

21

STANDING COMMITTEE ON DEFENCE (2020-21)

(SEVENTEENTH LOK SABHA)

MINISTRY OF DEFENCE

DEMANDS FOR GRANTS (2021-22)

**CAPITAL OUTLAY ON DEFENCE SERVICES,
PROCUREMENT POLICY, DEFENCE PLANNING AND MARRIED ACCOMMODATION
PROJECT**

(DEMAND NO. 20)

TWENTY FIRST REPORT



LOK SABHA SECRETARIAT

NEW DELHI

March, 2021 / Phalguna , 1942 (Saka)

TWENTY FIRST REPORT

STANDING COMMITTEE ON DEFENCE (2020-21)

(SEVENTEENTH LOK SABHA)

MINISTRY OF DEFENCE

DEMANDS FOR GRANTS (2021-22)

**CAPITAL OUTLAY ON DEFENCE SERVICES, PROCUREMENT
POLICY AND DEFENCE PLANNING**

(DEMAND NO. 20)

Presented to Lok Sabha on 16.03.2021

Laid in Rajya Sabha on 16.03.2021



LOK SABHA SECRETARIAT

NEW DELHI

March, 2021 / Phalguna , 1942 (Saka)

CONTENTS

	PAGE No.
COMPOSITION OF THE COMMITTEE (2020-21).....	iv
INTRODUCTION	vi

REPORT PART I

Chapter I	Capital Outlay on Defence Services.....	1
Chapter II	Procurement Policy for the Defence Services.....	16
Chapter III	Defence Planning.....	32
Chapter IV	Married Accommodation Project.....	35

PART II

Observations/Recommendations	41
------------------------------	----

ANNEXURES

Minutes of the Sittings of the Standing Committee on Defence (2020-21) held on 17.02.2021, 18.02.2021, 19.02.2021, 9.3.2021 and 15.3.2021	59
--	----

COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (2020-21)

SHRI JUAL ORAM

-

CHAIRPERSON

Lok Sabha

2. Shri Deepak (Dev) Adhikari
3. Kunwar Danish Ali
4. Shri Ajay Bhatt
5. Shri Devusinh Jesingbhai Chauhan
6. Shri Nitesh Ganga Deb
7. Shri Rahul Gandhi
8. Shri Annasaheb Shankar Jolle
9. Choudhary Mehboob Ali Kaiser
10. Prof. (Dr.) Ram Shankar Katheria
11. Smt. (Dr.) Rajashree Mallick
12. Dr. T.R. Paarivendhar
13. Shri Kapil Moreshwar Patil
14. Shri Anumula Revanth Reddy
15. Shri Jugal Kishore Sharma
16. Dr. Shrikant Eknath Shinde
17. Shri Prathap Simha
18. Shri Brijendra Singh
19. Shri Mahabali Singh
20. Shri Kotagiri Sridhar
21. Shri Durga Das Uikey

Rajya Sabha

22. Dr. Ashok Bajpai
23. Shri Prem Chand Gupta
24. Shri Sharad Pawar
25. Shri V. Lakshmikantha Rao
26. Shri Sanjay Raut
27. Shri Rajeev Satav
28. Dr. Abhishek Manu Singhvi
29. Shri Kamakhya Prasad Tasa
30. Dr. Sudhanshu Trivedi
31. Lt. Gen. Dr. D. P. Vats (Retd.)

SECRETARIAT

- | | | | |
|---|---------------------|---|----------------------|
| 1 | Smt. Kalpana Sharma | - | Additional Secretary |
| 2 | Dr. Sanjeev Sharma | - | Director |
| 3 | Shri Rahul Singh | - | Deputy Secretary |
| 4 | Smt. Shilpa Kant | - | Committee Officer |

INTRODUCTION

I, the Chairperson of the Standing Committee on Defence (2020-21), having been authorised by the Committee, present this Twenty-First Report (Seventeenth Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 2021-22 on 'Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)'.

2. The Demands for Grants of the Ministry of Defence were laid on 13 February, 2021 in Lok Sabha. The Committee took evidence of the representatives of the Ministry of Defence on 17, 18 and 19 February, 2021. The draft Report was considered by the Committee at their Sittings held on 9 and 15 March, 2021 and was adopted at the Sitting held on 15 March, 2021.

3. The Committee wish to express their thanks to the officers of the Ministry of Defence and representatives of the Services/Organisations for appearing before the Committee and furnishing the material and information which the Committee desired in connection with examination of the Demands for Grants.

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

New Delhi;
15 March, 2021
24 Phalguna, 1942 (Saka)

JUAL ORAM
Chairperson
Standing Committee on Defence

REPORT

PART I

CHAPTER I

CAPITAL OUTLAY ON DEFENCE SERVICES

DEMAND NO. 20

The Committee learnt that Capital Outlay provides allocation for Land & Construction Works of the three Services and others, Capital Expenditure of various Defence Departments and for Capital Acquisitions of the Services, etc. It caters for the expenditure incurred on building or acquiring durable assets. Demand No. 20 of the Ministry of Defence pertains to Capital Outlay on Defence Services. The Capital expenditure includes expenditure on land, construction works, plant and machinery, equipment, Tanks, Naval Vessels, Aircraft and Aero engines, Dockyards, etc. It pertains to various Services/Organisations of the Ministry of Defence i.e., Army, Navy, Air Force, Joint Staff, Defence Ordnance Factories, Defence Research & Development Organisation (DRDO), Director General Quality Assurance (DGQA), National Cadet Corps (NCC), Married Accommodation Project (MAP), National Defence Academy and Rashtryia Rifles etc.

1.2 In Budget Estimates 2020-21, RE 2020-21 and BE 2021-22 Ministry of Finance allocated funds for Defence Services for Revenue and Capital Heads as under:

(Rs. In crore)

	BE 2020-21	RE 2020-21	BE 2021-22
Revenue (Net)	2,09,319.00	2,09,312.00	2,12,027.56
Capital	1,13,734.00	1,34,510.00	1,35,060.72
Total	3,23,053.00	3,43,822.00	3,47,088.28

1.3 The year-wise allocations in Budget Estimates, Revised Estimates and Actual Expenditure under Defence Services Estimates, from 2017-18 to 2021-22 are as under:

(Rs. in crore)

Year	BE	RE	Actual Expenditure
13 th Plan			
2017-18	2,59,261.90	2,63,003.85	2,72,559.83
2018-19	2,79,305.32	2,82,100.23	2,87,688.65
2019-20	3,05,296.07	3,16,296.07	3,18,664.58
2020-21	3,23,053.00	3,43,822.00	2,33,176.70*
2021-22	3,47,088.28		

1.4 The Ministry of Defence forwarded the following information during the Sitting of the Committee through Power Point Presentation elaborating the Defence Budget (DSE) (2021-22):

	Rs in Crore	% of Rev. Exp.	% of Def. Exp.
Revenue Expenditure			
Pay & Allowances	1,53,919.44	72.59	44.35
Stores & Equipment	31,483.63	14.85	9.07
Transportation	6,182.65	2.92	1.78
Miscellaneous	6,912.37	3.26	1.99
Revenue Works, etc	13,529.47	6.38	3.90
(a) Total Revenue Expenditure	2,12,027.56	100.00	61.09
(b) Capital Expenditure	1,35,060.72		38.91
Capital Acquisition/Modernisation	1,11,463.21		32.11
Total (a & b)	3,47,088.28		

1.5 It was further explained by the Defence Secretary before the Committee during the evidence:

“सर, सबसे पहले, मैं हमारे डिफेंस सर्विसेज एस्टीमेट के ओवरव्यू के बारे में कहना चाहूंगा। इस वर्ष, वर्ष 2020-21 में रक्षा मंत्रालय का बजट 4,78,195.62 करोड़ रुपये है। इसमें 1,15,850 करोड़ रुपये डिफेंस पेंशन के लिए है और 3,47,068.26 करोड़ रुपये डिफेंस सर्विसेज एस्टीमेट के लिए है। इस वर्ष का एम.ओ.डी. सिविल बजट 15,257.34 करोड़ रुपये है। अगर हम डिफेंस बजट और पेंशन बजट, दोनों को मिलाकर देखें तो हमारे इस साल के केन्द्र सरकार के कुल खर्च का 13.73 प्रतिशत बनता है। अगर डिफेंस पेंशन को हटा दिया जाए तो डिफेंस सर्विसेज के लिए और रक्षा मंत्रालय की अन्य संस्थाओं के लिए इस वर्ष हमें 3,62,345.62 करोड़ रुपये मिले हैं, जो कि वर्ष 2020-21 की तुलना में 24,792.62 करोड़ रुपये अधिक है।”

1.6 It was further informed to the Committee during the evidence through Power Point Presentation as under:

“The allocation under Capital Outlay has been significantly increased by 18.75% over F.Y. 2020-21 and 30.62% over F.Y. 2019-20.”

1.7 The Capital Outlay provides allocation for Land and Construction Works of the three Services and others, capital expenditure of various Defence Departments and for Capital Acquisitions of the Services as given below:

(Rs. in crore)

	BE 2020-21	RE 2020-21	BE 2021-22
Revenue (Net)	2,09,319.00	2,09,312.00	2,12,027.56
Capital (Acquisition)	90,047.80	1,14,320.30	1,11,463.21
Capital (other than Acquisition)	23,686.20	20,189.70	23,597.51
Total Capital	1,13,734.00	1,34,510.00	1,35,060.72
Total (Rev+Capital)	3,23,053.00	3,43,822.00	3,47,088.28

Details of Capital Budget

(Rs. in crore)

	BE 2020-21	RE 2020-21	BE 2021-22
Capital (Acquisition including DGOF Supplies)	90,047.80	1,14,320.30	1,11,463.21
Capital (other than Acquisition)			
Land & Works of 3 Services (including Married Accommodation Projects)	12,384.77	11,589.77	11,537.01
DRDO, DGOF and Other Defence Departments	11,301.43	8,599.93	12,060.50
(Total Capital)	1,13,734.00	1,34,510.00	1,35,060.72

1.8 The Ministry further informed the Committee about Actual Expenditure vis-à-vis RE since 2017-18 as under:

“Statement showing budget estimates, revised estimates and actual expenditure for the past three years and budget estimates for the current year together with the reasons for variation, if any, in actual expenditure”

(Rs. In crore)

Year	BE	RE	Actual
2017-18	2,59,261.90	2,63,003.85	2,72,559.83
2018-19	2,79,305.32	2,82,100.23	2,87,688.65
2018-19	3,05,296.07	3,16,296.07	3,18,664.58
2020-21	3,23,053.00	3,43,822.00	2,33,173.70*

*up to Dec,2020

Projections made by the three Services and allocations made by the Ministry of Finance under Revenue and Capital Head of the three Services

1.9 Details as given to the Committee regarding the projections, allocations made at BE, RE, and actual expenditure incurred under Capital and Revenue heads for the three Services in a tabular form from 2015-16 onwards are as follows:

REVENUE

(Rs. in crore)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
2015-16	Army	1,09,758.22	1,03,315.91	1,04,408.45	1,00,106.78	1,02,847.18
	Navy	18,546.58	15,525.64	15,838.30	14,635.18	14,992.04
	Air Force	29,632.28	23,000.09	23,000.09	20,377.09	21,020.95
2016-17	Army#	1,15,561.78	1,12,764.62	1,21,686.11	1,17,925.22	1,16,901.93
	Navy	18,502.56	17,424.79	19,348.23	17,813.99	17,136.77
	Air Force	25,728.60	23,655.83	23,817.22	23,817.52	22,856.44
2017-18	Army	1,52,491.22	1,19,961.51	1,29,287.59	1,21,451.80	1,27,507.48
	Navy	22,473.64	18,493.82	20,545.47	18,878.93	18,715.05
	Air Force	29,147.29	24,802.33	29,746.42	27,209.61	27,393.20
2018-19	Army	1,51,814.73	1,27,059.51	14,1456.91	1,29,812.34	1,34,241.38
	Navy	23,747.75	19,571.37	24,420.58	20,795.04	20,856.23
	Air Force	35,260.79	28,821.27	32,407.37	28,105.43	28,291.25
2019-20	Army	1,52,321.32	1,40,398.49	1,52,424.82	1,42,773.83	1,42,529.38
	Navy	27,086.29	22,211.71	28,737.09	22,786.71	22,387.31
	Air Force	34,849.50	29,601.69	40,382.40	29,951.69	30,124.31

2020-21*	Army	1,65,228.28	1,45,785.88	1,53,436.68	1,44,545.67	1,06,690.05
	Navy	32,237.96	22,934.75	28,379.84	23,347.69	15,135.30
	Air Force	43,904.17	29,962.66	44,605.21	31,742.07	22,640.01
2021-22	Army	1,70,705.28	1,47,644.13			
	Navy	34,256.83	23,360.68			
	Air Force	44,992.90	30,652.53			

(# Includes allotment to NCC, Military Farms, Rashtriya Rifles and ECHS which were shifted from Army to modified Grant No. 20-MoD(Miscellaneous) in FY 2016-17, for the purpose of comparison with previous as well as future years. Except for Military Farms and ECHS, other organizations were transferred back to Defence Services Estimates in FY 2017-18. In FY 19-20 Military Farms and ECHS also reverted back to DSE)

* Expenditure figures upto December, 2020.

Note:- RE 20-21 and BE 21-22 are yet to be approved by the Parliament.

CAPITAL

(Rs. in crore)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
2015-16	Army	31,938.67	27,342.42	27,845.33	24,230.47	20,703.70
	Navy	26,268.13	25,003.24	25,152.20	19,740.06	19,874.69
	Air Force	46,191.96	33,686.75	35,780.78	30,442.15	31,198.32
2016-17	Army#	37,960.18	26,935.81	34,489.90	24,017.86	28,462.11
	Navy	30,223.31	22,000.09	22,530.04	19,596.28	19,996.88
	Air Force	41,266.41	29,795.42	36,512.95	28,239.86	30,414.79
2017-18	Army	42,485.93	25,205.71	40,791.43	25,205.71	27,148.26
	Navy	28,591.56	19,348.16	27,717.41	19,348.16	20,118.58
	Air Force	62,048.85	33,570.17	52,548.50	33,570.17	34,917.60
2018-19	Army	44,572.63	26,815.71	41,614.41	26,815.71	27,438.66
	Navy	35,695.41	20,848.16	30,735.65	20,890.87	21,509.60
	Air Force	77,694.74	35,770.17	68,579.46	35,770.17	36,451.74
2019-20	Army	44,660.57	29,511.25	46,032.00	29,666.90	29,000.88
	Navy	37,220.98	23,156.43	40,123.18	26,156.43	27,446.68
	Air Force	74,894.56	39,347.19	81,301.99	44,947.19	45,104.23
2020-21*	Army	50,373.60	32,462.38	39,019.17	33,283.28	15,354.93
	Navy	45,268.31	26,688.28	51,769.28	37,542.88	25,384.81
	Air Force	66,207.29	43,281.91	72,955.18	55,083.91	34,098.00
2021-22	Army	51,492.10	36,531.90			
	Navy	70,920.78	33,253.55			
	Air Force	77,140.56	53,214.77			

(# Includes allotment to NCC, Military Farms, Rashtriya Rifles and ECHS which were shifted from Army to modified Grant No. 20-MoD(Miscellaneous) in FY 2016-17, for the purpose of comparison with previous as well as future years. Except for Military Farms and ECHS, other organizations were transferred back to Defence Services Estimates in FY 2017-18. In FY 19-20 Military Farms and ECHS also reverted back to DSE)

* Expenditure figures upto December, 2020.

Note: RE 20-21 and BE 21-22 are yet to be approved by the Parliament.

