

Defence Budgetary Process And Trends in Defence Expenditure



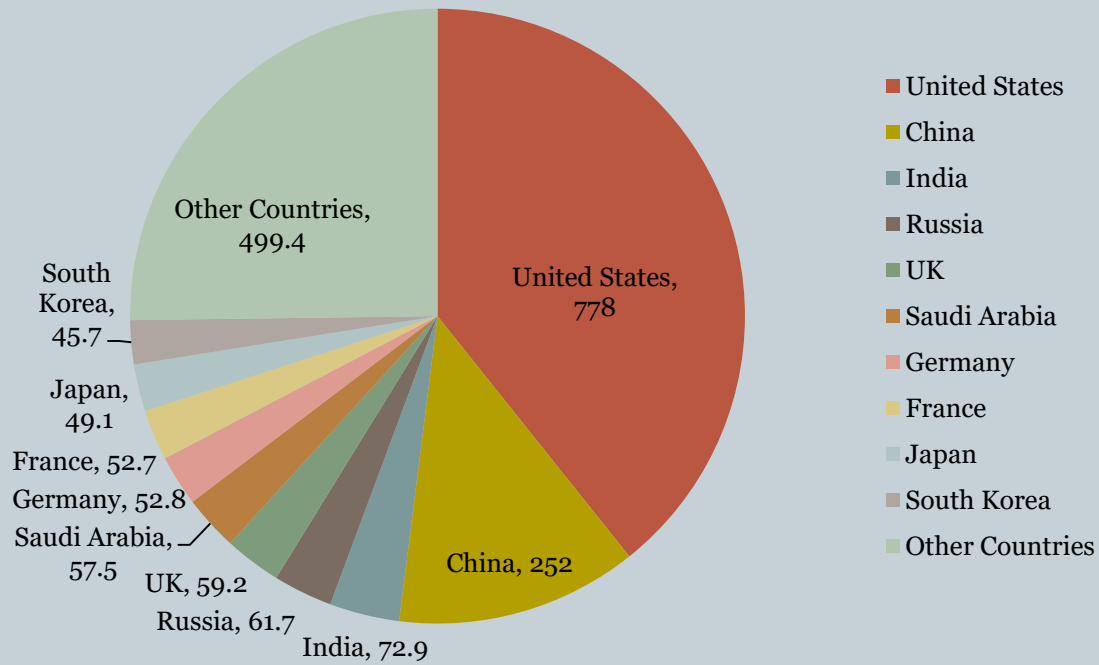
**-AIR VICE MARSHAL
VN SRINIVAS, VSM (RETD)**



- **Overview**
- **A Glance at World Defence Expenditure**
- **Defence Expenditure Share in GDP & CGE**
- **Trends in Defence Expenditure**
- **The Process of Defence Budgetary Allocation**
- **Defence Planning Process**
- **Recent Trends in MES Budgetary Allocations**

