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**STANDING COMMITTEE ON DEFENCE
(2024-25)**

(EIGHTEENTH LOK SABHA)

MINISTRY OF DEFENCE

[Action Taken by the Government on the Observations/Recommendations contained in the Third Report of Standing Committee on Defence (18th Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 2024-25 on 'Capital Outlay on Defence Services, Procurement Policy and Defence Planning (Demand No. 21)']

THIRTEENTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2025 / Sravana 1947 (Saka)

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(2024-25)

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Presented to Lok Sabha on 07.08.2025

Laid in Rajya Sabha on 07.08.2025



LOK SABHA SECRETARIAT

NEW DELHI

August, 2025 / Sravana 1947 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (2024-25)

SHRI RADHA MOHAN SINGH

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CHAIRPERSON

Lok Sabha

2	Dr. Rajeev Bharadwaj
3	Shri Karti P Chidambaram
4	Shri Adhikari Deepak Dev
5	Shri Ranjit Dutta
6	Captain Viriato Fernandes
7	Shri Rahul Gandhi
8	Shri Mohmad Haneefa
9	Shri S. Jagathratchakan
10	Ms. S. Jothimani
11	Shri Ravindra Shukla Alias Ravi Kishan
12	Shri Shashank Mani
13	Shri Lumba Ram
14	Shri Bishnu Pada Ray
15	Shri Jagannath Sarkar
16	Shri Jagadish Shettar
17	Shri Virendra Singh
18	Shri Kesineni Sivanath
19	Dr. Thirumaavalavan Tholkappiyan
20	Com. Selvaraj V.
21	Shri Richard Vanlalhmangaiha

Rajya Sabha

22	Shri Naresh Bansal
23	Shri Shaktisinh Gohil
24	Shri Prem Chand Gupta
25	Shri Naveen Jain
26	Shri Muzibulla Khan
27	Shri Praful Patel
28	Shri Dhairyashil Mohan Patil
29	Shri Sanjay Singh
30	Dr. Sudhanshu Trivedi
31	Vacant*

**Shri N. Chandrasegharan ceased to be a Member of the Standing Committee on Defence (2024-25) w.e.f. 25 July, 2025 consequent upon cessation of his Membership of Rajya Sabha on 24 July, 2025*

SECRETARIAT

- | | | |
|---------------------------|---|------------------|
| 1. Smt. Jyochnamayi Sinha | - | Joint Secretary |
| 2. Smt. Juby Amar | - | Director |
| 3. Shri Ajay Kumar Prasad | - | Deputy Secretary |
| 4. Shri Tenzin Gyaltsen* | - | Deputy Secretary |
| 5. Shri Vikas Kumar | - | Under Secretary |

***served in the Committee Branch till 14.07.2025**

INTRODUCTION

I, the Chairperson of the Standing Committee on Defence (2024-25), having been authorized by the Committee, present this Thirteenth Report (18th Lok Sabha) of the Committee on Action Taken by the Government on the Observations/Recommendations contained in the Third Report of Standing Committee on Defence (18th Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 2024-25 on 'Capital Outlay on Defence Services, Procurement Policy and Defence Planning (Demand No. 21)'

2. The Third Report (18th Lok Sabha) was presented to Lok Sabha and laid in Rajya Sabha on 17th December, 2024. The Report contained 15 Observations/Recommendations. The Ministry of Defence furnished Action Taken Replies on all the Observations/Recommendations in April, 2025.

3. The Report was adopted at the Sitting held on 5th August, 2025.

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 Third Report (18th Lok Sabha) of the Standing Committee on Defence is given in Appendix II.

**New Delhi;
05 August, 2025
14 Sravana, 1947 (Saka)**

**RADHA MOHAN SINGH
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 Third Report (Eighteenth Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 2024-25 on 'Capital Outlay on Defence Services, Procurement Policy and Defence Planning (Demand No. 21)', which was presented to Lok Sabha and laid in Rajya Sabha on 17.12.2024.

2. The 3rd Report (18th Lok Sabha) of the Committee contained 15 observations/recommendations on the following aspects:-

Para No.	Subject
1	Ministry of Defence Budget and Demands for Grants 2024-25: An Overview
2	Capital Outlay on Defence Services: BE 2024-25 and BE2023-24
3	Utilisation of Capital budget
4	Ratio of Capital and Revenue Outlay for the Services
5	Modernization of Defence Forces
6	Committed Liabilities and New Schemes
7-8	Defence Procurement Policy
9-10	Accountability and Transparency in Defence Procurement
11	Dependence on Foreign Suppliers
12	Self Reliance and Make in India
13	Offset Clause
14	Foreign Direct Investment
15	Defence Planning

3. The complete Action Taken Replies have been received from the Government in respect of all the 15 observations/recommendations contained in the Report on 9th April, 2025. Replies to the recommendations have been examined and categorized as follows:

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

Para Nos. 1,2,3,4,5,6,7,8,9,10,11,12,13,14 and 15

(Total - 15)

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

Para Nos. –Nil-

(Total - 00)

- (iii) **Observations/Recommendations in respect of which reply of Government has not been accepted by the Committee (Chapter IV):**

Para Nos. –Nil-

(Total - 00)

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

Para Nos. –Nil-

(Total - 00)

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

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

A. Capital Outlay on Defence Services: BE 2024-25 and BE2023-24

Recommendation No. 2

6. The Committee had recommended as under:

The Committee note that the capital budget of defence services is bifurcated into capital acquisition and other than capital acquisition with outlays of ₹1,40,691.24 Crore and ₹31,308.76 Crore respectively in BE 2024-25. The Committee take note of this fact with satisfaction that the total capital outlay of Defence services has registered an increase of 5.79 per cent from that of BE 2023-24. The capital acquisition expenditure which is also known as the modernisation budget of the Defence Services – Army, Navy, Air Force and Joint Staff – reflects an increase of 6.34 per cent in comparison with BE 2023-24. Other than the Capital Acquisition segment, which consists of the land and works expenditure of the Armed Forces and the capital budget of DRDO, DGQA and Directorate of Ordnance (Coordination & Services), has seen an increase of 3.33 percent when compared to BE 2023-24. At this stage, the Committee desire that the total Capital Outlay projected for Revised Estimates 2024-25 be allocated so as to maintain upward trajectory of Capital budget allocation for the Defence Services.

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

In BE 2024-25, Ministry of Defence had been allocated an amount of ₹1,72,000.00 Crore under Capital Head. However, this allocation has been reduced to

₹1,59,500.00 Crore at RE 2024-25 stage by M/o Finance based on absorption capacity of the Services, pace of expenditure in the current Financial Year and overall resource envelope available and pressing demands of other Ministries etc. Having said that, it may also be noted that if need be, additional funds can be sought at Supplementary stage. The progress of expenditure is reviewed from time to time to ensure that the allocated funds are optimally utilized towards operational activities so that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services.