1.10 Regarding service-wise information on the projections and allocations made under Capital and Revenue heads for 2021-22, the Ministry furnished the following statement:

(Rs. in crore)

Service	Revenue (Net)		Capital		Total Allocation (Revenue + Capital)
	Projection	Allocation	Projection	Allocation	
Army	170705.28	147644.13	51,492.10	36,531.90	184,176.03
Navy	29,838.45	20,021.17	69,088.05	32,050.02	52,071.19
Joint Staff	4,418.38	3,339.51	1,832.73	1,203.53	4,543.04
Air Force	44,992.90	30,652.53	77,140.56	53,214.77	83,867.30

1.11 When the Ministry was enquired about the impact, if any, due to reduced budgetary allocation against the projected amount under the three services for the year 2021-22, it was submitted by them as under:

“The allocated funds will be optimally utilized towards operational activities. Based on the pace of expenditure and projections for critical projects made by Ministry of Defence, additional amount of Rs 20,776 Crore under Capital grants has been allocated by Ministry of Finance in Supplementary and RE 2020-21 stages in this financial year. No additional funds have been allocated under Revenue (Salary) Head in RE 2020-21. However, for Revenue (Non-Salary), an additional amount of Rs.9,286 Crore has been allocated to meet the operational requirements. If required, similar exercise will also be carried out for the Financial Year 2021-22. It will be ensured that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services.”

1.12 The budgetary allocations were reduced under Revised Estimates for all the three Services during 2020-21 as well as under the head BE for 2021-22. When the Ministry was asked about the compromises been made due to reduced budgetary allocation against the projected amount for Capital Outlay, it was submitted by the Ministry as under:

“The allocated funds are optimally utilized towards operational activities. If required, the schemes are reprioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services.”

1.13 The Ministry was also asked to provide data regarding the items planned during the last five years of Capital budget, the achievement made and shortfalls, if any. In its reply, the Ministry stated as under:

“In accordance with the provisions of Defence Acquisition Procedure (DAP), the acquisition of Weapon Systems and equipment for the Armed Forces flows from the Long Term Integrated Perspective Plan (LTIPP). The current LTIPP spells out the capability desired to be achieved by the Armed Forces over a 15 year period (2012-27). The LTIPP is translated into specific assets to be

acquired, in the form of Services Capital Acquisition Plan (SCAP), covering a five year period. From the Services Capability Acquisition Plans (SCAP), a list of equipment and weapon systems required to be procured immediately is listed in the form of the Annual Acquisition Plans (AAP). The AAP covers a period of 2 years and rolls over to the next financial year. The AAP is prepared and prioritised in consonance with the Budget allocation for capital acquisitions.

Ratio for Capital and Revenue outlay

1.14 Statement indicating the ratio for Capital and Revenue outlay from 2015-16 onwards as supplied to the Committee is as under:

Ratio for Revenue and Capital expenditure in respect of Army, Navy and Air Forces as well as total outlay from 2015-16 onwards is given below:

Year	Service	Revenue	Capital
2015-16	Army	83	17
	Navy	43	57
	Air Force	40	60
	Total Outlay	65	35
2016-17	Army	80	20
	Navy	46	54
	Air Force	43	57
	Total Outlay	66	34
2017-18	Army	82	18
	Navy	48	52
	Air Force	44	56
	Total Outlay	68	32
2018-19	Army	83	17
	Navy	49	51
	Air Force	44	56
	Total Outlay	68	32

2019-20	Army	83	17
	Navy	45	55
	Air Force	40	60
	Total Outlay	65	35
2020-21 (RE)	Army	81	19
	Navy	38	62
	Air Force	37	63
	Total Outlay	61	39
2021-22(BE)	Army	80	20
	Navy	41	59
	Air Force	37	63
	Total Outlay	61	39

Modernization of Defence Forces

1.15 In regard to the Modernization of Defence Forces the Committee, through written reply were apprised as under:

“Modernisation involves the acquisition of new state-of-the-art platforms, technologies and weapon systems to upgrade and augment defence capabilities. Modernisation of Defence Forces 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. Government attaches the highest priority to ensure that the Armed Forces are sufficiently equipped to meet any operational requirement. This 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.

2. In May 2001, the Defence Industry sector, which was hitherto reserved for the public sector, was opened up to 100% for Indian private sector participation, with Foreign Direct Investment (FDI) up to 26% both subject to licensing. Further, Department of Industrial Policy & Promotion, Ministry of Commerce & Industry has notified revised FDI policy under which FDI is allowed under automatic route upto 49% and beyond 49% through

Government route wherever it is likely to result in access to modern technology or for other reasons to be recorded. The Government of India has further enhanced FDI in Defence Sector upto 74% through the automatic route for companies seeking new Defence industrial license and upto 100% by Government route wherever it is likely to result in access to modern technology or for other reasons to be recorded. The obligatory government approval for existing FDI approval holders/ current defence licensees for change in equity/ shareholding pattern upto 49% FDI has been replaced with mandatory declaration for the same within 30 days of change of equity/ shareholding pattern. The proposals for raising FDI beyond 49% from such companies could also be considered with government approval.

3. Government is taking measures 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.

4. Since the launch of 'Make in India' in Sep. 2014, several measures have been taken by the Government to promote indigenous design, development and manufacture of defence & aerospace equipment in the country under 'Make in India' by harnessing the capabilities of the public and private sector.

5. Modernisation of Defence Forces is funded through Capital segment of the Defence budget.”

1.16 The Ministry forwarded the following details regarding Service wise Defence Modernisation Budget through Power Point Presentation during the Sitting of the Committee:

Service	2020-21 (BE)	2021-22 (BE)	% increase in (BE)
Army	26,069	30,636.9	17.52
Navy	24,948	31,505.54	26.28
Air Force	39,031	49,320.77	26.36
Total	90,048	1,11,463.21	23.78

1.17 The Budget Estimates(BE), Revised Estimates(RE) and Actual Expenditure on Modernisation for capital acquisition for the last four financial years and current year is as below :-

(Rs. in Crore)

Year	BE	RE	Actual
2016-17	69898.69	62619.36	69280.17
2017-18	69473.41	68965.24	72732.20
2018-19	74115.99	73882.95	75900.54
2019-20	80959.08	89836.16	91053.15
2020-21	90047.80	-	70570.81 (upto Dec,20)

The Ministry further stated as under:

“During the last four financial years (2016-17 to 2019-20) and the current year 2020-21 (up to October 2020), 141 contracts have been signed with Indian vendors and 96 contracts have been signed with foreign vendors for procurement of defence equipment for Armed Forces. The defence equipment contracted during this period includes helicopters, missiles, Ships, torpedoes, Bullet Proof Jackets, aircrafts, small arms, artillery guns, simulators, ammunition, aircraft refueller, secure communication network etc.”

1.18 In this connection, the Defence Secretary deposed before the Committee as under:

“सर, मैं समिति को यह भी अवगत कराना चाहूंगा कि जो डिफेंस में रिफॉर्म्स के तहत इस वर्ष 2020-21 में, अक्टूबर, 2020 में डिफेंस एक्विजिशन प्रोसीजर में परिवर्तन करके हम नया प्रोसीजर लाए हैं, जिससे हमें डिफेंस प्रोसीजर को स्ट्रीम लाइन करने में, आत्मनिर्भर भारत और मेक इन इंडिया को ज्यादा अच्छे से आगे बढ़ाने में सहायता मिलेगी। सर, जो नया डिफेंस एक्विजिशन प्रोसीजर आया है, उसमें इज ऑफ ड्रूइंग बिजनेस और सेल्फ रिलायंस पर खास ध्यान दिया गया है।“

Non Lapsable Defence Modernisation Fund – Defence Renewal Fund

1.19 As was highlighted in the Third and Seventh Report of the Committee on 'Demands for Grants 2019-20 and 2020-21; the issue of the proposal for making Capital Budget 'Non-lapsable' and 'Roll-on' in nature was brought up and in response the Ministry had then stated that the matter of creation of non-lapsable Defence Modernisation Fund was taken up again with Ministry of Finance'.

1.20 When the Ministry was enquired about the Current status on this, it was informed to the Committee as under:

“A proposal for creation of Non-Lapsable Defence Modernisation Fund under the Public account is under consideration. The fund is proposed to be utilized for Married Accommodation projects, procurement of logistics and equipments for Armed Forces from within India, once the normal budgetary allocation gets exhausted. It has been proposed that the Fund shall be credited with the part proceeds of monetization of defence land. While the entire proceeds from monetization shall initially be credited to Consolidated Fund of India, 50% of such proceeds shall be go to the proposed Fund through Demand for Grants approved by the Parliament.

Ministry of finance has proposed the following mechanism for the proposed Fund:

- i. The proceeds from Defence Monetization shall be received in Consolidated Fund of India (CFI)
- ii. Out of total such receipts in CFI, 50% thereof will be transferred each year to Non-lapsable Defence Modernization Fund, a fund created in Public Account, after due appropriation authorized by Parliament through Demands for Grants of Ministry of Finance.
- iii. The balance 50% of the proceeds from Defence Land Monetization will be retained in CFI.
- iv. The balances available in Non-Lapsable Defence Modernization Fund will be utilized towards construction of Defence Officials family accommodation (Married Accommodation Project) and for purchase of defence stores (arms, ammunition, etc.) and logistics (procurement of defence equipment under capital side) from within India (Make-in-India initiative).
- v. The expenditure from the Fund will be subject to the extant norms prescribed and followed in Ministry of defence towards purchase of arms, ammunition, etc. And also towards procurement of defence equipment under Capital side.
- vi. Funds from Non-Lapsable Defence Modernization Fund would be expended only after the normal budgetary grant has been exhausted.
- vii. The utilization from the Non Lapsable Defence Modernization will also be through Demands from Grant of Ministry of Defence after taking due appropriation from Parliament.
- viii. In case of non-utilization of funds in Non Lapsable Defence Modernization Fund for 3 years from the date of crediting such amounts in the Fund, such sums will be credited back to CFI, and
- ix. Ministry of Finance will furnish every year, a statement showing the accretion and withdrawal from the fund in a transparent manner, as part of Budget documents laid in Parliament.

A draft Cabinet Note is being finalized in consultation with the concerned stakeholder Ministries/ Departments.

In order to operationalise the proposed Fund, a separate mechanism would be created to identify the defence lands which can be utilised for resource generation, without prejudicing the applicable security protocols. The models for development of infrastructure on these lands may also facilitate employment and income generation for meeting the needs of a growing economy and population, propelling country's overall growth and development.”

1.21 In this connection, the Defence Secretary apprised the Committee during the oral evidence, as under:

“... इसके अलावा डिफेंस में नॉन-लेप्सेबल मॉडर्नाइजेशन फंड बनाने के लिए ड्राफ्ट कैबिनेट नोट सरकार की परिगणना में है। ...”

Committed Liabilities and New Schemes

1.22 The Ministry 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. Inadequate allocation for committed liabilities could lead to default 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.

1.23 When asked about projected and allocated budget for Committed Liabilities and New Schemes in Defence Budget in 2020-21, the Ministry submitted as under:

‘In the Defence Services Estimates (DSE), there is no separate allocation of funds for Committed Liabilities (CL) and New Schemes (NS). The projected and allocated funds for the three Services under Capital Acquisition are as follows:-

(Rs. in crore)

Projection BE 2021-22	Allocation BE 2021-22
1,78,873.44	1,11,463.21

(Rs. in crore)

SERVICE	Projection BE 2021-22	Allocation BE 2021-22
Army	39,977.00	30,636.90
Navy (excluding Jt. Staff)	65,888.96	31,031.02
Air Force	72,180.06	49,320.77

The allocated funds are optimally and fully utilised towards operational activities. However, if required, the schemes were re-prioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services’.

1.24 When asked whether the Ministry of Defence has requested for additional funds for Committed Liabilities and New Schemes during 2021-22, the Ministry submitted as under:

“In the Defence Services Estimates (DSE), there is no separate allocation of funds for Committed Liabilities (CL) and New Schemes (NS), however, these are catered through Capital Acquisition (Modernisation) Head. Ministry of Defence had sought an additional fund of Rs. 61,198.12 Crore at RE stage 2020-21 under Modernization (Capital Acquisition) head. Based on the allocations received from Ministry of Finance, an additional amount of Rs 24,272.50 crore has been provided for in RE 2020-21 increasing the total allocation under this head to Rs 1,14,320.30crore in RE 2020-21 compared to BE 20-21 allocation of Rs. 90,047.80 Cr. In BE 21-22, an amount of Rs. 1,78,873.44 Crore was projected. Based on ceilings received from Ministry of Finance, an amount of Rs. 1,11,463.21 crore is allocated for Capital Acquisition in BE 21-22.”

1.25 The Ministry was asked to provide figures regarding projected requirement and amount finally allocated for the Services (each separately as well as consolidated) for Committed Liability and New Schemes, the shortfall, if any, and its effect on operational preparedness of Forces. The Ministry in this regard, submitted following information:

‘Projection for Capital Acquisition made to M/o Finance includes both committed liabilities and new schemes. Details of BE and RE projections for Capital Acquisition, allocations made and the actual expenditure from 2015-16 onwards is as under:

BE 2015-16

(Rs in crore)

Service	BE Projection	BE Allocation	RE Projection	RE Allocation	Actual Expenditure
Army	25127.81	22054.50	20466.79	17997.59	14488.84
Navy	24202.32	23360.90	23488.00	18393.38	18414.78
Jt Staff	889.18	480.67	407.30	365.93	286.26
Air Force	43681.23	31510.62	33254.35	28643.10	29045.66
Total	93900.54	77406.69	77616.44	65400.00	62235.54

BE 2016-17

(Rs in crore)

Service	BE Projection	BE Allocation	RE Projection	RE Allocation	Actual Expenditure
Army	29670.28	21535.26	27476.22	17966.46	22404.33
Navy	28057.00	20363.77	20500.36	18138.75	18419.88
Jt Staff	750.83	544.95	568.67	369.00	317.13
Air Force	37966.41	27556.02	32653.03	26245.15	28255.35
Total	96444.52	70000.00	81198.28	62719.36	69396.69

BE 2017-18:

(Rs in crore)

Service	BE Projection	BE Allocation	RE Projection	RE Allocation	Actual Expenditure
Army	34082.20	20178.21	34290.01	20177.21	22,088.02
Navy	26621.49	18004.76	25006.76	17593.55	18,152.99
Jt Staff	421.97	390.54	442.17	294.58	294.84
Air Force	57820.75	30899.90	49424.65	30899.90	32,196.35
Total	118946.4	69473.41	109163.59	68965.24	72,732.20

BE 2018-19:

(Rs in crore)

Service	BE Projection	BE Allocation	RE Projection	RE Allocation	Actual Expenditure
Army	35,581.09	21,338.21	34,738.29	21,168.21	21,879.80
Navy	32,243.37	19,083.00	28,461.73	19,148.00	19,769.87
Jt Staff	803.16	594.88	473.22	466.84	420.31
Air Force	68,612.15	33,099.90	65,144.56	33,099.90	33,822.87
Total	1,37,239.77	74,115.99	1,28,817.80	73,882.95	75,892.85

BE 2019-20:

(Rs in crore)

Service	BE Projection	BE Allocation	RE Projection	RE Allocation	Actual Expenditure
Army	35,581.09	23,000.63	36,979.05	23,517.31	23,275.42
Navy	32,243.37	21,177.00	37,671.67	24,226.00	25,440.59
Jt Staff	803.16	371.56	373.98	635.94	295.15
Air Force	68,612.15	36,409.89	76,412.76	41,799.89	42,041.99
Total	1,37,239.77	80,959.08	1,51,437.46	90,179.14	91,053.15

BE 2020-21:

(Rs in crore)

Service	BE Projection	BE Allocation	RE Projection	RE Allocation	Actual Expenditure*
Army	41,530.80	26,068.61	31,961.00	26,068.61	13,129.81
Navy	40,927.91	24,598.00	49,376.51	35,715.67	24,465.20
Jt Staff	692.41	350.28	486.82	317.11	103.68
Air Force	60,840.17	39,030.91	69,421.59	52,281.91	32,872.12
Total	1,43,991.29	90,047.80	1,51,245.92	1,14,320.30	70,570.81

*Expenditure is upto December, 2020

On the basis of allocations received from Ministry of Finance, funds are allocated taking into consideration approval stage of various projects/schemes. The allocated funds are optimally and fully utilized towards operational activities. However, as required, the schemes are reprioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services. Further, funds are also earmarked for critical projects'.

