

# Comparison with International Best Practices in Defence Budget and Project/Programme Management

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Military or defence expenditure is sometimes linked to life insurance. But, as with the individuals, there is no way to determine objectively how much of insurance is rational to carry. Others argue that defence budget is very much unlike life insurance. They say that the amount purchased for life cover is no reflection and neither has it any influence on the health of the insured. The security of a nation and its development are complementary to each other. The combination of a nation's political, economic and military powers mirrors the developed nature of a state and determines its international standing. Since, military might is an important component of a nation's power projection; both the quantity and quality of defence expenditure which have a direct bearing on military capability assume significance.

The process of defence planning and force modernization is predominantly dependent on availability of monetary resources. Since there is always a constraint on availability of monetary resources in any country, whether developed or developing, the process of prudent and judicious planning helps towards the most effective and efficient choices being made in utilisation of limited resources. Defence planning and force modernisation are not two distinct activities. Force modernisation is an important objective and a sub-set activity of defence planning and is directly affected by the allocation of limited resources. The process of force modernisation is affected by a number of factors such as the dynamics of the geopolitical situation, affordability of a nation, in terms of availability of resources, capability of the defence industrial base, threat perceptions, and strategic direction and vision of the political leadership, and so on. What is meant by the term "defence planning"? "Defence planning is the process of determining the national security objectives of a nation and formulation of policies and strategies; that will govern the allocation of funds and acquisitions, use and disposition of resources to achieve those objectives." It becomes clear from this definition that allocation of funds and resources is the most crucial aspect of defence planning.

## Planning and Budgeting

In the common parlance of management of organisations, a budget is nothing but a

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plan expressed in financial terms. When planning is referred to in the context of defence, there are certain fundamental differences between planning and budgeting. *Firstly*, preparation of plans at the macro level involves a host of factors such as the strategic thrust and defence policy of the nation, desired level of military capability, foreign policy, etc. The budgeting activity, on the other hand, is limited to the availability of resources. *Secondly*, planning is usually undertaken covering a longer time horizon. For example, the Defence Perspective Plans in India are undertaken for a period of 15 years. Then, we have the Five Year Defence Plans. As against this, the budgeting activity is typically confined to a period of one year. *Thirdly*, plans generally tend to be ambitious in nature, involving various uncertainties of the future, whereas budgeting, covering a period of just one year, tends to be more realistic and suited to the immediate environmental factors. *Fourthly*, plans tend to include aspects that need not necessarily have a monetary bearing and issues involving qualitative aspects such as morale of troops, etc. Budgeting is monetary activity concerned with quantitative aspects. *Lastly*, planning is associated with forecast which has a lot of uncertainty with regard to availability of resources. Availability of resources in budgeting activity is certainty as it covers a much shorter period. Budgeting is undertaken with relevance to the resources already available or most likely to be made available. Planning is undertaken based on probability or 'likelihood' of scenarios. Plans are classified into Long Term Plans (Perspective Plans) or Medium and Short Term Plans (Five Year Defence Plans or Annual Acquisition Plans), whereas the term 'Defence Budgeting' refers to the period covering the current or the following 'Financial Year'.

## Relevance of Defence Planning

What then is the importance of Defence Planning? Just because long-term planning is associated with uncertainties and improbable factors, do we abandon it? This is not certainly the case. Defence planning is necessary. A country cannot have its security interests protected, if it is not prepared and it cannot be prepared on the spur of the moment. Wars and conflicts may not be long drawn in the present and future times but the preparations to save from the same may have to be. In fact, defence plans may be effective only if they are long-term plans. Short-term and medium-term plans may be needed. But in real strength and security, it can flow out of long-term plans in a better manner. Defence planning is required to achieve a desired level of military capability. Defence budgeting is an attempt to match the resources to achieve such a capability. Under ideal conditions, a perfect harmony process between these interlinked activities is desirable. The defence planning process attempts to match the budgetary resources likely to be made available for the requirement to establish the defence capability which is necessary to face the

threats and challenges. Elaborate structures, processes and mechanisms exist in our country for undertaking these two important activities of defence planning and budgeting to keep up the tempo of force modernisation within the realm of defence policy and national security. Yet, the desirable harmony appears to be lacking for various reasons. We shall see the nature of and reasons for the dichotomy between defence planning and budgeting a little later.

