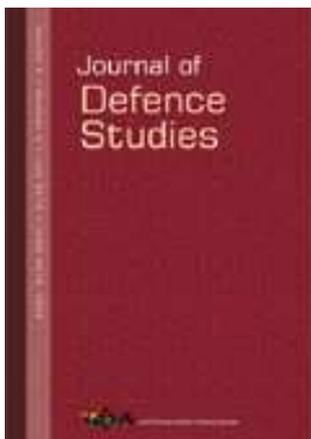


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# Distortions in the Discourse on Modernization of Armed Forces

*Amit Cowshish\**

## INTRODUCTION

The strategic discourse on defence and security matters in India revolves around familiar themes and sub-themes, ranging from larger issues such as the absence of a clearly articulated national security policy to somewhat fractious issues such as the higher defence management, civil-military relations and modernization of the armed forces.

The strategy of the Ministry of Defence (MoD) has generally been to appoint a committee whenever some issue reaches the boiling point, keep the committee's report under wraps, implement a few recommendations, and let the matter rest at that. No action-taken report is put out in the public domain. This indicates a lack of will, if not institutional capacity, to make sustained and holistic efforts to bring about systemic changes in the management of defence.

Meanwhile, the discourse outside the MoD is becoming increasingly mordant, with the focus being on government's failure on multiple fronts, be it appointment of the Chief of Defence Staff (CDS), integration of the Services Headquarters with MoD or modernization of the armed forces, just to mention a few. It is a perfectly legitimate objective of public discourse to highlight such issues but there are growing signs of many a distortion creeping into the discourse.

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This could possibly be because of the inaccessibility of primary sources of information and raw data, as also MoD's proclivity for being silent on important issues that generate keen interest among the common citizens of the country. An occasional press release or a prevaricating statement is not really good enough. MoD officials rarely attend the seminars and round-table discussions organized by think tanks, industry associations and other organizations. On such rare occasions when they do, there is very little communication between them and the audience.

Such is the obsession with confidentiality that reports submitted by almost all the committees, starting with the well known Committee on Defence Expenditure of 1990s to the more recent Naresh Chandra Committee, have not been made public. The Kargil Review Committee report was perhaps an exception. Some of the reports may not even be available now in the MoD. It is a pity because these reports could provide invaluable insights into matters of national interest. Consequently, selective leaks from these reports have become an important source of information for scholars.

Some would argue that the reports of the Standing Committee of Parliament on Defence and the Comptroller & Auditor General of India are reliable primary sources as they contain authentic information and data. Occasional press releases emanating from the MoD also contain valuable information. However, these reports and press releases have their own limitation as they do not disclose information and time-series data in a standard and uniform manner. Research based on these sources could, therefore, run into blind alleys. In any case, for the purpose of seminal research and analysis, these are no substitute for original records of the MoD, which must be periodically declassified.

Whatever be the reason for the public discourse becoming skewed, it is important to purge it of the prejudices and biases resulting from distorted assumptions on which such discourse is based. Discussed below are some of the distortions in the discourse on 'modernization of the armed forces'.

#### **METHODOLOGICAL ISSUES IN ANALYSING THE STATE OF 'MODERNIZATION' OF THE ARMED FORCES**

There is no official document in the public domain that explains the concept of 'modernization' or provides overall information about the projects and programmes undertaken to modernize the armed forces. There are no specific milestones and prescribed timeframe for achieving

those milestones. In fact, MoD perceives modernization as a continuous process.<sup>1</sup> Consequently, it is seen as a work perpetually in progress.

To make things worse, there is no comprehensive official annual review of the progress made in modernizing the armed forces, and no facts and figures are disclosed either in respect of the completed programmes or the ones in the pipeline. These are big constraints for any objective study of the subject, resulting in two totally different methodologies being adopted by analysts for assessing the state of modernization of the armed forces.

The first methodology is to select a few major programmes, considered important, and about which some information is available in the public domain, for critical analysis and to generalize on the basis of the conclusions drawn from the analysis of those programmes. The focus of such analysis is almost invariably on the programmes that are delayed or have run into other difficulties, and excludes the successful programmes. This fragmented approach inevitably leads to the conclusion that modernization of the armed forces is completely stalled, based, as it is, on the analysis of the programmes with a troubled history.

