Assessing Modernization of the Indian Armed Forces through Budgetary Allocations

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India's quest for modernization of the armed forces is propelled by the persistent threat to its territorial integrity and the aspiration of becoming a great power. However, there is no clearly defined comprehensive policy, much less a carefully crafted strategy, for time-bound modernization of the armed forces and there is no mechanism in place to steer the modernization programme in a holistic manner. In fact, there is considerable ambiguity about the core question as to what constitutes comprehensive 'modernization'. Consequently, it is left to the services to chalk out their own 'modernization' plans.

In the absence of the conceptual clarity about what constitutes 'modernization' of the armed forces, it invariably gets equated with capital acquisitions. This has led to the state of modernization being assessed through the prism of the 'modernization' budget. This approach is flawed on various counts. One, 'modernization' budget is only a notional category without a clearly delineated composition. Two, there is no consistency in classification of items intended for 'modernization'. Three, the infrastructure development projects are generally not considered to be a part of the 'modernization' budget. Consequently, some expenditure that does not directly contribute to 'modernization' gets incurred from the 'modernization' budget and vice versa.

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Modernization programmes cannot be steered only by monitoring the utilization of the budgetary allocation or by occasionally reviewing a few isolated projects, however intense the review might be. The budgetary allocation and its utilization is not the best yardstick for judging the state or pace of modernization without any reference to the tangible outcome in terms of the military capability/capacity acquired in the process.

Modernization Budget—A Notional Category

To begin with, there is no such thing as a 'modernization' budget. This term seems to have originated when the Capital Acquisition Wing was set up in the Ministry of Defence (MoD) in 2001 to handle procurement of platforms, equipment and weapon systems, which are germane to modernization of the armed forces. The segment of the capital budget earmarked exclusively for this purpose came to be known as the capital acquisition or 'modernization' budget. With delegation of financial powers for capital acquisition to the services and because of certain other developments in the last few years, utilization of the capital acquisition/'modernization' budget is no longer the exclusive responsibility of this wing.

What is now routinely referred to as the 'modernization' budget is actually a notional subset of the capital budget for which the MoD presents a separate Detailed Demand for Grant (DDG) to the Parliament. Though the term 'modernization' budget is used synonymously with the term 'capital acquisition' budget, neither of these terms is clearly defined by the MoD. There is no distinct 'modernization' or 'capital acquisition' budget head in the DDG for capital outlay for the defence services under which funds are provided exclusively for 'modernization' of the armed forces.

This notional subset comprises a number of minor budget heads in respect of the three services. It also includes the allocation made under the minor head relating to technology development and a portion of the budgetary allocation of the Joint Staff. It does not, however, include the budget allotted to the Indian Coast Guard for capital acquisitions. As a matter of fact, the budget outlay of the Indian Coast Guard is not even a part of what is known as the 'defence budget'.

Table 1 shows the capital budget heads which make up the 'modernization' and the 'other-than-modernization' budgets for the year 2013–14. These two notional categories put together constitute the capital budget of the armed forces.

Table 1 'Modernization' and 'Other-than-Modernization' Budget Heads (2013–14)

Demand No 27: Capital Outlay on Defence Services—Major Head 4076

(Rupees in crore)

Minor Head	*Sub-Major Head*	*Modernization*	*Other than Modernization*
	Army – 01		
050	Land		160.00
101	Aircrafts and Aero Engines	1,527.79	
102	Heavy & Medium Vehicles	2,024.37	
103	Other Equipment	9,758.86	
105	Military Farms		10.00
106	Rolling Stock	0.00	
107	Ex-Servicemen Contributory Health Scheme (ECHS)		30.00
112	Rashtriya Rifles	16.02	
113	National Cadet Corps		5.50
202	Construction Works		4,351.29
800	Other Expenditure		0.00
	Total for Army	13,327.04	4,556.79
	Navy – 02		
050	Land		26.50
101	Aircrafts and Aero Engines	6,708.71	
102	Heavy & Medium Vehicles	53.74	
103	Other Equipment	2,192.82	
104	Joint Staff *	329.79	410.29
202	Construction Works		643.75
204	Naval Fleet	11,772.26	
205	Naval Dockyard/Projects	2,011.17	
	Total for Navy	23,068.49	1,080.54
	Air Force – 03		
050	Land		100.00
101	Aircrafts and Aero Engines	25,539.59	
102	Heavy & Medium Vehicles	2.82	
103	Other Equipment	11,505.65	
202	Construction Works		1,409.63

