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# India's Defence Preparedness: Creation vs Sustenance of Military Capability

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As the imbroglio at Doklam inches towards an ephemeral resolution, India has, without doubt, secured for itself a diplomatic ascendancy of sorts from the unsavoury engagement with a hardline Communist China and its recently arrayed bellicosity. Well into the third month of an eyeball-to-eyeball confrontation on the Sikkim-Bhutan-Tibet trijunction, the recent pullback of troops has restored a fragile peace at the Line of Actual Control (LAC). Amidst the tense standoff, the Indian Ministry of Defence (MoD) characteristically sought an urgent additional allocation of INR 20,000 crore for '*military modernisation*' for urgent capital acquisition as well as for revenue procurement in order to meet its day-to-day operating costs.<sup>1</sup> Seeking additional funds for military modernisation in the currency of an ongoing operation is reminiscent of essential procurements from South Africa and Israel<sup>2</sup> during the Kargil conflict in the backdrop of the then Army Chief's fabled '*we shall fight with what we have*' statement<sup>3</sup> which found a positive resonance with successive Army Chiefs over the years. Executing abrupt modernisation campaigns midway through conventional operations hallmarks a perennial feature of

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the Indian strategic scenario starting from the 1962 Indo-China conflict when on September 02, 1963, the then Defence Minister Shri YB Chavan made a statement in the Parliament about the shortage of equipment, as brought out by the Northeast Frontier Agency (NEFA) enquiry.<sup>4</sup> The overall equipment hollowness in the Army, as it stands today, may have marginally improved since 1962, however, going by the events as they unfold concomitantly at the LAC and South Block, it is evident that more needs to be done to make the Army battleworthy in terms of critical operational equipment.

Emergency procurement is often delegated to loosely constitute 'empowered committees' at the Service Headquarters (HQ) and MoD which are unsuited to exercise the desired degree of diligence due when compared to a regular acquisition case. Resultantly, emergency procurements come under the scrutiny of a post procurement audit by the Comptroller and Auditor General (C&AG), resulting in severe indictments. The C&AG report of 2001, tabled in the Parliament post the Kargil conflict, highlighted a financial impropriety in as many as 35 out of 123 defence contracts worth INR 2,163 crore. It also pointed out that "while critical supplies of clothing, ammunition and arms could not reach the troops during the operation, an amount of INR 1,046 crore, almost half of the total entirely in foreign exchange, was spent fruitlessly breaching established principles of propriety". Unplanned procurements at the time of war indicate bad planning and result in executing adverse contracts in terms of quality, price and terms of delivery. Procurements during the Kargil conflict were objected to by the C&AG on the grounds that supplies of vital equipment ranging from hand-held thermal imagers, terminally guided ammunition, bullet-proof jackets, flame throwers, sniper and anti-material rifles valued at INR 2,150 crore were received after the cessation of hostilities. Further, supplies valued at additional INR 1,760 crore were received six months after the war was over, and deals for weaponry worth INR 1,606 crore were contracted after cessation of hostilities.<sup>5</sup>

Given the context, the question remains: why is the Indian Army today in the situation that it was in, in 1999 and before that, in 1971, and in 1962. Also, why is the largest global arms importer<sup>6</sup>, despite boasting a massive indigenous Military Industrial Complex (MIC) struggling to sustain a ten-day intense war?<sup>7</sup> Inadequate budget allocation over the years has had an adverse impact on the modernisation programmes of the Indian Army and equipment hollowness can be attributed to the budget deficit. Modernisation apart, a portion of the Rs 20,000 crore demanded by the forces is also required to address the critical sustenance voids *viz* infantry and artillery ammunition, Infantry Combat Vehicles (ICVs) night sights, even Bullet-Proof Jackets (BPJs) most of which are sourced ex the MoD owned Ordnance Factories Board (OFB) and Defence Public Sector Undertakings (DPSUs). Defence modernisation plans developed by the Service HQ are not adequately covered by budgetary support and even when they are, the modernisation budget has been, in a number of cases in recent years, reappropriated at the Revised Estimates (RE) or Modified Appropriation (MA) stage, leaving critical acquisition voids. There is a strong case for more efficient spending of the budget and graduating from the existing incremental budgetary system towards performance and outcome budgeting which links specified funds to specific measurable outcomes, planned and executed as such. The revenue expenditure on pay and allowances and operating costs, however, is a statutory mandate that needs to be fulfilled by the government, as required for the sustenance of the 1.3 million strong armed forces.