CHAPTER II

PROCUREMENT POLICY FOR DEFENCE SERVICES

Defence Procurement Policy

The Committee found 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 are achieved in the process of procurement. In addition, self-reliance in Defence equipment production and acquisition is steadfastly pursued as a key aim of the policy. The policy is implemented through the mechanism of Defence Procurement Procedure (DPP).

2.2 When asked about the allocated budget during the last five years of implementation of major objectives of the Defence Procurement Policy, The ministry stated as under:

The allocated budget (Budget Estimates), for capital acquisitions of the three Defence Services (Army, Navy, Air Force) for the last four financial years and current year is as below :-

(Rs. in crore)

Year	BE
2017-18	69473.41
2018-19	74115.99
2019-20	80959.08
2020-21	90047.80
2021-22	111463.21

Capital and Annual Procurement Plan

2.3 When asked about the steps taken by the Ministry to achieve timely, efficient and effective procurement, the Ministry submitted as under:

“Capital acquisition of defence equipment is carried out as per the Defence Acquisition Procedure (DAP)/Defence Procurement Procedure (DPP) based on operational necessity and required capability to meet the security challenges. New, DAP 2020 focuses on simplifying the Defence acquisition

procedure and institutionalizing monitoring mechanism with concurrent actions using digital technologies & data base for selection of best equipment in a transparent and competitive manner giving adequate opportunities to capable vendors. "Make" procedure has been further refined in DAP 2020 to make it more objective and time bound with focus on Indian industry especially MSMEs. Cutting down permissible time frames for various activities and institutionalizing robust mechanisms to monitor for probity at various stages of the acquisition process are the attributes of this DAP."

Accountability and Transparency in Defence Procurement

2.4 The Ministry submitted the following information to the Committee on the measures instituted for ensuring accountability and transparency in Defence Procurement cases:

Measures for promoting Probity, Public Accountability and Transparency in defence capital procurements, include:

- (i) Execution of Pre Contract Integrity Pact (PCIP) for all cases above Rs. 20 crore is being done to ensure corruption free procurement process (binding agreement between parties that their officials will not offer or accept bribes).
- (ii) Guidelines for Handling of Complaints provide for time bound disposal of complaints and are aligned to CVC/ DOP&T guidelines and are also in keeping with Government policy of ensuring accountability and transparency.
- (iii) Instructions have been issued for ascertaining vigilance status of L1 vendor before seeking approval of the Competent Financial Authority (CFA).
- (iv) Notification of guidelines for Penalties in Business Dealings with suspect Entities.
- (v) Notification of Capacity Assessment guidelines for Shipbuilding Entities.

Increasing Dependence on Foreign Suppliers for Military Hardware

2.5 The Ministry supplied the following information on Defence equipment/items currently being imported and details of price and country of origin of these equipment:

‘Capital procurement of defence equipment is undertaken from various domestic as well as foreign vendors based on operational requirements of the Armed Forces, the availability or capacity to produce the equipment in India and to keep the Armed Forces in a state of readiness to meet the entire spectrum of security challenges.

During the last four financial years (2016-17 to 2019-20), Out of total 213 contracts, 90 contracts worth about Rs. 1,76,569.10 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.’

2.6 Information on the expenditure on Defence equipments Service-wise, imported from foreign vendors and acquired from indigenous sources over the last ten financial years and the current status of utilisation of these imported Defence equipments was also supplied to the Committee which is as under:

‘The details of expenditure for the last ten years on foreign and indigenous contracts under Capital Acquisition Budget are as under:

Rs. in crore

Financial year	Army		Navy		Air Force	
	Foreign	Indigenous	Foreign	Indigenous	Foreign	Indigenous
2010-11	865.79	10859.08	9975.60	6132.41	4370.32	17811.23
2011-12	506.07	10359.86	6532.37	11367.03	15258.11	11905.98
2012-13	991.67	9880.12	5968.80	10333.19	19220.95	11832.05
2013-14	1501.00	8925.49	12577.81	6587.64	20927.54	15990.45
2014-15	3452.61	10414.80	6884	14021.54	14655.75	16153.63
2015-16	3005.35	11483.49	6588.56	11791.17	12568.68	16476.98
2016-17	5838.66	16565.67	6612.32	11807.56	16083.45	12171.90
2017-18	5565.65	16522.37	5161.31	12991.76	19818.14	12378.21
2018-19	4965.56	16896.59	4594.88	15182.49	28203.30	5648.66
2019-20	8059.41	20896.14	8039.13	17401.50	25580.46	16461.54
2020-21	2807.25 (till Jan, 21)	13580.55 (till Jan, 21)	10104.17 (till Jan, 21)	14574.44 (till Jan, 21)	11473.21 (till 21 Jan, 21)	22743.34 (till 21 Jan, 21)

The equipment so inducted are being optimally exploited for operational purposes by the Defence Services.’

2.7 When asked about the factors that have led to India being the largest Defence importer in the world, the Ministry in its written reply submitted as under:

‘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 in February 2017 by the Stockholm International Peace Research Institute (SIPRI), India has been shown as the largest importer of defence equipment for the year 2012-16. Capital procurement of defence equipment is undertaken from various domestic as well as foreign vendors, as per extant Defence Acquisition Procedure (DAP)/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.’

Import content of equipment produced and developed by DRDO, Ordnance Factories and DPSUs

2.8 The Ministry supplied the following information on the Import content of equipment produced and developed by DRDO, Ordnance Factories and DPSUs:

OFB: OFB products are classic example of successful implementation of "Make in India" programme initiated by the Government, as almost 90% items of OFB products are indigenously made.

Average import content in respect of Ordnance Factories products has been around 10%. It is further brought out that OFB makes continuous endeavours to bring down import content in its products. Import dependency of OFB is on those items only which are of perennial import nature and ToT has not been established from OEMs.

Updated status of import content during last three years is given as under:

Financial Year	Value of Issue (VOI) (Rs in Crore)	Import Content (Rs in Crore)	Indigenization Content (Rs in Crore)	% of import content over Vol
2017-18	14127	1474	12653	10%
2018-19	12866	1186	11680	9%
2019-20	9226	704	8522	8.5%

Item-wise import content of OFB products has been reduced further. (i.e. ex-DRDO)/ToT design). Import content in major platforms is given below:

Sl. No.	Item	Import content at present (As % of cost)	Roadmap for further indigenization
1	Pinaka Rocket	NIL	Not Applicable
2	Bi-Modular Charge System for 155mm Ammn	NIL	Not Applicable
3	105mm Artillery Gun	NIL	Not Applicable
4	Infantry Combat Vehicle BMP-II	3.00%	Not Applicable as import is of low value items not covered in ToT
5	High Resolution Binocular	6.94%	Efforts are being made to bring down import content to NIL with the development of Indigenous Engineering Plastic Components, wherein OFB has already achieved breakthrough for 6 components.
6	Naval Gun AK-630	2%	
7	155mm x 45 Calibre Artillery Gun System "Dhanush" under User Evaluation	19%	Efforts are being made to indigenize major items like Power Pack and Electronic suite. It is expected that Power Pack (Approx 5-6%) will be indigenized by 2020-21.
8	TankT-90	21%	Further indigenisation will progress however, technologies of Thermal Infrared Detector (Guarded/Prohibited Technology), Optical Glass, very High-Speed Miniature Electric Motors (27,000 rotation per minute), Stabilizer (ExBharat Electronics Ltd.), Laser Radiator Used in Missile Information Block of tank T-90 etc. (about 13.54% of the cost) will remain perennial import although Ordnance Factories are pursuing their development through indigenous sources.
9	TankT-72	Not in regular production presently	Not Applicable
10	All kind of Rifles and Small Arms i.e. INSAS, LMG, Assault Rifle 7.62x39mm GHATAK j etc.	NIL	Not Applicable

HAL: The major platform currently under manufacture at HAL are SU-30 MKI, Light Combat Aircraft (LCA), Advance Light Helicopter (ALH) and Dornier Do-228. The import content in value terms for the platforms under manufacture at HAL ranges from 40% to 60%. The details are given below:

Sl. No.	Platform	Import Content (% by Value)
1	SU-30MKI	40%
2	LCA (IOC)	43%
3	ALH	44%
4	DO-228	60%

Import Content during the last five years with respect to Value of Production (VoP) is indicated below:

Year	VOP (Rs. In Crs.)	Direct Import (Rs. In Crs)	Import Content as % of VoP
2014-15	16288	7944	48.8
2015-16	17152	8138	47.4
2016-17	17103	7518	44.0
2017-18	17553	6592	37.6
2018-19	18650	6371	34.2
2019-20	20580	7175	34.9

BEL: BEL's line of business include Radars, Missile Systems, Communication, Electronic Warfare & Avionics, Network Centric Systems, Sonars & Fire Control Systems, Electro-Optics, Tank Electronics/Gun Upgrades Homeland Security and select non-defence products. The import content in products manufacture by BEL in these areas during last five years is as under:

Year	(%) of Import Content on Sales Turnover
2015-16	24 %
2016-17	26 %
2017-18	22 %
2018-19	24 %
2019-20	27 %
2020-21 (upto Q-3)	28 %

BEML Ltd: Import content during last five years is given as under:

Year	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21 (upto Sept'20)
Import content (Rs.in Cr)	618.96	565.25	601.92	883.61	674.03	208.58
Net VoP (Rs. In Cr)	2736.90	2623.90	3226.89	3466.84	3320.76	1244.24
Import content as % of Net VoP	22.62	21.54	18.65	25.49	20.30	16.76

BDL: The import content of last 5 years as follow –

(Rs. in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
Import	570	388	362	413	257
	(13.3%)	(7.7%)	(7.8%)	(12.8%)	(10%)
Value of Production	4297.83	5011.00	4641.30	3235.22	2592

MIDHANI: Company does not produce/supply any equipment in the finished form. Hence, reply may be treated as 'NIL'.

MDL: MDL constructs Warships and Submarines for Indian Navy. As indicated in the below table, there has been an increasing trend in the Indigenous content in the Warships built at MDL. The indigenous content for Project P15 delivered in the year 2001 was 42%. This has increased gradually in the subsequent warship projects delivered by MDL like, P17, P15A. The Indigenous content of Ships under construction (Project P15B & P17A) is expected to rise up to 72% & 75% respectively.

There is minimum leeway in project 75 for indigenisation due to contractual obligations as well as majority of the items has been already received by MDL. However, MDL has undertaken concerted efforts for indigenisation of major items with support from IN & collaborator, though it is not contractually binding.

The import content in MDL's constructed ships & submarines is as follows:

Project	Indigenous Content	ImportContent
P15 Destroyers (Completed) – 3 Nos.	42%	58%
P 17Frigates (Completed) 3 – Nos.	52%	%48
P15A Destroyers (Completed) 3Nos.	59%	%41
P15B Destroyers (in progress) 4Nos.	72%	%28 Expected Import Content by (2024)
P17A Frigates (in progress) – 4Nos.	75%	%25 Expected Import Content by (2025)
P 75Submarines # (2Nos. delivered and 4in progress)	30%	%70 Expected Import Content by (2024)

GSL: Import content of equipment produced and developed by GSL during the last three years and current year is furnished below:

Year	Value of Production (VoP) (Rs in Cr.)	Import Content (Rs in Cr.)	% of Import Content to VoP
2017-18	1343	336	25
2018-19	848	215	25
2019-20	903	168	19
2020-21 (Up to Dec 2020)	551	97.50	25

Project wise import content of recent Shipbuilding Projects

Project	Duration	Import content %
6 CGOPVs	May 2012 - Nov 2017	38
5 CGOPVs	Aug 2016 - Oct 2021	26 [#]

Steel Plates, Gearboxes, Steering Gear system, Fin Stabilizer system, Heli Grid, Doors (Water & Weather tight) and Gemini Boats have been indigenised for ongoing 5 CGOPV project. The indigenous content has increased from 62% in last project to 74% in this project.

GRSE: Import content of equipment in respect of GRSE Ltd. is appended below:-
(Rs. in Crore)

Financial year	Value of Production	Import Material	Import Services	Direct Import	% of Total Direct Import to VoP
1	2	3	4	5=3+4	6 =(5/2*100)
FY14-15	1612.66	223.67	13.94	237.61	14.73
FY15-16	1660.75	201.11	12.08	213.19	12.84
FY16-17	927.08	62.04	12.25	74.29	8.01
FY17-18	1345.52	122.40	9.66	132.06	9.81
FY18-19	1378.77	73.06	6.98	80.04	5.80
FY19-20	1424.70	79.79	19.19	98.98	6.95
FY20-21 (Upto Qtr. 2)	379.64	43.71	3.32	47.03	12.38

HSL: The core business of Hindustan Shipyard Ltd, a defence PSU, is building and repairs of ships and submarines. Details of import content of equipment procured during the last five years is as below:

Year	VoP (Rs Cr)	Direct Import (Rs Cr)	Import content as a % of VoP
2014-15	294.16	99.51	33.82
2015-16	593.29	159.63	26.90
2016-17	629.05	65.18	10.36
2017-18	644.77	72.84	11.30
2018-19	594.90	92.04	15.47
2019-20	573.54	121.00	21.09
2020-21 (Apr 20 to Dec 20)	190.18	50.00	26.29

Extreme Cold Weather Clothing System

2.9 The Ministry supplied following information on the supply of extreme cold weather clothing system to the forces and development of its source in the country.

1. ECWCS stands for '**Extreme Cold Weather Clothing System**', which is a three layered clothing being procured for soldiers deployed in Super High Altitude Areas like Siachen.

2. **Quality of Supply.**

(a) Procurement is based on effectiveness of the item determined through **User Trials** carried out under actual operational conditions. Procurement is carried out, only from **user approved sources**.

(b) Detailed quality assurance is the responsibility of Director General of Quality Assurance (DGQA). DGQA ensures that there is zero deviation between bulk supply and user approved sample, determined through the following inspecting/ testing measures:-

- (i) **Technical specifications** on which the bidders bid, **conform to the user approved sample.**
- (ii) **Advance Sample Testing.**
- (iii) **Pre-Dispatch Inspection** (for foreign manufacturers).
- (iv) **Joint Receipt Inspection** (for Indian manufacturers).

(c) In addition, user satisfaction on quality, during usage is monitored through suitably structured feedback processes. In case of any quality issue during usage, the user can raise a Defect Report as per Army Order 323/166. Based on the same, detailed technical investigation is then carried out by DGQA to verify the claims of the user and ascertain reasons for defect.

3. **Private Sector Participation.** All the present user approved sources are private manufacturers, whether foreign or Indian. Out of these, one is an indigenous manufacturer.

2.10 When the Ministry was asked about the steps taken to lower down the import of ECWCS and start producing them indigenously?