## Defence Budgeting in India

The defence budgeting in India revolves round the Finance Division of the Ministry of Defence which prepares the Defence Budget based on the projections by the Service Headquarters and integrated by the Headquarters Integrated Defence Staff. Recommendations are then made to the Ministry of Finance which takes the final call on allocation for defence in the annual budget.

Defence planning is dealt with by Service Headquarters. The role of the Director General Defence Planning stands replaced by the HQ IDS, which, based on the Long Term Perspective Plan of each Service, prepares an integrated Long Term Perspective Plan. The Perspective Plans cover a period of 15 years.

Thus, while 'Long Term Perspective Plan' of each service forms the basis of its planning, the other two documents i.e. the Five Year Plans and the Annual Acquisition Plan which contribute to budgeting and planning process.

While the Service strategies form the very basis of respective Long Term Perspective Plan of each service, the Five Year Plans, intended to be co-terminus with the National Five Year Plans are statistical in nature and deal with a fixed period. The Annual Acquisition Plan, as the very name suggests, is prepared by every year and primarily deals with acquisition matters which are capital in nature.

Thus based on these documents, the Services prepare their annual budget and forward to MoD (Finance) which in turn takes by the allocations for the Services with Ministry of Finance.

The budget and planning process has often been criticised on several accounts. Critics, however, are unanimous in terming it as a book keeping exercise or as an Accountant's delight. The criticism is not without any basis. Defence expenditure in India is an area of weak external constraint, as there is a general belief that increase in defence budget contributes to increase in national security, even if there is increase in revenue budget.

## The Australian Experience

Having known and briefly understood the Defence Budget and planning process in our country let us compare the defence budgeting and planning process that prevails in Australia.

The entire budgeting process in the Department of Defence of Australia revolves round three documents:

- The Defence White Paper which was set out in the year 2000.
- The Defence Management and Financial Plan, and
- The Defence Capability Strategy.

The Defence White Paper which was released in December 2000 lays down the Government's Long Term Strategic Direction and the capability enhancement of Australia Defence Forces. The document focuses on next ten years. Defence Planning and budgeting framework has been so designed as to deliver the priorities set out in this White Paper that gives Australia Defence capability, which seeks:

- Enhance current capability to provide military options across a spectrum of military situations;
- Improve the current readiness and sustainment of Australian Defence Forces;
- Provide necessary capability enhancements to Australian Defence Forces to undertake a major deployment and minor deployment simultaneously.

Through this White Paper and its subsequent strategic updates in 2003 and 2005 and consequent capability reviews, the government provides further focus by identifying the following four strategic tasks. In order of priority, they are:

- Be capable of defending Australian territory from any credible attack, without relying on any help from the combat forces of any other country;
- Have defence forces able to make a major contribution to security of the immediate neighbourhood;
- Be able to contribute effectively to the international coalitions of forces to meet crisis beyond immediate neighbourhood where national interest are engaged;
- Undertake regular or occasional tasks in support of the wider national interests.

These are the four strategic tasks of Australian Defence Forces which guide the development of defence capability. The entire planning and budgeting process is focused towards these four strategic tasks. For six years in a row the budgetary support exceeded what was committed in 2000 White Paper and in 2006-07. Government also committed an increase in defence spending by 3 per cent per annum until the year 2015-16.

It is significant to note that to achieve defence missions, the outcomes are delivered to the government and reported to the Parliament. Appropriations by parliament are made according to the purpose specified by the government for outcomes. The government has the following outcomes for defence that focus on primarily on the delivery of the military operations, with the cost of each of these outcomes set out separately:

Figure 1: Defence Outcomes

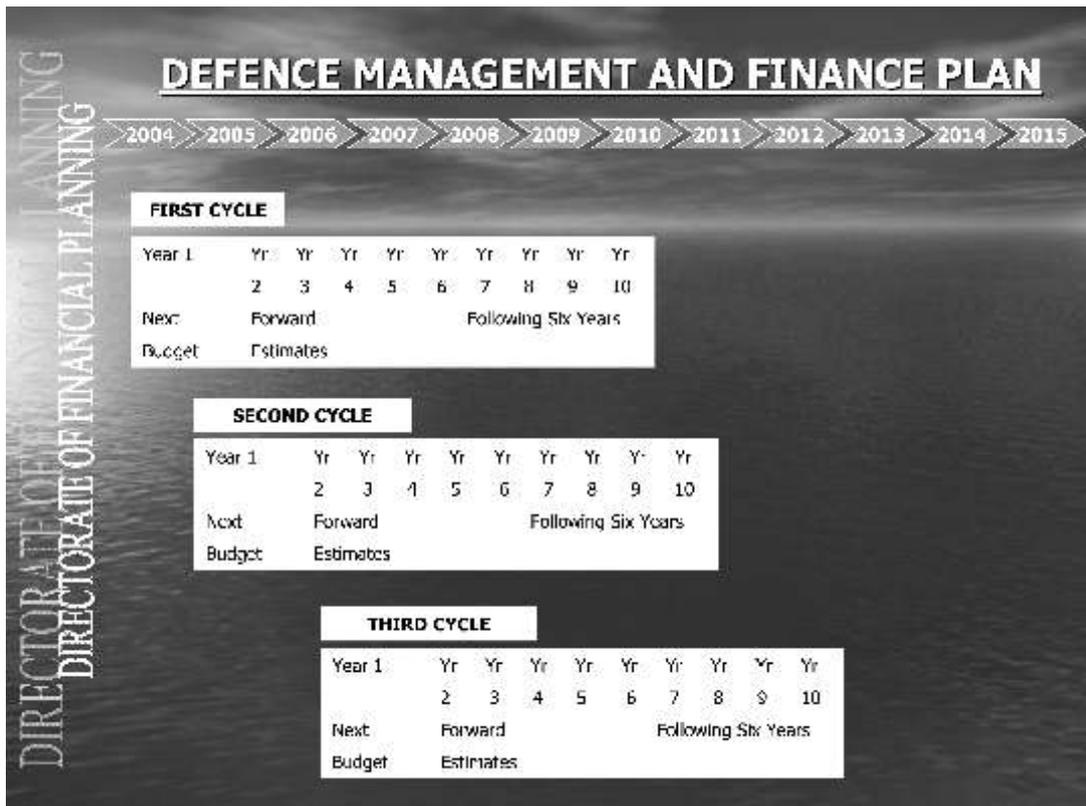


The Defence Management Finance Plan sets out a Ten Year Financial Plan and is laid down annually. It is unique to defence and its preparation is mandatory. By providing oversight of Defence Planning and Financing Strategies over next ten years, it forms

the basis on which decisions to support the defence budget are made. This document brings into play the expected financial position taking into account the existing commitments and proposed new investments. It gives a reference point to government to assess whether its investment is affordable as well as sustainable. A small balance is maintained to fund unforeseen and high priority items that emerge.

Defence Management Financial Plan is essentially a rolling plan from which annual budget is derived. Each year 1 becomes the budget and the new year 10 more are added. The diagrammatic representation of Defence Management Financial Plan is:

Figure 2: Defence Management Financial Plan



The Defence Planning Guidance is a document which is prepared annually and provides:

- Assessment of types of contingencies that Australian Defence Forces might face in carrying out the strategic tasks endorsed by the government in the Defence White Paper of 2000.
- Advice on military force required in each contingency and the capacity of Australian Defence Forces to apply this force now and in future.

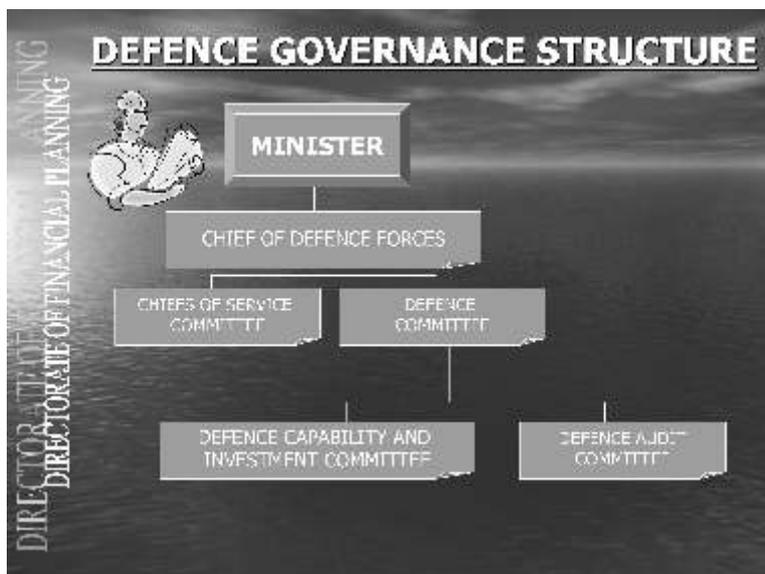
- Advice on capability to be sustained or acquired to ensure that this can be achieved at acceptable cost.