B. Utilisation of Capital budget

Recommendation No. 3

8. The Committee had recommended as under:

The Committee learn that the total allocation under Capital Head at Revised Estimates 2023-24 to Army, Navy, Air Force, Joint Staff, Directorate of Ordnance (Coordination & Services) and R&D stood at ₹33,412.16 Crore, ₹51,052.18 Crore, ₹58,500.51 Crore, ₹1,396.18 Crore, ₹1,310.50 Crore and ₹12,942.85 Crore, respectively. The Committee, on examination of the budgetary documents in connection with DFG 2024-25, find that barring Army and Joint staff, the other Services and Organizations are able to fully utilize the funds allocated at RE 2023-24 for Capital Budget. While noting that about 65 percent of the grants could be utilized till the completion of the third quarter of the Financial Year, the Committee would like to be apprised as to what are the plans/schemes/channels/trajectory in place for utilizing the remaining 35 percent until the time this Financial Year draws to a close. The Committee, at this stage, hope that the Ministry would undertake a pragmatic approach while seeking further allocations at RE stage for making a realistic assessment of the allocations sought.

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

The Committee may be apprised that necessary measures are taken for modernization of the Armed Forces, through procurement of new equipment and upgrading of existing equipment and systems. The modernization projects are being progressed as per the approved Capital Acquisition Plans and in terms of the extant Defence Procurement Procedure. Further, Acquisition Wing, being a specialist organization created on the basis of the Kargil Committee Report and recommendations of the Group of Ministers looks after all capital acquisition projects from inception to finality. In addition, the Defence Procurement Board, which is chaired by Defence Secretary and the Defence Acquisition Council headed by RakshaMantri comprising of all stakeholders, monitor adherence to broad timelines in Defence Procurement.

2. In BE 2024-25, Ministry of Defence had been allocated an amount of ₹1,72,000 Crore under Capital Head. However, this allocation has been reduced to ₹1,59,500 Crore at RE 2024-25 stage by M/o Finance based on absorption capacity of the Services, pace of expenditure in the current Financial Year and overall resource envelope available etc. Further, it may be stated that allocation made for defence under Capital Head is adequate to sustain

the desired level of defence preparedness. If required, based on expenditure during the year, pending committed liabilities and critical/operational requirements, threat perception etc., additional funds are sought at Supplementary stage. The progress of expenditure is reviewed from time to time to ensure that the allocated funds are optimally utilized towards operational activities so that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services.

C. Modernization of Defence Forces

Recommendation No. 5

10. The Committee had recommended as under:

The Committee glean through the available facts before them that the Modernisation of Defence Forces is funded through Capital segment of the Defence budget. Modernisation involves the acquisition of new state-of-the-art platforms, technologies and weapon systems to upgrade and augment defence capabilities. It is a continuous process based on threat perception, operational challenges and technological changes to keep the Armed Forces in a state of readiness to meet the entire spectrum of security challenges. 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 5 year Service-wise Capability Acquisition Plan, a 2 year roll-on Annual Acquisition Plan and deliberations by the Defence Acquisition Council chaired by the Raksha Mantri. The Committee note that in 2024-25, out of the amount of ₹1,72,000 Crore allocated for Capital Outlay on Defence Services for the Services/Organisations covered under Defence Services Estimates, ₹1,40,691.24 Crore is allocated for Capital Acquisition /Modernisation Head of the three Services viz. Army, Navy (including Joint Staff) and Air Force. The Committee also find that the allocation for Modernisation Head of the Services has seen an increase of ₹8,000 Crore from BE 2023-24. Keeping in view the need for maintaining credible war deterrence at all times, the Committee recommend that enhanced budgetary allocation, if sought, under Capital Head for modernization purpose at Revised Estimates 2024-25 may be given to ensure state-of-the-art weapons/equipment and logistical support for the Armed Forces.

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

In BE 2024-25, Ministry of Defence had been allocated an amount of ₹1,40,691.24 Crore under Modernisation (Capital Acquisition) Head. However, this allocation has been reduced to ₹1,30,916.35 Crore at RE 2024-25 stage by M/o Finance based on absorption capacity of the Services, pace of expenditure in the current Financial Year, overall resource envelope available etc.. However, if required, additional funds will be sought at supplementary stage to meet any liability arisen out of conclusion of new scheme(s) in the current financial year. In addition to this any expected cash outgo in the last days of the

Financial Year as conclusion of new schemes or against committed liability is planned on priority in the first quarter. Therefore all efforts are made to ensure that acquisition of the equipments/weapons do not suffer due to want of funds till the end of the Financial Year.

D. Committed Liabilities and New Schemes

Recommendation No. 6

12. The Committee had recommended as under:

The Committee also learn that Committed Liability means payments anticipated during a financial year in respect of contracts concluded in previous years and holds first charge on the budget allocation. Committed Liabilities constitute a significant element in respect of the capital acquisition segment, since one project may span several financial years. New Schemes include new projects/proposals which are at various stages of approval and are likely to be approved and contracts concluded during the year. The Committee further learn that in the Defence Services Estimates (DSE), there is no separate allocation of funds for Committed Liabilities (CL) and New Schemes (NS) and these are catered through the Capital Acquisition (Modernization) budget. In the current financial year 2024-25, an amount of ₹1,40,691.24 Crore is allocated in BE 2024-25 under Capital Acquisition (Modernisation) Head. The Committee are satisfied to note that there is no gap between projection and allocation in BE 2024-25 under Capital Acquisition (Modernisation) Head for the three Services. The Committee at this stage can only recommend that like for BE 2024-25, projected amount under this Capital Acquisition (Modernisation) Head at Revised Estimates stage of 2024-25 may be favourably considered by the Ministry to ensure unhampered and continuous modernization process of the Defence Forces.

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

In BE 2024-25, Ministry of Defence had been allocated an amount of ₹1,40,691.24 Crore under Modernisation (Capital Acquisition) Head. However, this allocation has been revised to ₹1,30,916.35 Crore at RE 2024-25 stage by M/o Finance based on absorption capacity of the Services, pace of expenditure in the current Financial Year, overall resource envelope available etc. However, if required, additional funds will be sought at supplementary stage to ensure unhampered and continuous modernization process of the Defence Forces.

14. In the reply to the recommendations number 2, 3, 5, and 6, the Ministry had stated that the allocation for capital outlay at RE for the year 2024-25 has been reduced to Rs 1,59,500/- crore from Rs 1,72,000/-crore allocated at BE stage. The reduction is of Rs. 12,500 crore. This is based on absorption capacity of the services, pace of expenditure in the current financial year and overall resource envelope available and pressing demands of other Ministries, etc. However, the Committee are happy to note that additional funds can be sought at supplementary stage, if needed, based on periodic review of expenditure. The Committee also note that urgent and critical capabilities are acquired without compromising operational preparedness of the Defence Service. The Committee fully trust the Ministry of Defence and desire that they may be apprised of the demand raised by the Ministry of Defence at supplementary stage, the allocation made by the Ministry of Finance and the actual expenditure thereof.

E. Ratio of Capital and Revenue Outlay for the Services

Recommendation (Para No. 4)

15. The Committee had recommended as under:

On scrutiny of the documents provided by the Ministry of Defence in connection with examination of Demands for Grants for the year 2024-25, the Committee note that since 2019-20 onwards, the 'Revenue' component of the total outlay for the three Services overshadows the 'Capital' component significantly. The overall 'Revenue' to 'Capital Ratio' of the budgetary allocation for the Services stands at 66:34, 61:39, 64:36, 65:35, 66:34 and 67:33 for 2019- 20, 2020-21, 2021-22, 2022-23 and 2023-24, respectively. For 2024-25, this 'Revenue' to 'Capital Ratio' of the budgetary allocation stands at 66:34. The Committee are given to understand that Revenue expenditure (Demand No. 20) includes expenditure on pay & allowances, transportation, revenue stores (like ordnance stores, rations, petrol, oil and lubricants, spares, maintenance of various platforms/equipment etc.), revenue works (which include maintenance of buildings, water and electricity charges, rents, rates and taxes, etc.) and other miscellaneous expenditure; Capital expenditure includes expenditure on land,

construction works, plant and machinery, equipment, heavy and medium vehicles, Naval Vessels, Aircraft and Aero engines, Dockyards, etc. In the considered view of the Committee, both Revenue and Capital expenditure play significant roles in operational preparedness of our Forces. Therefore, the Committee hope that allocations under Capital head need to be suitably matched to balance the ratio of Revenue and Capital outlay for the Services.