The second methodology is to assess the state of modernization with reference to allocation and utilization of the 'capital acquisition budget'—a term used synonymously with the term 'modernization budget'. This approach has its own drawback. Not all expenditure incurred from this notional segment of the capital outlay goes into procurement and other activities aimed at 'modernizing' the armed forces. Conversely, some expenditure that could arguably be viewed as being related to 'modernization' gets incurred from the revenue budget. Thus, it is erroneous to consider higher levels of expenditure from the capital acquisition budget as an indicator of greater modernization of the armed forces, and vice versa.<sup>2</sup>

These methodologies have been developed by analysts to overcome the handicap created by inaccessibility of the primary sources of information and data. In the process, however, it becomes necessary for them to make assumptions—some of which are not valid—to fill the gaps in knowledge or to connect the disjointed information available from disparate sources. This has accentuated the distortions in the discourse on various issues, including modernization of the armed forces.

The purpose of highlighting the distortions is not to promote the counter narrative that everything is going well on the modernization front. There are indeed many a problem besetting modernization of the

armed forces but these are not on account of the distorting factors as argued in this article.

#### DISTORTIONS IN THE DISCOURSE

##### **Postulate 1: Modernization is Unplanned, Unsystematic and *Ad-hoc***

No one can seriously question the proposition that modernization of the armed forces must follow a carefully crafted plan. The criticism is that, to use the title of the celebrated work by Stephen Cohen and Sunil Dasgupta, India has been 'arming without aiming', suggesting that the modernization effort is unplanned, unsystematic and ad-hoc. Interestingly, the fact that defence expenditure is a part of the 'non-plan' expenditure of the central government fuels the perception that the defence expenditure is 'unplanned'.

The critics further point out that it is not possible to plan properly in the absence of clearly articulated National Security Objectives and a National Security Strategy. Without these, the defence planners cannot formulate the Defence Security Objectives and the Defence Security Strategy which, in turn, could form the basis for determining what capabilities the armed forces must possess to be able to discharge their responsibilities.

It is true that there are no formally defined National Security Objectives and Strategy or Defence Security Objective and Strategy. Therefore, what critics point out is valid in the context of the larger debate on the process of defence planning. However, it does not automatically imply that the ongoing efforts at modernization are unplanned, unsystematic and ad-hoc. According to how the MoD perceives it, capabilities sought by the armed forces are linked with the proposals for acquisition of capital assets, which flow from the three-tiered defence procurement planning process: this comprises the 15-year Long Term Integrated Perspective Plan (LTIPP), the 5-year Services Capital Acquisition Plan (SCAP), and the Annual Acquisition Plan (AAP).<sup>3</sup> These capabilities are obviously aimed at modernization of the armed forces.

These plans are being prepared regularly by Headquarters Integrated Defence Staff (IDS) and all capital acquisition proposals emanate from them. If some equipment which does not figure in these plan documents has to be acquired, it has to be formally included in AAP with the approval of the Defence Procurement Board (DPB). Therefore, whatever be the

flaws in the process of defence planning, it cannot be contended that the procurements are unplanned, unsystematic and ad-hoc.

Sometimes it is argued that even this three-tiered planning is ad-hoc because the LTIPP, which is the apex tier of planning, is prepared without the benefit of the Defence Planning Guidelines (DPG), which, as mentioned in the DPP, must form the basis for the LTIPP.<sup>4</sup> It is a little known fact that some time in the past HQ IDS had prepared the DPG (as indeed the Defence Security Strategy, etc.) but these never saw the light of the day. However, this vacuum has been filled by the Defence Minister's Operational Directives—more commonly known as the *Raksha Mantri's* Op Directives.

These directives, periodically prepared by HQ IDS and approved by the minister, now form the basis of defence planning. In the run up to the formulation of the 12<sup>th</sup> Defence Five Year Plan (FYP) (2012–17), all the Services Headquarters confirmed to the MoD that the Op Directives were a good enough basis for formulating the plan.<sup>5</sup>

It is, therefore, incorrect to say that the modernization of the armed forces is unplanned and without any focus, though it would be perfectly legitimate to question the focus and objectives of planning, as indeed the entire process of planning. It would also be perfectly legitimate to argue that there are several structural and procedural weaknesses that come in the way of better planning.

