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**STANDING COMMITTEE ON DEFENCE
(2022-23)**

(SEVENTEENTH LOK SABHA)

MINISTRY OF DEFENCE

[Action Taken by the Government on the Observations/Recommendations contained in the Twenty-eighth Report of Standing Committee on Defence (17th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2022-23 on Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 21)']

THIRTY-THIRD REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 2023 / Phalguna 1944 (Saka)

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Presented to Lok Sabha on 21.03.2023

Laid in Rajya Sabha on 21.03.2023



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 2023 / Phalguna 1944 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (2022-23)

SHRI JUAL ORAM

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CHAIRPERSON

Lok Sabha	
2.	Shri Nitesh Ganga Deb
3.	Shri Rahul Gandhi
4.	Shri Devaragunda Venkappa Sadananda Gowda
5.	Shri Annasaheb Shankar Jolle
6.	Choudhary Mehboob Ali Kaiser
7.	Shri Suresh Kumar Kashyap
8.	Shri Rattan Lal Kataria
9.	Prof. (Dr.) Ram Shankar Katheria
10.@	Shri Durai Murugan Kathir Anand
11.	Kunwar Danish Ali
12.	Dr. Rajashree Mallick
13.★	Shri Reddeppa Nallakonda Gari
14.	Shri Uttam Kumar Nalamada Reddy
15.	Shri Anumula Revanth Reddy
16.	Shri Jugal Kishore Sharma
17.	Dr. Shrikant Eknath Shinde
18.	Shri Prathap Simha
19.	Shri Brijendra Singh
20.	Shri Mahabali Singh
21.	Shri Durga Das Uikey
Rajya Sabha	
22.	Dr. Ashok Bajpai
23.	Shri Prem Chand Gupta
24.	Shri Sushil Kumar Gupta
25.	Shri Venkataramana Rao Mopidevi
26.	Shri Kamakhya Prasad Tasa
27.	Dr. Sudhanshu Trivedi
28.	Smt. P.T. Usha
29.	Shri G.K. Vasani
30.	Lt. Gen. (Dr.) D. P. Vats (Retd.)
31.	Shri K.C. Venugopal

@ Nominated w.e.f 08.12.2022.

★ Nominated w.e.f 16.11.2022.

Dr. T.R. Paarivendhar and Shri Kotagiri Sridhar, MPs, Lok Sabha ceased to be Members of the Standing Committee on Defence w.e.f 16.11.2022

SECRETARIAT

1. Smt. Suman Arora - Joint Secretary
2. Dr. Sanjeev Sharma - Director
3. Shri Rahul Singh - Deputy Secretary

INTRODUCTION

I, the Chairperson of the Standing Committee on Defence (2022-23), having been authorized by the Committee, present this Thirty-Third Report of the Committee on 'Action Taken by the Government on the observations/recommendations contained in the Twenty-Eighth Report of Standing Committee on Defence (17th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2022-23 on Capital Outlay on Defence Services, Procurement Policy, Defence Planning and MAP (Demand No. 21)'.

2. The Twenty-Eighth Report (17th Lok Sabha) was presented to the Lok Sabha and laid in Rajya Sabha on 16 March 2022. The Report contained 48 Observations/Recommendations. The Ministry of Defence furnished Action Taken Replies on all the Observations/Recommendations in July 2022.

3. The Report was adopted at the Sitting held on 20 December 2022.

4. For facility of reference and convenience, Observations/Recommendations of the Committee have been printed in bold letters in the Report.

5. An analysis of Action Taken by the Government on the Observations/Recommendations contained in the Twenty-Eighth Report (17th Lok Sabha) of the Standing Committee on Defence is given in Appendix II.

**New Delhi;
17 March, 2023
26 Phalguna, 1944 (Saka)**

**JUAL ORAM
Chairperson
Standing Committee on Defence**

REPORT

CHAPTER – I

This Report of the Standing Committee on Defence deals with Action Taken by the Government on the observations/recommendations contained in the Twenty-Eighth Report of Standing Committee on Defence (17th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2022-23 on Capital Outlay on Defence Services, Procurement Policy, Defence Planning and MAP (Demand No. 21)', which was presented to Lok Sabha and laid in Rajya Sabha on 16 March, 2022.

2. The Twenty-eighth Report (17th Lok Sabha) of the Committee contained 46 observations/ recommendations on the following aspects:-

Para No.	Subject
Capital Outlay on Defence Services	
1-3	Budgetary provision
4	Projections and Allocations in respect of three services
5	Additional Allocation
6	Modernization of Defence Forces
7	Committed Liabilities and New Schemes
8	Non Lapsable Defence Modernization Fund – Defence Renewal Fund
Procurement Policy	
9	Defence Procurement Policy
10	Accountability and Transparency in Defence Procurement
11-12	Increasing Dependence on Foreign Suppliers for Military Hardware
13	Self Reliance and Make in India
14	Extreme Cold Weather Clothing System
15-17	Offset Clause
18	Foreign Direct Investment
Defence Planning	
19-21	Five Year Defence Plans
22-23	Married Accommodation Project

3. Action Taken Replies have been received from the Government in respect of all the 23 observations/recommendations contained in the Report. The replies have been examined and categorized as follows:-

(i) Observations/Recommendations which have been accepted by the Government (Chapter II):

Para Nos. 1,2,3,4,5,6,7,8,9,11,13,15,16,17,19,20,21,23

(Total -18)

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government (Chapter III):

Para Nos. 14,22

(Total -2)

(iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee (Chapter IV):

Para No. 10

(Total -1)

(iv) Observations/recommendations in respect of which final replies of the Government are still awaited (V):

Para Nos. 12,18

(Total -2)

4. The Committee desire that the Action Taken Notes in respect of comments contained in Chapter I should be furnished to them at the earliest and as any case not later than six months of the presentation of the reports.

5. The Committee will now deal with the action taken by the Government on some of the recommendation/observations made in the Twenty-eighth Report in the succeeding Paragraphs.

A. Projections and Allocations in respect of three services

Recommendation (Para No. 4)

6. The Committee had recommended as under:

“The Committee observe that since 2016-17, none of the three Services have been allocated the amount that has been projected by the Ministry at BE or RE Stage. The gap between the RE figures for Army in 2016-17 was to the tune of Rs. 10,472.04 crore which has increased to Rs. 12,967.81 crore in 2021-22. For Navy the difference was Rs. 2933.76 crore in 2016-17 at RE stage which has become Rs. 3,989.84 crore in 2021-22. For Air Force the gap was Rs. 8,273.09 crore in 2014-15 which increased to Rs. 17,961.62 crore in 2020-21 RE stage. The Committee further note that at BE stage in 2022-23 the gap between the projected and allocated budget for Army, Navy and Air Force is Rs. 14,729.11 crore, Rs. 20,031.97 crore and Rs. 28,471.05 crore respectively which are remarkably high. The Committee are of the view that in the present scenario of heightened tensions with our neighbouring countries especially at borders of our country, such situation is not conducive for defence preparedness of the country to bring it at par with them or making it even better than theirs by possessing capital intensive modern machines which are imperative to tilt the result of war in our favour and also increase deterrence capabilities of our country. Taking into account the trend of sharp decline in the allocation of funds vis-à-vis projections under Army, Air Force and Navy, the Committee recommend that the Ministry should not make any reductions while allocating budget for Capital Head for any of the Services in the Demands for the coming years. The Committee also recommend the Ministry to take steps to enhance allocation at Revised Estimate Stage in 2022-23 and also at the time of Supplementary Grants keeping in view the operational preparedness of the three forces.”

7. The Ministry in its Action Taken Reply has stated as under:

“This Ministry submits the requirements projected by the Services under Capital Head to Ministry of Finance for favourable consideration. In the pre-budget meeting discussions with M/o Finance, broad reasons for requirements projected by the Services are justified/ elaborated. While allocating funds, Ministry of Finance analyses past absorption capacity of the Services, pace of expenditure in the current Financial Year, overall resource envelope available and pressing demands from other quarters etc. Based on the overall ceilings conveyed by M/o Finance, Ministry of Defence allocates funds among the Services and Organisations under MoD, taking into account Inter-Services priorities, pace of expenditure, pending committed liabilities etc.

