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‘हर काम देश के नाम’

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Robust defence finance system backbone of strong military; Need to maximise the value of money spent on security needs: Raksha Mantri at International Conference on Defence Finance & Economics in New Delhi

Shri Rajnath Singh calls for judicious use of financial resources, advice based on sound economic analysis, internal audit and payment & accounting

“Rule of competitive bidding through open tender must be followed in defence procurement”

Raksha Mantri Shri Rajnath Singh has stressed on the need to devise innovative methods to maximise the value of money spent on the security needs of the country, terming a robust defence finance system as the backbone of a strong military. Inaugurating the three-day International Conference on Defence Finance & Economics in New Delhi on April 12, 2023, Shri Rajnath Singh asserted that a legal and procedural defence-finance framework is an integral part of a mature state system, which ensures prudent management of the defence expenditure.

The Raksha Mantri stated that such a framework, which includes expenditure control as per guidelines, financial advice by professionals, audit, payment authentication mechanism, etc., ensures that the defence spending is well within the allocated budget and the full value of money is realised. He emphasised that while the Armed Forces require a superstructure of defence ecosystem, involving R&D organisations, industries, soldier welfare organisations, etc., they also need a well-funded

system with a robust architecture to ensure the optimum and judicious use of financial resources.

Shri Rajnath Singh was of the view that it is difficult to apply the economic concept of full value of money in defence expenditure, as in this sector, there is no visible revenue stream and no easily identifiable beneficiaries. To maximise the value of money spent, he stressed that the rule of competitive bidding through open tender must be followed in defence procurement.

“In the case of procurement of defence platforms/equipment, either under capital or revenue route, the gold standard of Open Tender should be adopted to the extent possible. A competitive bid based procurement process, which is open to all, is the best possible way to realise the full value of the public money being spent. There would be some rare cases when it may not be possible to go for an open tender process. Such instances should come under exceptions and exceptions should not become the rule,” the Raksha Mantri said.

Shri Rajnath Singh underscored the importance of comprehensive Blue Books, codifying the rules and procedures of procurement of defence equipment & systems for a fair and transparent system. He said, with this vision, the Government has formulated Blue books in the form of Defence Acquisition Procedure 2020 for capital acquisition; Defence Procurement Manual for revenue procurement and Delegation of Financial Powers to Defence Services. “These manuals play a very important role in ensuring that the process of defence procurement is rule-bound and follows the principles of financial propriety. Since these manuals are critical, they need to be carefully crafted by defence finance and procurement experts in consultation with all the stakeholders. This needs to be a continuous exercise, so that these documents are dynamically updated, incorporating new rules and procedures as and when required,” he said.

The Raksha Mantri also emphasised on the role of expert financial advice to the Service personnel in day-to-day financial matters. He said, the system of Integrated Financial Advisor (IFA) has been created to provide financial advice to the Competent Financial Authority (CFA) in order to help them in avoiding the wastage of public money. In this system, the IFA and CFA work as a team towards utilising public money in a prudent manner, he said.

Shri Rajnath Singh batted for a fool-proof system of internal and external audit which would tackle the instances of wastages, pilferage and corruption, if any, even after following the principles of financial prudence and propriety. The role of auditors is that of a watchdog or a sentinel, he said.

The Raksha Mantri also elaborated on the need for a sound system of accounting, passing of bills and payment, salary and pension disbursal, etc., as it frees the Armed Forces personnel to concentrate on their core jobs. He added that the separation of functions of defence finance from the core defence organisations has multiple advantages. “The chances of leakages, corruption, wastages are reduced. A positive public opinion is generated when there is a justified confidence that public money is being spent optimally and prudently. With greater public trust and confidence in the system of defence expenditure, the defence system benefits overall, as the chances of greater funding by legislature increases *pari-passu* (*Latin for equal footing*),” he said.

Shri Rajnath Singh asserted that the central idea is that defence establishments like Army, Navy, Air Force, Defence Research organisations etc. require a specialised agency, which is dedicated to defence finance and economics. In India, this work is being done competently by the Defence Accounts Department under the leadership of Financial Advisor (Defence Services), he said.

Before the international delegates, the Raksha Mantri also put forth the idea of shared security. “In the spirit of collective security of the whole world as one family, we are all partners in the path towards a secure and prosperous future for the entire humankind. We have a lot to learn from your experiences in the field of defence finance and economics and we are ready to share our learning with you,” he said.

The Raksha Mantri stated that the full potential of society’s development can be realised only when it is secure from external and internal threats. He described security of the people from external aggression and internal disruptions as the prime function of the state. Security is the bedrock on which the prosperity, arts and culture of any society flourish and prosper, he said.

Chief of Defence Staff General Anil Chauhan, Chief of the Army Staff General Manoj Pande, Secretary (Ex-Servicemen Welfare) Shri Vijoy Kumar Singh, Secretary, Department of Defence R&D & Chairman DRDO

Dr Samir V Kamat, Financial Advisor (Defence Services) Smt Rasika Chaube, Additional CGDAs Shri Praveen Kumar & Shri SG Dastidar and delegates from within in the country & abroad were present on the occasion.

The three-day conference, organised by the Ministry of Defence (Finance), will witness the participation of eminent policy makers, academics and government officials from India and abroad, including from USA, UK, Japan, Australia, Sri Lanka, Bangladesh & Kenya. It will provide a platform to them to share their insights and experiences on Defence Finance and Economics in the context of evolving security challenges and policies globally.

The conference aims to foster dialogue and collaboration among the participants and contribute to the country's defence readiness with optimum financial resources and effective implementation of the Defence Budget. The objective is to disseminate best practices, experiences & expertise of various countries and align processes in the Indian context with international standards. It also hopes to facilitate collaborations with foreign governments, international institutions and global leaders in the domain of Defence Finance and Economics to support the Government's ongoing efforts on indigenisation and self-reliance in the Defence sector, and to advance transformative reforms.

The topics of discussion will include current challenges and opportunities in the areas of Defence Finance and Economics, such as how to allocate and use resources efficiently & effectively and how to manage logistics in a cost-conscious way. The participants will also deliberate upon different models and practices of finance and economics related to Defence Acquisition around the world as well as the latest developments and innovations in Defence Research and Development.

In addition, the discussions will address best practices on managing human resources in Defence, including issues related to pay, pensions and welfare of Defence Personnel and the role & functions of oversight mechanisms within defence ecosystems.

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