### **Postulate 2: The Plans Do Not Get Approved**

It is a source of great angst among the critics that the plans, such as they are, never get approved, rendering the entire exercise futile. This is not borne out by facts. The LTIPP 2012–27, which replaced LTIPP 2007–22, was prepared by HQ Integrated Defence Staff (HQ IDS) and approved by the Defence Acquisition Council (DAC) on 2 April 2012. (The LTIPP is expected to be reviewed every five years.) The 12<sup>th</sup> Defence FYP (2012–17) was also approved by DAC the same day. Before that, the 11<sup>th</sup> Defence FYP (2007–12) was also approved by the Defence Minister sometime in July 2006. The AAPs are regularly approved by the DPB.

That being the case, why is there so much of angst, one may ask. The genesis of this angst seems to be that in the past some Five Year Plans were indeed brought before, and approved by, the cabinet committee concerned. But this is true of only three of the 12 plans made so far: the sixth plan (1980–85) was approved by the Cabinet Committee on Political Affairs (CCPA) on 15 April 1982; the seventh plan (1985–90)

was also approved by the CCPA in August 1988; and, the ninth plan (1997–2002) was approved by the Cabinet Committee on Security (CCS) in December 1997.

This somewhat tenuous precedent seems to have created the impression that the defence plans must be approved by the CCS. It, however, needs to be recognized that such approvals are not a statutory requirement. It is also not as if the other nine plans were brought before the CCS (or the CCPA) which, after deliberation, decided not to approve them.

In fact, MoD itself seems to be not sure of the advantage of bringing the plans before the CCS. The difference of opinion between the MoD and the Ministry of Finance (MoF) over the size of the 11th Defence FYP (2007–12) was one of the reasons why it could not be brought before the CCS. But there was complete unanimity between the MoD and MoF<sup>6</sup> over the outlay for the 11th FYP of the Coast Guard and yet MoD decided not to take the plan to the CCS.

There is also no empirical evidence that CCPA/CCS approval gave a boost to modernization during the sixth, seventh and ninth plan periods and that during other plan periods modernization drive was adversely affected because the plans did not have the CCS/CCPA approval. On the contrary, there seems to be no direct link between approval of the plan and pace of modernization of the armed forces, if assessed on the basis of utilization of capital acquisition budget (see Table 1).

Table 1 shows that during the 9th plan, which was approved by the CCS in December 1997, the capital acquisition budget was utilized to the extent of 84.99 per cent and 92.77 per cent with reference to BE and RE,

**Table 1** Utilization of Capital Acquisition Budget During 9th to 11th Plans (INR in Crore)

Plan	Years	Budget Estimates (BE)	Revised Estimates (RE)	Actual Expenditure	Utilization with Reference to	
					BE	RE
Ninth (CCS approved)	1997-2002	60566.56	55487.63	51474.11	84.99	92.77
Tenth	2002-2007	120713.09	107592.92	107121.94	88.74	99.56
Eleventh	2007-2012	207474.52	185721.61	192741.58	92.90	103.78

Source: Compiled from Defence Services Estimates of the relevant years.

respectively. The utilization percentages were not very different during the subsequent plan period, though the plan never got to the stage of CCS approval. During the eleventh plan period, however, the utilization percentages were much higher, although even this plan was not a CCS-approved plan. Thus, empirically, approval or non-approval of the FYPs by the CCS does not really have a direct bearing on capital acquisition programmes.

It needs to be appreciated that the capital acquisition proposals are based on the Services Capital Acquisition Plan (SCAP) which is culled out from the FYPs and, according to successive editions of the DPP, these plans are required to be approved only by the DAC, which has been happening regularly.

This is not to suggest that the plan, whether the entire five-year plan or the SCAP, or even the LTIPP, should not be brought before CCS for approval. But there has to be clarity about the purpose and the advantage of doing so. Even in the past, CCPA/CCS approvals did not imply approval of all procurement programmes included in the plan or assurance of funds for those programmes.

### **Postulate 3: Absence of Long Term Commitment of Funds**

It is often argued that there is no long term commitment of funds for defence plans, which makes the exercise futile. This is not true. For the 11th Defence Plan, the MoF had indicated an overall growth rate in defence allocation that could be kept in view for the purpose of planning. This was done not once but twice; second time after the implementation of the recommendations of the 6th Central Pay Commission, which had resulted in nearly 15 per cent increase in the revenue expenditure on pay and allowances. The promise was kept by MoF, with the average rate of growth during the 11th plan period being in excess of 10 per cent for the total defence budget and around 12 per cent for capital acquisition. For the 12th Defence Plan also, MoD had intimated SHQs about the growth rates that could be kept in view by them while preparing the plan.

