



Defence Fund Shortfall

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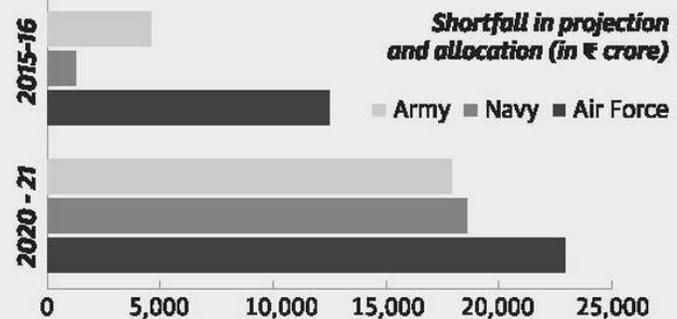
Why in News

Recently, a **Parliamentary Standing Committee on Defence** has shown concern at the widening gap between projections and allocations in the defence **budget**.

The Committee noted that **since 2015-16**, none of the three Services (Army, Navy and Air Force) has been given the matching allocation as per the projection.

Missing the target

There is a widening gap over the last five years between projections and capital allocation for the defence sector



Key Findings of the Committee

 Such a situation is not conducive for preparation for modern-day warfare, where possession of capital intensive machines is a prerequisite for not only tilting the result of war in our favour but also has a credible deterrence — Standing Committee report

- There is a **considerable shortage in the allocation in the Capital Head**, which is **35% less than the projection**.

- The Committee noted that **committed liabilities** constitute a significant part of the Capital Head and inadequate allocation would definitely lead to 'default situation' on contractual obligations.

Committed liabilities are payments anticipated during a financial year for contracts concluded in previous years.

- Such a situation is **not conducive for preparation of the country to modern-day warfare**, where possession of capital intensive modern machines is a prerequisite for tilting the result of the war in favour and also to have a credible deterrence.
- **Both the Navy and the Indian Air Force (IAF)** have a situation where their **committed liabilities are more than their share of the capital allocation** in the Budget.

To offset this, the Services have been **forced to defer payment of committed liabilities of the Defence Public Sector Undertakings (DPSU)** among other measures.

- **The shortfall in expenditure will affect:**
 - Operationalisation of **three tri-service organizations** i.e. **Defence Space Agency (DSA)**, **Defence Cyber Agency (DCYA)** and **Armed Forces Special Operations Division (AFSOD)**.
 - Operational readiness of **Andaman and Nicobar Command (ANC)**.
 - Maintenance of **SIGINT (Signal Intelligence)** equipment.
 - Administration of training institutes and operational units.

- **Recommendations:**

The committee has recommended a **dedicated fund for committed liabilities and procurements** before the shortfall impacts modernisation, invariably from next Budget onwards (2021-22).

Source: TH