Steps taken to lower import and enhance Indigenisation of ECWCS, are as under: -

1. One Indigenous source of supply has already been identified and supplies have been contracted in July 2020.
2. Identifying more Indigenous sources of supply is ongoing, through regular publishing of Tenders. Encouragement of Indian industry to manufacture in India, has also been undertaken by offering long term Contracts as an incentive for assured business.

2.11 When the Ministry was asked about the problem. Difficulties faced by them to apply Make in India to ECWCS, it was submitted as under:

“Clothing items like ECWCS are complex and manufacturing remains a niche field. India not being a traditional market or manufacturing hub for such Special Clothing, it has been slow to start with. Notwithstanding, the response from the Indian industry of late, has been very encouraging, in particular for tenders of ECWCS, thereby making complete import substitution in the future likely.”

Offset Clause

2.12 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. The offset provisions 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. No offsets will be applicable in all ab-initio Single Vendor Cases including procurements based on IGA/FMS. It is relevant to note that offset applicability on Indian companies under ‘Buy Global’ cases do not arise in case the indigenization component is 30% or more. Offset contracts are co-terminus with the main procurement contract and signed along with the main procurement contract after approval of CFA. The period of offset discharge can be extended on exceptional ground by a maximum period of 02 years. The DAP stipulates eligible products/services for discharge of offset obligations which covers defence products and MRO related to helicopters and aircrafts. 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. 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 find that as on date, a total of 56 Defence offset contracts have been signed in MoD. The total offset obligations are estimated at approx 13.03 BUSD over a period from 2008-2027. Verification of offset claims upto 2017 was US\$ 88.0 million only which has now increased to US\$ 1928 million. Out of the total contracted obligations, US\$ 3569 million has been discharged by the vendors, of which US \$ 1928 million has been accepted in audit and the balance claims are under clarification/examination.

2.13 On being asked about the gains of the offset provisions and changes in existing provisions in the new DPP. The Ministry submitted as under:

'The key objectives of the offset provisions as contained in DAP 2020 is to leverage capital acquisitions to develop Indian defence industry by:-

- (a) Fostering development of internationally competitive enterprises and
- (b) Augmenting capacity for Research, Design and Development related to defence products and services and

The offset policy mandates foreign OEM's to discharge offset obligations through combination of permissible avenues w.r.t. eligible product & services in all procurements cases where cost of the capital acquisitions is Rs. 2000 crores or more as per DAP 2020.

As on date, a total of 56 Defence Offset contracts have been signed in MoD. The total offset obligations are estimated at approx US \$ 13.03 billion to be discharged over a period from 2008-2027. Out of the total contracted obligations US\$ 3.57 billion has been discharged by the vendors, of which US \$ 1.93 billion has been accepted in audit and the balance claims are under clarification/examination.

Offset contracts are under different stages of implementation by the foreign OEMs. Once executed, it is estimated that the respective contract shall cause generation of substantial business to Indian industries thus strengthening the defence industrial base. It shall also facilitate the Indian domestic industry to be a vital part of the supply chain of the major global defence industries

reaping in more benefits. As a result of offsets, around 200 Indian Offset Partners (IOP) have been created which has contributed to the strengthening of the defence eco-system.

Learning from the experience in implementing the Offset policy over the years since DPP 2005, the Ministry has gradually liberalized and fine-tuned the Offset Policy and the guidelines thereof to factor in the difficulties encountered in the implementation of the offsets to strengthen the domestic defence industrial base together with other synergic sectors including civil aerospace and internal security. This has resulted in the enlargement of the available avenues for discharge of offsets together with amplification of the products and services and specifying other measures making them more users friendly notably-

- (a) Graduating successively from only public enterprises to include both private and public enterprises as offset partners.
- (b) Specifying and enlarging the products and services qualifying as eligible.
- (c) Equity and non-equity investments.
- (d) Investment in kind in terms of transfer of technology/ equipment to Indian enterprises, Govt. Institutions and establishment including DRDO through incentivising by higher multiple upto 4.
- (e) Incentivizing active envelopment of MSME, by inclusion of multipliers.
- (f) Incentivizing investment in defence manufacturing in Defence Industrial Corridors notified by the Department of Defence Production, MoD.
- (g) Enabling acquisition of state of art critical technologies by DRDO.
- (h) Allowing discharge of obligations through entity other than vendor/Tier-I sub-vendor for investment and/or ToT on case to case basis; extension of the discharge timeframe; enhancing the reporting cycle to real time submission of offset claims through online portal (earlier as per DPP 2016 it was on 6 monthly basis).'

Offsets Monitoring Wing (DOMW)

2.14 The Ministry supplied the following information on set up of Defence Offsets Monitoring Wing (DOMW) to monitor and audit of offsets per year, the details of its achievement since inception and its benefits to the Defence Industry.

‘The Ministry has setup a “Defence Offsets Management Wing “(DOMW) under the Department of Defence Production and has entrusted it with the following responsibilities:-

- (a) Formulation of Defence Offset Guidelines;
- (b) Technical evaluation of Offsets;

- (c) Monitoring the discharge of offset obligations, including audit and review of progress reports received from vendor;
- (d) Chairing TOEC for technical evaluation of offset proposals;
- (e) Participation in Commercial evaluation of offset proposals as members of CNC;
- (f) Administration of penalties under offset contracts in consultation with Acquisition Wing;
- (g) Assisting vendors in interacting with Indian Industry;
- (h) Other responsibilities assigned under offset guidelines or entrusted by the Government;

Post formation, DOMW has been engaged in streamlining and strengthening the process of monitoring the discharge of obligations and has taken significant measures to achieve the same. The institutional framework put in place to address issues relating to defence offsets illustrated below:

- (a) A collegiate mechanism has been evolved comprising of senior officers from three services, finance and legal department headed by JS/DOMW to oversee all matters pertaining to effective and efficient implementation of the offset policy.
- (b) The office of CGDA has been approved as the nominated audit agency to audit the offset discharge claims.
- (c) DOMW has also been constantly engaging with the vendors and other stake holders and responding to their queries in regular manner through meetings and interactions. A facilitation mechanism has been evolved in the SCOPE complex, New Delhi to assist the vendors on various issues relating to the offset policy.

DOMW has been involved in the monitoring of the offset discharge claims received from the vendors during the discharge of the contracted offset obligations. As on 31st December, 2020, 56 offset contracts have been signed. The total offset obligations work out to BUSD 13.03 approx (contracts with different denominations converted to USD). The obligations to be discharged till January, 2021 amounts to 5.69 BUSD approx. against which offset claims worth 3.57 BUSD has been reported by the vendors through quarterly/six monthly reports. Verification of offset claims upto 2017 was US\$ 88.0 million only which has now increased to US\$ 1928 million.

The OEMs who participate in offset contracts in general are large international Defence manufacturers/ conglomerates/ part of big consortia. These international enterprises are expected to have mature mechanisms to remain internationally competitive and to maintaining global quality standards. While entering into an offset contract, the OEMs are granted full liberty in selecting their Indian Offset Partners. The IOPs are chosen as per their core competencies, quality standards and cost effectiveness. The selected IOPs by virtue of being integrated in the global supply chain of these large Defence manufacturers have to necessarily become and remain internationally competitive. Thus, the offset policy in general, aims to encourage the Indian enterprises, both public and private, to become a key player in the highly competitive and cost conscious international defence market in their respective areas of expertise. Through this avenue, the long term benefits accrued to the Indian Defence industry is estimated to be substantial.'

2.15 When asked about the challenges, if any, being faced by the Ministry of Defence in executing the offset contracts, The Ministry stated as under:

'Offset obligations are cast upon the vendors under capital acquisition wherein the vendor is required to discharge their offset obligations in line with the agreed schedule as provided in the offset contract with the Indian Offset Partners and the transactions are reported on real time basis (previously on quarterly/six monthly basis). Earlier, the vendors were required to give details of Indian Offset Partners, products and work share along with supporting documents in the technical offset proposal as per offset guidelines. However, the vendors have been expressing difficulties in providing these details at technical evaluation stage sighting that these activities would be undertaken number of years later which would then cause seeking changes to the contract. One of the major challenges towards post contract management had been timely and meaningful disposal of contract amendment requests received from the vendors for change of IOP/Product etc. Resolution of these issues was a long drawn out procedure since the earlier DPPs were silent on handling such issues. The resolution of these issues have been catered by introducing an amendment to the offset guidelines after approval of Defence Acquisition Council (DAC) headed by Hon'ble Raksha Mantri, where vendors have been given an option to provide details of IOPs and products even after signing of contracts making it more realistic. Further, the process for contract amendment has been made flexible by allowing change of Indian Offset Partners (IOPs) and offset components for the signed contracts.'

2.16 With regard to the revision of the DPP 2016 as Defence Acquisition Procedure 2020, one of the representatives of the Ministry apprised the Committee during the oral evidence as under:

“अभी तक डिफेंस प्रोडक्शन की प्रक्रिया डीपीएसयूज़ और ऑर्डिनेंस फैक्ट्री पर आधारित थी। पिछले कुछ वर्षों में हमारी कोशिश रही है कि हम ज्यादा से ज्यादा इंडस्ट्री को सम्मिलित करें। इसके लिए डीएपी 2020 में नए प्रस्ताव आए हैं, इसमें इंडस्ट्री से ज्यादा खरीदारी की

कोशिश की जा रही है। मैं बताना चाहता हूँ की वर्ष 2020 में 87 परसेंट एप्रूवल मेक इन इंडिया के तहत दिए गए हैं। इसमें बहुत से इंडस्ट्री के द्वारा भी हैं।

डिफेंस सैक्टर के पब्लिक सैक्टर लैब्स को प्राइवेट इंडस्ट्री के लिए ओपन कर दिया है। इंडस्ट्री में जो लागत आती है, उसे बनाने के लिए मेक वन प्रक्रिया में 500 करोड़ रुपये की लागत देने का प्रावधान किया है। उसकी पावर्स हमने वाईसी, डिप्टी चीफ तक डेलीगेट की हैं। उनकी शिकायत रहती थी कि डिफेंस पीएसयूज को नॉमिनेशन बेसिस पर काम दिया जाता है और हमें नहीं मिलता है। अब हमारी कोशिश है की ज्यादा टेंडर नॉमिनेशन बेसिस पर न हों। जहां इंडियन इंडस्ट्री होती है हम वहां टेंडर प्रक्रिया से देते हैं। ओएफबी के लिए जो आइटम रिजर्व थे, 275 आइटम्स को ओपन प्रक्रिया में डाल दिया है। हमने काफी कदम उठाए हैं जिससे इंडस्ट्री को प्रोत्साहित कर सकें।”

2.17 When asked about the budgetary allocation for ‘Make in India’ project for the F.Y. 2021-22, the Ministry stated as under:

“The budget allocation is made for the total acquisition of defence equipment requirements of the Services. 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. There is no ‘Make in India Project’ category for procurement as per DAP, however, the objectives of ‘Make in India’ initiative of the government are pursued through procurements under ‘Buy (Indian-IDDM)’, ‘Buy (Indian)’, ‘Buy and Make (Indian)’ Strategic Partnership (SP), and ‘Make’ categories of capital procurement.”

Foreign Direct Invest (FDI)

2.18 On being asked about the current FDI Limit, the Ministry informed the Committee as under:

“The Government of India has enhanced FDI in Defence Sector up to 74% through the Automatic Route for companies seeking new defence industrial license and up to 100% by Government Route wherever it is likely to result in access to modern technology or for other reasons to be recorded. The obligatory government approval for existing FDI approval holders / current defence licensees for change in equity / shareholding pattern up to 49% FDI has been replaced with mandatory declaration for the same within 30 days of change of equity / shareholding pattern. The proposals for raising FDI beyond 49% from such companies could also be considered with Government approval.”

2.19 In this connection, the Ministry was asked during the evidence that how can be the goal of self Reliance in Defence Production can be achieved when the FDI limits has been increased from 49% to 74% and one of the representatives of the Ministry clarified it as under:

“Sir, the basic idea behind increasing the FDI limit from 49 per cent to 74 per cent is to ensure that they will come with the technology. We have made sure that it is attractive enough, otherwise, they will just come and assemble their parts here. So, with 74% they will have the control of company and will be willing to bring in cutting edge defence technologies.”

2.20 Further, he clarified that it was not a compromise on self-reliance or Atmanirbhar Bharat by deposing as under:

“No, Sir. Actually, if we go to the slide on acquisition categories, if you see the “India” based categories, we have restricted some of the categories for Indian companies which are owned and controlled by the resident Indians. So, we have consciously made a decision that Indian-IDD, strategic partnership, Make-I, Make-II and D&D cases will be reserved for the resident Indian-controlled companies. For the foreign vendors, we want them to participate under the “Manufacture in India” category. In fact, Sir, 74 per cent FDI aligns with the new category and we are saying that we will buy the global products but it should preferably be manufactured in India.”

2.21 It was further added by another representative that:

“हमारा बेसिक प्रिंसिपल है कि इंडिया में डिजाइन और डैवलपमेंट होता है, उसे पहले प्राथमिकता दें, इंडिया में जो डिजाइन नहीं होता है उसे बाद में प्राथमिकता देते हैं। तीसरी प्राथमिकता है, अगर इंडिया में कोई सामान न डिजाइन हो रहा है और न बन रहा है, उस स्थिति में अभी तक हम विदेश से खरीदते थे, लेकिन अब हमने परिवर्तन किया है, हम उन्हें कहते हैं आप यहां आकर बना दो। यह 74 परसेंट है।”

2.22 On the impact, if the FDI limit is increased to 100%, on production of defence equipment as well as on R&D, the Ministry stated as under:

“Presently, our Defence capital acquisition requirements are met through imports as well as procurement from indigenous sources. By allowing higher FDI in the Defence sector, the global companies having high-end technologies can be encouraged to set up their manufacturing base in India in collaboration with Indian companies, thereby resulting in creation of employment opportunities, saving of foreign exchange and increasing indigenisation. FDI is one of the sources available for the industry to access some of the technologies required to indigenously design, develop and produce the equipments, weapon systems/platforms required for defence. However, the defence sector being strategically sensitive, carefully calibrated approach for enhanced foreign investment is being adopted.”

CHAPTER III

DEFENCE PLANNING

FIVE YEAR DEFENCE PLANS

The Committee were informed by the Ministry that Defence Five Year Plans are formulated to elaborate the necessary steps to maintain and augment Defence capabilities in line with the RM'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 objective.