The problem, therefore, is not on account of the absence of commitment of funds by MoF but the inability of MoD Services to conform to the growth rates indicated by the former for the purpose of planning. This is what happened to the 11th and 12th FYPs. The plans based on unrealistic assumptions are bound to get frustrated.

**Postulate 4: Inadequacy of Budgetary Allocation for Modernization**

It is an oft-repeated argument that the allocation for defence is grossly inadequate and that for ensuring credible defence preparedness, which is contingent upon modernization of the armed forces in a compressed timeframe, it is necessary to allocate 3 per cent of the gross domestic product (GDP) for defence consistently for the next 10 to 15 years. Even the LTIPP 2012–27 is based on the assumption that 3 per cent of the GDP will be earmarked for defence over the entire 15-year period.

For one thing, there is no empirical study that establishes that allocation equalling 3 per cent of the GDP is ideal for defence. Moreover, calculations show that had this been done, allocation for defence during certain years would have been much higher than the requirement projected by the MoD.

For the year 2013–14, MoD has projected the requirement of INR 2,80,341.11 crore but got a total allocation of INR 2,03,672.12 crore only, thus leaving a gap of INR 76,668.99 crore. The allocation for 2013–14 was 1.79 per cent of the GDP. Had the allocation been equal to 3 per cent of the GDP, it would have worked out to INR 3,49,450 crore in absolute terms, which would have been a good INR 61,009 crore more than what the MoD had asked for.<sup>7</sup>

Some would argue that this is a fallacious theoretical construct because the MoD always projects the bare minimum requirement and that the actual requirement is much more than what is projected. Therefore, the fact that in a given year the requirement projected by the MoD was less than what it would have got, had the allocation been equal to 3 per cent of the GDP, does not imply that it would have ended up with surplus funds. This argument, however, is not valid at least in so far as it relates to capital acquisition or the modernization budget.

In the first place, there is no evidence that MoD projects the bare minimum requirement. Secondly, the fact that there is repeated underutilization of funds earmarked for capital acquisitions signifies that there is an element of over projection, or, at least inaccurate estimate of requirement, on the part of the MoD. Table 2 shows that during the 10th plan period (2002–03 to 2006–07), a total sum of Rs 13,591.15 crore remained underutilized. This amount went up to Rs 14,732.94 crore during the 11th plan period (2007–08 to 2011–12). The underutilization during the first two years of the current plan is a whopping Rs 13,759.57 crore, which almost matches the under-utilization during the preceding five years.

**Table 2** Capital Acquisition Budget (INR in Crore)

<i>Year</i>	<i>Budget Estimate</i>	<i>Actual Expenditure</i>	<i>Under-utilization</i>
2002-03	18882.09	12938.64	5943.45
2003-04	18066.71	14583.76	3482.95
2004-05	26840.05	27208.57	-368.52
2005-06	26933.41	25490.53	1442.88
2006-07	29990.83	26900.44	3090.39
	120713.09	107121.94	13591.15
2007-08	32826.80	27903.42	4923.38
2008-09	37482.77	30000.42	7482.35
2009-10	40367.72	38427.00	1940.72
2010-11	43799.21	45686.77	-1887.56
2011-12	52998.02	50723.97	2274.05
	207474.52	192741.58	14732.94
2012-13	66032.24	58768.86	7263.38
2013-14	73444.59	66948.42	6496.17

*Source:* Compiled from Defence Services Estimates of the relevant years.

*Note:* The expenditure figures for the year 2013–14 are up to March (S) accounts.

Some would argue that the MoD ends up spending less than the initial allocation because MoF withdraws funds at the Revised Estimate (RE) stage and not because it is unable to spend the money, thereby creating the impression that the funds have been underutilized. This argument is not correct. The fact is the other way around: MoF makes an assessment in consultation with MoD at the end of the third quarter or the beginning of the fourth quarter, of how much money the latter will be able to spend by the end of the year and withdraws only that much money which it considers beyond MoD's capacity to spend.