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

In BE 2019-20, M/o Defence had been allocated an amount of ₹1,03,394.31 Crore under Capital Head which is enhanced by ₹68,605.69 Crore (66.35%) to ₹1,72,000 Crore in BE 2024-25. On the other hand, allocation to M/o Defence under Revenue Head has increased by ₹80,870.91 Crore (40.05%) in BE 2024-25 from BE 2019-20 allocation of ₹2,01,901.76 Crore. It may be seen that the allocation made under Capital Head has seen a bigger jump than the allocation made under Revenue Head in the last five years. Further, the Committee may be apprised that allocation made to Ministry of Defence under Revenue Head is more than the allocation under Capital Head as a large portion of the funds allocated under Revenue Head is spent on the pay and allowances of the employees.

17. During examination of Demands for Grants for the year,2024-25, the Committee had noticed the allocation of higher proportion towards Revenue component of defence Budget vis-à-vis the Capital Component. While acknowledging the significant role of both Revenue and Capital component in operational preparedness of the forces, the Committee in their original Report had hoped for suitable enhancement in the ratio of Capital Component to balance the Revenue and Capital ratio. The Committee are happy to note that during the year 2024-25 the allocation made under Capital head has been increased to Rs. 1,72,000 Crore from Rs. 1,03,394.31 Crore in the year 2019-20. The increase is Rs.68,605.69 crore, i.e. 66.35 percent. Against this the increase in Revenue Head during the year 2024-25 from the year 2019-20 is only 40.05 percent. This is 26.3 percent lower than the increase in Capital Head. The Committee while appreciating the efforts of the Ministry in this direction, would wish that keeping in mind the positive impact of Capital Head towards creating assets and in continuous enhancement of capacity of the Armed Forces, it should be appropriately enhanced at the RE stage, at supplementary stage and in the future budget allocation. The Committee may be apprised of the action taken in this regard.

F. Procurement Policy

Recommendation (Para No. 7)

18. The Committee had recommended as under:

The Committee find that policy for procurement of defence equipment for the Armed Forces aims to develop the capability of the armed forces and by meeting the security and operational needs. The thrust remain to buy contemporary armaments in a time bound manner. Simultaneously, it also envisages to make India self-reliant in defence equipment production with the ultimate aim to develop India as a global defence manufacturing hub. 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. Some special features, which have been included in the DAP 2020 are special chapters on Information and Communication Technology requiring more security, ruggedness as well as technological obsolescence in a faster timeframe. 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 Ministry in its submission has stated that it has been revised nine times during last 11 years and due to diversity of our geographical terrain the procurement manual has to cater for all eventualities. Though the Committee take cognizance of the fact that the requirements of each of the armed forces are very complex yet the Committee expect that the Ministry to accelerate the revision of Manual on Defence Acquisition Procedure as this will not only put the procedure for procuring fast track the arms, ammunition and defence equipment in fast lane but also propel the country towards self-reliance. Hence, the Committee recommend that time bound and determined efforts must be made by all stakeholders involved in the process of procurement such as the Ministry, DPSUs the Armed Forces and private sector as this is vital for realization of the goal of self reliance in Defence Sector.

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

The Government attaches the highest priority to ensure that the Armed Forces are sufficiently equipped to meet any operational requirement. Capital Acquisition for the Indian Armed Forces is made as per guidelines under the Defence Acquisition Procedure (DAP), 2020 which is a flexible document continuously evolving on the basis of operational experience, changing threat perceptions and technological advancements. Continuous review of DAP ensures that hurdles in speedier acquisitions are identified and removed swiftly which ultimately reduces the acquisition cycle. DAP 2020 has been kept updated via Business Processing Reengineering (BPR) wherein 103 amendments have been carried out to align the same towards more efficient and effective processes. For promoting indigenous defence industry, following amendments were made to DAP-2020:

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- (a) Increased Indigenous Content (IC) in various categories of procurement under DAP-2020. Inclusion of provision for minimum 50% IC in the form of indigenous material/ components/ software in the equipment being acquired with an aim at boosting indigenous production and reduce import dependency.
- (b) Notification of 'Positive Indigenisation Lists' on a periodic basis to promote Aatmanirbharta. Five Positive Indigenization Lists comprising of 509 platforms/ equipment have been issued.
- (c) Self-Reliance in Indian Defence eco system with "No foreign sourcing". Foreign procurements only as exceptions with prior approval of Defence Acquisition Council.

A comprehensive review of DAP 2020 is due in the current year to ensure timely acquisitions in transparent manner.

Further, 64.09% of the total capital budget has been earmarked for domestic Capital procurement in 2021-22, which has been increased to 68% for FY 2022-23 and 75% for FY 2023-24, 2024-25 and 2025-26.

20. The Committee note from the reply of the Ministry that various initiatives are being taken under the Defence Procurement Policy to develop the capability of the Armed Forces, alongwith fulfilling security and operational needs. The Committee take positive note with regard to the highest priority accorded by the Government towards ensuring and fulfilling all operational requirements by sufficiently reinforcing the indigenous production and procurement processes through various programmes and projects. Further, the Committee applaud the Ministry of Defence for undertaking initiatives to boost self-Reliance in Indian Defence eco system. viz (i) increased Indigenous Content(IC) in various categories of procurement under DAP 2020,(ii)notification of Positive Indigenisation List on a periodic basis to promote Atmanirbharata and issuance of 509 platforms/equipment in Five Indigenisation List ii) inclusion of the provision like "No foreign sourcing" and go

for Foreign procurement only as an exception with prior approval of Defence Acquisition Council etc. The Committee are happy to note that the gradual increase in earmarking of domestic capital procurement from 64.09 percent in the financial year 2021-22 to 68 percent in the financial year 2022-23 and 75 percent in the year 2024-25 and 2025-26. This testifies the seriousness of the Ministry of Defence to boost Self-reliance in Indian Defence - eco system. The Committee also note that a comprehensive review of DAP 2020 is due in the current year to ensue timely acquisitions in transparent manner. The Committee hope that the Ministry of Defence would complete this review in a time bound manner and revise Defence procurement manual accordingly. The Committee further desire the Ministry to ensure collaborative participation of all the stakeholders like the Ministry of Defence, DPSUs, the Armed Forces and the Private Sectors in the review process for further augmentation of Atmanirbharata. The action taken in this regard may be apprised to this Committee.

Recommendation No. 8.