However, the Committee may be assured that all efforts will be made to obtain additional funds projected by the Services at Supplementary/ RE stage under Capital Head. Further, the allocated funds will be optimally utilized towards functional requirements/ activities. If required, the schemes will be reprioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness.”

8. The Committee had observed in their original report that wide gap existed between the projected and allocated budget for Army, Navy and Air Force at BE stage in 2022-23. The Committee had also highlighted the paramount importance of capital intensive lethal modern weaponry for our Defence Forces and had therefore recommended for acquisition of the same. In the opinion of the Committee, it is imperative that modern weaponry has proven advantage of not only tilting the balance in our favour in a war like scenario but also to act as a deterrent capability at all times. The Committee, therefore, recommended that the Ministry should not make any reductions while allocating budget for Capital Head for any of the Services in the Demands. The Committee have the full trust in the assurance given by the Ministry in this regard and they would like to see it being implemented in letter and spirit in the coming Budgets including thereof in the Revised Estimate and Supplementary Grants Stage in respect of Army, Navy and Air Force.

B. Non Lapsable Defence Modernization Fund – Defence Renewal Fund

Recommendation (Para No. 8)

9. The Committee had recommended as under:

“The Committee in their previous reports have recommended making Capital Budget ‘Non-lapsable’ and ‘Roll-on’ in nature. The Committee were apprised during the oral evidence that a draft Cabinet note for Non-Lapsable Defence Modernisation Fund is under consideration. The Committee observe that out of the total budgetary allocation of Rs. 3,43,822.00 in 2020-21 only Rs. 2,33,176.70 have been utilized by the Ministry upto December 2020. As there is around Rs. 110,645.3 crore left unutilized which is to be spent in the three months of this F.Y. 2020-21, the Committee recommend the Ministry to expedite the constitution of a Non-Lapsable Defence Modernisation Fund – Defence Renewal Fund, which may be meant exclusively for the procurement of critical defence assets at critical times. As the draft Cabinet note for constituting a Non-Lapsable Modernisation Fund is under consideration, the Committee urge upon the Ministry that approval may be accorded expeditiously so as to fructify its creation at the earliest so that procurement can be done unhampered without pursuing for funds to receive at Supplementary or Additional Grants stages.”

10. The Ministry in its Action Taken Reply has stated as under:

“A proposal for creation of Non-Lapsable Defence Modernisation Fund is under consideration with the Government. A suitable mechanism for operationalising the Fund is being worked out in consultation with the Ministry of Finance.”

11. The Committee are happy to note that a proposal for the creation of the Non-Lapsable Defence Modernisation Fund is under consideration with the Government, and the mechanism for operationalising the Fund is being worked out in consultation with the Ministry of Finance. The Committee hope that before the next financial year Non-Lapsable Defence Modernization Fund (NLDM) will become a reality and the funds/allocations would not lapse due to long procurement cycles in defence deals. The Committee would like to see the light at the end of the tunnel as they had been repeatedly recommending for taking a final decision on non lapsable fund for the past several years.

Here, the Committee would like to bring it to the knowledge of the Ministry, though inadvertently, they have reproduced recommendation No. 6 of the original report in place of recommendation No. 8. However, such an oversight has no bearing on the recommendation of the Committee now and therefore, they would not like to pursue this matter further. Nevertheless they would like the Ministry to be more careful while following the set pattern which is invariably intimated to the Ministry through the OM when the original Reports are forwarded to it.

C. Accountability and Transparency in Defence Procurement

Recommendation (Para No. 10)

12. The Committee had recommended as under:

“The Committee note that for ensuring accountability and transparency in Defence Procurement cases, measures for promoting probity, public accountability and transparency in Defence capital procurements are put in place by the Ministry which include execution of Pre Contract Integrity Pact (PCIP) for all cases above Rs. 20 crore to ensure corruption free procurement process; time bound disposal of complaints which are aligned to CVC/ DOP&T guidelines; instructions issued for ascertaining vigilance status of L1 vendor before seeking approval of the Competent Financial Authority (CFA); guidelines for penalties in 60 business dealings with suspect entities and capacity assessment guidelines for shipbuilding entities. While taking cognisance of the fact that accountability and transparency are extremely imperative in the Defence Sector dealing with Procurement Procedures, the Committee appreciate the initiatives of the Ministry and recommend that the above measures be strictly followed and a vigorous monitoring mechanism be set up for ensuring corruption-free, fair and timely procurement of weapon systems. The Committee desire to be apprised of the number of cases, if any, when persons were found guilty after implementation of above guidelines.”

13. The Ministry in its Action Taken Reply has stated as under:

“All measures instituted by the Government of India (GoI)/Ministry of Defence (MoD) to promote probity, public accountability and transparency in Defence Capital procurements towards ensuring accountability and transparency are being adhered to diligently. Details of firms debarred/ put on

hold/suspended etc. from doing business with MoD are placed on the MoD website.”

14. The Committee note from the action taken reply submitted by the Ministry that the Government of India (GoI) / Ministry of Defence (MoD) is undertaking all measures in place to promote probity, public accountability and transparency in Defence Capital procurements in order to enable accountability and transparency in its procurements. However, in the original report, the Committee had explicitly recommended to be apprised of the number of cases, if any, when persons were found guilty after the implementation of the guidelines. The reply of the Ministry stating that the details of firms debarred/ put on hold/ suspended etc., from doing business with MoD are placed on the MoD website is not acceptable to the Committee. In the normal course and it is also well established practice that a straight forward, concise and pinpointed replies should be forwarded to the Committee for their perusal. At this stage the Committee have no option but to recommend that their earlier recommendation should atleast now be taken in the right earnest and a consolidated, easy to go through and exhaustive information in regard to the debarred firms be supplied to them within three months of the presentation of this Report. It goes without saying that the information as sought should be updated.

D. Extreme Weather Clothing System

Recommendation (Para No. 14)

15. The Committee had recommended as under:

“The Committee observe that Extreme Cold Weather Clothing System (ECWCS) which is a three layer clothing being procured for soldiers deployed in super High Altitude Areas like Siachen. The Committee note that its procurement is based on effectiveness of the item determined through user trials carried out under actual operational conditions. It is also ensured that procurement is done only from user approved sources and DGQA make certain that there is zero deviation between bulk supply and user approved sample determined. In addition, user satisfaction on quality during usage is monitored through suitable structured feedback process and in case of any quality issue during usage, the user can raise a defect report as per Army Order 323/166, based on which detailed technical investigation is then carried out by DGQA to verify the claims of the user and ascertain reasons for defect. The Committee would like to recall that in their 7th and 21st Reports, they have recommended for indigenous production of ECWCS in the country. The Committee are glad to find that Indian Private Industry is now capable of manufacturing ECWCS in India and its procurement has already been commenced from indigenous supplier. The Committee appreciate the efforts of the Ministry and hope that the list of indigenously manufactured and procured items would further increase by the determined efforts of the Ministry.”