A significant document which is also prepared annually is the Defence Workforce Plan which is produced in each budget cycle. This provides guidance on the authorized size, skill base and the distribution of the workforce over a ten year period. It sets out priorities for ensuring that authorized strength including proposed remuneration levels, conditions of service entitlements and the recruitment and retention initiatives are met.

Another significant document which is prepared annually is the Chief of Defence Forces Preparedness Directive, on levels of force preparedness to be achieved. This enables service Chiefs to raise, train and sustain forces for operational level. Thus, the preparedness levels provide guidance on levels of logistics and other support budgets within the available resources.

The governance framework for implementing the defence policy and investment priorities has strong performance focus. The Defence Act of 1903 lays down general control and direction of defence forces by the Minister of Defence, while the command of Australian Defence Forces rests with the Chief of Defence Forces. The Administration of Australian Defence Forces is carried out jointly by Chief of Defence Forces and by the Secretary, Defence Forces who acts as the Chief Executive. The responsibility of the Secretary largely remains towards resources, policy and accountability functions.

Figure 3: Defence Governance Structure



The annual budget process starts from the perusal of three basic documents prepared annually i.e. Defence Planning Guidance, the Defence Workforce Plan and Chief of Defence Forces Preparedness Directive to Service Chiefs. Drawing on all these documents and distilling them in to single documents a long term financial plan is drawn which take shape of rolling 10 year Defence Management and Financial Plan. For the planning and management purposes, the budget is divided into three major segments namely; *Investment* which takes care of acquisitions, *Personnel* which takes care of size and *Distribution* of workforce and operations.

### Structure of Indian Defence Budget

In our own case the defence budget derives its structure from the national budgeting and accounting classification system. The defence budget is covered under major heads, minor heads, sub-heads and code-heads. The major head (MH 4076) pertaining to the capital budget is common for the three Services, i.e. defence research, development organisations and ordnance factories, while each service has a separate major head for revenue expenditure. The most important criticism of the current structure is that it is input oriented which only facilitates expenditure management. Another basic criticism is that the objects of expenditure in the system do not indicate any programmes. It is true that the existing desire to have such a system in place. For example, recommendations to follow programme-based budgeting were made in 2001 by the high powered Group of Ministers that looked into various aspects of national security. At the same time, it must be pointed out that the current budgetary classification does indicate programmes, albeit in a broad framework and rather vague form. For example, take the case of minor heads under major head 4076 (capital budget), viz: "aircraft and aero-engines," "construction works", "naval fleet", "naval dockyards/projects" and "heavy and medium vehicles." These are indeed programmes. What is the purpose behind laying down programmes to begin with? The purpose of programming is to aid better decision-making, by converting and expressing these programmes into monetary or budgetary terms. Therefore, the existing budgetary system does follow a kind of programming budget. What one finds in the Defence Services Estimates (DSE), an annual Government of India publication, is only a broad set of programmes (major heads and minor heads). The detailed breakdown of these heads is always available to defence managers in the Service Headquarters and Ministry (concerned directorates), (in the form of code heads/case files pertaining to each and every category of expenditure), constantly aiding decision-making in the day-to-day working, even though such detailed information is not made available openly. What is absent are recognisable 'outputs' of these programmes. With a little more refinement of the existing system, it is possible to undertake an exercise of assigning outputs just as some of the western countries have attempted in the past. Having

said that, it must be conceded that merely redesigning the pattern of accounting classification cannot result in programme-based budgeting. Plans and programmes are essentially managerial decision, which are subsequently converted into budgets. Therefore any attempt to introduce budgetary reforms must be preceded by management reforms. For these management reforms to be effective, it is essential that they originate from the topmost echelon of the organisation.