Minor Head	*Sub-Major Head*	*Modernization*	*Other than Modernization*
206	Special Projects		650.15
	Total for Air Force	37,048.06	2,159.78
	DG Ordnance Factories – 04		
	Total		435.96
	Research & Development -05		
	Total		5,057.60
	Inspection Organization – 06		
	Total		5.45
	Spl Metal and Super Alloys Project – 07		
	Total	0.00	0.00
	Technology Development – 08		
	Total	1.00	0.00
	Grand Total	73,444.59	13,296.12

Source: This table is based on the Twentieth Report of the Standing Committee on Defence on the Demands for Grant for the year 2013–14. The budget heads have been clubbed under the categories of 'modernization' and 'other than modernization' by the author as per his understanding.

Note: * The entire allocation for the Joint Staff is shown against only one minor head in the Defence Services Estimates (DSE). The allocation for 2013–14 shown in the DSE is INR 740.08 crore. What part of this allocation constitutes the 'modernization' budget of the Joint Staff is not indicated in the DSE, as indeed is the case with the 'modernization' budget as a whole. The figure of Rs 329.79 shown in the table has, therefore, been derived by subtracting the sum total of all other 'modernization' budget heads from the total allocation for 'modernization' for the current year.

Since the composition of the 'modernization' budget is not defined, the allocation made under this notional category cannot be easily culled out from the budget document. But this is a minor problem. It can be resolved by mentioning in the explanatory notes in the DSE which budget heads are included in the 'modernization' budget. Since there is only one budget head for Joint Staff, it could be divided into 'modernization' and 'other than modernization' and shown separately in the DSE.

A more serious aspect of this problem concerns the lack of transparency. The way the budget heads are structured, all modernization programmes have to be necessarily classified under one of the various generic budget heads which make up the 'modernization' budget: 'aircraft and aero engines', 'heavy and medium vehicles', 'other equipment', and so on. This results in mixing up of various programmes under the same budget head. For example, the programme to remove the night blindness of the Indian Army may get clubbed with other relatively less important acquisitions under the budget head: 'other equipment'.

This has implications from the point of view of 'prioritization' of expenditure and monitoring of individual programmes, all of which are clubbed under one or the other budget head. The Indian Navy seems to have recognized the importance of providing allocation separately for individual programmes/projects. But this is limited to the budget head 'Naval Projects', under which specific amounts are allotted for different projects. For the current year, funds have been allocated for 10 odd projects.[1] Though the Indian Navy does not follow this system across the entire spectrum of the capital acquisition budget, even the limited application of this principle has helped in focussed monitoring of individual projects and timely reappropriation of funds from the slow-moving projects to areas where those could be utilized more efficiently within the relevant financial year.

Inconsistency in Classification of Items Intended for 'Modernization'

The explanatory notes in the DSE do not show which budget heads are included in the 'modernization' budget. What complicates the situation further is the fact that, occasionally, the MoD makes internal changes in the bouquet of budget heads that form a part of the 'modernization' budget. For example, since the fiscal year (FY) 2012–13, the allocation made for procurement of certain stores from the ordnance factories forms part of the capital acquisition budget; it did not do so before that year. This resulted in the capital acquisition budget going up from INR 52,998.02 crore in 2011–12 to INR 66,032.24 crore in 2012–13.[2]

This budget estimate (BE) to BE increase of INR 13,034.22 crore looked impressive but it dissembled the fact that this increase included an allocation of INR 5,671.51 crore[3] for procurement from the ordnance factories, which was earlier not a part of the 'modernization' budget. If this fact is ignored and the current year's allocation of Rs 73,444.59 crore is compared with the last year's allocation of INR 66,032.24, one would come to the conclusion that this year the allocation has been increased by only INR 7,412.35 crore. This would be disappointing when compared