It also needs to be highlighted that withdrawal of funds does not necessarily come in the way of MoD spending even beyond the RE as per the requirement, which will be evident from the fact that since 2009–10, MoD has been spending in excess of RE. (See Table 3, in which the last column shows the extent of overspending with reference to the RE.)

The position regarding budgetary allocation for capital acquisitions becomes clearer if one analyses the data for a longer period. Between 2002–03 and 2013–14, a total sum of Rs 4,67,665 crore was allocated for capital acquisition, out of which Rs 42,084 crore remained underutilized.

**Table 3** Utilization of Capital Acquisition Budget (INR in Crore)

<i>Year</i>	<i>BE</i>	<i>RE</i>	<i>Actual</i>	<i>Diff - RE</i>
2009-10	40367.72	35146.88	38427.00	-3280.12
2010-11	43799.21	44440.63	45686.77	-1246.14
2011-12	52998.02	47409.45	50723.97	-3314.52
2012-13	66032.24	57395.46	58768.86	-1373.40

*Source:* Compiled from Defence Service Estimates of the relevant years.

This amount was surely adequate to remove the night blindness of the armed forces, buy artillery guns or meet many of the other pressing requirements of equipment and weapon systems.

It is true that most of the capital acquisition budget is getting utilized for meeting committed liabilities arising from the already signed contracts, but it does not imply that this leaves no money for the new procurements. In fact, most of the underutilization is on account of the new procurements not going through. This situation may change at some point of time in future but, as of now, the fact that even the allocated funds do not get fully utilized does not support the view that the money being allotted for capital acquisitions is inadequate.

One also has to reckon with the possibility that if the allocation were to be increased to 3 per cent of the GDP, a large proportion of that would get diverted to the revenue segment, where the budget has been bursting at its seams. In fact, this is an area which requires greater attention, not in the least because some of the revenue expenditure is related to serviceability of the equipment and weapon systems, stocks of ammunition, etc., which, in turn, has a bearing on the operational readiness of the armed forces.

The argument that at least 3 per cent of GDP must be earmarked for defence does not also take into account the fact that higher expenditure on defence does not, by itself, translate into stronger defence, just as a lower percentage does not necessary mean compromising on security. Japan, which spends 1 per cent of its GDP on defence, is not any more vulnerable than Pakistan which spends several times more in terms its GDP on defence. There are many other factors—the security environment, threat perception, strategic alliances, and so on—which have a bearing on how much a country needs to spend on defence. On its part, MoD should be happy if it is able to cost its requirements accurately and get the amounts so worked out, irrespective of how much such amounts work out to in terms of percentage of the GDP.

**Postulate 5: Procedural Complexity as the Cause of Modernization Programme Running Aground**

One of the most widely held views about the slow pace of modernization is that the procurement procedure is complex and archaic and that, to make the matters worse, the civilian bureaucracy in the MoD keeps stonewalling procurement proposals.

All capital acquisitions are carried out in accordance with the procedure laid down in the Defence Procurement Procedure (DPP), which was promulgated in 2002 and has since then been revised seven times. The latest 2013 version of DPP is already under further review. It would be astounding if after several revisions of DPP, based on feedback from all the stakeholders, procedures continue to be archaic and complex.

According to the DPP, there are at least eleven stages through which every procurement proposal must pass before it culminates in the award of a contract.<sup>8</sup> These are:

1. Formulation of the Services Qualitative Requirements (SQRs)
2. Acceptance of Necessity (AoN)
3. Solicitation of offers
4. Evaluation of Technical Offers
5. Field Evaluation
6. Staff Evaluation
7. Oversight by Technical Oversight Committee for acquisitions above INR 300 crore
8. Commercial Negotiations by the Contract Negotiation Committee (CNC)
9. Approval of the Competent Financial Authority (CFA)
10. Award of Contract/Supply Order
11. Contract Administration and post-contract management

While this creates the impression of the procedure being complex, no one has made out a convincing case for doing away with even one of these stages. The public discourse is simply not focussed on this aspect.