21. The Committee had recommended as under:

The Committee note from the information furnished by the Ministry that acquisition time line is 74-106 Weeks/19-26 Months, which according to the Committee is a much stretched period of time in terms of strategic risks involved. The Committee is of the view that with high level of dynamism in the field of technology such a long timeline can result in technology becoming obsolete and redundant hence directly having adverse impact on the security of the country. Furthermore, the dynamism of international geopolitics relations can also threaten the acquisition through traditional channels and allies which is evident in the recent Russo-Ukraine War. Therefore, in the wake of dynamism exhibited in terms of technological development and global relations, the Committee recommend that Ministry should try to identify ways in which the defence equipment acquisition can be accelerated without compromising on the transparency and accountability of the process. This would not only help in empowering our forces but will also act as deterrent for hostile countries. The Committee may be apprised of the action taken in this regard.

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

The Government is maintaining the highest standards of transparency, probity, public accountability and a balance between competing requirements such as expeditious procurement, high quality standards and appropriate costs in capital acquisition process. Ministry of Defence has aligned its acquisition process with Atmanirbhar Bharat clarion and it is focused towards enhancing self-reliance in defence production and the Indigenisation of spares.

Some of the measures being undertaken to accelerate defence equipment acquisition are simplification of trials based on certification, compression of timelines for capital acquisitions and revision of Defence Acquisition Procedure (DAP)-2020 in the current year.

23. The Committee in their original report had felt that the acquisition timeline i.e. 74-106 weeks/19-26 weeks is a much stretched period of time in terms of strategic risk and high level of dynamism in the field of technology and international geo-political relation. Therefore, the Committee had recommended the Ministry to identify ways and means to accelerate the defence acquisition process without compromising transparency and accountability. The Ministry in their action taken replies has stated that the Government is maintaining the highest standard of transparency, probity, public accountability and maintaining balance between expenditure, procurement, high quality standard and appropriate cost in capital acquisition. The Committee are pleased to note the visible steps taken by the Ministry towards “Aatmnirbhar Bharat” in defence production. The Committee also note that the Ministry has taken steps to accelerate defence equipment acquisition by simplification of trials, compression of timeline in capital acquisition and revision of defence acquisition procedure 2020 in the current year. The Committee may be apprised of the effects of all such measures.

G. Accountability and Transparency in Defence Procurement

Recommendation No. 9.

24. The Committee had recommended as under:

The Committee note that for ensuring accountability and transparency in Defence Procurement cases, the Ministry has taken various measures like interactive policy reviews with Indian defence industry, use of certification, simulation, visibility of Capability Development Plan to Indian Defence Ecosystem, hosting of policy changes, AoNs, RFI, etc. on MoD websites, etc. The Committee appreciate the steps taken by the Ministry for ensuring accountability and transparency in the Defence Sector but would also recommend the need to warrant that all the measures/steps taken are implemented stringently at all levels and a robust monitoring mechanism must be formulated for ensuring fair and timely

procurement of weapon systems. At the later stage the Committee may also be apprised of the number of cases, if any, when persons were found guilty after implementation of guidelines.

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

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 in letter and spirit. Any discrepancies/violations, if noticed, are handled as per existing provisions for the same.

26. While appreciating the steps taken by the Ministry for ensuring accountability and transparency in Procurement cases, the Committee in the original Report had recommended to ensure stringent implementation of those measures at all level and a robust monitoring mechanism to put into place to oversee and ensure timely procurement of weapon systems. The Committee also desired to be apprised of the number of cases if any, when persons found guilty after implementation of the guidelines. The Ministry in the action taken replies has mentioned that all measures are being adhered diligently and discrepancies, if noticed are handled as per the extant provisions. The Committee may be apprised of the number of such cases where persons found guilty.

CHAPTER - II

Observations/Recommendations which have been accepted by the Government

Recommendation No. 1

The Committee are not oblivious of the fact that the Defence Budget is categorised/grouped under four Demands for Grants viz. Demand No. 19 – Ministry of Defence (Civil), Demand No. 20– Defence Services (Revenue), Demand No. 21 – Capital Outlay on Defence Service and Demand No. 22 – Defence Pensions. Demand Nos. 19 and 22 come under Civil/Pension Estimates and Demand Nos. 20 and 21 constitute Defence Services Estimates. Grant Number 20 caters to revenue expenditure which includes expenditure on pay & allowances, transportation, revenue stores (like ordnance stores, ration, petrol, oil and lubricants, spares, maintenance of various platforms / equipment etc), revenue works (which include maintenance of buildings, water and electricity charges, rents, rates and taxes, etc) and other miscellaneous expenditure. Grant Number 21 caters to Capital expenditure which includes expenditure on land, construction works, plant and machinery, equipment, heavy and medium vehicles, Naval Vessels, Aircraft and Aero engines, Dockyards, etc. During the examination of the subject, the Committee find that re-structuring of Capital budget has been done with effect from FY 2024-25 wherein budgetary allocation of the three Services under common minor heads has been clubbed under the newly introduced Sub Major Head 09 i.e Defence services. Allocation under 39 other minor heads which are not common to the Services remain unchanged. During the examination of Demands for Grants of the Ministry of Defence for 2024-25, the Committee learn that the total allocated budget for the Ministry of Defence for Financial Year 2024-25 is ₹6,21,940.85 Crore. Out of this amount, the largest share of 73.12 percent, i.e. ₹4,54,772.67 Crore has been allocated for Defence Services Estimates (Grant Number 20 and 21). The Capital Outlay on Defence Services (Grant number 21) has been allocated an amount of ₹1,72,000 Crore. An amount of ₹2,82,772.67 Crore has been allocated to Defence Services Revenue (Grant Number 20).

Reply of the Government

This Ministry fully agrees with the observations of the Committee.

Recommendation No. 2

The Committee note that the capital budget of defence services is bifurcated into capital acquisition and other than capital acquisition with outlays of ₹1,40,691.24 Crore and ₹31,308.76 Crore respectively in BE 2024-25. The Committee take note of this fact with satisfaction that the total capital outlay of Defence services has registered an increase of 5.79 per cent from that of BE 2023-24. The capital acquisition expenditure which is also known as

the modernisation budget of the Defence Services – Army, Navy, Air Force and Joint Staff – reflects an increase of 6.34 per cent in comparison with BE 2023-24. Other than the Capital Acquisition segment, which consists of the land and works expenditure of the Armed Forces and the capital budget of DRDO, DGQA and Directorate of Ordnance (Coordination & Services), has seen an increase of 3.33 percent when compared to BE 2023-24. At this stage, the Committee desire that the total Capital Outlay projected for Revised Estimates 2024-25 be allocated so as to maintain upward trajectory of Capital budget allocation for the Defence Services.

Reply of the Government

In BE 2024-25, Ministry of Defence had been allocated an amount of ₹1,72,000.00 Crore under Capital Head. However, this allocation has been reduced to ₹1,59,500.00 Crore at RE 2024-25 stage by M/o Finance based on absorption capacity of the Services, pace of expenditure in the current Financial Year and overall resource envelope available and pressing demands of other Ministries etc. Having said that, it may also be noted that if need be, additional funds can be sought at Supplementary stage. The progress of expenditure is reviewed from time to time to ensure that the allocated funds are optimally utilized towards operational activities so that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services.