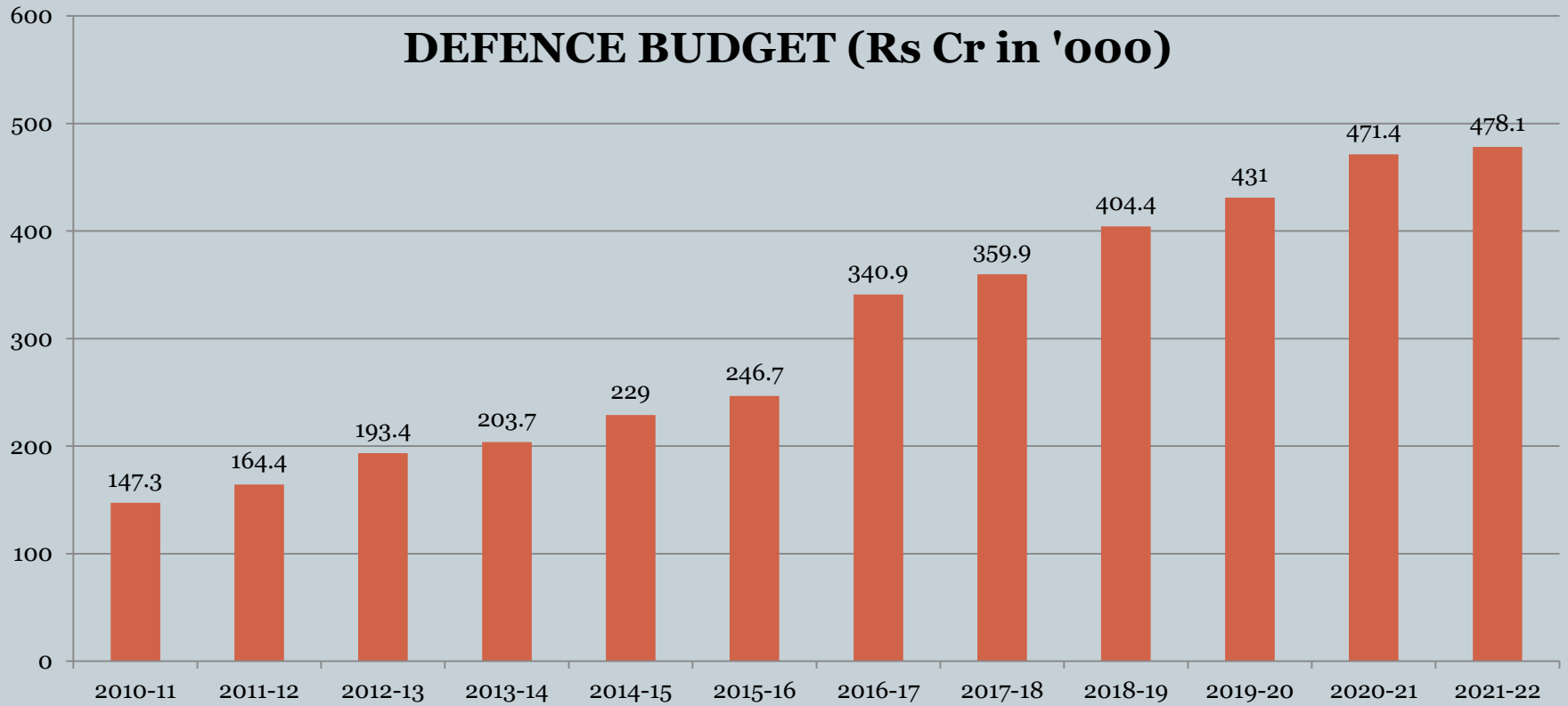


WORLD DEFENCE EXPENDITURE: 2021 (US \$ 1981 Billion)