16. The Ministry in its Action Taken Reply has stated as under:

“ECWCS is being procured by MGS (SCME) Branch under the aegis of Empowered Committee. Earlier, this item was procured ex import. In year 2020, one Indian Vendor had been approved by the end user and one supply order of ECWCS has been successfully executed.” Further, following long term (05 years) contracts are under process at various stages in which Indian Vendors have participated :-

Sl. No.	Items	Participated Vendors	Present Status
(a)	Sleeping Bag (Qty -75000 Sets) Contract period -05 years)	14 Indian Vendors participated	Sample forwarded for user trial.
(b)	JD TD (Qty -25000 Sets) Contract period -05 years	01 Indian Vendors participated	Sample forwarded for user trial.
(c)	ECWCS (Qty -75000 Sets) Contract Period -05 years	14 Indian Vendors participated	Sample forwarded for user trial.
(d)	Socks WnSpl (Two Layer) (Qty -525000 Sets) Contract period -05 years	12 Indian Vendors participated	Sample forwarded for user trial.
(e)	Gloves Outer & Gloves Inner (Qty -75000Sets) Contract period -05 years	05 Indian Vendors participated	Sample forwarded for user trial.
(f)	Boot Crampons (Qty -64998 Nos) Contract period -03 years	RFP published	
(g)	Avalanche Air Bag (Qty -25000 Nos.) Contract period -05 years	RFP published	

17. The Committee note from the action taken replies that Extreme Cold Weather Clothing System (ECWCS) has been procured through an Indian Vendor approved by the end user in the year 2020. Further, long-term contracts of five years in respect of Sleeping Bag, ECWCS, Socks Winter Spl (Two Layer), Gloves Outer & Gloves Inner have been attempted by Indian Vendors, and samples have been forwarded for user trial. The Committee also note that Request for Proposals (RFPs) have been issued concerning Boot Crampons and Avalanche Air Bag, which the Committee feel is a welcome step in the right direction. In this regard nevertheless, the Committee would like to highlight that no timelines have been given to users for the completion of trials. As it may be, there could be timelines given but the Committee are unaware of the same. They, therefore, would like to be intimated of the specific dates as to when the samples were forwarded for user trials, what were the time limits given to them for submitting their feedback and the latest status including inter alia whether any extension

have been sought for submitting the feed back and if so, on what grounds. The Committee would also like to be informed whether there is a perspective plan drawn out by the Ministry for the commencement of actual production consequent to the user trial and as such the probable dates in this regard.

E. Married Accommodation Project

Recommendation (Para No. 22)

18. The Committee had recommended as under:

“The Committee note that Directorate General of Married Accommodation Project (DGMAP) was raised by Government of India under the aegis of Engineer-in-Chief to construct married accommodation for the personnel of three Services, with the aim of eradicating the shortage of married accommodation for service personnel. The MAP was setup to fulfill the promise made to the Armed Forces by the Government of India. Two lakh dwelling units had been planned for construction under the scheme in four phases. At present, balance of 9,903 dwelling units have to be completed under Phase-II and 71,102 dwelling units are planned under Phase-III which are assigned to Annual Major Works Programme (AMWP) for their completion. The committee note that in 2020-21, Rs. 209.6507 crore were utilized vis-à-vis Allocation of Rs. 232.50 Crore till (31st December, 2021) for the MAP. The Committee are concerned to find that despite the pendency in construction of dwelling units under Phase-II and Phase-III of MAP, the utilisation of funds is very low in 2021-22 which amounts to nearly one- third of the total funds. According to the revised rules of expenditure of the Department of Expenditure, Ministry of Finance, in the last quarter of the Financial Year, the limits of Expenditure has been revised to 25 percent and 10 per cent in the last month of financial year. The committee, therefore, fail to understand as to how the Ministry would be in a position to utilise the rest of the allocated funds in 2021-22. The Committee, therefore, recommend that the Ministry should devise an expenditure mechanism with strict time lines so as to utilise the allocated funds in totality in a given financial year so that the funds are not surrendered at the end.”

19. The Ministry in its Action Taken Reply has stated as under:

“Against the total requirement of 1,98,881 Dwelling Units, 1,18,675 Dwelling Units (DUs) have already been completed under Phase-I and Phase-II of MAP. As of now, 9,785 Dwelling Units of MAP Phase-II are in various stages of execution. As per the reply submitted in Feb 2022 towards the supplementary list of points on Demand of Grants 2022-23, it was envisaged that Rs. 195 crore would be spent by Mar 2022, however, as on 31st Mar 2022 only Rs.128 crore could be spent. The delay in expenditure is primarily due to disruption caused by COVID pandemic. Also, the processing of Risk & Cost contracts is a complex process and outcome is unpredictable due to structural defects, involvement of Arbitration/ legal cases, poor response from contractors during tendering etc. The proactive action has been taken to expedite the work progress and the expenditure.” The fund will be

demand for next FY after more realistic assessment to avoid fund surrender at last stage.”

20. In their original report, the Committee had recommended that the Ministry should devise an expenditure mechanism with strict time lines to utilise the allocated funds in totality for construction of Married Accommodation at various stations in a given financial year so that the funds are not surrendered at the end. The Committee are not oblivious to the fact that the surrender of funds do not depict a healthy trend in financial probity in regard to spendings. However, in the action taken reply, the Ministry stated that as of 31st Mar 2022 only Rs.128 crore could be spent out of the estimated Rs.195 crore. The delay as stated by them in the expenditure is primarily due to disruption caused by the COVID pandemic. The Ministry has also mentioned other reasons like the processing of Risk & Cost contracts, involvement of Arbitration/ legal cases, poor response from contractors during tendering etc. In this regard, the Committee reiterate their recommendation that money is a scarce commodity and it should be used wisely. They therefore recommend that the Ministry should make more realistic assessment to avoid fund surrender at last stage. They would also like to be apprised, though succinctly as to why there sponse of the contractors was poor during tendering process. Based on the response, they may like to review the tendering processes in totality sometimes at a consequent stage.

CHAPTER – II

A. Observations/Recommendations which have been accepted by the Government

Recommendation (Para No. 1)

The Committee note from the information submitted by the Ministry that Capital Outlay on Defence Services provides allocation for Land & Construction Works of the three Services and other Departments. In other words, it caters for the expenditure incurred on durable assets of Defence Services, i.e., Army, Navy, Air Force, Joint Staff, Defence Ordnance Factories, Defence Research and Development Organisation (DRDO), Director General Quality Assurance(DGQA), National Cadet Corps (NCC), Married Accommodation Project, National Defence Academy, Rashtryia Rifles etc. The Committee note that during the year 2021-22, the allocation made including Revenue and capital to the Ministry of Defence was Rs. 3,68,418.13 as crore as against the projections of Rs. 3,47,088.29 crore and the actual utilization was only Rs. 2,66,558.69 crore up to December, 2021. The Committee taking into account the trend of actual utilization of funds by the Ministry of Defence, which has been exceeding the budgetary allocations in the previous few years, except 2020-21, expect that the Ministry would take appropriate measures to utilize the rest of unutilized funds which are to the tune of Rs. 101,860 crore, within the time-limit of current financial year i.e. 2021-22 to enhance the acquisition of latest state-of-the art weapon systems, aircraft, ships, tank and other capital intensive projects including land building and other infrastructure, and ensure that there are no funds surrendered at the end of the year.

Reply of the Government

In BE 2021-22, an amount of Rs. 3,47,088.28 Crore (including both Revenue (net) and Capital Heads) had been allocated for Defence Services. This amount was increased by Rs. 21, 324.90 Crore to Rs. 3,68,418.13 Crore in RE 2021-22. Against the said allocation, an amount of Rs. 3,66,560.70 Crore (99.50%) has been expended as per March(Final) (as on 13.05.2022).

Recommendation (Para No. 2)

The Committee note that in 2022-23, Ministry of Defence has been allocated Rs. 1,52,369.61 crore vis-à-vis total allocation of Rs. 1,38,850.90 crore in RE 2021-22 under Capital Budget. Out of this under the Head for Capital Acquisition, Ministry has been allocated Rs. 1,24,408.64 crore; for land and works of three Services (including Married Accommodation Project) Rs. 12,149.16 Crore and for DRDO, DGOF and other Defence Departments Rs. 15,811.81 Crore have been allocated. The Committee are pleased to note that overall budget of the Ministry of Defence which was Rs. 4,78,196.62 crore in 2021-22 has been increased to Rs. 5,25,166.16 crore.

Reply of the Government

This is factual information and Ministry has no comments to offer.

Recommendation (Para No. 3)

The Committee note that demand of Rs. 2,15,995.43 crore was projected in 2022-23 in Capital Head and the allocations were Rs. 1,52,369.61 crore. The Committee find that though the allocations have been enhanced from previous year, they were not as per projections made by the Ministry. The Committee recommend the Ministry to pursue with the Ministry of Finance not to curtail the projected amount of the Ministry of Defence as this results in reprioritization of schemes/activities which might end up in compromising with the operational preparedness of the Defence Services. The Committee desire that the Ministry should seek additional grants at the supplementary Grants/RE Stage if the schemes/projects get affected by this curtailment of funds at BE Stage as capital budget is utilized for developing and acquiring the most modern state-of-the-art fighting platforms which can be useful in the current security threats at our Northern and Western frontiers.