### Planning for Defence Budget

By now it is well known that the Five Year Defence Plan (FYDP) is either not approved by the government and if they are approved, it is only at the fag end of the plan period, thereby, lowering their effectiveness. This aspect has been criticised repeatedly by the Standing Committee on Defence (SCOD) in their various reports. However, it must be added that just because there is repeated delay in approving the FYDPs, it does not mean that these have completely lost their utility. The FYDP is still the principle guiding document for the inclusion of schemes in the MP, the funding requirement of which is included in the Budgeting Estimates. However, many a time owing to variety of reasons, new schemes are added in the Annual Acquisition Plan (AAP) which earlier has not figured in the FYDP. Such inclusion of schemes in the MP has been construed as giving place to ad hoc practices. However, this criticism too is not completely tenable, since many changes tend to take place during the intervening period between finalising the FYDP and formulation of the AAP. The MPs are more realistic and usually one finds a near harmony between the AAP and Budgeted Estimates. Therefore, it can be concluded that congruency between plans and financial outlays varies from the type of plan that being referred to. An ideal harmony is desirable between the FYDPs and annual budgets. But in real life ideal situations do not exist, be it in advanced countries such as the US, UK or developing countries such as India. The problem acquires different dimension in the Indian context where there is absence of roll-on budgets and lack of assured funding for the schemes drawn up in the FYDPs. In the absence of desirable harmony between plans and budget, the existing system may not be perfect or ideal, but it is still serving the purpose of meeting the national security objectives within the constraints, as explained above.

The Sino-Indian conflict in 1962 gave rise to a new defence consciousness in the country. After taking care of immediate post-war requirements, systematic defence planning started in 1964. Defence requirements were assessed on a five-year basis and the first Five-Year Defence Plan (1964-69) was drawn up. The plan was primarily based on an expansion and modernisation programme considered necessary by each Service in the light of the respective threat perception assessed. It also proposed a defence production base that would gradually reduce the country's

external dependence, provide for improvements in border roads and communications, and a modest expansion of the Defence Research & Development Organisation (DRDO). This was the modest beginning of defence planning in the country. In the Army headquarters, a Perspective Planning Directorate was established in the late 1970s. Naval and air plans were prepared in the respective Planning Directorates. The task has now shifted to HQ IDS. HQ IDS has accordingly prepared the Long Term Integrated Perspective Plan (LTIPP) for the period 2002-17 in 2003; the LTIPP for 2002-17 is being replaced by LTIPP 2007-22 because of slippages and delays due to various factors. The Service chiefs approved the procedure followed for formulating the LTIPP in June 2003. It broadly specifies the following five stages:

- *Stage 1:* Preparation of the respective Long Term Perspective Plan (LTPP) by the Service HQs. The planning for acquisition/projects should match the likely budgetary allocation and the likely availability of funds.
- *Stage 2:* Receipt, scrutiny and analysis of the LTPP of the individual Services and Preparation of the LTPPs by HQ IDS.
- *Stage 3:* Presentation of the salient aspects of the LTIPP to the Chiefs of Staff Committee for their approval.
- *Stage 4:* Presentation of the salient aspects of the LTIPP to the *Raksha Mantri's* Defence Planning Council. This was attempted once after the procedure was approved but the presentation could not be carried out.
- *Stage 5:* Approval by the Cabinet Committee on Security (CCS) of the Long-Term Integrated Defence Plan with specific reference to force structures; force levels, and the equipment profile of the three Services is one step away.

### Long Term Perspective Plan: Relevant Issues

*Firstly*, the sanctity of LTPP is diluted since these are not approved by government. If such a vital document which is supposed to be the guiding factor for resource allocation and force structures over the next 15 years is not treated with the kind of importance it deserves, then could it become a beacon of strength and support for Service HQs to depend on while preparing the Five-Year Plans or Annual Acquisition Plans? Perhaps, not.