Utilisation of Capital budget

Recommendation No. 3

The Committee learn that the total allocation under Capital Head at Revised Estimates 2023-24 to Army, Navy, Air Force, Joint Staff, Directorate of Ordnance (Coordination & Services) and R&D stood at ₹33,412.16 Crore, ₹51,052.18 Crore, ₹58,500.51 Crore, ₹1,396.18 Crore, ₹1,310.50 Crore and ₹12,942.85 Crore, respectively. The Committee, on examination of the budgetary documents in connection with DFG 2024-25, find that barring Army and Joint staff, the other Services and Organizations are able to fully utilize the funds allocated at RE 2023-24 for Capital Budget. While noting that about 65 percent of the grants could be utilized till the completion of the third quarter of the Financial Year, the Committee would like to be apprised as to what are the plans/schemes/channels/trajectory in place for utilizing the remaining 35 percent until the time this Financial Year draws to a close. The Committee, at this stage, hope that the Ministry would undertake a pragmatic approach while seeking further allocations at RE stage for making a realistic assessment of the allocations sought.

Reply of the Government

The Committee may be apprised that necessary measures are taken for modernization of the Armed Forces, through procurement of new equipment and upgrading of existing equipment and systems. The modernization projects are being progressed as per the approved Capital Acquisition Plans and in terms of the extant Defence Procurement Procedure. Further, Acquisition Wing, being a specialist organization created on the basis of the Kargil Committee Report and recommendations of the Group of Ministers looks after all capital acquisition projects from inception to finality. In addition, the Defence Procurement Board, which is chaired by Defence Secretary and the Defence Acquisition Council headed by RakshaMantri comprising of all stakeholders, monitor adherence to broad timelines in Defence Procurement.

2. In BE 2024-25, Ministry of Defence had been allocated an amount of ₹1,72,000 Crore under Capital Head. However, this allocation has been reduced to ₹1,59,500 Crore at RE 2024-25 stage by M/o Finance based on absorption capacity of the Services, pace of expenditure in the current Financial Year and overall resource envelope available etc. Further, it may be stated that allocation made for defence under Capital Head is adequate to sustain the desired level of defence preparedness. If required, based on expenditure during the year, pending committed liabilities and critical/operational requirements, threat perception etc., additional funds are sought at Supplementary stage. The progress of expenditure is reviewed from time to time to ensure that the allocated funds are optimally utilized towards operational activities so that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services.

Ratio of Capital and Revenue Outlay for the Services

Recommendation No. 4

On scrutiny of the documents provided by the Ministry of Defence in connection with examination of Demands for Grants for the year 2024-25, the Committee note that since 2019-20 onwards, the 'Revenue' component of the total outlay for the three Services overshadows the 'Capital' component significantly. The overall 'Revenue' to 'Capital Ratio' of the budgetary allocation for the Services stands at 66:34, 61:39, 64:36, 65:35, 66:34 and 67:33 for 2019- 20, 2020-21, 2021-22, 2022-23 and 2023-24, respectively. For 2024-25, this 'Revenue' to 'Capital Ratio' of the budgetary allocation stands at 66:34. The Committee are given to understand that Revenue expenditure (Demand No. 20) includes expenditure on pay & allowances, transportation, revenue stores (like ordnance stores, rations, petrol, oil and lubricants, spares, maintenance of various platforms/equipment etc.), revenue works (which include maintenance of buildings, water and electricity charges, rents, rates and taxes, etc) and other miscellaneous expenditure; Capital expenditure includes expenditure on land, construction works, plant and machinery, equipment, heavy and medium vehicles, Naval Vessels, Aircraft and Aero engines, Dockyards, etc. In the considered view of the Committee, both Revenue and Capital expenditure play significant roles in operational preparedness of

our Forces. Therefore, the Committee hope that allocations under Capital head need to be suitably matched to balance the ratio of Revenue and Capital outlay for the Services.

Reply of the Government

In BE 2019-20, M/o Defence had been allocated an amount of ₹1,03,394.31 Crore under Capital Head which is enhanced by ₹68,605.69 Crore (66.35%) to ₹1,72,000 Crore in BE 2024-25. On the other hand, allocation to M/o Defence under Revenue Head has increased by ₹80,870.91 Crore (40.05%) in BE 2024-25 from BE 2019-20 allocation of ₹2,01,901.76 Crore. It may be seen that the allocation made under Capital Head has seen a bigger jump than the allocation made under Revenue Head in the last five years. Further, the Committee may be apprised that allocation made to Ministry of Defence under Revenue Head is more than the allocation under Capital Head as a large portion of the funds allocated under Revenue Head is spent on the pay and allowances of the employees.

Modernization of Defence Forces

Recommendation No. 5

The Committee glean through the available facts before them that the Modernisation of Defence Forces is funded through Capital segment of the Defence budget. Modernisation involves the acquisition of new state-of-the-art platforms, technologies and weapon systems to upgrade and augment defence capabilities. It is a continuous process based on threat perception, operational challenges and technological changes to keep the Armed Forces in a state of readiness to meet the entire spectrum of security challenges. 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 5 year Service-wise Capability Acquisition Plan, a 2 year roll-on Annual Acquisition Plan and deliberations by the Defence Acquisition Council chaired by the Raksha Mantri. The Committee note that in 2024-25, out of the amount of ₹1,72,000 Crore allocated for Capital Outlay on Defence Services for the Services/Organisations covered under Defence Services Estimates, ₹1,40,691.24 Crore is allocated for Capital Acquisition /Modernisation Head of the three Services viz. Army, Navy (including Joint Staff) and Air Force. The Committee also find that the allocation for Modernisation Head of the Services has seen an increase of ₹8,000 Crore from BE 2023-24. Keeping in view the need for maintaining credible war deterrence at all times, the Committee recommend that enhanced budgetary allocation, if sought, under Capital Head for modernization purpose at Revised Estimates 2024-25 may be given to ensure state-of-the-art weapons/equipment and logistical support for the Armed Forces.

Reply of the Government

In BE 2024-25, Ministry of Defence had been allocated an amount of ₹1,40,691.24 Crore under Modernisation (Capital Acquisition) Head. However, this allocation has been

reduced to ₹1,30,916.35 Crore at RE 2024-25 stage by M/o Finance based on absorption capacity of the Services, pace of expenditure in the current Financial Year, overall resource envelope available etc.. However, if required, additional funds will be sought at supplementary stage to meet any liability arisen out of conclusion of new scheme(s) in the current financial year. In addition to this any expected cash outgo in the last days of the Financial Year as conclusion of new schemes or against committed liability is planned on priority in the first quarter. Therefore, all efforts are made to ensure that acquisition of the equipments/weapons do not suffer due to want of funds till the end of the Financial Year.

Committed Liabilities and New Schemes

Recommendation No. 6

The Committee also learn that Committed Liability means payments anticipated during a financial year in respect of contracts concluded in previous years and holds first charge on the budget allocation. Committed Liabilities constitute a significant element in respect of the capital acquisition segment, since one project may span several financial years. New Schemes include new projects/proposals which are at various stages of approval and are likely to be approved and contracts concluded during the year. The Committee further learn that in the Defence Services Estimates (DSE), there is no separate allocation of funds for Committed Liabilities (CL) and New Schemes (NS) and these are catered through the Capital Acquisition (Modernization) budget. In the current financial year 2024-25, an amount of ₹1,40,691.24 Crore is allocated in BE 2024-25 under Capital Acquisition (Modernisation) Head. The Committee are satisfied to note that there is no gap between projection and allocation in BE 2024-25 under Capital Acquisition (Modernisation) Head for the three Services. The Committee at this stage can only recommend that like for BE 2024-25, projected amount under this Capital Acquisition (Modernisation) Head at Revised Estimates stage of 2024-25 may be favourably considered by the Ministry to ensure unhampered and continuous modernization process of the Defence Forces.