3.2 On the achievement of the Defence Five Year Plans the Ministry has stated;

Expenditure incurred under Defence Services Estimates during the last 5 Defence Five Year Plan periods, as against Budget Estimates/ Revised Estimates, is as follows:-

(Rs in crore)

Plan	Budget Estimates	Revised Estimates	Expenditure
8 th (1992-97)	1,12,978.47	1,18,921.47	1,19,033.12
9 th (1997-2002)	2,43,101.00	2,37,263.91	2,26,133.97
10 th (2002-07)	3,79,300.00	3,61,000.00	3,57,627.17
11 th (2007-12)	6,55,062.49	6,65,882.50	6,72,714.63
12 th (2012-17)	10,95,262.55	10,49,932.98	10,55,763.75

3.3 The Committee were informed about the total outlay in the current Five Year Plan: year wise/ project wise by means of the following statement:

The year-wise expenditure for the last 3 years in the current Five Year Plan (2017-18, 2018-19 and 2019-20), Budget Estimates and Revised Estimates for Current Financial Year 2020-21 and Budget Estimates for 2021-22 is as under:

(Rs. in crore)

Year	Revenue	Capital	Total
2017-18	1,82,121.43	90,438.39	2,72,559.83
2018-19	1,92,459.59	95,229.06	2,87,688.65
2019-20	2,07,572.15	1,11,092.43	3,18,664.58
2020-21 BE	2,09,319.00	1,13,734.00	3,23,053.00
2020-21(RE)	2,09,312.00	1,34,510.00	3,43,822.00
2021-22 (BE)	2,12,027.56	1,35,060.72	3,47,088.28

3.4 Financial targets of Services/Departments during the Financial Year 2021-22 in the broad categories fixed by the Ministry was forwarded to the Committee as follows:

(Rs. in crore)

S. No.	Service/ Deptt.	Allocation in BE 2021-22		
		Revenue	Capital	Total
1.	Army	1,47,644.13	36,531.90	1,84,176.03
2.	Navy	23,360.68	33,253.55	56,614.23
3.	Air Force	30,652.53	53,214.77	83,867.30
4.	DGOF	113.88	665.00	778.88
5.	R&D	9,081.94	11,375.50	20,457.44
6.	DGQA	1,174.40	20.00	1,194.40
7.	Total	2,12,027.56	1,35,060.72	3,47,088.28

3.5 When asked to give details of the targets/projects/activities, if any, which could not be achieved in accordance with the Defence Five year Plans and reasons therefor, the following information was supplied by the Ministry:

“Activities included in the Plans proceeded during the Plan period within the available budget allocations. The allocated funds are optimally utilized towards operational activities. The schemes are reprioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services.”

3.6 The Ministry have forwarded following information regarding service-wise position of amount earmarked during previous three years for the Defence Services and the amount spent against the allocation is as under:

(Rs. in crore)

Service/ Deptt	Amount Earmarked Final Grant			Amount Spent		
	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20
Army	1,46,661.93	1,56,597.74	1,73,405.32	1,54,655.74	1,61,680.04	1,71,530.26
Navy	38,266.53	41,662.83	48,261.58	38,833.63	42,365.83	49,833.99
Air Force	60,843.78	64,569.23	74,906.18	62,310.80	64,742.99	75,228.54
DGOF	880.22	1,102.82	888.33	650.85	907.13	3,678.76
R & D	15,399.25	17,121.99	17,730.78	15,203.05	17,048.67	17,375.17
DGQA	940.83	1,023.41	1,103.88	905.76	943.99	1,017.86
Total	2,62,992.54	2,82,078.02	3,16,296.07	2,72,559.83	2,87,688.65	3,18,664.58

3.7 The Committee in their earlier Reports have been recommending the Ministry to adopt measures for foolproof budgetary planning and implementation. Till now, the Five Year Defence Plans have never been got final approval of Ministry of Finance, therefore the Ministry was asked about the steps have been taken by the Ministry of Defence thereon. In this regard, the Ministry submitted as under:

i) The 12th Plan was approved by the Raksha Mantri. Ministry of Finance, however, did not approve the Plan. While formulating the guidelines for the 13th Defence Plan it was decided that the Plan may be sent to Ministry of Finance only for information and not for its approval. Accordingly, the Ministry of Finance will be kept informed about the requirements of the Defence Forces in the coming years.

ii) Based on the Defence Plan, implementation of Defence projects is undertaken. Activities planned are likely to proceed according to available annual budget allocations by MoF. The Defence Plan serves as a guide for formulating annual budgetary projections submitted to the Ministry of Finance.

iii) Further, Government has set up a Defence Planning Committee (DPC) to facilitate comprehensive and integrated planning for defence matters. The DPC is a permanent body under the chairmanship of the National Security Adviser (NSA). The DPC comprises of the Chairman, Chief of the Staff Committee (COSC), the Service Chiefs, Defence Secretary, Foreign Secretary and Secretary (Expenditure), as members.

iv) The DPC 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 the 15-year Long Term Integrated Perspective Plan (LTIPP), defence technology and development of the Indian defence industry and global technological advancements.

3.8 The Ministry was asked to state the projections, allocations, and actual expenditure of each year thirteenth Defence Five Year Plan including the projections and allocations during the year 2020-21. The Ministry in its reply stated:

The allocation of funds and expenditure for 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22 (Budget Estimates only), is as under:

(Rs. In crore)

Year	BE	RE	Actual Expenditure
2017-18	2,59,261.90	2,63,003.85	2,72,559.83
2018-19	2,79,305.32	2,82,100.23	2,87,688.65
2019-20	3,05,296.07	3,16,296.07	3,18,664.58
2020-21	3,23,053.00	3,43,822.00	2,33,176.70*
2021-22	3,47,088.28		

*up to Dec,2020

CHAPTER IV

MARRIED ACCOMMODATION PROJECT

Directorate General of Married Accommodation Project (DG MAP) was raised by Government of India under the aegis of Engineer in Chief to construct married accommodation for the three Services, with the aim of eradicating the deficiency of married accommodation for service personnel. The MAP was setup to fulfill the promise made to the Armed Forces by the Government of India. The total deficiency of two lakh dwelling units have been stated for construction in four phases.

Budgetary Provisions

4.2 The details regarding the projections and allocations made to MAP by the Ministry of Defence and the expenditure incurred during the last five years along with the details of the projected and allocated budget for the year 2021-22 are as under: -

ALLOTMENT / EXPENDITURE (LAST FIVE YEARS) FY:2016-17 to 2020-21

(Rs in Cr)

Year	Service	Projection	Allotment	Expenditure	Ratio (5/4)
1	2	3	4	5	
2016-17	Army (902/45)	2400.0000	1675.000	1675.993	0.996
	Navy (912/41)	180.0000	110.000	102.236	
	Air Force (917/41)	250.0000	180.000	179.832	
	Total	2830.0000	1965.000	1958.061	
	Revenue (565/35)	1.6200	2.251	2.229	0.990
2017-18	Army (902/45)	1672.0000	1120.000	1099.931	0.986
	Navy (912/41)	108.0000	68.000	67.255	
	Air Force (917/41)	197.0000	175.000	176.525	
	Total	1977.0000	1363.000	1343.711	
	Revenue (565/35)	2.5000	2.747	2.745	0.999
2018-19	Army (902/45)	1200.0000	756.961	761.917	1.005
	Navy (912/41)	57.0000	28.000	27.702	
	Air Force (917/41)	200.0000	90.000	89.381	
	Total	1457.0000	874.961	879.000	
	Revenue (565/35)	2.5000	3.350	3.368	1.005
2019-20	Army (902/45)	2500.000	373.470	375.568	0.995
	Navy (912/41)	60.000	28.920	26.929	
	Air Force (917/41)	110.000	58.650	56.146	
	Total	2670.000	461.040	458.643	
	Revenue (565/35)	3.3500	3.3500	3.061	0.914

2020-21 (Apr to Jan 21)	Army (902/45)	400.0000	244.5000	116.0624	0.438
	Navy (912/41)	42.0000	50.0000	11.7050	
	Air Force (917/41)	90.0000	50.2500	23.4013	
	Total	532.0000	344.7500	151.1687	
	Revenue (565/35)	3.3500	1.782	1.7761	0.997
2021-22	Army (902/45)	445.0000	Data not yet received from respective HQrs.	-	-
	Navy (912/41)	29.0000			
	Air Force (917/41)	77.0000			
	Total	551.0000			
	Revenue (565/35)	3.3500			

4.3 It was further informed by the Ministry regarding additional allocation as under:

Additional allocation sought by the MAP in 2021-22

Service	Projection 2020-21	Projection 2021-22	Addl(+)/ Dec(-)
1	2	3	4
Army (902/45)	400.0000	445.0000	45.0000
Navy (912/41)	42.0000	29.0000	-13.0000
Air Force (917/41)	90.0000	77.0000	-13.0000
Total	532.0000	551.0000	19.0000
Revenue (565/35)	3.3500	3.3500	0.0000

Current status of Phase II and III of MAP

4.4 The Ministry was asked to state the areas where compromises have been made or are likely to be made due to reduced budgetary allocation, if any, against the projections made by the MAP in 2021-22. The Ministry submitted the following information:

“MAP PH-III was planned for construction 71102 DUs at an anticipated cost of Rs 23,279.70 Cr. During the 56 & 57 Apex Steering Committee meetings Army authorities have conveyed difficulty in providing budgetary support for MAP Ph-III. Consequently MAP was allotted Rs344.72 Cr during the year 2020-21 against a projection of Rs 532 Cr. For the year 2021-22, an allocation of Rs.551 Crs. was sought for MAP in 2021-22.

An in-principle decision has been taken in Department of Military Affairs that henceforth maximum married DUs would be constructed through Annual Major Works Programme (AMWP) route. Accordingly, it is proposed to process revised CCS Note for foreclosure of MAP Phase-III.”

4.5 The Capital and Revenue ratio of the budget allocated for the MAP for the last five years, the Ministry in its written reply stated as under:

ALLOTMENT / EXPENDITURE (LAST FIVE YEARS)
FY:2016-17 to 2020-21

(Rs in crore)					
Year	Service	Projection	Allotment	Expenditure	Ratio (5/4)
1	2	3	4	5	
2016-17	Army (902/45)	2400.0000	1675.000	1675.993	0.996
	Navy (912/41)	180.0000	110.000	102.236	
	Air Force (917/41)	250.0000	180.000	179.832	
	Total	2830.0000	1965.000	1958.061	
	Revenue (565/35)	1.6200	2.251	2.229	0.990
2017-18	Army (902/45)	1672.0000	1120.000	1099.931	0.986
	Navy (912/41)	108.0000	68.000	67.255	
	Air Force (917/41)	197.0000	175.000	176.525	
	Total	1977.0000	1363.000	1343.711	
	Revenue (565/35)	2.5000	2.747	2.745	0.999
2018-19	Army (902/45)	1200.0000	756.961	761.917	1.005
	Navy (912/41)	57.0000	28.000	27.702	
	Air Force (917/41)	200.0000	90.000	89.381	
	Total	1457.0000	874.961	879.000	
	Revenue (565/35)	2.5000	3.350	3.368	1.005
2019-20	Army (902/45)	2500.000	373.470	375.568	0.995
	Navy (912/41)	60.000	28.920	26.929	
	Air Force (917/41)	110.000	58.650	56.146	
	Total	2670.000	461.040	458.643	
	Revenue (565/35)	3.3500	3.3500	3.061	0.914
2020-21 (Apr to Jan 21)	Army (902/45)	400.0000	244.5000	116.0624	0.438
	Navy (912/41)	42.0000	50.0000	11.7050	
	Air Force (917/41)	90.0000	50.2500	23.4013	
	Total	532.0000	344.7500	151.1687	
	Revenue (565/35)	3.3500	1.782	1.7761	0.997
2021-22	Army (902/45)	445.0000	Data not yet received from respective HQrs.	-	-
	Navy (912/41)	29.0000			
	Air Force (917/41)	77.0000			
	Total	551.0000			
	Revenue (565/35)	3.3500			

Progress: MAP Phases

4.6 When asked about the current status of the Phase-II and III of MAP and steps taken by the Ministry to reach the targets in phases-II and III, the following information was submitted by the Ministry:

The current status of Phase II and III of MAP is as follows :-

Phase-II

(i) MAP Ph-II was planned to commence in Jul 2008. Scales of Accommodation (SoA) and specifications were enhanced in Sep 2009 and commenced thereafter. A total of 69,904 DUs were to be constructed in the Ph-II which included 58,250 DUs for Army, 7,660 DUs for Air Force and 3,994 DUs for Navy. As on date, 69,244 DUs have been contracted, out of which 58,062 DUs have been completed and 11,182 DUs are in various stages of construction.

(ii) There has been a delay in execution of Ph II due to the then prevailing economic situations in the country between 2010 to 2014. The poor performance of the contractors led to cancellation of 37 out of 63 contracts. The cancelled contracts have since been re-concluded except for nine and work has recommenced. The overall progress of Ph II is 95%. It is expected that full completion of Ph-II will be achieved by Dec 2023.

(iii) The quality of construction has been widely appreciated by all ranks and Commanders. Eight of the Phase II Projects have been awarded prestigious Central Industrial Development Council (CIDC) Award and Indian Building Congress (IBC) Award for best construction in their category.

Phase-III

(i) 79,152 DUs were to be constructed in MAP Ph-III wherein Army was the major stakeholder as 70,432 DUs were to be constructed for Army. Due to limited availability of funds for army, Army Authorities conveyed the decision to restrict the planning for MAP Phase III to 24,592 DUs only in 2017-18 and Rs. 100 Cr allotted for preparation of DPRs at 8 locations as part of planning of Ph-III. The details of current planning projects is as under :-

Ser No.	Stations	No of DUs	Prog of DPR
(a)	Meerut	1798	Completed
(b)	Jaisalmer	1915	
(c)	Panagarh	1809	
(d)	Delhi & Gurgaon	4045	Draft DPRs have been submitted by consultants and are under scrutiny.
(e)	Bangalore	1885	
(f)	Dehradun	4407	
(g)	Chandimandir, Ambala & Patiala	6783	
(h)	Pune, Kirkee&Dehu Road	1950	

(ii) An in-principle decision has been taken in Department of Military Affairs (DMA) to henceforth construct maximum Married Dwelling Units (DUs) through Annual Major Works Programme (AMWP) route instead of MAP route and accordingly, the draft CCS Note is proposed to be revised for foreclosure of MAP Ph-III.

4.7 The Ministry During the course of evidence presented the following picture of the various Phases of MAP through Power Point Presentation:



SANCTIONED PHASES					
SERVICE	PHASE – I	PHASE – II	PHASE – III	PHASE – IV	TOTAL
ARMY	50,924	58,382	33,939	33,195	1,76,440
NAVY	3,225	3,107	-	-	6,332
AF	7,509	5,238	2,484	878	16,109
TOTAL	61,658	66,727	36,423	34,073	1,98,881
ORIGINAL OUTLAY (IN CR)	5,478.73	5,702.29	3,186.18	2,990.77	17,357.97
REVISED PHASES					
ARMY	47,383	58,250	70,432	-	1,76,065
NAVY	2,687	3,994	-	-	6,681
AF	7,805	7,660	670	-	16,135
REVISED DUs	57,875	69,904	71,102	-	1,98,881
REVISED COST (IN CR)	6,032.70	13,681.90	23,279.70	-	42,994.30
COMPLETION COST/ CURRENT EXPDR (IN CR)	5,651.513	14,021.562	1.220	-	19,674.296

4.8 On being asked, whether the Ministry has conducted any study regarding satisfaction of the occupants, regarding construction, quality of building material etc. of the dwelling units constructed under MAP, the Ministry stated as under:

“Before the launch of MAP Phase III, Phase I and II were evaluated and a High Level Committee headed by Vice Admiral Murugesan was formed on the directions of Ministry of Defence and the report has been submitted in this regard. The High Level Committee has highlighted the delay in execution of MAP Phase II and has recommended the use of new construction technology like Shear Wall and Pre Cast Construction for fast and efficient construction. The High Level Committee has stressed the need for according top priority for the timely and effective execution of MAP Phase III. However, In addition to the institutionalised mechanism to monitor quality of construction of houses under MAP, regular feedback is being obtained from users regarding quality and their satisfaction. The issues raised by the users are being promptly addressed. The feedback has been overwhelmingly positive. The lessons learnt from Phase I have been kept in mind and improvements in Phase II have been implemented.”