*Secondly*, the LTPP is a classified document. Since no public debate or discussion is possible on the effectiveness of implementation of the long-term plans, there should be some in-built mechanism within the government to ensure that the plans outlined in the document are being adhered to. Mid-course corrective actions are also important from a 'control' point of view.

Further, each creation of assets leads to further revenue expenditure in the form of their subsequent maintenance. Being an expensive proposition, the path towards force modernisation needs to be treaded carefully and that is where careful planning plays a vital role.

### Defence Planning: A Report Card

The Defence Five Year Plans have suffered from a serious handicap of either not receiving government approval in the past or even if they did, the approval came only at the fag end of the plan period. This kind of non approval or delayed approval of plans created uncertainties for the MoD and Service HQs on the clear direction to be pursued. However, on the flipside, these were the very plans which have become the basis for drawing up the Annual Acquisition Plans. Notwithstanding such positive outlines of the system, the defence planning system on the whole has been lopsided. Ideally, the Government's national security objectives should lead to formulation of defence objectives, which in turn, define defence policy and directives of the Defence Minister.

The Five Year Defence Plans need to be approved well prior to the commencement of the plan period, if they are to serve their true purpose. At the same time, one cannot ignore the fact that despite delayed approval of plans by the government, the armed forces were not barred from implementing these plans. Within the affordability of national resources for defence, the armed force went ahead with their plans of force modernisation encompassing equipment acquisition, man-power planning and infrastructure creation. The planning mechanism hitherto may not have been perfect and the funding may not have been adequate. That force modernisation has come a long way since independence despite systematic inadequacies bears testimony to the fact that the people responsible for, and involved in, defence planning be it the politicians in power, the bureaucrats or the armed forces leadership have worked hard over the years to shape the defence forces to enable them to be recognized as one of the world's finest fighting forces.

At strategic level there is no such thing as pure military requirements. There are only alternative with varying risks and costs attached. Today, the Defence Budget is far from being the vital policy instrument. Rather than being a mechanism for integrating strategy, forces and costs it continues to be largely, a book-keeping device for dividing funds between Services and accounting titles. By focusing on individual appropriation titles such as procurement, maintenance, construction or pay and allowances rather than on major missions such as Air Defence Force or say a

strategic retaliatory force, the system distances itself from making such judgments. Incidentally, when we talk of strategic retaliatory force it obviously will consist of contribution from more than one Service and therefore needs to be viewed in aggregate in the context of Defence Budget.

At the same time, arbitrary budget ceilings and inflexible service fractions also encouraged the idea that each service is "entitled" to that much money and could count on its percentage reasonably increasing incrementally, regardless of effectiveness of its programmes in meeting nation's needs.

### Resource Accounting and Budget: UK Perspective

In the United Kingdom, a Comprehensive Spending Review (CSR) of public expenditure management was undertaken in 1998, with biennial spending reviews scheduled for every two years thereafter. The latest Ministry of Defence spending review took place in 2004. A key reform in UK's public expenditure and control regime has been the introduction of Resources Accounting and Budgeting (RAB). This was necessary because the central government had failed to keep pace with improvements in basic financial management in the rest of the economy. The system for authorising, controlling and accounting for public money had changed little since the middle of the nineteenth century. This system, based almost solely on cash, gave a distorted picture of the cost of providing services, building in perverse incentives and in particular a bias against essential long term investment. Because of these weaknesses, the govt actively and vigorously pursued the introduction of the RAB. Resource accounting applies the best practice from commercial accounting to government finance, and resource budgeting uses this as the basis for planning and controlling expenditure. The RAB is based on the "accrual" method of accounting rather than cash based accounting. The accrual method of accounting has advantage over cash-based accounting in that it provides for better measure of costs of providing services (in a given period, whether actual cash outflow takes place or not within that period) which is the norm followed in commercial accounting. Resource budgeting captures non-cash costs of economic consumption such as depreciation, cost of capital charge and provision of future payments such as early retirement liabilities, pensions, etc.