The problem really is with the processes that need to be gone through before the proposal moves from one stage to another. For example, contract negotiations take a long time. The MMRCA negotiations have been on for almost two years now. It is not on account of the official apathy. The real question is whether the CNCs are adequately equipped to manage the process of negotiation. It does not appear to be so. To illustrate, there are no set procedures for setting the benchmark price before commencement

of negotiation. The CNC does not have the mandate to show any accommodation with reference to the terms and conditions set out in the Request for Proposal (RFP), even if it is clearly warranted, during the negotiation. It is on account of reasons like this that the negotiations carry on for long. Of course, there are other reasons attributable to the bidders also but even most of these could be pre-empted if greater attention is paid to formulation of SQRs and the RFP.

Confusing the processes associated with the procurement stages with the procurement stages themselves has done no good to the discourse on the causes for delay in procurement. Consequently, the focus of the public discourse has been on procurement stages rather than the processes associated with each stage in the procurement cycle.

There is possibly a lot of scope for improvement in so far as the processes are concerned. At every stage in the course of the procurement process, a large number of officials carry out functions relating to that stage. These processes are not very clearly defined, leaving room for indecision and even corruption. This is one of the several areas that need to be focussed upon and concrete suggestions made for improvement.

The perception that MoD officials keep stonewalling procurement proposals overlooks the fact that in the present scheme of things the entire procurement process is services driven—from SQR formulation to contract negotiation. It is only at the stage of CFA approval that cases beyond INR 150 crore end up with the Defence Minister, Finance Minister or the CCS, depending on the value of the contract. There are few examples of the proposals being turned down at this stage, though there are proposals which get stuck at this stage for some time if the CFA feels that there is some issue which needs to be addressed before the approval is accorded. Those handling public funds cannot be faulted for being cautious, or even over cautious, while dealing with cases involving thousands of crores of public money.

It does not imply that all procurement cases go through like a shot. Cases do get stuck at various stages for a variety of reasons which have nothing to do with the proclivity of the MoD officials to stonewall the process. The public discourse needs to focus on these reasons rather than attributing the delays to official apathy.

#### **SUMMING UP**

Modernization of the armed forces is essential for strengthening the defence and security of India. That the process has been slow is beyond

doubt. It is also unquestionable that steps need to be taken to expedite the process of modernization. An accurate assessment of the causes that are holding back the process is the key to deciding what steps need to be taken.

Though it is for MoD to take the final call, those who have had considerable experience of being a part of the system can make a significant contribution to the discourse on what needs to be done. The current discourse on the issue of modernization, however, suffers from various distortions. As argued above, the reason why the process of modernization has slowed down is not because it is unplanned, unsystematic or ad-hoc. It is also not because the modernization plans do not get 'approved' or there is no long term commitment of funds for modernization. At least till now, adequacy of funds for modernization has not been a paralyzing problem; nor has been the complexity of procedures or stonewalling of procurement proposals by the civilian bureaucracy in the MoD. Moving away from these red herrings will help in focussing on the real problems and finding solutions for them.

The institutional incapacity of MoD for sustained brain storming involving all stakeholders places a great responsibility on those outside the system to provide well thought out and crystallized inputs to the ministry. This responsibility cannot be discharged if the discourse remains embroiled in distortions.

#### NOTES

1. See Lok Sabha Starred Question No. 315 on 'Modernization Plan of Armed Forces', answered on 3 September 2012, available at <http://164.100.47.132/LssNew/psearch/QResult15.aspx?qref=127479>, last accessed on 11 May 2014.
2. For a detailed analysis, see the author's article 'Assessing Modernization of the Indian Armed Forces through Budgetary Allocations', *Journal of Defence Studies*, Vol. 8, No. 1, January-March 2014, pp. 5–19, available at [http://idsa.in/jds/8\\_1\\_2014\\_AssessingModernizationoftheIAF\\_acowshish](http://idsa.in/jds/8_1_2014_AssessingModernizationoftheIAF_acowshish).
3. See paragraph 9 of the Defence Procurement Procedure 2013 (DPP) and its earlier versions.
4. Ibid.
5. The author was associated with this exercise.
6. The difference of opinion between MoD and MoF over the size of the 11th FYP Defence Plan (2007–12) was one of the reasons why it could not be brought before the CCS.

7. The calculations are based on the data contained in the 20th report of the Standing Committee on Defence (15th Lok Sabha), available at [http://164.100.47.134/lsscommittee/Defence/15\\_Defence\\_20.pdf](http://164.100.47.134/lsscommittee/Defence/15_Defence_20.pdf), last accessed on 20 May 2014.
8. See paragraph 12 DPP, *op. cit.*