



Defence Budget - Issue of Modernisation

What is the current situation?

\n\n

- \n
 - Till the mid-1980s, defence pensions were counted as part of the defence budget.
 - \n
 - Later pensions were taken out to avoid adverse international scrutiny of burgeoning defence expenditure.
 - \n
 - It was only re-included in the budget last year.
 - \n
 - The Supreme Court stated that the pensions are deferred wages, and technically this means that these are payments paid for active military service rendered in the past.
 - \n
 - Since there is no way to estimate the future pension budget of 14.7 lakh armed forces personnel currently in service, including it in the defence budget is a pragmatic way of accounting for the expenditure.
 - \n

\n\n

What are the features in current budget?

\n\n

- \n
 - The total defence budget for Financial Year 2017-18 is therefore around Rs 3,60,000 crore.
 - \n
 - Pensions apart, the salary bill for the armed forces this year would be around Rs 1,07,000 crore.
 - \n
 - This **takes up a bulk of the defence budget.**
 - \n

- This only partially accounts for the Seventh Pay Commission recommendations, as allowances are yet to be fixed as per the new scale.
\n
- If the five core demands of the military chiefs on the anomalies of the Pay Commission are conceded by the government, the salary bill will shoot up further.
\n
- In FY2017-18, Rs 86,488.01 crore has been earmarked for capital expenditure of the defence services; and Rs 1,82,534.42 crore is for revenue expenditure.
\n
- **Revenue expenditure is for operating expenses of the Defence Ministry while the bulk of the capital expenditure is for procurement of military equipment to modernise the armed forces.**
\n
- As finance secretary explained to the parliamentary standing committee on defence, the Finance Ministry is not really concerned with this division of expenditure.
\n
- It only allocates the total money and leaves the revenue and capital allocations to the discretion of the ministry.
\n

\n\n

What has been for defence modernisation?

\n\n

- Over the years, governments have taken to making budgetary announcements with high allocation for capital acquisition to ward off any criticism about forsaking defence modernisation.
\n
- **By the time revised estimates are prepared, a portion of that allocation is transferred towards revenue expenses** or returned to the government.
\n
- E.g In the 2016 budget around Rs 78,000 crore was allocated for capital expenditure at the budgetary stage, which came down to Rs 71,000 crore at the revised estimates stage.
\n
- The amount was transferred to revenue expenditure to meet the increased salary bill.

- \n
- In the current defence budget of Rs 3.6 lakh crore — which is 2.14 per cent of India's GDP — only Rs 5,000 crore is left for new defence deals.
- \n
- If these defence deals are assumed to have an upfront payment of 10%, the total cost of equipment that can be bought in the coming financial year is Rs 50,000 crore.
- \n
- But one single deal for 36 Rafale fighters signed last year was alone worth Rs 59,000 crore.
- \n
- Therefore any expectations of greater defence modernisation in the coming year would thus be futile.
- \n

\n\n

What is the way ahead?

\n\n

- \n
- The bureaucracy and the armed forces take a lot of flak for stalled defence procurements, but the real constraint is finding resources.
- \n
- In a slowing economy with multiple competing demands, it is always a challenge for the government to find additional resources for defence.
- \n
- The only other option is to rebalance and restructure the armed forces.
- \n

\n\n

\n\n

Source: The Indian Express

\n



IAS PARLIAMENT
Information is Empowering
A Shankar IAS Academy Initiative