While the Australian Defence White Paper outlines a broad framework and strategic direction in achieving efficiency of the defence forces, a number of specific measures were adopted. One such mechanism is the Performance Information Review. The most fundamental test of whether defence is an efficient organisation must be based on its effectiveness in producing required outputs for a given level of resource input. The performance information review as intended to bring increased accountability,

increased transparency and reveal exactly what the public was getting for its money. As part of this exercise, the accrual accounting method was adopted, shifting the focus of defence accounting onto outcomes and outputs associated with the achievements of those outcomes. The clear inference of the move towards accrual accounting is that defence has to date not been able to equate its resource usage with the achievement of objectives, and has been unable to determine the efficiency of its processes.

### USA's Experiment: Planning, Programming and Budgeting System

Realising the drawbacks of the traditional "input" oriented budgeting system which were not linked to specific programmes, Robert McNamara, the then Secretary of Defence in United States introduced into the Services, a concept known as the Planning, Programming and Budgeting System (PPBS) in the US Department of Defence in 1961.

The PPBS is a cyclic process containing three distinct but interrelated phases: *Planning, Programming and Budgeting*. In addition to establishing the framework and process for decision making on future programmes, the system permits prior decisions to be examined and analyzed from the viewpoint of the current environmental threat - political, economic and technological - and resources and for the time period being addressed. The decision shall be based on and consistent with, a set of objectives, policies, priorities, and strategies derived from National Security Decision Directives. PPBS starts with a search for planned statements of the openly defensible national purposes that each programme is means to serve, for alternative ways of achieving these purposes, and for criteria by which to judge competing alternatives. This idea provides both the goal and the rationale for PPBS. In the PPBS, the twin issues of force structure and budgets are considered together. What is worth trying to do depends on a large part on how much it costs.

### Critical Assessment of Our Budget System

We need to pay attention to our own strategic vision. It would be incorrect to say that we lack a strategic defence policy. We do have one, which is broadly (albeit vaguely) expressed in the annual report brought out by the Ministry of Defence. In some of the countries, examined above, the strategic defence policy is regularly brought out in the form of White Papers and periodical defence review reports, (e.g. Quadrennial Defence Review reports in the case of the US and Strategic Defence Review in the case of UK). The basis for White Papers and periodical defence reviews emanates from the strategic vision documents such as the National Strategic Review in the case of the USA.

Now having deliberated upon the defence budgeting and planning processes in our country vis-à-vis other countries and in Australia, in particular, it is but natural to draw comparison. There exists a similarity in the Defence Budget and Planning Process of two countries. Both rely on long term planning document, the medium term planning document and the annual documents. But the similarity ends there. There is a greater degree of dissimilarity rather than similarity between the two processes.

To begin with let us take up the efficacy of the long term document which is Long Term Perspective Plan in our case and the Defence White Paper of 2000 in the case of Australia. The Defence White Paper was released by the Australian Government and sets out Government's long term direction on capability enhancement framework for defence. In our case, the 15 year Perspective Plans are completely in-house exercises of respective services as these plans are not approved by the government. While Services strategies form the basis of Long Term Perspective Plan what is absent are the national debates continue to be in terms of rupees rather than in terms of objectives, missions and force levels.

Another issue which needs attention is the Medium Term Plan which is the Five Year Plan in our case and the Defence Management and Financial Plan in case of Australia. First of all the Defence Management and Financial Plan is a rolling plan and thus gets set every year for the next 10 years. It gives greater flexibility in planning by factoring in the latest development and status of various acquisitions. This is mandated by the government of Australia and has to be prepared every year. Thus, it has sovereign backing.

From the Indian perspective, the five year plans are for a particular period only and thus more rigid. Prepared at periodic intervals they often are not sanctioned. Therefore, with both Long Term Perspective Plan and Five Year Plan not getting government's approval, operationally the link between the annual defence budget and defence plans cannot be established. The discussion on Five Year Plans, if it takes place, works around Rs. 1,37,000 crore which Service HQ has projected or Rs. 1,20,000 crore which Finance Ministry wants to give. No one is bothered about the program content of the plan. No one asks which program would suffer if extra Rs. 17,000 crore is not approved for the plan period.

It is not that the Australian system did not even experiment with the Five Year Defence Management and Financial Plan. They too borrowed Five Year Plan system from USA in early 1970s but abandoned in 2000 in favour of Ten Year Roll Plan which gives them the advantage of "Multi-year Multi-faceted Budget" giving them opportunity to continuously review and update the budget, the option that we lack.

