that every responsible citizen appreciates. So do those in the government vested with the responsibility of maintaining national defence and security. Though lamenting inadequate defence budget allocations, security planners are not oblivious of the constraints of the government.

The problem therefore lies not in the actual amounts allocated but in how this allocation is arrived at i.e in the methodology and rationale of it, which largely remains elusive. We merely seem to be `apportioning' funds for nation's defence and security, against competing priorities rather than `budgeting' these on the basis of identified requirements of capability development, force structuring, modernisation and filling critical voids in our defence preparedness. In the absence of some guiding principles for budget allocation, the debate between allotting 1.5% and expecting 3% of GDP for defence remains an exercise in acrimony, repeated year after year. The need therefore is to evolve a rationale for the allocation and adhere to it, to achieve the most optimum results, within constrained resources. Let us consider three distinct aspects of defence acquisitions.

Firstly, armed forces have an Integrated Long Term Perspective Plan (LTIPP), the current one being for the period 2012 – 2027. This is sub divided into three five year defence plans (12 – 17, 17- 22 and 22- 27). In 2017, forces projected a requirement of Rs 26.84 lakh crore (\$416 billion) for the period 2017 – 22. Though not approved formally, this did give an idea of what was required in the near future. This projection, moderated by mutual consultation, could have formed the basis of yearly defence budget allocations.

Secondly, there are about Rs 5 lakh crore worth of acquisition proposals, which have already been approved by the Defence Acquisition Council (DAC) over the past several years, but have not materialised. Clearing this huge backlog is a national problem that cannot be wished away. The yearly budget allocations could be related to clearing this surfeit, albeit progressively.

Thirdly, there exist critical capability voids identified by the services: small arms, tanks, infantry combat vehicles, fighter aircraft, ISR (Intelligence, Surveillance and Reconnaissance) assets, UAVs, helicopters, submarines, anti-submarine warfare capability, development of Island territories, border infrastructure etc.

Our meagre budget allocations could have been directed towards filling these voids systematically and incrementally. Most appropriate option would however be to address each of the three areas, which have substantial overlaps. The yearly cash outgoes can then be optimised to what we, as a nation can afford or what we aspire to achieve. At least we would be clear as to what capabilities should be expected from the armed forces for their domestic obligations and regional role, in given time with given funds. Japan issued its National Defence Programme Guidelines late last year and allotted \$ 240 billion to be utilised over the next five years. They also identified that this would be utilized to: refit Destroyer JS Izumo, enhance BMD (ballistic missile defence), procure 147 F- 35s, to develop a new fighter aircraft to replace F2s, to enhance capabilities in cyber and space domain etc.... The United States passed its National Defence Authorisation Act 2019 for the financial year commencing October 2018.

\$ 717 billion were earmarked for identified capability development / capacity building programmes to include: additional fighter aircraft, bombers, ships, attack helicopters and to support global deployments. Notably, they also committed, at national level, to maintaining specified `active duty strength': Army (4, 87500), Navy (3, 35400), Marines (1, 86100) and Air Force (3,29100) to fulfil the roles assigned by the National Defence Strategy. Understandably, each nation has its own financial capabilities and aspirations. These need to be matched to set priorities and develop capabilities of the armed forces. The pitfall of our current acquisition system, mired with inordinate delays and hollowness, lies in our inability to undertake this exercise successfully.

This unpredictability impacts our indigenisation programmes and development of defence industrial base. Meticulous budgeting serves as a platform for introspection by all: for the leadership – to contemplate about realistic national aspirations, regional and global role that we seek to play and how robustly do we wish to fortify this fastest growing global economy; for the Services to reflect upon their genuine prioritised needs and to introspect about economising on demands by fostering jointness.

It also nudges them to build capabilities in emerging domains like cyber, space, information warfare and to prepare themselves simultaneously for second to fifth generation warfare, which is a sub continental imperative. It also provides an introspection platform for our budget planners, who need to become `partners' in national defence than mere `accountants and auditors'.

It would do the nation good to review the system of defence budget planning and base allocations on specifics, as covered above. Greater sanctity needs to be accorded to defence plans (LTIPP, Five Years Defence Plans and Annual Acquisition Plans), since defence procurements are a complex phenomenon, where challenges of perpetual operational preparedness, indigenisation, development of technology and creation of industrial base for tomorrow need to be balanced deftly.

These require long gestation periods and commitment of financial support. We also need to rid ourselves of the repetitive narrative of holding our armed forces, Army in particular, responsible for `guzzling' large `Revenue' allocations, at the cost of Capital budgets.

The size of the armed forces that a country maintains is a function of the roles assigned. We choose to maintain a standing Army of 1.2 million because we choose to maintain this size of force for meeting our national needs and international obligations! It is a national decision, which needs to be supported financially. Streamlining of defence budgeting procedure must commence now, this year, since our Finance Minister has assured the nation that, "...For securing our borders and maintain preparedness of highest order, if necessary, additional funds will be provided (Para 47 of budget speech)".

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