

Defence reforms 2.0 for Modi 3.0

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AI, exports, private sector participation, and manpower rationalisation must lead the initiatives



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Modi 2.0 brought transformative defence reforms, many of which were pending for decades, revitalising the armed forces. As this government begins its third term, sustaining and expanding these reforms is essential to further strengthen India's military capabilities.

In January 2020, the Prime Minister bit the bullet and established the Chief of Defence Staff (CDS) position and formed the Department of Military Affairs (DMA), with the CDS as its secretary. This reform initiated the process of jointness among the three services, integrating them with the ministry's decision-making process. Recently, Parliament also passed an Act providing statutory backing to the CDS. Four and half years later, the report card shows progress in areas like training and logistics. However, the crucial goal of creating Theatre Commands is still on the drawing board. Modi 3.0 must complete this challenging unfinished task and initiate transition to a blue-water navy.

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Successful reforms in the defence industry ecosystem were a major highlight of Modi 2.0. These reforms included increased participation by private industry and startups, enhanced transparency, opening testing and certification infrastructure to the private sector, and a greater willingness by the military to use indigenous equipment. Two game-changing policy decisions were earmarking 75 per cent of the capital acquisition budget for domestic industry and banning imports of items on the positive indigenisation lists. Innovation in Defence Excellence (iDEX) galvanised thousands of startups, with several creating world-class technologies. Defence exports grew 15-fold from Rs 1,400 crore in 2017-18 to Rs 21,000 crore in 2023-24.

It's now time for the next level of reforms in defence. Building on the momentum generated through iDEX and leveraging our strengths in communications and information technology (IT), India should aim to position itself among the top five global defence and aerospace ecosystems and capture a sizable share of the trillion-dollar industry. Innovation in underwater technologies specific to tropical waters and deep-sea technologies should be opened to the private sector through carefully curated challenges. Despite allocating 75 per cent of the budget to domestic industry, procurement predominantly favours the public sector, necessitating strict adherence to sourcing 25 per cent from private industry. The defence acquisition procedure (DAP) should support development and procurement of innovative products, including laying down guidelines for costing from single innovative vendors. Procurement timelines set up in 2021 — two years for contracting and one month for signing iDEX contracts — rarely get followed. Internal systems need streamlining to meet these deadlines. Promoting defence exports from both public and private sectors to friendly nations should be an explicit foreign policy. Additionally, lines-of-credit interest rates should be competitive, and an industry-led and government-backed Defence Export Promotion Council should be established.

Space is another equally important frontier. Several key reforms have been implemented, including the formation of the Defence Space Agency (DSA) and Defence Research and Development Organisation's Anti-Satellite weapon test in 2019. Next-gen reforms in space could include enhancing defence space budget 10 times or more to bolster the armed forces' space-based surveillance and space situational awareness capabilities; globalisation of India's navigation system Navic, and greater leveraging of indigenous startup and industry ecosystem. The DSA should be headed by a three-star officer to elevate its role and status.

An untouched area in defence reform is R&D. Despite the 2021 Budget speech announcing that 25 per cent of the defence R&D allocation would be for the private sector, this is yet to be implemented. The 2023 recommendations of a high-level committee need to be put into action. The Rs 1 trillion allocated for R&D with the private sector, announced in the 2023-24 Interim Budget, is a good beginning. The DAP should include collaborative R&D in a public-private partnership model for major projects like heavy-weight helicopters and indigenous jet engines for fighters. Although public testing and certification infrastructure is theoretically open to private entities on a fee basis, access is often denied; establishing an independent body to manage them is crucial.

Defence digitalisation began in earnest only in the second term. Over 300 applications were implemented; the Defence Cyber Agency and the Defence Artificial Intelligence Council (DAIC) were formed in 2019, and the rollout of 75 AI-based defence applications occurred in 2022. This momentum needs to continue. The DAIC should establish dedicated defence AI infrastructure, such as centralised synthetic data-generation capability for training AI models. Planning for the rollout of post-quantum cryptography for critical digital applications should also be considered.

Launched in mid-2022, the Agniveer scheme revolutionised armed forces recruitment, making the forces more youthful, tech-savvy, and combat-ready. Despite resistance from entrenched interests, the scheme's long-term benefits will emerge over the next few years, necessitating steadfast commitment without significant changes.

Improving the army's teeth-to-tail ratio remains crucial. Reforms such as closing military farms and outsourcing non-critical services need consolidation. The Army Education Corps should be disbanded, and the Remount and Veterinary Corps as well as the Army Postal Service Corps should be drastically optimised. Army Base Workshops and Ordnance Depots must be restructured for productivity, with unnecessary ones closed. While reforms in military wings are crucial, civilian defence sector reforms must also continue. Manpower rationalisation is overdue. Quality assurance functions should be outsourced to professional third-party agencies. Abolishing Cantonment Boards and merging civilian land with nearby municipalities needs to be done. Restrictions on private land construction near defence establishments should be lifted, with compensation provided in cases where necessary.


The government's approach to border areas underwent a game-changing reversal, integrating development initiatives with security concerns. The Border Road Organisation's infrastructure development tripled over five years, achieving unprecedented milestones in constructing roads at high altitudes and keeping high-range passes open in winters. These initiatives need to be strengthened and scaled up to encourage reverse migration. The government's commitment to ongoing defence reforms is crucial for bolstering India's strategic capabilities and maintaining a competitive edge in a dynamic global context.

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