Modernisation implies creation of military capability and is the end state achieved through fructification of long-term perspective plans executed for the induction of state-of-the-art equipment in the Army. The forces, however, cannot do without their working capital or operating budget, required for the sustenance of existing military capability, most of which has now been indigenised and is sourced to them ex the OFB and DPSUs. A major part of the ammunition deficiencies is a direct

function of capacity and the capability constraints of the OFB. It would, however, not be fair to blame the OFB alone for these slippages as the entire revenue procurement ecosystem of the Army is unaligned to even a single principle of the supply chain, with its stakeholders operating in silos. Such is the level of disconnect between the stakeholders within the revenue supply chain, namely the Army, the Directorate General of Quality Assurance (DGQA), the Defence Research and Development Organisation (DRDO) and the OFB that it is indeed a wonder that the Army has still been able to maintain its arsenal to a fairly high level of acceptance. Apart from severe shortages of ammunition, critical projects such as manufacture of the tank T-72 variants, spares and augmentation for the tank T-90, and Pinaka missiles are running delayed by three to four years. The Navy and Indian Air Force (IAF) fare a shade better as they manage their own QA and, unlike the OFB serviced Army, depend far more on the comparatively agile DPSUs. There is, thus, an urgent need to ensure that the OFB and DPSUs execute capacity and capability enhancement in order to offset the Army's equipment hollowness without the revenue budget being a constraint. The revenue stores budget in the past five years has been severely curtailed, resulting in cuts in the revenue procurement. The Parliamentary Standing Committee on Defence, in their own words, have been 'baffled' to note that the allocation under non-salary revenue for the Budget Estimates (BE) 2016-17 has been INR 32,186 crore, which amounts to only 1.1 percent increase over last year's BE of Rs. 31,835 crore. This meagre allocation will seriously affect areas of new raisings and accretions, maintenance of existing weapons and equipment, and replenishment of war wastage reserve ammunition, maintenance and repair of infrastructure, contingency allocation for humanitarian assistance and disaster relief.<sup>8</sup>

Modernisation involves planning. Acquisition of weapon systems and equipment for the armed forces flows from the Long-Term Integrated Perspective Plan (LTIPP) spanning 15 years. The current LTIPP spells

out the capability desired to be achieved by the armed forces over the 15 years duration from 2012 to 2027. The LTIPP is translated into specific assets to be acquired, in the form of the Services Capital Acquisition Plan (SCAP 2012-17), covering a five-year period. A list of equipment and weapon systems required to be procured immediately is listed in the form of the Annual Acquisition Plan (AAP) derived from the Services Capital Acquisition Plan (SCAP). The AAP is a two-year roll-on plan and presently the AAP 2015 -17 is in vogue and contains 147 schemes at various stages of procurement. Defence plans do not have government approval and are not covered by firm budgetary commitments. As such, planned projects are implemented to the extent possible with the available allocations which are far below the requirements, thus, curtailing the modernisation. A lot is being talked about regarding the Army's 13th Five-Year Plan projections of INR 26.84 lakh crore (USD 416 billion)<sup>9</sup> for military modernisation, extending from 2017-22. The fact is that this figure only conveys a ballpark requirement of funds by the Army to modernise its weapons and equipment, based on the anticipated phasing out of its major weapon systems over the next five years, and is no assurance for this amount to be made available to the forces. Similar expenditure had been made in the 10th and 11th Army plans with the 10th plan (2002-07) expenditure at INR 3.57 lakh crore against a projection of INR 4.18 lakh crore, the 11th plan (2007-12) expenditure at INR 6.72 lakh crore against a projection of INR 6.48 lakh crore, and the 12th plan expenditure was INR 10.05 lakh crore against a projection of INR 19.6 lakh crore. The present budget of INR 2.74 lakh crore (BE 2017-18) has a capital component of INR 86,488 crore of which the modernisation budget is a mere INR 25,254 crore against a requirement of INR 42,500 crore, of which about INR 23,000 crore forms committed liabilities. This capital allocation, therefore, *ab initio* has a shortfall of INR 17,246.61 crore and is approximately to the tune of only 60 per cent of the resources sought. Moreover, the amount of