Reply of the Government

In BE 2024-25, Ministry of Defence had been allocated an amount of ₹1,40,691.24 Crore under Modernisation (Capital Acquisition) Head. However, this allocation has been revised to ₹1,30,916.35 Crore at RE 2024-25 stage by M/o Finance based on absorption capacity of the Services, pace of expenditure in the current Financial Year, overall resource envelope available etc. However, if required, additional funds will be sought at supplementary stage to ensure unhampered and continuous modernization process of the Defence Forces.

Recommendation No. 7

The Committee find that policy for procurement of defence equipment for the Armed Forces aims to develop the capability of the armed forces and by meeting the security and operational needs. The thrust remain to buy contemporary armaments in a

time bound manner. Simultaneously, it also envisages to make India self-reliant in defence equipment production with the ultimate aim to develop India as a global defence manufacturing hub. 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-IDDMM (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. Some special features, which have been included in the DAP 2020 are special chapters on Information and Communication Technology requiring more security, ruggedness as well as technological obsolescence in a faster timeframe. 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 Ministry in its submission has stated that it has been revised nine times during last 11 years and due to diversity of our geographical terrain the procurement manual has to cater for all eventualities. Though the Committee take cognizance of the fact that the requirements of each of the armed forces are very complex yet the Committee expect that the Ministry to accelerate the revision of Manual on Defence Acquisition Procedure as this will not only put the procedure for procuring fast track the arms, ammunition and defence equipment in fast lane but also propel the country towards self-reliance. Hence, the Committee recommend that time bound and determined efforts must be made by all stakeholders involved in the process of procurement such as the Ministry, DPSUs the Armed Forces and private sector as this is vital for realization of the goal of self reliance in Defence Sector.

Reply of the Government

The Government attaches the highest priority to ensure that the Armed Forces are sufficiently equipped to meet any operational requirement. Capital Acquisition for the Indian Armed Forces is made as per guidelines under the Defence Acquisition Procedure (DAP), 2020 which is a flexible document continuously evolving on the basis of operational experience, changing threat perceptions and technological advancements. Continuous review of DAP ensures that hurdles in speedier acquisitions are identified and removed swiftly which ultimately reduces the acquisition cycle. DAP 2020 has been kept updated via Business Processing Reengineering (BPR) wherein 103 amendments have been carried out to align the same towards more efficient and effective processes. For promoting indigenous defence industry, following amendments were made to DAP-2020:

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- (d) Increased Indigenous Content (IC) in various categories of procurement under DAP-2020. Inclusion of provision for minimum 50% IC in the form of

indigenous material/ components/ software in the equipment being acquired with an aim at boosting indigenous production and reduce import dependency.

(e) Notification of 'Positive Indigenisation Lists' on a periodic basis to promote Aatmanirbharta. Five Positive Indigenization Lists comprising of 509 platforms/ equipment have been issued.

(f) Self-Reliance in Indian Defence eco system with "No foreign sourcing". Foreign procurements only as exceptions with prior approval of Defence Acquisition Council.

A comprehensive review of DAP 2020 is due in the current year to ensure timely acquisitions in transparent manner.

Further, 64.09% of the total capital budget has been earmarked for domestic Capital procurement in 2021-22, which has been increased to 68% for FY 2022-23 and 75% for FY 2023-24, 2024-25 and 2025-26.

Recommendation No. 8.

The Committee note from the information furnished by the Ministry that acquisition time line is 74-106 Weeks/19-26 Months, which according to the Committee is a much stretched period of time in terms of strategic risks involved. The Committee is of the view that with high level of dynamism in the field of technology such a long timeline can result in technology becoming obsolete and redundant hence directly having adverse impact on the security of the country. Furthermore, the dynamism of international geopolitics relations can also threaten the acquisition through traditional channels and allies which is evident in the recent Russo-Ukraine War. Therefore, in the wake of dynamism exhibited in terms of technological development and global relations, the Committee recommend that Ministry should try to identify ways in which the defence equipment acquisition can be accelerated without compromising on the transparency and accountability of the process. This would not only help in empowering our forces but will also act as deterrent for hostile countries. The Committee may be apprised of the action taken in this regard.

Reply of the Government

The Government is maintaining the highest standards of transparency, probity, public accountability and a balance between competing requirements such as expeditious procurement, high quality standards and appropriate costs in capital acquisition process. Ministry of Defence has aligned its acquisition process with Atmanirbhar Bharat clarion and it is focused towards enhancing self-reliance in defence production and the Indigenisation of spares.

Some of the measures being undertaken to accelerate defence equipment acquisition are simplification of trials based on certification, compression of timelines for capital acquisitions and revision of Defence Acquisition Procedure (DAP)-2020 in the current year.

Recommendation No. 9.

The Committee note that for ensuring accountability and transparency in Defence Procurement cases, the Ministry has taken various measures like interactive policy reviews with Indian defence industry, use of certification, simulation, visibility of Capability Development Plan to Indian Defence Ecosystem, hosting of policy changes, AoNs, RFI, etc. on MoD websites, etc. The Committee appreciate the steps taken by the Ministry for ensuring accountability and transparency in the Defence Sector but would also recommend the need to warrant that all the measures/steps taken are implemented stringently at all levels and a robust monitoring mechanism must be formulated for ensuring fair and timely procurement of weapon systems. At the later stage the Committee may also be apprised of the number of cases, if any, when persons were found guilty after implementation of 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 in letter and spirit. Any discrepancies/violations, if noticed, are handled as per existing provisions for the same.

Recommendation No. 10

The Committee note that to ensure level-playing field for private defence industry vis-a-vis the DPSUs, various measures like enhanced opportunities through DND categories which have been given to the private industry since the Ordnance Factory Board (OFB) has been corporatized, there are seven DPSUs which have been added, and there has been a parity in securities and payment terms between the DPSUs and bank guarantees which were earlier five to ten per cent were reduced to three per cent and they remain at three per cent as on today. The Committee applaud the initiatives taken to attract the private enterprisers in the defence sector but there is still a lot more to be done in this direction. Amongst the private players in defence sector, the Committee prescribe that the Ministry should try to encourage indigenous private enterprises instead of foreign conglomerates. Considering long and arduous gestation period in defence manufacturing sector, the Committee would recommend the Ministry to enhance capital procurement and augment design and research assistance for indigenous players in order to create vibrant indigenous private defence manufacturing hub which is also the essence of the AtmaNirbhar Bharat program. The Committee would also like to point that existence of flourishing private defence sector would necessitate the need for articulated design and patent laws synchronised with the unique needs of defence manufacturing sector.