Reply of the Government

This Ministry submits the requirements projected by the Services to Ministry of Finance for favourable consideration. In the pre-budget meeting discussions with M/o Finance, broad reasons for requirements projected by the Services are justified/elaborated. While allocating funds, Ministry of Finance analyses past absorption capacity of the Services, pace of expenditure in the current Financial Year, overall resource envelope available and pressing demands from other quarters etc. Based on the overall ceilings conveyed by M/o Finance, Ministry of Defence allocates funds among the Services and Organisations under MoD, taking into account Inter-Services priorities, pace of expenditure, pending committed liabilities etc.

2. However, the Committee may be assured that all efforts will be made to obtain additional funds projected by the Services at Supplementary/RE stage. Efforts will be made to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services. Further, the allocated funds will be optimally utilized towards functional requirements/activities.

Recommendation (Para No. 4)

Projections and Allocations in respect of three services

The Committee observe that since 2016-17, none of the three Services have been allocated the amount that has been projected by the Ministry at BE or RE Stage. The gap between the RE figures for Army in 2016-17 was to the tune of Rs. 10,472.04 crore which has increased to Rs. 12,967.81 crore in 2021-22. For Navy the difference was Rs. 2933.76 crore in 2016-17 at RE stage which has become Rs. 3,989.84 crore in 2021-22. For Air Force the gap was Rs. 8,273.09 crore in 2014-15 which increased to Rs. 17,961.62 crore in 2020-21 RE stage. The Committee further note that at BE stage in 2022-23 the gap between the projected and allocated budget for Army, Navy and Air Force is Rs. 14,729.11 crore, Rs. 20,031.97 crore and Rs. 28,471.05 crore respectively which are remarkably high. The Committee are of the view that in the present scenario of heightened tensions with our neighbouring countries especially at borders of our country, such situation is not conducive for defence preparedness of the country to bring it at par with them or making it even better than theirs by possessing capital intensive

modern machines which are imperative to tilt the result of war in our favour and also increase deterrence capabilities of our country. Taking into account the trend of sharp decline in the allocation of funds vis-à-vis projections under Army, Air Force and Navy, the Committee recommend that the Ministry should not make any reductions while allocating budget for Capital Head for any of the Services in the Demands for the coming years. The Committee also recommend the Ministry to take steps to enhance allocation at Revised Estimate Stage in 2022-23 and also at the time of Supplementary Grants keeping in view the operational preparedness of the three forces.

Reply of the Government

This Ministry submits the requirements projected by the Services under Capital Head to Ministry of Finance for favourable consideration. In the pre-budget meeting discussions with M/o Finance, broad reasons for requirements projected by the Services are justified/ elaborated. While allocating funds, Ministry of Finance analyses past absorption capacity of the Services, pace of expenditure in the current Financial Year, overall resource envelope available and pressing demands from other quarters etc. Based on the overall ceilings conveyed by M/o Finance, Ministry of Defence allocates funds among the Services and Organisations under MoD, taking into account Inter-Services priorities, pace of expenditure, pending committed liabilities etc.

2. However, the Committee may be assured that all efforts will be made to obtain additional funds projected by the Services at Supplementary/ RE stage under Capital Head. Further, the allocated funds will be optimally utilized towards functional requirements/ activities. If required, the schemes will be reprioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness.

Recommendation (Para No. 5)

Additional Allocation

The Committee note that additional allocation sought by the three Services in Capital Head separately in 2021-22 was Rs. 1,813.00 crore for Army, Rs. 16,757.83 crore for Navy and Rs. 17,961.62 crore for Air Force, after which total allocation stands at Rs. 25,377.09 crore for Army, Rs. 46,021.54 crore for Navy and Rs. 53,214.77 crore for Air Force at RE Stage. The Committee are of the opinion that the Ministry should ensure that these additional allocation of funds at the first place should be granted to the three services, as first and foremost priority should be given to the preparedness of Defence Forces and should be utilized for critical projects and operational activities of the three Services. The Committee also desire the Ministry to take steps for timely expenditure of the allocated funds in the first two quarters itself so that requirement of additional funds is assessed timely and get approved from the Ministry of Finance at Supplementary Grants stage.

Reply of the Government

The figures indicated above are RE 2021-22 allocations under Capital Head. Details of RE/ MA allocations and expenditure as per March (Pre), 2022 for the FY 2021-22 are as under:-

(Rs. in Crore)			
Service	RE	MA	Expenditure
Army	25,377.09	25,177.09	25,130.63
Navy	46,021.54	45,767.87	45,040.21
Air Force	53,214.77	53,214.77	53,216.74

It may be seen from the table that Services have been able to utilise the allocated funds.

2. In current financial year also progress of expenditure will be reviewed at appropriate levels to ensure full utilisation of available resources. Also, efforts will be made to obtain additional funds projected by the Services at Supplementary/ RE stage. Further, the Committee may be assured that critical projects and urgent activities are concluded without any compromise to operational preparedness of the Defence Services.

Recommendation (Para No. 6)

Modernization of Defence Forces

The Committee observe that the Modernization of Defence Forces involves the acquisition of new state-of-the-art platforms, technologies and weapon systems to upgrade and augment Defence capabilities and is a continuous process based on threat perception, operational necessities and technological changes to keep the Armed Forces in a state of readiness to meet the entire spectrum of security challenges. As per the assertion made by the Ministry, Government attaches highest priority to ensure that the Armed Forces are sufficiently equipped to meet any operational requirement, which is achieved through induction of new equipment and technological upgradation of capabilities. The equipment requirements of the Armed Forces are planned and progressed through a detailed process which includes 15 Year Long Term Integrated Perspective Plan (LTIPP), a five year Service-wise Capability Acquisition Plan, a two year roll-on Annual Acquisition Plan and deliberations by the Defence Acquisition Council chaired by the Raksha Mantri. The Committee note that an overview of the BE, RE and AE on Modernization for capital acquisition since 2017-18 shows that Actual Expenditure incurred has been by and large more than the allocated funds even after RE Stage. Although the Ministry has utilized Rs. 75,194.31 crore out of BE of Rs. 1,13,717.59 crore in 2021-22 by December, 2021, the Committee expect that the target of full utilization of funds will be achieved by the Ministry under this head by the end of F.Y. 2021-22. The Committee note that modernization of Armed Forces through procurement of new equipment and upgrading of existing equipments and systems is a continuous process which are progressed as per the approved Capital Acquisition plans, therefore, the Committee recommend that enhanced and adequate budgetary allocation should be made under Capital Head for modernization purpose so that the procurement and upgrading procedures should be carried out without any hurdle of shortage of funds.

Reply of the Government

In FY 2021-22, booking to the tune of Rs. 1,13,780.99Crore [As per March(Pre), 2022]has been made against RE 2021-22 allocation of Rs. 1,13,717.59 Crore under Capital Acquisition (Modernisation) Segment of the Defence Services Estimates. In BE

2022-23, an amount of Rs. 1,24,408.64 Crore (i.e. an increase of Rs. 12,945.43 Crore over BE 2021-22) has been allocated under Capital Acquisition (Modernisation) Segment. However, the Committee may be assured that all efforts will be made to obtain additional funds projected by the Services at Supplementary/RE stage under Capital Head for Modernisation purpose so that the procurement and upgrading procedures should be carried out as planned. Further, the allocated funds will be optimally utilized towards functional requirements/activities. If required, the schemes will be reprioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness.

