

Non-Lapsable Defence Modernization Fund

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Context

The Ministry of Defence has told Parliament that they are working with the Ministry of Finance to create a special fund for defence modernization that does not expire, as the current system of non-lapsable funds hinders oversight and accountability.

Details on Non-Lapsable Defence Modernization Fund:

- The DMF is designed to establish a separate fund that carries over unused funds for future defence modernization efforts.
- At present India allocates its defence budget annually and any remaining funds are returned at the end of each financial year.
- In addition to regular budgets the modernization fund is specifically designed to guarantee consistent funding for infrastructure and defence projects.

Importance of the Non-Lapsable Defence Modernization Fund

- The importance of the non-lapsable defence modernization fund. With non-lapsable funds available we can use the money more efficiently.
- If you have unexpected circumstances or plans that take more than a year to finalise it is suitable.
- It facilitates the development of long-term strategies for enhancing our defence systems through smart and organised planning.
- The Budget constraints result in unused funds each year for defence upgrades. We have

budget constraints.

- Progress in updating our defence systems can be a challenge because of this.
- Funds that are non-lapsable do not require repayment if they are not used by the end of the year.
- This allows us to continue spending on defence upgrades without having to constantly request more funds.

Challenges associated with the Fund

- It is possible that the non-lapsable fund could result in less parliamentary scrutiny and less accountability regarding defence spending.
- It requires careful evaluation and establishment of funding sources and operational procedures to ensure its effective and transparent operation.
- Additionally, effective coordination between the Ministry of Defence and the Ministry of Finance is vital for the successful execution of the fund and its objectives.

Role of Government

- In general, only funds collected through special taxes designated for specific purposes do not expire.
- Delaying the allocation of funds for future use goes against the basic principles of financial accountability in parliament, unless the funds are from a specific tax designated for that purpose.
- The government is developing a plan for a separate fund to ensure continued funding for defence modernization.

Conclusion

- The Non-Lapsable Defence Modernisation Fund is a proactive solution to the issues with defence funding in India.
- It has potential advantages, but its successful implementation depends on careful consideration and cooperation among stakeholders to guarantee responsibility, openness, and efficient use of resources for national security goals.

Source: [The Hindu](#)

UPSC Mains Practice Question

Q. Analyse the implications of establishing a Non-Lapsable Defence Modernization Fund in India. Discuss its potential benefits and challenges in the context of India's defence preparedness and budgetary constraints. (250 Words)