Table 2 Increase in 'Modernization' Budget, Excluding the Allocation for Procurement ex-DGOF

(Rupees in crore)

Year	*BE*	*DGOF*	*Net*	*Increase*
2011–12	52,998.02	0.00	52,998.02	
2012–13	66,032.24	5,671.51	60,360.73	7,362.71
2013–14	73,444.59	4,817.60	68,626.99	8,266.26

Source: Based on the reports of the Standing on Defence on Demands for Grant for the relevant years.

with last year's increase of INR 13,034.22 crore. However, this would be misleading. The last column of Table 2 shows how, devoid of the Director General of Ordnance Factories (DGOF) element, there is not much of a difference in the increase in the 'modernization' budget this year and the last year over the respective previous years.

There are other instances of a similar nature. Till 2008–09, the expenditure on vehicles was booked to the revenue budget if these were procured for replacing the condemned vehicles. Since then, however, expenditure on procurement of vehicles is being compiled to the capital acquisition budget, irrespective of whether the procurement is intended to add more vehicles to the existing fleet or replace the condemned/beyond-economic-repair vehicles.

A bigger problem arises from the lack of conceptual clarity about what constitutes 'modernization'. This has resulted in practically all acquisitions/procurements funded from the 'modernization' budget being viewed as instruments of 'modernization', with the exception of those that do not meet the self-imposed criterion of life and cost of an asset.

This criterion implies that the factor which determines whether the expenditure is to be compiled to the capital or the revenue budget is not only the nature of the item on which the expenditure is being incurred but also its value and the lifespan. According to the explanatory notes in the DSE, expenditure on account of purchase of 'other equipment' is to be compiled to the capital budget only if the unit cost of the equipment being procured is more than INR 10 lakh and it has a life of seven years or more.[4] Thus, expenditure on procurement of any equipment that does not meet the twin criteria does not get booked to the 'modernization' budget even if the equipment otherwise qualifies as a 'capital' item and is intended for modernization of the armed forces.

While an equipment with a unit cost of less than INR 10 lakh and lifespan of less than seven years might enhance the capability of the armed forces, every equipment that costs more than that and has a longer life may not actually result in 'modernization', especially if the equipment is acquired only for replacement of the existing inventory.

The intended objective of the acquisition is important from the point of view of whether or not the item being acquired would contribute to the 'modernization' effort. The case of the rolling stock (railway wagons and coaches) procured for exclusive use by the army would illustrate the point. The budgetary allocation for procurement of the rolling stock forms part of the 'modernization' budget. (For the FY 2013–14, there is no budgetary allocation under this head.) It is possible to take the view that acquisition of additional coaches and wagons adds to the capacity of the armed forces and, therefore, this expenditure can justifiably be treated as expenditure incurred on 'modernization'. But this argument does not hold good for the expenditure incurred on like-to-like replacement of the old coaches and wagons, which neither add to the capacity nor the capability of the Indian Army. Such replacements only help in maintaining the existing capability and capacity. The same argument applies to replacement of vehicles of all classes. It is open to question whether such replacements could be viewed as a part of the 'modernization' programme.

There is another problem arising from the lack of conceptual clarity about what constitutes 'modernization'. There have been instances in the past when a new item was inducted into service by procuring a part of the total quantity required by the service concerned through the 'modernization' budget, leaving the balance quantity after the initial induction to be procured from the revenue budget. This resulted in a part of the expenditure incurred on modernization (related to the subsequent procurements after induction of the part–quantity through the capital acquisition budget) not getting reflected in the 'modernization' budget of the relevant years when the subsequent quantities were procured.

This trend seems to have changed and now the entire requisite quantity of an item to be 'inducted' into service after trials is procured from the 'modernization' budget, even if that item fits the description of a typical revenue item more than the description of a capital item. Bullet-proof jackets and ballistic helmets are prime examples of this. The justification for treating these items as capital items is that these are intended to enhance the capacity and capability of the armed forces. Such procurements are not even subjected to the twin criteria of life and cost.