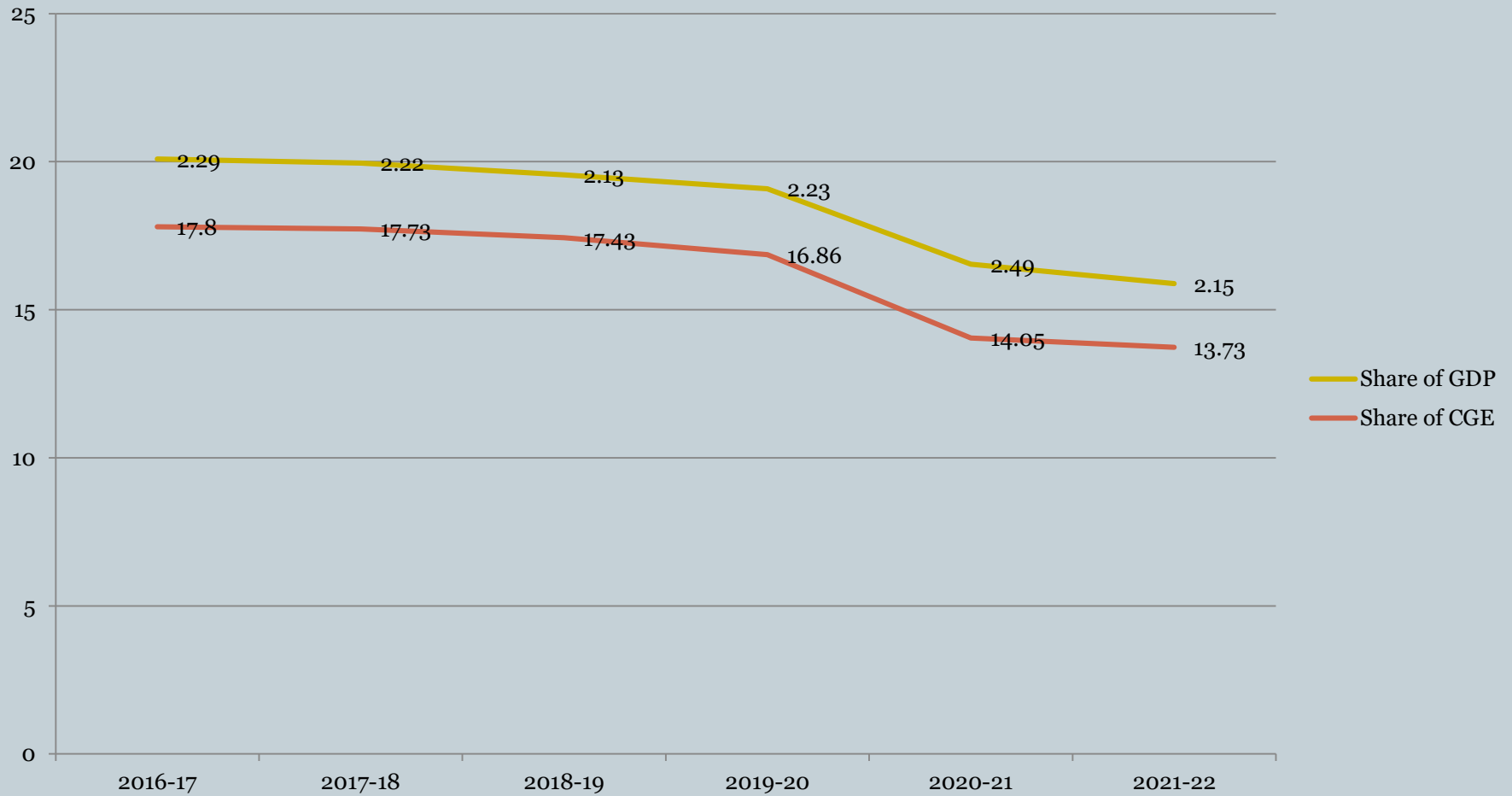




DEFENCE BUDGET (Rs Cr in '000)



Defence Budget As a Share of GDP & CGE





Breakdown of Defence Budget (Rs Cr)

Details of Grant	BE 2020-21	% Share	BE 2021-22	% Share
Army	1,79,415	56	1,85,370	54
Navy	49,623	15	56,614	16
Air Force	73,245	23	83,867	24
DRDO & OFs	20,770	6	21,236	6
Total	3,23,053	100	3,47,087	100

Note: Amounts rounded off

Budget of Ministry of Defence

(Rs Cr)

Details of Grant	BE 2020-21	% Share	BE 2021-22	% Share
Army	1,79,415	38	1,85,371	38.8
Navy	49,623	10.5	56,614	11.8
Air Force	73,245	15.5	83,867	17.5
DRDO & OFs	20,770	4.4	21,236	4.4
MOD (Civil)	14,500	3	15,257	3.1
Defence Pensions	1,33,825	28.4	1,15,850	24.2
Grand Total	4,71,378	100	4,78,195	100

Note: Amounts rounded off

Share of Capital & Revenue Allocations

(Rs Cr)



Service	2020-21				2021-22			
	Capital	Revenue	Total	Cap/ Rev Ratio	Capital	Revenue	Total	Cap/ Rev Ratio
Army	32,474	1,46,941	1,79,415	18:72	36,551	1,48,819	1,85,370	20:80
Navy	26,688	22,935	49,623	54:46	33,254	23,361	56,614	59:41
Air Force	43,282	29,963	73,245	59:41	53,215	30,653	83,867	63:37

Certain Key Issues....



- Increased Military Capability is vital
- Deterrence & Stature of the Country
- Geo-Political Considerations
- The Perennial Guns Vs Butter Debate
- Judicious Planning & Expenditure
- Economic Development – A Key Criteria

The Budgetary Process



Budgetary Projection by Ministries



Scrutiny by MOF



Pre-Budget Consultations

Finalisation of Budget by MOF



Presentation of Union Budget by Finance Minister



Passing of Union Budget by Parliament



Budgetary Allocation by MOF to Ministries

Defence Expenditure : Key Departments



- MOD (Finance) headed by FA (DS)
- CGDA
- CsDA
- E-in-C Branch
- Acquisition Wing, MOD
- HQ IDS

Budgetary Support to MES



- Budget Allotment & Monitoring by E-in-C branch in respect of Army only
- By Service HQ in the case of Navy & Air Force
- Factors Considered for Budgetary Allotment:-
 - No. of Ongoing Works
 - Time Required for Completion of Project
 - Works for which Adm Approval has been issued and likely to be Tendered within the FY
 - Environmental Constraints
 - Works likely to be Approved within the FY based on AMWP

Budgetary Support to MES



- Combined Capital & Revenue Heads:

FY	Projection	Allotted	Utilised
2016-17	19,013	16,249	15,813
2017-18	20,830	16,215	15,642
2018-19	23,577	16.527	16,482
2019-20	23,201	19,315	19,018
2020-21 (Till Dec 20)	23,939	18,056	9,780

Cases Recently Approved by MOD



- DWP 2020 (GSL Issued in Nov 20)
- Policy on Arbitration Panel
- Revision of Powers for GEM Procurement
- Implementation of EPC Methodology in MES
- Performance Security in MES Contracts
- Public Procurement (Preference to Make in India)