4.9 During the course of evidence when the Ministry was asked about any plan to increase MAP in Kashmir valley, it was deposed by one of the representatives of the Ministry:

“As we find peace is gradually returning to the Kashmir Valley, we will find that there will be a requirement of putting more accommodation in those areas and that has been balanced. In fact, a lot of accommodation in MAP has been constructed in large areas of Kashmir Valley but because of the situation, some of it is lying vacant / unutilized. So, those accommodation is available to be utilised. It is only Srinagar proper cantonment where the requirement of more accommodation is coming up. Now the demand of the people moving their families is coming up as peace is returning. That is being looked into.”

OBSERVATIONS/RECOMMENDATIONS

Capital Outlay on Defence Services

1. The Committee note from the information submitted by the Ministry that Capital Outlay 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.

2. The Committee further note that during the year 2020-21, the Ministry allocated Rs. 3,47,088.28 crore under Defence Services Estimates vis-à-vis the projection of Rs. 4,76,247.97 crore which is 7.44% increase over BE 2020-21. In Capital Budget the Ministry was allocated Rs. 1,35,060.72 crore as BE of 2021-22. Out of this head for the Capital Acquisition (including DGOF supplies) Ministry has been allocated Rs. 1,11,463.21 crore; for Land and Works of three services (including Married Accommodation Projects) Rs. 11,537.01 crore and for DRDO, DGOF and other Defence Departments Rs. 12,060.50 crore.

3. The Committee are glad to note that there is an increase in the allocation of the budget in the Capital Head vis-à-vis budgetary allocations in 2019-20 and 2020-21. The Committee note that there is an allocation of Rs. 3,62,345 crore for Ministry of Defence for Defence Services and other organizations excluding Defence Pensions in 2021-22 which is Rs. 24,792.62 crore or 18.78% more as compared to 2020-21. The Committee commend the Ministry for their persistent

pursuance of Ministry of Finance at various levels for approval of this enhanced budgetary allocation and expect that the Ministry of Defence would utilize this budget for developing and acquiring the most modern state of the art fighting platforms, which can match Northern and Western neighbors in the light of current security threats on the Northern frontiers of the country. The Committee further note that the Ministry could utilize only Rs. 2,33,173.70 crores (upto Dec. 2020) out of RE of Rs. 3,43,822.00 crore in 2020-21 at the time of furnishing action taken replies to the Committee. The Committee further hope that the Ministry utilizes the entire allocated budget under Capital Outlay in 2020-21 and the projected allocation in 2021-22 to enhance this acquisition of latest weaponry, air craft, ships, tanks and capital intensive projects including land, building and other infrastructure.

Projections and Allocations in respect of three services

4. The Committee observe that since 2015-16, none of the three Services have been allocated the same amount that has been projected by the Ministry at BE or RE State. The gap between the RE figures for Army in 2015-16 was at the time of Rs. 3614.86 core which has increased to Rs. 5735.89 crore in 2020-21. For Navy the difference was Rs. 5412.14 crore in 2015-16 at RE stage which has become Rs. 14,226.4 croe in 2020-21. For Air Force the gap was Rs. 5338.63 croe in 2015-16 which increased to Rs. 17,871.27 crore in 2020-21 at RE stage. The Committee further note that at BE stage in 2021-22 the gap between the projected and allocated budget for Army, Navy and Air Force in Rs. 14,960.2 crore, Rs. 37,667.23 crore and Rs. 23,925.79 crore which are remarkably high. The Committee are of the view that in the present scenario of conflict with our neighbouring countries especially at borders of our country, such situation is not conducive for

preparation 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 acquire funds at the stage of Revised Estimate Stage and at the time of Supplementary Grants keeping in view the operational preparedness of the three forces equally.

Additional Allocation

5. The Committee are satisfied to find that the Ministry of Defence has put forth the Demand of Rs. 9,286 crore under Revenue Head (Non-Salary) and Rs. 20,776 crore under Capital Head as additional funds during the year 2020-21. The Committee are of the opinion that first and foremost priority should be given to the preparedness of Defence Forces and the Ministry should ensure that these additional allocation of funds 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.

Ratio for Capital and Revenue Outlay

6. The Committee observe that the ratio for Capital and Revenue outlay this year can find some solace as it has improved from the ratio of 83:17 in 2015-16 to 80:20 in 2021-22. However, the ratio is way short of the ideal ratio of 60:40 (Revenue : Capital) in case of Army. With respect to other services the ratio between the Revenue and Capital seems to be near the ideal ratio of 60:40. Although the Ministry has almost achieved the target of ideal ratio for total outlay in 2020-21 and 2021-22, still the Committee, recommend that measures should be taken to bridge the gap and achieve ideal ratio of 60:40 (Revenue : Capital) in respect of Army and other Services.

Modernization of Defence Forces

7. The Committee note 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 it 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 of the Ministry, the Government attaches the highest priority to ensure that the Armed Forces are sufficiently equipped to meet any operational requirement. This 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.

8. The Committee further note that an overview of the BE, RE and AE on Modernization for capital acquisition since 2016-17 shows that Actual Expenditure is more than the allocated funds even after RE Stage. Although the Ministry has utilized Rs. 70,570.81 crore out of BE of Rs. 90047.80 crore in 2020-21 by December, 2020, the Committee hope that the target of full utilization of funds is achieved under this head by the end of F.Y. 2020-21. The Committee are given to understand 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.

Committed Liabilities and New Schemes

9. The Committee find 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. 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.

10. 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 the allocation in the 2021-22 for Army is Rs. 30,636.90 crore against projection of Rs. 39,977.00 crore. For Navy (excluding Joint Staff) the allocation is Rs. 31,031.02 crore vis-à-vis projection of Rs. 65,888.96 crore which is less than the half of the projected amount. The allocation for Air Force stands at Rs. 49,320.77 crore against the projection of Rs. 72,180.06 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 BE-2021-22 for the three services especially Navy being a capital intensive force. Ministry had sought additional funds of Rs. 61,198.12 crore at RE stage in 2021-21 under Modernization Head but only Rs. 24,272.50 crore were provided to them. Considering this grim situation towards allocation in Capital Acquisition Fund, the Committee in their 7th 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 regards, the Committee again urge 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.

Non Lapsable Defence Modernization Fund – Defence Renewal Fund

11. The Committee in their various previous reports have recommended making Capital Budget 'Non-lapsable' and 'Roll-on' in nature. The Ministry was consequently asked to convey the current status of the same. 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 advice the Ministry that approval may be accorded 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.

PROCUREMENT POLICY

Defence Procurement Policy

12. The Committee find 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

are achieved in the process of procurement. In addition, self-reliance in Defence equipment production and acquisition is steadfastly pursued as a key aim of the policy. 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 'Negative list' of 101 items for which there would be an interim embargo on the import beyond the timeline indicated against them.

13. The Committee are hopeful that new Defence Acquisition Procedure will make the procedure fast track and the Services will get the supply of arms, equipment and ammunition in time and promote self reliance at the same time. The Committee note the noble intentions of the Ministry in the form of DAP 2020, nevertheless they recommend that concerted efforts of all stakeholders i.e. the Ministry, DPSUs, OFB, the Armed Forces and private sector are indispensable for realisation of the goal of Self Reliance in Defence Sector for which all efforts should be done by the Ministry so as to maximize the gains from each of the above.

Accountability and Transparency in Defence Procurement

14. From the information submitted by the Ministry, for ensuring accountability and transparency in Defence Procurement cases, the Committee note that measures for promoting Probity, Public Accountability and Transparency in Defence capital procurements, include execution of Pre Contract Integrity Pact (PCIP) for all cases above Rs. 20 crore to ensure corruption free procurement process (binding agreement between parties that their officials will not offer or accept bribes), guidelines for handling of complaints provide for 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) and guidelines for penalties in business dealings with entities and capacity assessment for shipbuilding entities notified. As accountability and transparency is extremely imperative in the Defence Procurement Procedures, the Committee recommend that the above measures be strictly followed and firm monitoring mechanism be put in place for early procurement of weapon systems.

Increasing Dependence on Foreign Suppliers for Military Hardware

15. The ever increasing import of arms and equipments has been a cause of worry for the Committee. On being largest importer of the arms and equipment in the World, the Ministry apprised the Committee 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 in February 2017 by the Stockholm International Peace Research Institute (SIPRI), India has been shown as the largest importer of Defence equipment for the year 2012-16. The Committee learnt that capital

procurement of Defence equipment is undertaken from various domestic as well as foreign vendors, as per extant 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.

16. The Committee note that during the last four financial years (2016-17 to 2019-20), Out of total 213 contracts, 90 contracts worth about Rs.1,76,569.10 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.

17. The Committee also note that during the year 2020-21 (upto 21.01.2021), total expenditure on foreign contracts under Capital Acquisition budget for the Defence Forces was Rs. 24384.63 crore which is a crucial percentage of the BE for the Financial year 2020-21. The Committee appreciate the efforts of the Ministry to bring down the expenditure on imports, as the expenditure has come down from Rs 31058.34 crore in 2019-20. The Committee recommend that ways and means should be forced so that Ordnance Factories, DPSUs, DRDO and Private Industries work in coordination to produce not only import substitute products but also expand their export potential so that the country become an exporter of defence equipment.

Extreme Cold Weather Clothing System

18. 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 were apprised that for it, quality of supply is monitored and the 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 suitably feedback processes. 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.

19. The Committee find under Private Sector Participation for Extreme Cold Weather Clothing System (ECWCS) all the present user approved sources are private manufactures, whether foreign or Indian and out of these, one is an indigenous manufacturer. The Committee hope that in due course of time after the implementation of DAP 2020, the Ministry would take proper steps to promote indigenous production of ECWCS and explore more possibilities of manufacturing it in the country. The Committee also desire that the Ministry of Defence should put in place a definite mechanism to ensure that the end product should be at par with the foreign products in terms of quality.

Offset Clause

20. The Committee note that 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. The offset provisions 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. No offsets will be applicable in all ab-initio Single Vendor Cases including procurements based on Inter Governmental Agreements/Foreign Military Sales (IGA/FMS). It is relevant to note that offset applicability on Indian companies under ‘Buy Global’ cases do not arise in case the indigenization component is 30% or more. 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). The period of offset discharge can be extended on exceptional ground by a maximum period of 02 years. 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. 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. 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.

21. The Committee have been apprised that as on date, a total of 56 Defence offset contracts have been signed in MoD. The total offset obligations are estimated at approx US \$ 13.03 billion to be discharged over a period from 2008-2027. Out of the total contracted obligations US\$ 3.57 billion has been discharged by the vendors, of which US \$ 1.93 billion has been accepted in audit and the balance claims are under clarification/examination. The Committee are of the view that the Ministry of Defence would take appropriate measures for clearing balance claims which are under clarification/examination which would result in further strengthening of Defence Industrial Base.

22. While appreciating 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. 2,000 crore or more. The Ministry should also try to establish some import substitute products industry while discharging the 30 per cent obligation.

Import Contents in OFB and DPSUs

23. The Committee find that in spite of the Make in India Policy executed by the Government, there exist imports in terms of value and percentage in the Defence Production Units. In OFB as already brought out, the average import rests around 8.5% in 2019-20. In HAL, which is currently manufacturing platforms for various aircraft, the import content in value terms is around 35 per cent. In BEL, the import content upto 3rd quarter of 2020-21 is around 28 per cent which was merely

24% in the year 2015-16. Likewise, in BEML, the import content upto September, 2020 was 16.76% in terms of net value of production. In BDL, during 2019-20, it registered 10% in comparison to 7.7% during 2016-17. MDL has intimated that their import content for the warships and submarines under construction ranges between 58% to 70% the import content of GSL upto December, 2020 was 25% which has increased from the average of about 19% in 2019-20. GRSE has also supplied its figures which have also increased to 12.38% upto 2nd quarter of 2020-21 from that of 6.95 % during the year 2019-20. HSL has also maintained almost the same figures in terms of import content which is around 26.29% between April to December, 2020 in comparison to 21.09% during the year 2019-20.

24. While taking note of the above figures in regard to import contents, the Committee at this stage would not like to recommend anything which would adversely affect the pace and quality of the production of various assets. Nevertheless, they would like to be apprised of the concrete steps taken to reduce the import contents in future. They would also like to recommend that all-out concerted efforts be undertaken not only within the Defence Production Units but from private manufacturers also by sharing their co-expertise developed in terms of research and development. The detailed note may be supplied to the Committee for their perusal at the time of furnishing the Action Taken Replies.

25. The Committee note that the Government of India has enhanced FDI in Defence Sector up to 74% through the Automatic Route for companies seeking new defence industrial license and up to 100% by Government Route wherever it is likely to result in access to modern technology. The Committee was given to understand that this FDI limit was increased from 49% to 74% to ensure that it will come alongwith the technology also. The FDI limit has been made attractive

enough to make the foreign investors share their technology also otherwise, they will have the control of the entire company. The Committee are convinced with the idea of the Ministry but desire 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. In this context, the Committee recommend that in addition to the measures taken for making FDI more attractive, focussed efforts may be undertaken by the Ministry to strengthen R&D base of the country so that the technologies/systems/accessories intended to be made available in the country through the FDI route be cent-percently designed and developed by indigenous defence sector.

DEFENCE PLANNING

FIVE YEAR DEFENCE PLANS

26. 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 objective. The Ministry also stated that under these Five Year Plans operational activities are done 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.

27. The Committee in their earlier Reports have been recommending the Ministry to adopt measures for foolproof budgetary planning and implementation. The Committee are surprised to know that the 12th Plan was approved by the Raksha Mantri but the Ministry of Finance, however, did not approve the Plan.

While formulating the guidelines for the 13th Defence Plan it was decided that the Plan may be sent to Ministry of Finance only for information and not for its approval. The Ministry of Finance will be kept in loop about the requirements of the Defence Forces in the coming years. The Committee also note from the replies submitted that non approval of the Defence Plan does not act as hindrance in implementation of Defence projects. Activities planned are likely to proceed according to available annual budget allocations and the Defence Plan serves only as a guide for formulating annual budgetary projections even without the formal approval of the Ministry of Finance.

28. In the 12th (2012-17) plan, the Ministry was able to spend Rs. 10,55,763.75 crore out of Rs. 10,95,262.55 crore allocated. However, the Committee note that in 2017-18, the Ministry was earmarked Rs. 262992.54 crore and the amount spent was Rs. 2,72,559.83 crore. Similarly in 2018-19, Ministry was granted Rs.2,82,078.02 crore but Rs. 2,87,668.65 crore were utilized; in 2019-20, Ministry was allocated Rs. 3,16,296.07 crore and the expenditure was Rs. 3,18,664.58 crore. While gleaning through the data supplied, the Committee note that in the past few years Ministry was able to spend more than the allocated amount. Therefore, the Committee desire that at the first place, the Ministry of Finance should desist from any cut in the financial allocations in annual plans for Ministry of Defence, especially when the Ministry of Defence is able to absorb entire allocated amount. The Committee further recommend that the Ministry of Defence should make well calculated and enhanced demand for additional allocation at the time of supplementary grants, since they have an obligation to fulfill.

29. The Committee note that in 2020-21 the Ministry was able to utilize Rs.2,33,176.70 crore (upto Dec. 2020). Since the Ministry had last quarter to utilize the rest of the amount and there was no cap on expenditure in last quarter of the

year due to Covid-19 pandemic situation, the Committee would like to be apprised of the figures of final expenditure in 2020-21. The Committee would also like to know about the constraints in spending the full allocated funds, if any, at the time of furnishing Action Taken Replies.

MARRIED ACCOMMODATION PROJECT

30. The Committee note that Directorate General of Married Accommodation Project (DG MAP) was raised by Government of India under the aegis of Engineer-in-Chief to construct married accommodation for the three Services, with the aim of eradicating the deficiency of married accommodation for service personnel. The MAP was setup to fulfill the promise made to the Armed Forces by the Government of India. The total deficiency of two lakh dwelling units have been slated for construction in four phases. After construction of dwelling units over the time period, at present, there is a deficiency of 71,102 in all (70,432 Dwelling Units in respect of Army and 670 in respect of Air Force).