Another feature of Australian process is the three annual documents that get prepared leading to budget projection: the Defence Planning Guide, the Defence Workforce Plan and Chief of Defence Preparedness Directive. Together they encompass all facets of budget and are not limited to the acquisition portion of it. In our system, the only annual document that gets prepared is the Annual Acquisition Plan which focuses capital acquisition. Thus revenue budget which forms 70 per cent of the total budget is largely ignored.

While deciding on the extent of fund for the Five Year Defence Plan or even for Annual Budget it is generally felt important to deliberate upon the extent of funding but it is never felt expedient to discuss the urgency of a defence programme or otherwise.

What has programme to do with defence planning? Its importance or significance is not there because it is mentioned in the same breath on other types of budgeting i.e. zero based budgeting or PBPS? Its importance is also not only there because practically every critic of present Defence Budgeting and planning process advocates programme budgeting? Its importance is primarily there because the defence budget does not flow from approved programmes. Defence budget continues to be input based, where the trend of expenditure forms the very basis for budgeting. Accordingly, the analysis generally get confined to the Revised Estimates and, budgeting estimates made in December every year for budgeting allocation during April of ensuing year. At best, the time horizon for budgeting does not go beyond one year. Therefore, establishing link between planning and budgeting becomes all the more difficult. Programme budgeting is considered as an important link between planning and budgeting.

## Conclusion

Defence budgeting and financial management is an extremely complex subject at the best of times even in countries those possess adequate human, fiscal and material resources. For countries like India, this is made far more difficult by the fact that such resources cannot be easily predicted and/or controlled, and ambiguities dominate threat perceptions. In addition, our challenges get multiplied by the fact that few persons outside a small group in the government understand the dynamics of budgeting; and, similarly, an even smaller group which constitutes of the final decision makers is fully conversant with what makes for military capabilities.

While many aspects of the central government budgeting are awareness as far as the defence budgeting and processes are concerned. Several reasons can be attributed to such lack of awareness. One amongst them is the fact that in our country, sporadic

debate takes place on these issues. Whatever little analysis is undertaken is only by a select group of think-tanks and a few defence analysts. Defence budget is largely viewed as unrelated to defence strategy, the two being treated as entirely independent activity being carried by two different set of entities, at different times. The strategy of forces is treated as military matter, while the budget is perceived to be mainly a civilian matter.

The decisions regarding force levels in the three Services are taken in an incremental way, which leads to increase in 'obligatory expenditure' under the defence budget. And the impact is only one way: from decisions regarding force level to budgetary provisions and not vice versa and continuous increase in the obligation portion of the defence budget, as that seems to be the basic aim.

It is basically the strength and composition of the Indian armed forces, which determine the major portion of the defence budget. But is there a document for each Service which can be referred to by the Parliament, its various committee or by defence analysts, laymen, and defence budgeters which indicates the decisions of the government about the force level of that Service and its composition? Probably not.

Can one know at a point in time, what force levels are the Services aiming at and what plans should be made for required provision in the defence budget? Here total ambiguity comes in. Traditionally, in our country, the defence debate has tended to be cast in terms of rupees rather than in terms of objectives, missions and forces. It is a fact that the defence budget continues to be primarily an input based where the trend of expenditure forms the very basis of budgeting. The analysis tends to be confined to Revised Estimates and Budget Estimates within time horizon for budgeting not exceeding one year. This makes a thin link between planning and budgeting.

Although our defence planning system suffers from lack of assured funding of defence requirements beyond a period of one year, an important factor cannot be ignored and that is that such requirements have not suffered from lack of funding within the broad contours of the national economic and fiscal policies of the government. In fact, the various finance ministers have always assured in the Parliament, while presenting the union budgets, that defence funding will always remain a top priority. Therefore, the argument that defence requirements tend to suffer from lack of assured funding is not entirely tenable. As a developing country, the nation may not be able to afford the luxury of unlimited funding to meet its defence requirements. At the same time, the past trends indicate that both the defence budget and the capital segment of the defence budgets have reflected impressive

growth rates. Budgetary control by itself does not mean anything unless linked to the achievement of planned objectives. It is basically, a management problem and not financial one. 