INR 25,254.32 crore is also intended for requirements pertaining to the National Cadets Corps (NCC), DGQA, Rashtriya Rifles, etc. Thus, the actual capital allocation that would be available for the exclusive use of the Army would become even lower. Also, since committed liabilities are already in the pipeline for being met, the reduction in the allocation is expected to delay the process of initiation of new projects, and this will certainly hamper the modernisation process of the Indian Army which will justifiably seek additional funds. Despite the low allocations, there has been an underutilisation of a whopping INR 7,393 crore in BE 2016-17 of which the Army accounts for over 50 per cent of total unspent funds. Underutilisation of funds has become a recurring feature of India's defence budget, despite numerous improvements in the procurement procedures undertaken by the MoD in the past few years. Given that steady modernisation is a prerequisite for building up a strong military capability, the MoD has a task at hand to bring in efficiency and expeditiousness in the procurement process.<sup>10</sup> Therefore, though the budget deficit may not be the sole cause for the deficiency of equipment, it does have a substantial effect on the defence preparedness of the country, especially when coupled with complex procurement procedures.

A proposal for the creation of a 'roll-on' and 'non-lapsable' capital acquisition fund at the end of every financial year first got mooted in 2004. The same, mooted afresh in 2017, under the signature of the Raksha Mantri (RM) has been repeatedly stalled by the Ministry of Finance (MoF) citing that the utility of such a fund will be limited, as parliamentary approval would still be required for appropriating any sum from the fund. The MoF is of the opinion that it may not be advantageous to create a corpus in the public account, and the requirements of the MoD for meeting its capital modernisation and acquisition plans could be addressed through the normal budgetary mechanism. The Parliamentary Committee on Defence, on the other hand, has observed with concern<sup>11</sup> that inadequacy of the allocation for capital acquisition *vis-a-vis* the

projections, affects several procurement proposals and contracts relating *inter alia* to land, aircraft and aero-engines, heavy and medium vehicles, equipment, military farms, procurement of rolling stock, etc. which are stated to be finalised. Creation of a non-lapsable defence capital fund account is an imperative need for enhancement and heightened operational preparedness of the defence forces. The committee has further recommended that even if certain financial rules and regulations have to be amended for the creation of a 'non-lapsable defence capital fund account' to meet the requirements of our defence forces, it can, and should be, done in the national interest. Creation of such a fund would also ensure that procurement of equipment, arms and ammunition for our defence forces which are in the pipeline and in the stage of fructification are not delayed because of the budget deficit or technicalities of rules and regulations. It is pertinent to mention in this context that in the union budget of 1998-99, the non-lapsable central pool of resources for the northeastern region was constituted with the approval of Parliament, with an objective to ensure speedy development of infrastructure in the northeastern region by increasing the flow of budgetary financing for new infrastructure projects in the region. Hence, there is a precedent in the form of a successful experiment which can be replicated for the MoD, given the criticality involved.

It needs to be appreciated that the entire process of defence capital acquisition and budgeting is extremely complex. Constant efforts are needed to ensure that the cycle of acquisition is substantially reduced. Despite efforts on the part of the stakeholders to reduce the procurement lead time, the procurement cycles are still unacceptably long, spanning three to seven years for deployment of the capability, often making the equipment under contract obsolete. The Defence Procurement Procedure (DPP) provides for a broad timeframe of 80 to 137 weeks for processing capital procurement cases. The new changes which have been brought about in the DPP 2016 are expected to drastically streamline the defence

acquisition procedure. This, coupled with initiatives such as strategic partnerships<sup>12</sup> with industry and creation of a new defence procurement organisation,<sup>13</sup> will make a visible difference in capital acquisition. However, it needs to be realised that revenue procurement is a greater contributor to defence preparedness, therefore, sustenance of the existing arsenal deserves equal if not greater priority as the creation of military capability through modernisation. Reduced allocations and emphasis on revenue procurement in times of peace will witness increased disagreeable instances of the Army seeking supplementary allocations when faced with the enemy at the gates.<sup>14</sup>

## Notes

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