If, however, this justification is valid, any expenditure incurred on 'capacity' or 'capability' building should be treated as 'capital' in nature. It should not matter if the capacity or capability-enhancing item on which the expenditure is to be incurred, when viewed in isolation, fits the description of a revenue item rather than a capital item. But this approach is not followed across the board to classify all expenditure incurred for the sake of building up the 'capacity' or 'capability' of the armed forces.

This inconsistency in approach is possibly one of the reasons for the void in the stock of ammunition of various types. This void has a direct bearing on the 'capacity' and the 'capability' of the armed forces. Therefore, it could be filled by procuring ammunition under a capacity-building project, to be funded from the 'modernization' budget. This could be a one-time project and all subsequent replenishment could be funded from the revenue budget after the capacity and capability is built up to the prescribed level.

This is neither a new proposal nor is it without precedent. In fact, the idea of making up the deficiency in the stock of ammunition from the capital budget remained under consideration in the MoD for quite some time before it eventually fizzled out, largely because of the lack of conceptual clarity on whether or not equipping the armed forces as per the prescribed norms and standards formed a part of 'modernization'.

If procurement of wagons, coaches and vehicles for replacing the condemned ones, or buying bullet-proof jackets and ballistic helmets, can be considered as legitimate charge on the 'modernization' budget, there is no reason why expenditure on building up the stock of ammunition to the prescribed level cannot be treated the same way.

Exclusion of Infrastructure Development from the Ambit of the 'Modernization' Budget

Infrastructure development is an essential aspect of modernization. The infrastructure for storage of missiles, for example, is as important as the induction of the missiles. Therefore, should the allocation for development of infrastructure form part of the 'modernization' budget? The answer would depend on how the term 'modernization' is defined. In the absence of this definition, different practices are being followed by the services.

For example, the naval projects are funded from the Minor Head 205, 'Naval Dockyards/Projects', which is a part of the 'modernization' budget. This includes the naval project at Karwar, maintenance facility for aircraft, missile technical positions and VLF (Very Low Frequency) project, just to name a few. In the past, the project for the modernization of INHS Ashwini (a naval hospital) was funded from the same budget head. All these projects have/had a significant component of civil works.

The position is somewhat different in the case of the Indian Army. The project for modernization of the central and regional ordnance depots of the army is being funded from the Minor Head 202, 'Construction Works', which is not a part of the 'modernization' budget. But modernization of the Naval Dockyard at Mumbai is being funded by the Indian Navy from the Minor Head 205, which is included in the 'modernization' budget.

The Indian Air Force's project for modernization of the airfields is being funded partly from the 'modernization' budget (in regard to procurement of navigational equipment) and partly from the 'other-than-modernization' budget (in regard to resurfacing of the airfields).

The contrast could not be as pronounced as it is in the case of the Indian Navy's Naval Academy Project at Ezhimala and the Indian Army's National Defence Academy Project. While the former is funded from the budget head 'Naval Dockyards/Projects', which is a part of the 'modernization' budget, provision for funding of the latter is made, whenever required, under the budget head 'Construction Works', which is not a part of the 'modernization' budget. (There has been no allocation for the National Defence Academy Project in the budget for the past several years, apparently because there has been no requirement.)

Much can be said for and against inclusion of infrastructure development projects (including networking projects) in the concept of 'modernization', depending on how the term 'infrastructure' itself is defined. Construction of family accommodation for the armed forces personnel would qualify as infrastructure development but may not qualify as a 'modernization' project. Similarly, there are 'turnkey' projects which could fall in either of the two categories. Therefore, there is a need to distinguish between infrastructure development projects which directly contribute to 'modernization' and the others which do not. The existing system suffers from a lack of uniformity in classification of the infrastructure development projects, which distorts the understanding of 'modernization' programme of the armed forces.

Allocation and Utilization of Budget as an Indicator of the State of Modernization

The general perception is that the allocation for defence 'modernization' is too low, which, combined with underutilization of whatever funds are allocated every year, has had an adverse impact on modernization. There is something amiss about this viewpoint.