Necessary measures have been taken in the Ministry to fully utilize the budget allocated for the Capital Acquisition. Information regarding expenditure details on Domestic and Foreign items incurred upto March, 2022 is as under:

RE 2021-22			RE utilized		% of RE utilized	
Total	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
1,13,717.58	72,881.59	40,835.99	74,112.04	39,651.02	101.69	97.10

Recommendation (Para No. 7)

Committed Liabilities and New Schemes

The Committee were informed that Committed Liability refers to payments anticipated during a financial year in respect of contracts concluded in previous years. Under the Defence Services Estimates, Committed Liabilities constitute a significant element in respect of the capital acquisition segment, since one project may span several financial years. As such, it is important to track the element of Committed Liabilities which holds first charge on the budget allocation and inadequate allocation for committed liabilities would definitely lead to 'default situation' on contractual obligations. New Schemes include new projects/ proposals which are at various stages of approval and are likely to be implemented in near future. The Committee learn that at present, there is no separate allocation of funds for Committed Liabilities and New Schemes under Defence Services Estimates and the funds for it are allocated under Capital Acquisition (Modernisation) Head. The Committee observe that in BE the allocation in the 2022-23 for Committed Liabilities and New Schemes is Rs. 1,24,408.64 crore vis-à-vis BE Projection of Rs. 1,77,958.63 crore. In 2021-22 RE allocation for Army is Rs. 19,485.09 crore against Rs. 30,636.90 crore, for Navy it is Rs. 43,736.02 crore vis-à-vis Rs. 47,414.33 crore, for joint staff it is Rs. 405.71 crore as per projection of Rs. 405.71 crore. For Air Force RE allocation stands at Rs/ 50,090.77 crore against RE projection of Rs. 67,169.42 crore. In addition it is ensured by the Ministry that urgent and critical capabilities are acquired without any compromise to the operational preparedness of the Defence Services. The Committee find it contradictory in comparison to amount of funds actually allocated under RE-2021-22 for the three services especially Army being a capital intensive force. Considering this grim situation towards allocation in Capital Acquisition Fund, the Committee in their 7th and 21st Report had recommended the Ministry of Defence to create a dedicated fund for Committed Liabilities and New Schemes. As no progress has been observed by the Committee in this regard, the Committee again urge upon the Ministry to create a separate dedicated Head for Committed Liabilities and New Schemes from the next Budget onwards, so that there

are no difficulties faced in matching the deadlines in the payment towards already committed purchases and latest weaponry could be procured under New Schemes.

Reply of the Government

Under the Defence Services Estimates, Committed Liability (CL) refers to payments anticipated during a financial year in respect of fulfilment of milestones for contracts already concluded. New Schemes (NS) include new projects/proposals which are at various stages of approval and are likely to be implemented in near future. New Schemes once implemented forms part of committed liabilities and expenditure towards the same is met under the Capital Acquisition Head. The recommendation of the Committee for creation of a separate Code Head for Committed Liabilities and New Schemes was taken up with the Services. Broadly, views of the Services are as follows:-

- (i) Assignment of funds specifically for a separate Head for New Schemes/ Committed Liabilities would result in limiting the flexibility of usage of funds, thereby hampering the progress of expenditure and timely utilisation of resources.
- (ii) The projections made for New Schemes for a particular year are estimates which may or may not fructify during the year owing to various stages involved in Contract finalisation. Similarly, amounts planned against the CL are based on projections depending on milestones likely to be achieved as per the contract. These milestones may encounter slippages resulting in the requirement to carry forward the CL to next/ succeeding year.
- (iii) Every existing Committed Liability had earlier been a New Scheme and every New Scheme would transform into a Committed Liability. Hence, introduction of separate Heads for Committed Liabilities and New Schemes would require amendment of the sanctioned Code Head when a New Scheme become Committed Liability on a later date. The frequent changes between Code Heads may lead to accounting complexities and planning problems.

2. In view of the above, the Committee may consider continuing with the existing system of earmarking between Committed Liabilities and New Schemes under Capital Acquisition, as is being carried out by Service Hqrs presently.

“Non Lapsable Defence Modernization Fund – Defence Renewal Fund

Recommendation (Para No. 8)

The Committee in their previous reports have recommended making capital Budget ‘Non-lapsable’ and ‘Roll-on’ in nature. The Committee were apprised during the oral evidence that a draft Cabinet note for Non-Lapsable Defence Modernisation fund is under consideration. The Committee observe that out of the total budgetary allocation of Rs. 3,43,822.00 in 202-21 only Rs. 2,33,176.70 have been utilized by the Ministry upto December 2020. As there is around Rs. 75,194.31 crore out of BE of Rs. 1,13,717.59 crore in 2021-22 by December, 2021, the Committee expect that the target of full utilization of funds will be achieved by the Ministry under this head by the end of F.Y. 2021-22.”

Reply of the Government

A proposal for creation of Non-Lapsable Defence Modernisation Fund is under consideration with the Government. A suitable mechanism for operationalising the Fund is being worked out in consultation with the Ministry of Finance.

Defence Procurement Policy

Recommendation (Para No. 9)

The Committee note that the policy for procurement of Defence equipment for the Armed Forces aims to ensure timely procurement of military equipment, systems and platforms as required by the Armed Forces in terms of performance capabilities and quality standards, through optimum utilisation of allocated budgetary resources. The policy also seeks to ensure that the highest degree of probity, public accountability, transparency, fair competition and level-playing field in the process of procurement, besides, self-reliance in Defence equipment production and acquisition as a key aim of the policy which is pursued through Make in India. The policy is implemented through the mechanism of Defence Procurement Procedure (DPP). The Committee also find that the Defence Procurement Procedure 2016 has been revised as Defence Acquisition Procedure 2020 which is driven by the tenets of Defence Reforms announced as part of Aatmanirbhar Bharat Abhiyan. In order to promote indigenous design and development of defence equipment 'Buy {Indian-IDD (Indigenously Designed, Developed and Manufactured)}' category which was introduced in 2016 and was accorded top most priority for procurement of capital equipment, has been retained in DAP 2020. The Committee were also informed that Ministry of Defence has notified a second positive Indigenization List comprising 108 items for which there would be an interim embargo on the import. The Committee were informed by the Ministry that the last Defence Procurement Manual (DPM) came out in 2016 and is presently under revision to incorporate the latest orders and other developments. The Committee express the hope that the revised Manual on Defence Acquisition Procedure will not only make the procedure fast track for procuring the arms, ammunition and defence equipment in a time bound manner and also promote self-reliance. While reposing faith in the good intentions of the Ministry of Defence, nevertheless the Committee recommend that concerted efforts of all stakeholders in the process of procurement such as the Ministry, DPSUs the Armed Forces and private sector are crucial for realization of the goal of self reliance in Defence Sector for which all out efforts should be made by the Ministry to bring out the maximum gains from each of them.

Reply of the Government

This is a comment. Ministry of Defence as a whole is committed to Atma Nirbharta in Defence.

Recommendation (Para No. 11)

The Committee express their concern over the ever increasing import of arms and equipments in the country. Though India is the largest importer of the arms and equipment in the World, the Committee find that no authoritative and official information of India being the largest importer of Defence equipment is available as no country officially reveals information on import of Defence equipment. However, in the report published by the Stockholm International Peace Research Institute (SIPRI), India has been shown as the second largest importer of Defence equipment for the year 2014-19. The Committee in their Twenty-first Report on 'examination of Demand for Grants 2021-22' have pointed out that India was reported to be the largest importer of Defence equipment during the period 2012-16. The Committee appreciate the efforts of the Ministry in this direction by bringing down the imports of defence equipment which is a step towards the goal of Self Reliance and Make in India which is evident from the SIPRI Report. Taking note of the fact that capital procurement of Defence equipment is undertaken from various domestic as well as foreign vendors in accordance with the Defence Procurement Procedure (DPP), based on threat perception, operational challenges and technological changes so as to keep the Armed Forces in a state of readiness to meet the entire spectrum of security challenges, the Committee expect that with the increasing focus on self reliance and promotion of indigenous industries, the import of defence equipment will further fall down.