Current status of Phase II and III of MAP

31. The Committee note that due to reduced budgetary allocation many constraints are being faced by the MAP i.e. low satisfaction level, delay in commencement of MAP Phase III, delay in execution of MAP Phase III, cost escalation of MAP Phase III etc. The Committee were informed that MAP Phase-III was planned for construction 71102 DUs at an anticipated cost of Rs. 23,279.70 crore. During the 56 and 57 Apex Steering Committee meetings Army authorities have conveyed difficulty in providing budgetary support for MAP Ph-III. Consequently MAP was allotted Rs. 344.72 crore during the year 2020-21 against a projection of Rs. 532 crore. For the year 2021-22, an allocation of Rs. 551 crore.

was sought for MAP in 2021-22. However, due to the delays in construction due to budgetary constraints, it was decided by the Department of Military Affairs that maximum married Dwelling Units would be constructed through Annual Major Works Programme (AMWP) route. Accordingly it was proposed to process revised CCS Note for foreclosure of MAP Phase-III.

32. The Committee feel that budget constraints are always there in capital intensive projects like MAP, and the Committee appreciate the decision of the Ministry to complete the targeted number of dwelling units through AMWP. At this stage the Committee only desire the Ministry to get this proposal accepted at the earliest and start with the construction of Dwelling Units as soon as possible so that it does not get delayed further.

33. During the course of evidence, when the deliberations on the proposal or plan to increase MAP in Jammu and Kashmir was taking place, it was informed that as peace is returning to the Kashmir Valley, there will be a requirement of putting more accommodation in the valley. The Committee, welcome the idea of increasing the number of dwelling units in Kashmir Valley and accordingly recommend that emphasis should be given on completing required number of Dwelling Units (DUs) at the earliest so that our Armed Forces would be in a better state of mind to serve the nation.

New Delhi;
15 March, 2021
24 Phalguna, 1942 (Saka)

JUAL ORAM
Chairperson
Standing Committee on Defence

STANDING COMMITTEE ON DEFENCE (2020-21)

**MINUTES OF THE FOURTH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2020-21)**

The Committee sat on Wednesday, the 17th February, 2021 from 1100 hrs to 1730 hrs in Committee Room D, Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

SHRI JUAL ORAM

-

CHAIRPERSON

MEMBERS

Lok Sabha

2. Kunwar Danish Ali
3. Shri Ajay Bhatt
4. Choudhary Mehboob Ali Kaiser
5. Smt. (Dr.) Rajashree Mallick
6. Dr. T.R. Paarivendhar
7. Shri Kapil Moreshwar Patil
8. Shri Jugal Kishore Sharma
9. Shri Brijendra Singh
10. Shri Mahabali Singh
11. Shri Durga Das Uikey

Rajya Sabha

12. Dr. Ashok Bajpai
13. Shri Prem Chand Gupta
14. Shri V. Lakshmikantha Rao
15. Shri Kamakhya Prasad Tasa
16. Dr. Sudhanshu Trivedi
17. Lt. Gen. Dr. D. P. Vats (Retd.)

SECRETARIAT

- | | | | |
|---|---------------------|---|----------------------|
| 1 | Smt. Kalpana Sharma | - | Additional Secretary |
| 2 | Dr. Sanjeev Sharma | - | Director |
| 3 | Shri Rahul Singh | - | Deputy Secretary |

LIST OF WITNESSES

MINISTRY OF DEFENCE

Sl. No.	Name & Designation
1.	Dr. Ajay Kumar, Defence Secretary
2.	Gen. Bipin Rawat, CDS & Secy. DMA
3.	Shri Ravikant, Secretary (ESW)
4.	Shri Raj Kumar, Secretary(DP)
5.	Lt. Gen CP Mohanty, VCOAS
6.	VAdm G Ashok Kumar, VCNS
7.	VAdm R Hari Kumar, CISC
8.	Shri Jiweesh Nandan, Addl. Secy.
9.	Smt. Nivedita Shukla Verma, Addl. Secy
10.	Shri Sanjay Jaju, Addl. Secy. (DP)
11.	Lt. Gen. Anil Puri, Addl. Secy.
12.	Air Mshl Sandeep Singh, DCAS
13.	Smt. Mala Dutt, FA(DS)
14.	Lt. Gen. Harsha Gupta, Adjutant General
15.	Lt. Gen Harpal Singh, E-in-C
16.	Lt. Gen Rajinder Dewan, DG SP
17.	Lt. Gen Paramjit Singh, DCOAS (Strat)/DGMO
18.	Lt Gen TK Chawla, DG FP
19.	Lt. Gen RKS Kushwaha, DG OS
20.	Lt. Gen SS Mishra, QMG
21.	Lt. Gen Shantanu Dayal, DCOAS (CD&S)
22.	VAdm Narayan Prasad, IN(Retd.), CMD MDL
23.	Shri A.N. Das, Addl. FA(AN) & JS
24.	Shri RK Karna, Addl. FA(RK) & JS

25.	Shri Rajesh Sharma, Addl. FA(RS) &JS
26.	Shri Anurag Bajpai, JS(P&C)
27.	Shri Puneet Agarwal, JS(LS)
28.	Shri Chandraker Bharti, JS(Aero)
29.	Shri Surendra Prasad Yadav, JS(NS)
30.	Maj Gen NR Indurkar, MD ECHS
31.	Maj Gen K Narayanan, JS(Army &TA)
32.	Maj Gen Adosh Kumar, Offg MGS
33.	Maj Gen KP Singh, ACIDS (Transformation)
34.	Maj Gen H Dharmarajan, ADG FP
35.	Maj Gen Pankaj Chouhan, ADG Works
36.	Maj Gen S K Khanna, DG Works
37.	AVM SK Jha, JS (Air)
38.	AVM N M Desai, ACAS (Fin P)
39.	RAdm Kapil Mohan Dhir, JS(Navy & Def Staff)
40.	RAdm Sameer Saxena, ACNS (P&P)
41.	RAdm VK Saxena (Retd.), CMD GRSE
42.	Cmde Siddharth Mishra (Retd), CMD BDL
43.	Shri R. Madhavan, CMD HAL
44.	Shri MVG Gowtama, CMD BEL
45.	Cmde Hemant Khatri, CMD HSL
46.	Shri MV Rajasekhar, CMD BEML
47.	Cmde BB Nagpal, CMD GSL
48.	Dr. Sanjay Kumar Jha, CMD MIDHANI
49.	Shri D. Gopi Krishna, GM (Prod & Marketing), MIDHANI
50.	Shri Ambarish Barman, Director (Budget)
51.	Brig MRK Rajesh Panicker, MA to VCOAS
52.	Brig Bimal Monga, Brig (Budget)
53.	Brig UK Ojha, Brig FP(B)
54.	Brig Tarun Agrawal, Brig FP(A)
55.	Brig RS Lamba, Brig CD(B)
56.	Cmde Joginder Chandna, Cmde (Budget)
57.	Smt. Deepa Bajwa, DGDE
58.	Lt. Gen RK Anand, DG LW&E

59.	Maj Gen NR Indurkar, MD ECHS
60.	Smt. Inderjeet Kaur, Sr. Addl. DG
61.	DG K Natarajan, DG ICG
62.	Dr. Pudi Hari Prasad, JS(ESW)
63.	Mrs. Nidhi Chhibber, Joint Secretary
64.	Shri Rakesh Mittal, Joint Secy.
65.	Maj Gen MK Sagoch, DG (Resettlement)
66.	Maj Gen YP Khanduri, GM & Chairman, BOA
67.	IG Mukesh Purohit, DDG(P&P)
68.	Shri Valeti Premchand, Addl. DG
69.	Shri Ravi Shankar, Addl. DG
70.	Smt. Sonam Yangdo, Addl. DG
71.	Smt. Vibha Sharma, Addl. DG
72.	DIG SC Gupta, PD(P&P)
73.	Dr. PP Sharma, OSD (WE)
74.	Shri Sushil Kumar, Director (Res.I)
75.	Air Commodore B Ahluwalia, Secy. Kendriya Sainik Board
76.	Smt. Sharmishtha Maitra, Director
77.	Brig Akaash Johar
78.	Shri Harendra Singh, DDG
79.	Comdt (JG) TD Pandey, DD(Plans)
80.	Brig APS Chahal, Secy. BOCCS

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them of the agenda for the Sitting i.e. oral evidence of the representatives of Ministry of Defence in connection with examination of Demands for Grants for the year 2021-22 on the subjects 'General Defence Budget, Department of Military Affairs (DMA), Ministry of Defence (Civil) and Defence Public Sector Undertakings (DPSUs), Directorate General Defence Estate (DGDE), Ex-Servicemen Welfare, Canteen Stores Department (CSD), Border Roads Organization (BRO), Coast Guard Organisation (CGO), Navy and Joint Staff.'

3. The Committee then invited the representatives of the Ministry of Defence and the Services/ Organisations. The Chairperson welcomed the representatives to the Sitting of the Standing Committee on Defence and drew their attention to Direction 55(1) of the

Directions by the Speaker, Lok Sabha regarding confidentiality of the proceedings. Thereafter, the Chairperson requested the representatives of the Ministry of Defence to brief the Committee on various issues included in the agenda for the day.

4. The Defence Secretary initiated the discussion by giving an overview of Defence Services Estimates and other Demands for Grants of the Ministry of Defence for 2021-22. The highlights of the brief given by the Defence Secretary are as under:

- i. Significant increase in allocation under Capital Outlay by 18.75 percent over Financial Year 2020-21;
- ii. 100 new Sainik Schools in partnership with NGOs/private schools/States;
- iii. Allocation under Non-Salary Revenue to meet operational requirement increased to Rs. 54,624.67 crore;
- iv. Introduction of new Defence Acquisition Procedure in 2020; and
- v. Delegation of emergency procurement powers to the Services.

5. Then, a Power Point Presentation on General Defence Budget was made before the Committee. This was followed by detailed deliberations on the following issues:

- i. Basis of selection of new Sainik Schools and role of the Ministry of Defence in such selection;
- ii. Difference between projection and allocation of funds;
- iii. Increase in Defence Budget for 2021-22 in comparison with Budget Estimates and Revised Estimates 2020-21;
- iv. Schedule of commencement and other details viz. curriculum, selection of teaching faculty etc. of Indian National Defence University;
- v. Plans for critical procurement of equipment in Defence Budget;
- vi. Replacement of MIG aircraft in Air Force;
- vii. Current status of Army Base Workshops;
- viii. Updates regarding Wheeled Armoured Personnel Carriers;
- ix. Plans to compensate for urgent and critical capabilities in view of mismatch between allocation and project at Revised Estimates stage in 2020-21;
- x. Notification of Negative list of import of 101 items in line with steps being taken for 'Aatmanirbhar Bharat'; and
- xi. Clarification regarding findings of a recent study by United Service Institution of India (USI) on Indian Army personnel.

6. The representatives of the Ministry of Defence commenced their briefing on the subject 'Defence Public Sector Undertakings' through a Power Point presentation. This was followed by detailed deliberations on the following issues:

- i. Commendable role of Bharat Electronics Limited (BEL) in manufacturing of ventilators during COVID period;
- ii. Percentage of contribution of Hindustan Aeronautical Limited (HAL) in manufacturing of helicopters in the country;
- iii. Mismatch between order book position and Profit after Tax/Value of Sales in certain DPSUs;
- iv. Shortfall in composition of Board of Directors in a DPSU; and
- v. Delivery of submarines by Mazagon Dock Shipbuilders Limited (MDL).

7. Thereafter, a Power Point Presentation by the representatives of the Defence Estates Organisation (DEO) was made. This was followed by extensive discussion on the following points:

- i. Implementation of recommendations of Expert Committee on the Working of Cantonment Boards;
- ii. Amendment of Cantonment Board Act, 2006;
- iii. Participation of private agencies and introduction of Corporate Social Responsibility (CSR) scheme in educational and health institutions in the Cantonment areas;
- iv. Elections of Cantonment Boards;
- v. Budgetary provisions for 2021-22 and effect on various activities carried out by Cantonment Boards ;
- vi. Encroachment of Defence lands;
- vii. Proposal to convert civil areas of Cantonments into municipalities;
- viii. Issues related to convenience of the civilian population residing in the Cantonment areas such as renewal of leases, repair ect., simplification of permission process etc.

8. Next, a Power Point Presentation was made by the representatives of the Department of Ex-Servicemen Welfare. This was followed by detailed deliberations on following issues:

- i. Current status of pending bills of Ex-Servicemen Contributory Health Scheme (ECHS);
 - ii. Payment of bills for emergency treatment of COVID in respect of Ex-Servicemen;
 - iii. Skill development and other welfare programmes for Ex-Servicemen and their re-settlement;
 - iv. Budgetary grants for the Department of Welfare of Ex-Servicemen;
 - v. Share of State Governments in Sainik Board; and
 - vi. Opening up of 100 Sainik Schools consequent to the announcement in the Union budget.
9. Thereafter, a presentation was given by Canteen Stores Department (CSD) and followed by discussion *inter alia* on operationalisation of facilities of CSD during CORONA pandemic etc.

10. Thereafter, a Power Point presentation on Border Roads Organization (BRO) was made. This was followed by extensive discussion on the following points:

- i. Organisation structure in BRO;
- ii. Connectivity of border roads;
- iii. Public private participation model in BRO;
- iv. Construction of roads in coastal areas;
- v. Use of indigenous equipment by BRO;
- vi. Training of manpower;

11. Thereafter, the Chairperson invited representatives of the Coast Guard Organisation. The representatives of the Coast Guard Organisation commenced their briefing through a Power Point presentation. This was followed by discussion *inter alia* on mismatch between projection and allocation in budgetary provisions for Indian Coast Guard.

12. The representatives of the Ministry of Defence commenced their briefing through a Power Point presentation on Navy. This was followed by detailed deliberations *inter alia* on the following issues:

- i. Additional allocation of funds to Navy in Revised Estimates 2020-21;
- ii. Sea trials of aircraft carrier;

- iii. Role of Indian Navy in Quadrilateral Security Dialogue (QUAD); and
- iv. Difference between projection and allocation in budget.

13. Thereafter, a presentation on Joint Staff was made which was followed by discussion *inter alia* on budgetary provisions for Joint staff and Indian National Defence University.

14. The Chairperson directed the representatives of the Ministry to furnish written replies/information on the points raised by the Members at the earliest.

The Committee then adjourned.

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

STANDING COMMITTEE ON DEFENCE (2020-21)

**MINUTES OF THE FIFTH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2020-21)**

The Committee sat on Thursday, the 18 February, 2021 from 1100 hrs. to 1740 hrs. in Committee Room No. 'C', Parliament House Annexe, New Delhi.

PRESENT

SHRI JUAL ORAM

-

CHAIRPERSON

MEMBERS

LOK SABHA

2. Kunwar Danish Ali
3. Shri Ajay Bhatt
4. Shri Rahul Gandhi
5. Shri Annasaheb Shankar Jolle
6. Choudhary Mehboob Ali Kaiser
7. Smt. (Dr.) Rajashree Mallick
8. Dr. T.R. Paarivendhar
9. Shri Kapil Moreshwar Patil
10. Shri Jugal Kishore Sharma
11. Dr. Shrikant Eknath Shinde
12. Shri Brijendra Singh
13. Shri Kotagiri Sridhar
14. Shri Durga Das Uikey

RAJYA SABHA

15. Dr. Ashok Bajpai
16. Shri Prem Chand Gupta
17. Shri V. Lakshmikantha Rao
18. Shri Sanjay Raut
19. Shri Rajeev Satav
20. Dr. Sudhanshu Trivedi
21. Lt. Gen. Dr. D. P. Vats (Retd.)