First of all, the foregoing analysis would indicate that all that goes under the rubric of 'modernization' budget may not really result in 'modernization' of the armed forces and, conversely, some expenditure incurred on 'modernization', especially on development of infrastructure, is not a part of the 'modernization' budget.

Second, the assumption that the 'modernization' budget is always inadequate, adversely affecting the modernization programmes, is not entirely correct. During the Tenth and Eleventh Plan periods (2002–03 to 2011–12), the total allocation for 'modernization' was INR 3,28,187.61 crore.[5] There is little doubt that this amount would have been less than the sum total of the allocation sought by the armed forces during this period. The question, however, is whether this was inadequate? The fact that during the same period, a total sum of INR 28,324.09 crore[6] remained underutilized does not support the view that it was inadequate. In fact, higher allocation might have resulted in higher underutilization.

A couple of points need to be made in this context. The underutilization of allocation is often attributed to the Ministry of Finance (MoF) withdrawing funds at the Revised Estimate (RE) stage, making it difficult for the MoD to go ahead with the planned procurements. This is not entirely correct. Withdrawal of funds is the result of a realistic assessment made by the MoF at the RE stage, usually in the months of December or January, of how much money the MoD will actually be able to spend in the remaining months of the financial year. This assessment, carried out in consultation with the MoD, takes into account the amount required for discharging the committed liabilities and for making advance payments against contracts likely to be signed before the year end. Therefore, the underutilization is not really the result of withdrawal of funds by the MoF; it is, in fact, the other way around.

It is also not correct to say that withdrawal of funds has an adverse impact on the procurement proposals in the pipeline. First of all, processing of the procurement proposals is not contingent upon availability of funds. (It is another matter that this is a problem in itself.) Second, assuming that signing of contracts is held in abeyance in a particular year because of withdrawal of funds by the MoF, the following year should witness faster utilization of funds in the first two quarters with all those contracts getting signed at the beginning of the next financial year and payments getting released against those contracts. This should result in higher utilization

Table 3 Budget/Revised Estimates and Actual Utilization of Funds Allocated for 'Modernization'

(Rupees in crore)

Year	*Budget Estimate*	*Revised Estimate*	*Actual Expenditure*	*Under-utilization*	
				BE2 Actual	*RE2 Actual*
2007–08	32,826.80	28,110.01	27,903.42	4,923.38	206.59
2008–09	37,482.77	30,614.64	30,000.42	7,482.35	614.22
2009–10	40,367.72	35,146.88	38,427.00	1,940.72	–3,280.12
2010–11	43,799.21	44,440.63	45,686.77	–1,887.56	–1,246.14
2011–12	52,998.02	47,409.45	50,723.97	2,274.05	–3,314.52
Total	2,07,474.52	1,85,721.61	1,92,741.58	14,732.94	–7,019.97

Source: Based on the information contained in the DSEs and reports of the Standing Committee on Defence for the relevant years.

of funds in the year following the year in which the contract signing was deferred.

The data showing the trend of monthly/quarterly utilization of funds are not available but the available data for yearly utilization of funds also substantiates this view. Table 3 shows the allocation and utilization of funds for 'modernization' with reference to the budget estimates and the REs for the Eleventh Plan period (2007–12).

It can be seen from Table 3 that the allocation for the year 2007–08 was brought down at the RE stage by INR 4,716.79 crore. The fact that the actual expenditure was marginally less than even the reduced allocation shows that it would not have been possible for the MoD to utilize the entire allocation made at the beginning of the year. Apparently, it was for this reason that the funds were withdrawn by the MoF at the RE stage.

If this inference is rejected and it is assumed that the withdrawal of funds was unwarranted and it adversely affected many procurement proposals, the utilization of funds should have been much better next year with all those adversely affected proposals getting converted into contracts at the beginning of the next year. However, as the table shows, the underutilization next year jumped to INR 7,482.35 crore. Even the following year (2009–10) witnessed underutilization of INR 1,940.72 crore. It was only in 2010–11 that the MoD ended up spending in excess of not only the BE but also the RE, despite the allocation being augmented by INR 641.42 crore at the RE stage.