Reply of the Government

1. The Ministry has launched various schemes to encourage indigenous private enterprises instead of foreign conglomerates like the launch of Innovations for Defence Excellence (iDEX), Make Schemes (Make I, Make II & Make III) & Technology Development Fund (TDF).
2. The Ministry encourages participation in R&D by Indian Industries. Buy (Indian-IDDM) has been given the highest priority for capital acquisition of Defence Equipment, as per DAP-2020.
3. Patents obtained by DRDO are available on DRDO website for use by industries, which are available free of cost to the industry. Ownership of IPR generated in iDEX and Make cases is also provided to the Industry. Ministry monitors the IPRs filed and granted in case of Indian designs developed by DPSUs and Industry under “Mission RakshaGyan Shakti”. A dedicated IP cell has been created in the MoD.
4. Department of Military Affairs (DMA), Ministry of Defence, has notified five Positive Indigenisation Lists (PILs) comprising of 509 items. These include some high technology weapon systems like artillery guns, assault rifles, corvettes, sonar systems, transport aircrafts, light combat helicopters (LCHs), radars, wheeled armoured platform, rockets, bombs, armoured command post vehicle, armoured dozer and many other items to fulfil the needs of our Defence Services. To minimize import by DPSUs, DDP/MoD has also notified five Positive Indigenisation list of total 5012 major LRUs/ sub-systems/ assemblies/sub-assemblies/ spares & components. The timelines beyond which these items will be procured from domestic industry only, has also been given in these lists. As on 01.12.2024, 3010 items out of 5012 have been indigenised.
5. For providing opportunities to Indian industry under ‘Make in India’ in Defence a portal, namely SRIJAN DEFENCE has been launched in August 2020 for DPSUs/Services with an industry interface to provide development support to MSMEs/ Startups/ Industry for import substitution.

Recommendation No. 11.

The capital procurement of Defence equipment from Indian and foreign vendors is carried out as per the provisions of the Defence Procurement Procedure. Defence equipment is being imported from various countries as per the operational requirements of Armed Forces. The committee have been informed that during the last financial year (2023-24) and current Financial year 2024-25 (upto September, 2024), total 271 capital acquisition contracts have been signed for capital procurement of defence equipment for Armed forces, out of which 6 contracts have been signed with vendors from foreign countries (Russia and USA) for capital procurement of defence equipment. The major

Defence equipment imported includes Assault Rifles, Missiles, etc. The committee also note that the value of foreign capital procurement has also gone down drastically during the last three years and current year. All these data show that dependence on foreign Suppliers is decreasing substantially thus committee is hopeful that India would soon become self-reliant in defence sector.

Reply of the Government

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

Self Reliance and Make in India

Recommendation No. 12

The Committee note that the 'Make in India' initiative of the Government is devised to transform India into a global design and manufacturing hub. 'Make in India' in defence sector is primarily driven by providing preference to procurement from Indian vendors under the Defence Procurement Procedure (DPP), promoting indigenous design, development and manufacture of defence equipment, and other policy measures such as launch of IDEX and ADITI, simplification of Make procedure, introduction of simplified procedure for Make-II sub category, liberalization of the licensing regime and FDI policy by raising the cap on FDI in the defence sector, simplification of export procedure, streamlining of defence offset guidelines, creation of level playing field between public and private sector, formulation of outsourcing and vendor development guidelines, setting up of 'Technology Development Fund' to public and private sector industry especially Medium, Small and Micro Enterprises (MSME) etc. The proposals for capital acquisition in Defence Procurement Procedure (DPP) 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 after deliberations in various Committees such as SPB/ DPB/ DAC. The Ministry has also made allocation of 75% per cent of Modernization Defence Budget for Domestic Procurement in financial year 2024-25. Similarly, for promoting 'Make in India' several policy measures have been taken by way of revising FDI policy, enhancing indigenous/local contents to minimum 50%, creation of Defence Industrial Corridors in Uttar Pradesh and Tamil Nadu and delivery of offsets through Indian partners with higher multipliers etc. The Committee are happy with the progress being made towards promotion of Make In India and making India Atmanirbhar in defence sector.

Reply of the Government

Ministry is thankful to the Committee for recognizing and appreciating efforts of Deptt/Ministry for promoting "Make in India" &AtmanirbharBhart.

Recommendation No. 13

The Committee note that the Offsets under Defence Capital Acquisition were introduced in the Defence Procurement Procedure (DPP) in 2005 based on the recommendation of Kelkar Committee. The Offset guidelines in DPP have been amended 6 times thereafter. As per Defence Acquisition Procedure (DAP 2020) offset provisions are applicable only on “Buy Global” categories of capital acquisitions. They apply in capital acquisition contracts which are more than Rs. 2,000 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 helicopters and aircrafts. 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 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.

The Committee are given to understand that the vendors have been expressing difficulties in providing the details of Indian Offset Partners, products and work share along with supporting documents in the technical offset proposal as per offset guidelines at Technical Offset Evaluation Committee (TOEC) stage, sighting that these activities would be undertaken number of years later which would then cause seeking changes to the contract. Another major challenge towards post contract management had been timely and meaningful disposal of contract amendment requests received from the vendors for change of IOP/Product etc. The resolution of these issues have been catered for by introducing an amendment to the offset guidelines with the approval of Defence Acquisition Council, whereby vendors have been given an option to provide details of IOPs and products even after signing of contracts, thereby making it more realistic. Although the Committee appreciate the fact that the process for contract amendment has been made flexible by allowing change of Indian Offset Partners (IOPs) and offset components, for the signed contracts yet there is scope for the Ministry to strive further towards effective implementation of offset guidelines based on the feedback received from the vendors at the grass-root level. Therefore, the Committee recommend that

Ministry of Defence play more proactive role in selection of offset partners since the inception of such agreement in order to avert any kind of breach of offset agreement at any level. Furthermore, the Committee is in total concurrence that the success of indigenization of defence sector is adhered to fulfilment of offset agreement *in toto*. Additionally, therefore the Committee recommend that Ministry should work out a mechanism to ensure that all the offset agreements are implemented thoroughly at all level to give momentum to indigenization programmes. The violators of offset agreement may be penalized appropriately keeping the security perception in mind. The Committee may be apprised of the action taken in this regard.

Reply of the Government

1. As per the Defence Offset Guidelines under extant DPP/DAP, the Vendor/Tier-1 sub vendor will be free to select the Indian Offset Partner (IOP) for implementing the offset obligation. The function of Defence Offset Management Wing (DOMW) in the Ministry includes assisting vendors in interfacing with Indian Industry. Ministry is organizing Conclaves/Webinars/Seminars/Interactive Sessions primarily through Industry Associations to facilitate interface of vendors with Indian defence companies.
2. Ministry has streamlined the process of management of offset contracts through digitisation of the offset claim submission, audit, verification and calculation of shortfalls. This has enhanced transparency, accountability and efficiency in offset management.
3. For unfulfilled offset obligations, the vendors are penalized as per the terms and conditions of the offset contracts governed by the applicable Defence Procurement Procedure.

Foreign Direct Investment

Recommendation No. 14

The committee note the Government has reviewed the Foreign Direct Investment (FDI) policy in Defence sector in September 2020 thereby allowing FDI under Automatic Route up to 74% and beyond 74% through Government Route wherever it is likely to result in access to Modern technology or for other reasons to be recorded. The Committee note that this FDI limit was increased from 49% to 74% to ensure that it will come along with the technology also and the FDI limit has also been made attractive enough as it facilitate up to 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 hampered. Furthermore, the Committee note that current FDI policy facilitate up to 100 per cent by Government route wherever, it is likely to result in access to modern technology or for other reasons to be recorded. The Ministry also submitted that consequently increasing FDI through automatic route to 100 per cent will nullify the ownership of domestic partner. The committee, therefore, recommend that in addition to the measures taken for making FDI more attractive, focused efforts may be undertaken by the Ministry to strengthen indigenous

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 independently which are presently being acquired through the FDI route.