Reply of the Government

The GoI/ MoD, while adhering to the clarion call on Atmanirbhar Bharat given by our Hon'ble PM, has been giving impetus to procurement from indigenous sources. During the last five Financial Years, 267 AoNs worth approxRs 3,54,756 Crore were accorded. Out of these, 207 AoNs (78%) worth Rs 2,75,540 Crore have Indian Industry oriented categorisation. In terms of cost also, in the last 5 FYs, 78% of AoN cost pertained to AoNs favouring Indian Industry Participation. For the same period i.e. last 5 financial years, approx 65% of contracts since FY 2017-18 to 2021-22 have been signed with Indian Industry.

Furthermore, to promote domestic Capital procurement, MoD earmarked funds amounting to Rs. 71,438 Cr (64.09% of the total capital budget) for domestic Capital procurement in 2021-22, which has been increased to Rs. 84,597 Cr (68% of the total Capital Acquisition Budget) for domestic Capital procurement in 2022-23.

Self Reliance and Make in India

Recommendation (Para No. 13)

The Committee note that the proposals of capital acquisition in Defence Procurement Procedure are categorized as 'Buy Indian – IDDM)', Buy (Indian), Buy and make (Indian) & 'Buy and Make' with preference over 'Buy (Global)' category, to make the country self reliant in defence production. For this, Ministry of Defence has earmarked about 64 per cent of its modernization funds 62 amounting to Rs. 71,400 crore under capital acquisition budget for 2021-22 for procurement from domestic industries. The Committee further note that the value of indigenized production which was Rs 84,643 crore in 2020-21 has come down to Rs. 34,384 crore (up to 25 Jan,

2022) and the reasons being attributed to Covid-19 pandemic. As a big chunk of capital acquisition budget has been earmarked to procurement from domestic industries, the Committee recommend that Ministry should explore more efficacious ways to utilize the full allocated funds in the current financial year 2021-22. The Committee wish to be apprised of the total utilization of funds out of Rs. 71,400 crore earmarked for domestic industries in 2021-22 and also the amount of funds allocated in 2022-23 for this purpose. The Committee further desire that the Ministry should make concerted efforts to set up proper co-ordination between, Armed Forces, DPSUs and private sector so as to increase the production under Make in India categories.

Reply of the Government

The Capital Acquisition schemes are planned and prioritized to optimally utilize the allocated budget. Necessary measures are taken in the Ministry to fully utilize budget allocated for the Capital Acquisition. To promote domestic Capital procurement, MoD earmarked funds amounting to Rs. 71, 438 Crore (64.09% of the total capital budget) for domestic Capital procurement in 2021-22, which has been increased to Rs.84,597 Crore (68% of the total Capital Acquisition Budget) for domestic and Foreign items incurred upto March, 2022 is as under:

Cumulative Expenditure upto March-22			
Services	Domestic		
	Private	PSU/OFB	Total
Army	3874.89	13367.72	17242.61
Navy	3193.12	23707.73	26900.85
Air Force	2725.97	27242.61	29968.58
Total	9793.98	64318.06	74112.04

Offset Clause

Recommendation (Para No.15)

The Committee noted that Offsets under Defence Capital Acquisition were introduced in the Defence Procurement Procedure (DPP) in 2005 based on the recommendation of Kelkar Committee and the Offset guidelines framed under DPP have since been amended 6 times. As per Defence Acquisition Procedure (DAP 2020) offset provisions are applicable only on “Buy Global” categories of capital acquisitions. They apply in capital acquisitions contracts which are more than Rs. 2000 crore. However, the offsets are not applicable to procurements under “Fast Track Procedure” and in “Option Clause” cases if the same was not envisaged in the original contract. Further no offsets will be applicable in all ab-initio single vendor cases including procurements based on Inter Governmental Agreements/Foreign Military Sales (IGA/FMS) and the offset applicability on Indian companies under ‘Buy Global’ cases do not arise in case the indigenization component is 30% or more. The committee also note that offset contracts are co-terminus with the main procurement contract and signed along with the main procurement contract after approval of Competent Financial Authority (CFA) and the period of offset discharge can be extended on exceptional ground by a maximum period of two years. Further the DAP stipulates eligible products/services for discharge of offset obligations which covers defence products and

Maintenance, Repair and Operations (MRO) related to helicopter and aircraft. Though the responsibility for fulfilment of offsets obligations lies with the main vendor, however the vendor is permitted to discharge his obligations through Tier 1 vendor sub vendors based on their work share. In case of investment and/or transfer of technology the offset discharge can be permitted by entities other than vendor/Tier-I sub vendor on case to case basis and the vendors are free to select their Indian Offset Partners (IOP) from DPSU/OFB/DRDO/Private Industry. The offset policy further allows vendors to submit offset details at later stage after signing of the contract i.e. either at the time of seeking offset credits or one year prior to discharge of offset obligations.

Reply of the Government

Noted.

Recommendation (Para No. 16)

The committee have been apprised that as on date, a total of 57 Defence offset contracts have been signed in Ministry of Defence. The total offset obligations are estimated at approx US\$ 13.52 billion to be discharged over a period from 2008-2033. Out of the total contracted obligations US\$ 4.59 billion has been discharged by the vendors, of which US\$ 2.9 billion has been accepted in audit and the balance claims are under clarification/examination. The committee, while appreciating the efforts of the Ministry in bringing down the total offset obligations express the hope that the Ministry of Defence would take appropriate measures in right earnest for clearing balance claims at the earliest that are under clarification/examination, which would result in further strengthening of Defence Industrial Base.

Reply of the Government

Noted.

Recommendation (Para No. 17)

While expressing satisfaction that the Defence Offset Monitoring Wing is effectively discharging its duties, the committee recommend the Ministry to be more cautious and transparent as the scope of Offset has been increased from Rs. 300 crore to Rs. 2000 crore or more. The committee desire that the Ministry should try to establish some import substitute products industry while discharging the 30 percent obligation.

Reply of the Government

Towards establishing the import substitute products industry base set up through Defence offsets, following initiatives have been incorporated in DAP 2020: -

- (i) The thrust of Guidelines is to have enabling provisions to attract investment and technology.
- (ii) It is expected to enhance capability in the domestic defence manufacturing sector and promote 'Make in India' initiative.
- (iii) Investment in defence manufacturing including in Defence Industrial Corridor could be through FDI.
- (iv) The eligible defence products have been streamlined to ensure high technology based investments through offsets.
- (v) To incentivize transfer of technology to Indian industry/ DRDO/ OFB/ DPSUs and to attract direct investment, higher multipliers have been provided.
- (vi) Higher preference has been given for purchase of defence products as compared to components.
- (vii) Investments have been incentivized through higher multipliers.
- (viii) Discharge of offset obligations through entities other than vendor/Tier-1 sub-vendor has been envisaged for investments/Transfer of Technology on case to case basis.
- (ix) Flexibility to provide details of products and Indian Offset Partners (IOPs) at later stage even after signing of contract.
- (x) End-to-end online submission and verification of offset claims through the offset portal to ensure greater transparency, accountability and efficiency.
- (xi) The process of IOP addition submission, evaluation and approval has been streamlined through end to end electronic means. This has made the offset discharge process more transparent, accountable and efficient.

Defence Planning

Five Year Defence Plans

Recommendation (Para No. 19)

The Committee note that the Defence Five Year Plans are formulated to elaborate the necessary steps to maintain and augment Defence capabilities in line with the Raksha Mantri's Operational Directive, the Long Term Perspective Planning and the current threat perception. These plans help to estimate the outlay required to achieve the planned objectives. The Committee further note that under these Five Year Plans operational activities are carried out within the available budget allocations. For optimal and full utilization of allocated funds the schemes are reprioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Forces.

Reply of the Government

This is a factual statement and Ministry has no comments to offer.