The figures for the year 2011-12 further reinforce the view that underutilization of funds is not really on account of withdrawal of funds by the MoF at the RE stage. The allocation for that year was brought down from INR 52,998.02 crore to INR 47,409.45 crore at the RE stage. Though the actual expenditure was INR 3,314.52 crore more than the RE, it was still INR 2,274.05 crore less than the initial allocation.

This only shows that the actual expenditure truly reflects the ability of the MoD to utilize the funds. When it appears that the MoD will not be able to utilize the funds, the MoF reduces the allocation, but if the MoD is able to utilize the funds, withdrawal of funds at the RE stage does not come in the way of its spending beyond the reduced RE allocation.

Third, coming back to the issue of whether allocation and utilization of the funds are a good indicator of the state of modernization, rapid growth in allocation and higher utilization of funds give no clue to the real state of 'modernization'. During the 10 year period from 2002–03 to 2011–12, a total sum of INR 3,28,187.61 crore was allotted for 'modernization'. The allocation during the following two years (2012–13 and 2013–14) adds up to INR 1,39,476.83 crore.[7] This amount works out to almost 42.50 per cent of what was allotted during the preceding 10 years. Does it imply that 'modernization' has got a boost since 2012–13? The allocation certainly indicates that. The reality, however, is that the current year's allocation may not suffice if just one contract for 126 medium multi-role combat aircraft (MMRCA) for the Indian Air Force goes through this year. This was also true of the last year's allocation.

Conversely, it would be equally wrong to jump to the conclusion that the current year's allocation is inadequate and that it will have an adverse impact on 'modernization'. The answer to the question about the adequacy or otherwise of the allocation would depend on several factors. The allocation may not be inadequate if the MMRCA project does not go through. On the other hand, the allocation may be inadequate even if the contract does not go through but other contracts signed during the year entail payment of sums exceeding the amount earmarked for 'new schemes'.

An important factor that needs to be kept in mind is that the whole perception about inadequacy of the allocation rests on the fact that it is invariably less than the demand projected by the services. But the projection itself may not be accurate, especially in regard to the sums required on account of 'new schemes'. The projection of requirement for funds for 'new schemes' is based on the cost estimates made by the services and vetted by the Finance Division of the MoD. Given the fact that cost estimation is one of the weakest areas, these cost estimates could turn out to be way off the mark.

Similar factors complicate the scene on the utilization side also. Higher utilization may be the result of higher committed liabilities being discharged in a particular year on account of the contracts signed previously. But, any slippage in discharge of committed liabilities could result in the amount blocked for the purpose suddenly becoming available for spending (unless the amount is blocked by opening of the letters of credit) and eventually not getting utilized. Higher utilization could also be on account of higher cash outflow resulting from unusual variation in the exchange rates, as witnessed in 2013.

Fourth, analysis of the trend of allocation and utilization gives no clue to why the 'modernization' in some priority sectors is lagging behind. During the 10 year period (2002–03 to 2011–12), a total sum of INR 28,324.09 crore remained underutilized. Was this amount not adequate to remove the night blindness of the Indian Army or to procure howitzers for it? Or, perhaps even bridge the gaps in the air defence capability to some extent?

It would thus be evident that analyzing the allocation and utilization data without any reference to a number of associated factors could be misleading.

Need for Adopting a Different Approach

The present approach to assessing the state of 'modernization' shifts the focus away from the substantive aspects of comprehensive 'modernization' to the budgetary aspects. What is needed is an *outcome-oriented approach*. The first step towards evolving the alternative approach could be to lay down a holistic policy on modernization of the armed forces. This could be done by way of a preface to the next version of the Technology Perspective and Capability Roadmap (TPCR), which provides a window to the likely future acquisitions by the armed forces. It needs to be mentioned in the passing that the TPCR itself needs restructuring to achieve the objective of triggering indigenous manufacture and production of defence equipment and undertaking of maintenance, repair and overhaul (MRO) by the Indian companies. Or, the policy could be announced even before the next version of the TPCR is released.