Reply of the Government

In order to boost Research & Development infrastructure in the country, Ministry of Defence has taken various measures so that the indigenous defence sector is encouraged to develop & manufacture technologies/systems/accessories. The initiatives inter-alia include Buy (Indian-IDDM) has been accorded top priority for procurement of capital equipment; Simplification of Make Procedure; Launch of Innovations for Defence Excellence (iDEX) scheme involving startups & Micro, Small and Medium Enterprises (MSMEs); Opening up of Defence Research & Development (R&D) for industry, startups and academia; implementation of New Transfer of Technology Policy; Contest to Support Start Ups & Innovators; Exclusive Technologies/Systems for industry to develop, Provisional access to domestic industry to test facilities of DRDO; Free access for Indian Industry to DRDO Patents, MoU with Defence Industrial Corridor to impact skill training, hand holding & guidance; To augment the knowledge potential, DRDO is imparting Apprenticeship scheme & Internship training.

Recommendation No.15

The Committee note that the Defence Planning process caters to the need of the current and future modernization need of the Armed Forces. The Committee understand that since this is an exhaustive process involving lot of internal and external variables of dynamic nature, it needs to be dynamic and adaptive. The Committee have been informed that keeping in mind the diverse need of all the three services, Headquarters Integrated Defence Staff (HQ IDS) had been made as a single point contact to ensure a joint planning for all the three services. The Committee are happy to note that HQ IDS has developed Integrated Capability Development System (ICDS) which carries out the defence planning through an interactive process. The committee have been informed that Integrated Capability Development Plan will be prepared which will comprise Five Year Defence Acquisition plan and Two-Year Annual Acquisition Plan which will factor in budgetary projections. The committee would like to be informed of the current status of ICDP as well as the benefits accrued due to this plan.

Reply of the Government

With an aim to achieve the objectives of Joint Capability Planning, a framework bound process termed as Integrated Capability Development System (ICADS) has been adopted. ICADS is a five-stage process and deliverables of the process are the 10 Year Integrated Capability Development Plan (ICDP), two 5 Year Defence Capital Acquisition Plans (DCAP) and Two Year Roll-On Annual Acquisition Plans (AAP). Presently, Stage-III of ICADS is in progress. ICDP post approval and promulgation, will enhance Integration and Jointness in Capability Planning leading to identification/acquisition of modern capabilities and technologies required by the three Services in consonance with the likely

budgetary support from the Government. This strategic roadmap will not merely be a list of acquisitions but a meticulously crafted plan emanating from higher directives and aligned with long-term defence objectives. ICADS would address the specific needs of the armed forces identified through rigorous threat assessments and capability gap analyses, ensuring a holistic approach to capability enhancement, primarily through “Make in India” initiative of Gol.

CHAPTER - III

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

-Nil-

CHAPTER - IV

Observations/Recommendations in respect of which reply of Government has not been accepted by the Committee

-Nil-

CHAPTER - V

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

-NIL-

**New Delhi;
5 August, 2025
14 Sravana, 1947 (Saka)**

**RADHA MOHAN SINGH
Chairperson
Standing Committee on Defence**

APPENDIX I

STANDING COMMITTEE ON DEFENCE (2024-25)

MINUTES OF THE ELEVENTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2024-25)

The Committee sat on Tuesday, the 5th August, 2025 from 1500 hrs to 1600 hrs in Committee Room No. 1, Block A, Extension to Parliament House Annexe, New Delhi.

PRESENT

Shri Radha Mohan Singh- Chairperson

MEMBERS

Lok Sabha	
2	Dr. Rajeev Bharadwaj
3	Shri Karti P Chidambaram
4	Shri Ranjit Dutta
5	Captain Viriato Fernandes
6	Shri Mohmad Haneefa
7	Ms. S. Jothimani
8	Shri Ravindra Shukla Alias Ravi Kishan
9	Shri Shashank Mani
10	Shri Lumba Ram
11	Shri Jagannath Sarkar
12	Shri Jagadish Shettar
13	Shri Virendra Singh
14	Shri Kesineni Sivanath
15	Shri Richard Vanlalhmangaiha
Rajya Sabha	
16	Shri Naresh Bansal
17	Shri Prem Chand Gupta
18	Shri Muzibulla Khan
19	Shri Praful Patel
20	Shri Dhairyashil Mohan Patil
21	Dr. Sudhanshu Trivedi

SECRETARIAT

- | | | |
|---------------------------|---|------------------|
| 1. Smt. Jyochnamayi Sinha | - | Joint Secretary |
| 2. Smt. Juby Amar | - | Director |
| 3. Shri Ajay Kumar Prasad | - | Deputy Secretary |

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them about the agenda for the Sitting *i.e.* consideration and adoption of the draft Action Taken Reports on the Observations/Recommendations contained in their 1st, 2nd, 3rd and 4th Reports on Demands for Grants of the Ministry of Defence for the year 2024-25 and briefing by the representatives of the Ministry of Defence on the subject 'Consolidation of Defence lands by Defence Estates Organization and working of Cantonment Boards'.

3. The Committee then took up the following four draft Reports for consideration:

(i) Action Taken by the Government on the Observations/Recommendations contained in the First Report (18th Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 2024-25 on 'General Defence Budget, Border Roads Organisation, Indian Coast Guard, Defence Estates Organisation, Defence Public Sector Undertakings, Welfare of Ex Servicemen and Defence Pension (Demand Nos. 19 and 22)';

(ii) Action Taken by the Government on the Observations/Recommendations contained in the Second Report (18th Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 2024-25 on 'Army, Navy, Air Force, Joint Staff and Ex-Servicemen Contributory Health Scheme (Demand Nos. 20 and 21)';

(iii) Action Taken by the Government on the Observations/Recommendations contained in the Third Report (18th Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 2024-25 on 'Capital Outlay on Defence Services, Procurement Policy and Defence Planning (Demand No. 21)'; and

(iv) Action Taken by the Government on the Observations/Recommendations

contained in the Fourth Report (18th Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 2024-25 on 'Directorate of Ordnance (Coordination and Services) – New DPSUs and Defence Research and Development Organisation (Demand Nos. 20 and 21).

4. After deliberations, the Committee adopted the above Reports without any modifications. The Committee, then, authorised the Chairperson to finalise the above draft Report and present the same to the Parliament on a date convenient to him.

5. *****

The Committee then adjourned.

*****Does not pertain to the Reports

APPENDIX II

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE THIRD REPORT (18TH LOK SABHA) OF THE STANDING COMMITTEE ON DEFENCE ON DEMANDS FOR GRANTS OF THE MINISTRY OF DEFENCE FOR THE YEAR 2024-25 ON 'CAPITAL OUTLAY ON DEFENCE SERVICES, PROCUREMENT POLICY AND DEFENCE PLANNING (DEMAND NO. 21)'.

- 1. Total No. of Recommendations 15**
- 2. Observations/Recommendations which have been accepted by the Government (Chapter II):**

Recommendation Para Nos. 1,2,3,4,5,6,7,8,9,10,11,12,13,14 and 15

Total : 15

Percentage:100%
- 3. Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government (Chapter III):**

Recommendation Para Nos. Nil

Total : 00

Percentage:0 %
- 4. Observations/Recommendations in respect of which reply of Government has not been accepted by the Committee (Chapter IV):**

Recommendation Para Nos. Nil

Total : 00

Percentage:0%
- 5. Observations/recommendations in respect of which final replies of the Government are still awaited (Chapter V):**

-Nil-

Total : 00

Percentage:0%