Recommendation (Para No. 20)

The Committee note that Defence Five Year Plans serve as a guide for formulating annual budgetary protection submitted to the Ministry of Finance (MoF). The Committee also note that Government has set up a Defence Planning Committee under the Thirteenth Defence Plan (2017-22), to facilitate comprehensive and integrated planning for defence matters, which analyses and evaluate all relevant inputs relating to defence planning, inter-alia, national defence and security priorities, foreign policy imperatives, operational directives and security related doctrines, defence acquisition and infrastructure development plans including 15 year Long Term Integrated Perspective Plan (LTIPP), defence technology, etc. The Committee are surprised to note that the 12th Plan was approved by the Raksha Mantri but the same was not approved by the Ministry of Finance. The Committee, however, find that non-approval of the Defence Plan did not act as a hindrance in implementation of Defence projects. The Committee in their earlier Reports have been recommending to adopt measures for foolproof budgetary planning and implementation for Ministry of Defence. The Committee, at this stage express the hope that the Ministry's focused efforts would ensure proper and effective implementation of the various activities planned which are likely to proceed according to the annual budgetary allocations and the 13th Defence Plan serves as a guide for formulating yearly budgetary projections even without the formal approval by the Ministry of Finance.

Reply of the Government

The Committee is assured that planned activities will proceed according to annual budgetary allocations. For optimal and full utilization of allocated funds the schemes are reprioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Forces.

Recommendation (Para No. 21)

After gleaning through the figures of the BE, RE and Actual Expenditure under the year-wise allocation in the Thirteenth Defence Plan from 2017-18 to 2022-23, the Committee find that from 2017-18 to 2019-20 the expenditure incurred by the Ministry was more than what was allocated to them at RE Stage. In 2020-21, the expenditure was slightly less than the budgetary allocations i.e. Rs. 3,40,093.51 crore were utilized vis-à-vis total allocation of Rs. 3,43,822.00 crore. The Committee understand that the less utilization might have been due to less expenditure incurred by various Services/Organizations due to Covid-19 situation prevailing in the country. The Committee further find that in 2021-22, Rs. 3,47,088.28 crore were projected against which, the Ministry received Rs. 3,68,418.13 crore and the figures of utilization were shown as Rs. 2,66,558.69 crore upto December, 2021. The Committee expect that with concerted and coordinated efforts of the Ministry of Defence, the balance funds will be utilized by all service wings in full and within the time frame of F.Y. 2021-22 as Covid-19 pandemic is behind us and now there are ample opportunities with the Ministry to focus on the areas which were badly affected hitherto during the pandemic. The Committee express the hope that the enhanced demands for grant put forth by the Ministry in its annual plan in 2022-23 would not be curtailed by the Ministry of Finance, especially when the Ministry of Defence is able to absorb the entire allocated funds. The Committee would like to be apprised of the figures of the amount allocated to the Ministry against their projections in 2022-23.

Reply of the Government

In BE 2022-23, an amount of Rs. 3,85,370.15 Crore (i.e. an increase of Rs. 38,281.87 Crore over BE 2021-22) has been allocated to M/o Defence under Defence Services Estimates against projection of Rs. 4,87,739.98 Crore.

2. However, the Committee may be assured that all efforts will be made to obtain additional funds projected by the Services at Supplementary/RE stage under Defence Services Estimates. Further, the allocated funds will be optimally utilized towards functional requirements/activities. If required, the schemes will be reprioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness.

MARRIED ACCOMMODATION PROJECT(MAP)

Recommendation (Para No. 23)

The Committee find that out of 69,904 dwelling units(DUs) approved to be constructed under Phase-II of MAP 9,903 DUs are yet to be completed. Further, 71,102 DUs were approved in Phase-III under MAP, which has been foreclosed and routed through Annual Major Works Programme (AMWP) under Military Engineer Service. Taking into count the already existing delays in Phase- II and Phase-III, the Committee recommend that as the proposal for construction of MAP Phase-III by AMWP has already been approved, the Ministry should pursue vigorously and leave no stone unturned to expedite the commencement of construction of the remaining dwelling units and get them completed within the specified time frame. The Committee note that the Ministry has set the time-line to complete the Phase-II by the end of 2023 and hope that the Ministry would make all out efforts to get them completed within the time-line fixed and hand them over to the eligible personnel.

Reply of the Government

Against the total requirement of 1,98,881 Dwelling Units 1,18,675 Dwelling Units,(DUs) have already been completed under Phase-I and Phase-II of MAP. As of now 9,785 Dwelling Units of MAP Phase-II are in various stages of planning and execution and are likely to be completed by Dec 2023. 4401 DUs of MAP Phase-II are planned to be completed by Dec 2022 and the balance 5384 DUs are planned to be completed by Dec 2023.

CHAPTER – III

B. Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government

Recommendation (Para No. 14)

Extreme Weather Clothing System

The Committee observe that Extreme Cold Weather Clothing System (ECWCS) which is a three layer clothing being procured for soldiers deployed in super High Altitude Areas like Siachen. The Committee note that its procurement is based on effectiveness of the item determined through user trials carried out under actual operational conditions. It is also ensured that procurement is done only from user approved sources and DGQA make certain that there is zero deviation between bulk supply and user approved sample determined. In addition, user satisfaction on quality during usage is monitored through suitable structured feedback process and in case of any quality issue during usage, the user can raise a defect report as per Army Order 323/166, based on which detailed technical investigation is then carried out by DGQA to verify the claims of the user and ascertain reasons for defect. The Committee would like to recall that in their 7th and 21st Reports, they have recommended for indigenous production of ECWCS in the country. The Committee are glad to find that Indian Private Industry is now capable of manufacturing ECWCS in India and its procurement has already been commenced from indigenous supplier. The Committee appreciate the efforts of the Ministry and hope that the list of indigenously manufactured and procured items would further increase by the determined efforts of the Ministry.

Reply of the Government

ECWCS is being procured by MGS (SCME) Branch under the aegis of Empowered Committee. Earlier, this item was procured ex import. In year 2020, one Indian Vendor had been approved by the end user and one supply order of ECWCS has been successfully executed. Further, following long term (05 years) contracts are under process at various stages in which Indian Vendors have participated :-

Sl. No.	Items	Participated Vendors	Present Status
(a)	Sleeping Bag (Qty -75000 Sets) Contract period -05 years)	14 Indian Vendors participated	Sample forwarded for user trial.
(b)	JD TD (Qty -25000 Sets) Contract period -05 years	01 Indian Vendors participated	Sample forwarded for user trial.
(c)	ECWCS (Qty -75000 Sets) Contract Period -05 years	14 Indian Vendors participated	Sample forwarded for user trial.
(d)	Socks WnSpl (Two Layer) (Qty -525000 Sets) Contract period -05 years	12 Indian Vendors participated	Sample forwarded for user trial.

(e)	Gloves Outer & Gloves Inner (Qty -75000Sets) Contract period -05 years	05 Indian Vendors participated	Sample forwarded for user trial.
(f)	Boot Crampons (Qty -64998 Nos) Contract period -03 years	RFP published	
(g)	Avalanche Air Bag (Qty -25000 Nos.) Contract period -05 years	RFP published	

MARRIED ACCOMMODATION PROJECT(MAP)

Recommendation (Para No. 22)

The Committee note that Directorate General of Married Accommodation Project (DGMAP) was raised by Government of India under the aegis of Engineer-in-Chief to construct married accommodation for the personnel of three Services, with the aim of eradicating the shortage of married accommodation for service personnel. The MAP was setup to fulfill the promise made to the Armed Forces by the Government of India. Two lakh dwelling units had been planned for construction under the scheme in four phases. At present, balance of 9,903 dwelling units have to be completed under Phase-II and 71,102 dwelling units are planned under Phase-III which are assigned to Annual Major Works Programme(AMWP) for their completion. The committee note that in 2020-21, Rs. 209.6507 crore were utilized vis-à-vis Allocation of Rs. 232.50 Crore till (31st December, 2021) for the MAP. The Committee are concerned to find that despite the pendency in construction of dwelling units under Phase-II and Phase-III of MAP, the utilisation of funds is very low in 2021-22 which amounts to nearly one- third of the total funds. According to the revised rules of expenditure of the Department of Expenditure, Ministry of Finance, in the last quarter of the Financial Year, the limits of Expenditure has been revised to 25 percent and 10 per cent in the last month of financial year. The committee, therefore, fail to understand as to how the Ministry would be in a position to utilise the rest of the allocated funds in 2021-22. The Committee, therefore, recommend that the Ministry should devise an expenditure mechanism with strict time lines so as to utilise the allocated funds in totality in a given financial year so that the funds are not surrendered at the end.