Enunciation of the policy on modernization presupposes a clear definition of what constitutes 'modernization'. This would require addressing issues such as whether equipment/platforms/vehicles procured to replace the existing inventory constitutes 'modernization'. It would also require addressing the issue of whether infrastructure development is to be viewed as a part of 'modernization'. These issues are only illustrative of what all the policy would need to address.

Second, it will help if a separate budget head (it could be a sub-major head in the DDG) is created for funding all expenditure on 'modernization', whichever way it is defined. Each 'modernization' programme should be given a separate identity and allocation should be made programme-wise in the budget. To be able to do this, the MoD would require greater latitude in opening programme-specific budget heads.

The programmes should clearly be linked with acquisition of some capability or enhancement of capacity, or to both. If a programme such as procurement of artillery guns comprises several sub-programmes (for towed, tracked, self-propelled and wheeled guns), each of these must have a distinct identity in the budget. With due regard to the need for maintaining confidentiality, the explanatory notes in the budget document should disclose basic information about each programme/sub-programme. This is necessary from the point of view of transparency and a more informed public discourse.

Third, each programme must be placed under a 'programme manager' and a mechanism created in the MoD to not only monitor the programmes on a regular basis throughout the year but also to steer them whenever they hit a roadblock. The monitoring-cum-steering mechanism should be such that it is able to address the problems hampering the implementation of the programme by either taking decisions on its own or by referring the issues to the Defence Procurement Board (DPB) or the Defence Acquisition Council (DAC). The powers of the proposed monitoring-cum-steering entity, DPB and the DAC to decide implementation-related issues would need to be clearly laid down.

Alternatively, integrated programme monitoring groups could be created for a group of programmes of a similar nature, with assured continuity of the personnel manning these groups till the completion of the programmes or a fair overlap between the outgoing and the incoming incumbents. These groups will also need to be suitably empowered to resolve issues coming up during the course of the implementation of various programmes. What has to be kept in mind is that each acquisition programme has to be nurtured from its beginning till its end, which implies that problems need to be resolved as soon as they arise and not left to accumulate and consequently derail the programme.

Lastly, this entire exercise has to be outcome oriented. While as per the existing instructions the MoD is exempted from preparing the outcome budget, the Standing Committee on Defence has been insisting on outcome budget being prepared by the MoD. There are genuine problems in preparing an outcome budget in regard to the entire defence budget as a whole. It goes to the credit of the MoD that a beginning has been made this year by submitting the outcome budget to the Parliament with respect to the National Cadet Corps and the Married Accommodation Project. In the coming years, MoD should consider presentation of outcome budget with respect to the 'modernization' budget. Depending on how it is defined, it could cover more than one-third of the entire defence budget. This would not only bring the true picture of 'modernization' before the strategic community and the tax payers but, more importantly, help the MoD in focusing on the substantive aspects of 'modernization'.

Notes

1. See the DSE for the year 2013–14, available at http://164.100.47.134/lsscommittee/Defence/15_Defence_20.pdf, accessed on 28 November 2013.
2. Twelfth and Fifteenth Reports of the Standing Committee on Defence on the Demands for Grant for the years 2011–12 and 2012–13, respectively. The Twelfth Report is available at http://164.100.47.134/lsscommittee/Defence/15_Defence_12.pdf (Twelfth Report), accessed on 28 November 2013.
3. Fifteenth Report of the Standing Committee on Defence on the Demand for Grant for the year 2012–13, available at http://164.100.47.134/lsscommittee/Defence/15_Defence_15.pdf, accessed on 28 November 2013.
4. See the explanatory notes to Demand No. 27 of DSE for the year 2013–14, as also previous years.
5. This figure has been compiled mainly on the basis of information available in various reports of the Standing Committee on Defence and DSEs for the relevant years.
6. Compiled by the author on the basis of the information given in the DSEs and the reports of the Standing Committee on Defence for the relevant years.
7. Fifteenth and Twentieth Reports of the Standing Committee on Defence on the Demands for Grant for the years 2012–13 and 2013–14.