Reply of the Government

Against the total requirement of 1,98,881 Dwelling Units, 1,18,675 Dwelling Units (DUs) have already been completed under Phase-I and Phase-II of MAP. As of now, 9,785 Dwelling Units of MAP Phase-II are in various stages of execution. As per the reply submitted in Feb 2022 towards the supplementary list of points on Demand of Grants 2022-23, it was envisaged that Rs195 crore would be spent by Mar 2022, however, as on 31st Mar 2022 only Rs128 crore could be spent. The delay in expenditure is primarily due to disruption caused by COVID pandemic. Also, the processing of Risk & Cost contracts is a complex process and outcome is unpredictable due to structural defects, involvement of Arbitration/ legal cases, poor response from contractors during tendering etc. The proactive action has been taken to expedite the work progress and the expenditure. The fund will be demanded for next FY after more realistic assessment to avoid fund surrender at last stage.

CHAPTER – IV

C. Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee

Recommendation (Para No. 10)

The Committee note that for ensuring accountability and transparency in Defence Procurement cases, measures for promoting probity, public accountability and transparency in Defence capital procurements are put in place by the Ministry which include execution of Pre Contract Integrity Pact (PCIP) for all cases above Rs. 20 crore to ensure corruption free procurement process; time bound disposal of complaints which are aligned to CVC/ DOP&T guidelines; instructions issued for ascertaining vigilance status of L1 vendor before seeking approval of the Competent Financial Authority (CFA); guidelines for penalties in 60 business dealings with suspect entities and capacity assessment guidelines for shipbuilding entities. While taking cognisance of the fact that accountability and transparency are extremely imperative in the Defence Sector dealing with Procurement Procedures, the Committee appreciate the initiatives of the Ministry and recommend that the above measures be strictly followed and a vigorous monitoring mechanism be set up for ensuring corruption-free, fair and timely procurement of weapon systems. The Committee desire to be apprised of the number of cases, if any, when persons were found guilty after implementation of above guidelines.

Reply of the Government

All measures instituted by the GoI/Ministry of Defence (MoD) to promote probity, public accountability and transparency in Defence Capital procurements towards ensuring accountability and transparency are being adhered to diligently. Details of firms debarred/ put on hold/ suspended etc. from doing business with MoD are placed on the MoD website.

CHAPTER – V

D. Observations/recommendations in respect of which final replies of the Government are still awaited.

Recommendation (Para No. 12)

The Committee note that during the last four financial years (2017-18 to 2020-21), out of total 239 contracts, 87 contracts worth about Rs.1,18,111.98 crore have been signed with foreign vendors including USA, Russia, Israel, France, etc. for procurement of Defence equipment for Armed forces. The Defence equipment imported during this period includes helicopters, aircrafts, missiles, rifles, artillery guns, simulators and ammunition. The Committee further note that although the procurement from foreign vendors is far less than their Indian counterparts, still the value of imports has been constantly increasing since 2016-17. The Committee, therefore, recommend that ways and means should be devised so that Directorate of Ordnance (Coordination and Services) – New DPSUs, DPSUs, DRDO and Private Industries work in tandem to produce not only import substitute products but also expand their export potential so that the country become an exporter of defence equipment.

Recommendation (Para No. 18)

Foreign Direct Investment

The Committee note that the Government of India has enhanced FDI in Defence Sector up to 74% through the Automatic Route and beyond 74% through Government Route wherever it is likely to result in access to modern technology or for other reasons. The Committee note that this FDI limit was increased from 49% to 74% to ensure that it will come alongwith the technology also and the FDI limit has also been made attractive enough as it facilitate upto 100% through Government Route. The Committee are of the considered view that the Ministry should ensure that despite raising the limits of FDI to as high as 74%, the purpose of self reliance should not be defeated. The Committee recommend that in addition to the measures taken for making FDI more attractive, focused efforts may be undertaken by the Ministry to strengthen R&D base of the country and increase coordination between the public and private sector within the country, so that the indigenous defence sector is encouraged to develop and manufacture technologies/systems/accessories which are intended to be made available in the country through the FDI route.

STANDING COMMITTEE ON DEFENCE (2022-23)

MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON DEFENCE **(2022-23)**

The Committee sat on Tuesday, the 20th December, 2022 from 1500 hrs. to 1700 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

SHRI JUAL ORAM

-

CHAIRPERSON

MEMBERS

Lok Sabha

2. Shri D.V. Sadananda Gowda
3. Shri Annasaheb Shankar Jolle
4. Shri Rattan Lal Kataria
5. Shri Durai Murugan Kathir Anand
6. Kunwar Danish Ali
7. Smt. (Dr.) Rajashree Mallick
8. Shri Reddeppa Nallakonda Gari
9. Shri Anumula Revanth Reddy
10. Shir Jugal Kishore Sharma
11. Dr. Shrikant Eknath Shinde
12. Shri Prathap Simha
13. Shri Brijendra Singh
14. Shri Durga Das Uikey

Rajya Sabha

15. Shri Sushil Kumar Gupta
16. Shri Kamakhya Prasad Tasa
17. Dr. Sudhanshu Trivedi
18. Smt. P.T. Usha
19. Shri G. K. Vasani
20. Lt. Gen. (Dr.) D.P. Vats (Retd.)

SECRETARIAT

1. Smt. Suman Arora - Joint Secretary
2. Dr. Sanjeev Sharma - Director
3. Shri Rahul Singh - Deputy Secretary

2. At the outset, the Chairperson welcomed the Members to the Sitting of the Committee convened to have briefing by the representative of Ministry of Defence on the subject 'A review of functioning of Zila Sainik Boards in the country' and adoption of two draft Action Taken Reports. Thereafter, the Chairperson welcomed the representatives of the Ministry of Defence and drew their attention to Directions 55(1) and 58 of the Directions by the Speaker, Lok Sabha regarding confidentiality of the proceedings of the Committee.

3. ****Does note pertain to the report****

4. The Committee then took up the draft Reports on the following subjects for consideration:

- (i) Action Taken by the Government on the Observations/ Recommendations contained in the Twenty-seventh Report of Standing Committee on Defence (17th Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 2022-23 on 'Army, Navy, Air Force, Joint Staff, Military Engineer Services, Ex-Servicemen Contributory Health Scheme and Sainik Schools (Demand Nos. 20 and 21)'; and
- (ii) Action Taken by the Government on the Observations/ Recommendations contained in the Twenty-seventh Report of Standing Committee on Defence (17th Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 2022-23 on 'Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 21)'.

After some deliberations, the Committee adopted the Reports without any changes/modifications. The Committee authorized the Chairperson to finalise the above draft Reports and present the same to the House on a date convenient to him.

6. A copy of verbatim record of the proceedings has been kept.

The Committee then adjourned.

APPENDIX II

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE TWENTY-EIGHTH REPORT OF STANDING COMMITTEE ON DEFENCE (17TH LOK SABHA) ON 'DEMANDS FOR GRANTS OF THE MINISTRY OF DEFENCE FOR THE YEAR 2022-23 ON CAPITAL OUTLAY ON DEFENCE SERVICES, PROCUREMENT POLICY, DEFENCE PLANNING AND MAP (DEMAND NO. 21)'

- | | |
|---|------------------------|
| 1. Total number of recommendations | 23 |
|
 | |
| 2. Observations/Recommendations which have been accepted by the Government (Chapter II): | |
| Para Nos. 1,2,3,4,5,6,7,8,9,11,13,15,16,17,19,20,21,23 | |
| | Total : 18 |
| | Percentage: 78% |
|
 | |
| 3. Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government (Chapter III): | |
| Para Nos. 14,22 | |
| | (Total - 2) |
| | Percentage: 9% |
|
 | |
| 4. Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee (Chapter IV): | |
| Para Nos. 10 | |
| | (Total - 01) |
| | Percentage: 4% |
|
 | |
| 5. Observations/recommendations in respect of which final replies of the Government are still awaited (Chapter V): | |
| Para Nos. 12,18 | |
| | (Total - 2) |
| | Percentage: 9% |