SECRETARIAT

1. Smt. Kalpana Sharma - Additional Secretary
2. Dr. Sanjeev Sharma - Director
3. Shri Rahul Singh - Deputy Secretary

LIST OF WITNESSES

MINISTRY OF DEFENCE

Sl. No. Name & Designation

1. Shri Ajay Kumar, Defence Secretary
2. Gen. Bipin Rawat, CDS & Secy. DMA
3. Shri Ravikant, Secretary (ESW)
4. Shri Raj Kumar, Secretary(DP)
5. Lt. Gen CP Mohanty, VCOAS
6. Shri Jiwesh Nandan, Addl. Secy.
7. Shri Sanjay Jaju, Addl. Secy. (DP)
8. Lt. Gen. Anil Puri, Addl. Secy.
9. Smt. Mala Dutt, FA(DS)
10. Lt. Gen. Harsha Gupta, Adjutant General
11. Lt. Gen Harpal Singh E-in-C
12. Lt. Gen Rajinder Dewan, DG SP
13. Lt. Gen Paramjit Singh, DCOAS (Start)/DGMO
14. Lt. Gen TK Chawla, DG FP
15. Lt. Gen SS Mishra, QMG
16. Lt. Gen Shantanu Dayal, DCOAS (CD&S)
17. Lt. Gen Tarun Kumar Aich, DG NCC
18. Lt. Gen RK Malhotra, DGQA
19. Shri A.N. Das, Addl. FA(AN) & JS
20. Shri RK Karna, Addl. FA(RK) & JS
21. Shri Rajesh Sharma, Addl. FA(RS) & JS
22. Dr. Pudi Hari Prasad, JS(ESW)
23. Shri Shantanu, JS(Parl & Works)
24. Shri Satish Singh JS(Trg)
25. Shri Puneet Agarwal, JS(LS)
26. Maj Gen NR Indurkar, MD ECHS
27. Maj Gen K Narayanan, JS(Army & TA)
28. Maj Gen Adosh Kumar, Offg MGS
29. Maj Gen H Dharmarajan, ADG FP
30. Maj Gen Pankaj Chauha, ADG Works
31. Maj Gen S K Khanna, DG Works
32. Shri Rajeev Ranjan, ADG (Adm)
33. Dr. PP Sharma, OSD(WE)
34. Shri Ambarish Barman, Director (Budget)
35. Brig MRK Rajesh Panicker, MA to VCOAS
36. Brig Bimal Monga, Brig (Budget)
37. Brig UK Ojha, Brig FP(B)
38. Brig Tarun Agrawal, Brig FP(A)
39. Brig RS Lamba, Brig CD(B)

40. Brig P K Sharma, Inspecting Officer Sainik Schools Society
41. Shri S Gopal Krishna, Director (Trg)
42. Brig Jim James, Brig QA (Dte of PP&T)
43. Shri CP Gusia, Dir (P&F)
44. Dr. G. Satheesh Reddy, Secretary, Deptt. DR&D & Chairman DRDO
45. Shri CS Vishwakarma, DGOF & Chairman/OFB
46. Shri K.S. Varaprasad, DS & DG(HR)
47. Dr. AK Singh, DS&DG(LS)
48. Ms. Nabanita R Krishnan, OS & DG(R&M)
49. Shri GN Rao, OS& DG(PC&SI)
50. Air Mshl Sandeep Singh, DCAS
51. Lt. Gen RKS Kushwaha, DG OS
52. Air Mshl HS Arora, ADC
53. Shri Subir Mallick, Addl. FA & Addl. Secy
54. Shri RK Arora, Member/Finance (OFB)
55. AVM NM Desai, ACAS (Fin P)
56. AVM SK Jha, JS (Air)
57. Dr. Ravindra Singh, Sc 'G' & Dir. DPARO&M
58. Dr. Sumit Goswami, Sc 'F' & Dir. DP&C
59. Shri M.P. Gupta, Addl. Dir., DFMM
60. AVM N Tiwari, ACAS(Plans)
61. Dr. K. Ramachandran, OS & Director, DIPR
62. Shri Alok Mall, Scientist 'G' & Director, DHRD
63. Shri Vivek C Verma, Secy/OFB
64. Shri Vijay Mitta, DDS/OFBNDO
65. Shri PK Dash, DDG/ P&P OFB
66. Shri NI Laskar, DDG/Budget, OFB
67. Shri B. Krishnamoorthy, Dir/ OFBNDO
68. Shri Devi Dutt Nailwal, JWM(SG)/OFBNDO
69. Brig T Rajesh Bhanu, Brig ADB(TRC)

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them of the agenda for the Sitting. The Committee then invited the representatives of the Ministry of Defence and the Defence Services. The Chairperson welcomed the representatives to the sitting of the Standing Committee on Defence and requested them to brief the Committee on various issues included in the agenda for the day. He also drew their attention to Direction 55(1) of the Directions by the Speaker, Lok Sabha.

3. The Vice Chief of Army Staff commenced the briefing by giving an overview on Army to the Committee and thereafter, a Power Point presentation was made. This was followed by detailed deliberations on following issues:

- 1) Budgetary allocation to Army;
- 2) Maintaining ideal ratio between Revenue and Capital Budget;
- 3) Use of non-salary revenue for operation and maintenance of Indian Army
- 4) Under-utilisation of Capital expenditure due to Covid
- 5) Less allocation as compared to amount projected by Army
- 6) Compulsory retirement of non-essential staff
- 7) Updation on situation at China borders

- 8) Restructuring of Army
- 9) Reduction in tooth-to-tail ratio

4. Thereafter, a Power Point presentation was made by the representatives of Military Engineer Services (MES) covering the following issues:

- 1) Standard schedule of rates for construction activities
- 2) Under utilization of Revenue and Capital budget due to Covid-19
- 3) Use of solar energy

5. The Chairperson then invited representatives of Directorate General of Quality Assurance (DGQA). The representatives of DGQA commenced their briefing through a Power Point presentation which was followed by discussion on following issues:

- 1) Role of DGQA organization in procurement of ammunitions etc.
- 2) Third party inspection of ammunition and store
- 3) Training programme of DGQA personnel
- 4) Role of DGQA in providing testing facility to private sector
- 5) Process of testing of ammunition supplied to Forces
- 6) Shortage of manpower

6. Thereafter, the Chairperson invited representatives of the National Cadet Corps (NCC). They made a Power Point presentation before the Committee which was followed by discussion on following issues:

- 1) Training of NCC cadets in war like situation
- 2) Creation of jobs for NCC Cadets in Armed and other Forces
- 3) Expansion of NCC in schools, colleges and Coastal and Border Areas
- 4) Implementation of Self Financing Scheme(SFS) in schools and colleges
- 5) Inclusion of Skill development syllabus for NCC Cadets
- 6) Implementation of Super 30 scheme for NCC cadets for selection in Armed Forces
- 7) Use of Tamil Nadu and Uttar Pradesh Defence Corridors for increasing employability of the NCC Cadets.

7. The representatives of the Sainik Schools were invited next by the Chairperson. The representatives of the Sainik Schools commenced their briefing through a Power Point presentation which was followed by discussion on following issues:

- 1) Issues related to opening of 100 new Sainik Schools
- 2) Use of CSR policy for Sainik Schools
- 3) Implementation of EWS quota in Sainik Schools
- 4) Involvement of private sector and NGO in the proposed opening of new Sainik Schools
- 5) Release of pension of teachers
- 6) Percentage of Cadets of Sainik Schools in Forces

8. Consequently, a Power Point Presentation was made by the representatives of the Ex-Servicemen Contributory Health Scheme (ECHS), which was followed by discussion on following issues:

- 1) Mismatch in projected Estimate and the actual Budget Estimate of ECHS
- 2) Present policy of ex-servicemen getting treatment in service hospitals
- 3) Enhancement of capacity of service hospitals
- 4) Employment of Infantry Officers and doctors as OIC, ECHS
- 5) Issue of pendency of payments of bills of hospitals empanelled under ECHS

9. Subsequent to a briefing by the Vice Chief of the Air Staff regarding overview on modernization plan of Indian Air Force (IAF), a Power Point presentation was made. This was followed by detailed deliberations on following issues:

- 1) Self-reliance in maintenance and repair of Aircraft
- 2) Dependency on HAL and BEL for maintenance and repair of different type of Aircraft
- 3) Under-utilisation of budget
- 4) Decline in percentage of budget allocations;
- 5) Shortage of Training Aircraft
- 6) Indigenous development of AMCA Aircraft

10. Then, a Power Point presentation was given on Defence Research and Development which was followed by discussion on the following points:

- 1) Indigenisation of products by DRDO
- 2) Coordination with private Industry and Technology transfer to private industries
- 3) Revenue generation for technology transfer to private industry
- 4) Opening of new laboratory for Artificial Intelligence
- 5) Implementation of Performance related Incentive Scheme in DRDO as introduced in ISRO
- 6) Participation of private sector in R&D of DRDO
- 7) Shortage of Scientists in DRDO
- 8) Opening of new Defence Corridors in Tamil Nadu and Uttar Pradesh
- 9) Enhancement in research activities in area of Chemical, Nuclear and Biological warfare

11. Thereafter, a Power Point presentation was given by the representatives of the Ordnance Factory Board (OFB), which was followed by discussion on the following points:

- 1) Corporatization of Ordnance Factories for efficient, accountable and autonomous organization and to improve quality of products and expand their market
- 2) Use of upgraded version of 'Dhanush Gun'
- 3) Exporting of Ordnance Factories' products to other countries
- 4) Shortage of manpower
- 5) Delay of Product delivery to Forces by Ordnance Factories

- 6) Quality Check of ammunition
- 7) Use of Ordnance Factories weapons for personal use and private market
- 8) Coordination between Ordnance Factories, DRDO and other agencies in Transfer of Technology of products.

12. The Chairperson directed the representatives of the Ministry to furnish written replies/information on the points raised by the Members at the earliest.

The Committee then adjourned.

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

STANDING COMMITTEE ON DEFENCE (2020-21)

**MINUTES OF THE SIXTH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2020-21)**

The Committee sat on Friday, the 19 February, 2021 from 1100 hrs. to 1340 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

SHRI JUAL ORAM

-

CHAIRPERSON

MEMBERS

LOK SABHA

- 2 Kunwar Danish Ali
- 3 Shri Ajay Bhatt
- 4 Shri Rahul Gandhi
- 5 Shri Annasaheb Shankar Jolle
- 6 Choudhary Mehboob Ali Kaiser
- 7 Pro. (Dr.) Ram Shankar Katheria
- 8 Smt. (Dr.) Rajashree Mallick
- 9 Shri Kapil Moreshwar Patil
- 10 Shri Anumula Revanth Reddy
- 11 Shri Jugal Kishore Sharma
- 12 Dr. Shrikant Eknath Shinde
- 13 Shri Brijendra Singh
- 14 Shri Kotagiri Sridhar
- 15 Shri Durga Das Uikey

RAJYA SABHA

- 16 Dr. Ashok Bajpai
- 17 Shri Prem Chand Gupta
- 18 Shri V. Lakshmikantha Rao
- 19 Dr. Sudhanshu Trivedi
- 20 Lt. Gen. Dr. D. P. Vats (Retd.)

SECRETARIAT

1. Smt. Kalpana Sharma - Additional Secretary
2. Dr. Sanjeev Sharma - Director
3. Shri Rahul Singh - Deputy Secretary

LIST OF WITNESSES

MINISTRY OF DEFENCE

Sl. No. Name & Designation

1. Dr. Ajay Kumar, Defence Secretary
2. Gen. Bipin Rawat, CDS & Secy. DMA
3. Shri Ravikant, Secretary (ESW)
4. Shri Sanjiv Mittal CGDA
5. Lt. Gen CP Mohanty, VCOAS
6. Air Mshl HS Arora, VCAS
7. VAdm G Ashok Kumar, VCNS
8. Ms. Anuradha Mitra, Addl. CGDA
9. Lt. Gen. Anil Puri, Addl. Secy.
10. Smt. Mala Dutt, FA(DS)
11. Lt. Gen Rajinder Dewan, DG SP
12. Lt. Gen Paramjit Singh, DCOAS (Strat)/DGMO
13. Lt Gen TK Chawla, DG FP
14. Lt. Gen SS Mishra, QMG
15. Lt. Gen Shantanu Dayal, DCOAS (CD&S)
16. Lt. Gen RK Anand, DG LW&E
17. Air Mshl SP Wagle, DCIDS
18. Air Mshl BR Krishna, DG Air(Ops)
19. Mr. VL Kantha Rao, DG(Acq)
20. Dr. Pudi Hari Prasad, JS(ESW)
21. Shri Rakesh Mittal, Joint Secy. (Estt.)
22. Shri A.N. Das, Addl. FA(AN) & JS
23. Shri RK Karna, Addl. FA(RK) & JS
24. Shri Rajesh Sharma, Addl. FA(RS) & JS
25. Shri Shantanu, JS(Parl & Works)
26. Smt. Dipti Mohil Chawla, JS&AM(LS)
27. Mrs. Nidhi Chhibber, JS&AM(MS)
28. Shri Sanjai Singh, JS&AM(Air)
29. Maj Gen Adosh Kumar, Offg MGS
30. Maj Gen H Dharmarajan, ADG FP

31. Maj Gen Jagdeep Singh Ishar, DGMAP
32. Maj Gen PK Saini
33. Maj Gen Ashok Singh, ADG PS
34. AVM N Tiwari, ACAS(Plans)
35. AVM SK Jha, JS(Air)
36. AVM NM Desai, ACAS (Fin P)
37. RAdm Sameer Saxena, ACNS(P&P)
38. IG Mukesh Purohit, DDG(P&P)
39. Shri Praveen Kumar, DDG (DOMW)
40. Smt. K Inderjeet Kumar, Sr. Jt. CGDA
41. Shri Kanwaldeep Singh, Jt. CGDA (Pen)
42. Smt. Vinakshi Gupta, Jt. DGDA
43. Shri Vishvajit Sahay, PCDA (Pen)
44. Shri Akhilesh Kumar, CDA
45. Shri Ambarish Barman, Director (Budget)
46. Brig MRK Rajesh Panicker, MA to VCOAS
47. Brig Bimal Monga, Brig (Budget)
48. Brig UK Ojha, Brig FP(B)
49. Brig Tarun Agrawal, Brig FP(A)
50. Brig RS Lamba, Brig CD(B)
51. Brig Paritosh Shah, DDG
52. Mr. VK Adhana, Director(Acq)
53. Mr. LM Kaushal, Advisor (Cost)

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them of the agenda for the Sitting. The Committee then invited the representatives of the Ministry of Defence. The Chairperson welcomed the representatives to the Sitting of the Standing Committee on Defence and requested them to brief the Committee on various issues included in the agenda for the day and drew their attention to Direction 55(1) of the Directions by the Speaker, Lok Sabha.

3. The representatives of the Ministry of Defence then gave a Power Point Presentation on Married Accommodation Project (MAP). This was followed by a detailed discussion on the subject and during deliberations following issues were discussed:

- (i) Budgetary allocations for MAP.
- (ii) Reduction in the initially sanctioned number of Dwelling Units under MAP.
- (iii) Proposal for increasing dwelling units under MAP in Kashmir Valley.

- (iv) Preference for accommodation for Lady officers in the Defence Forces.
- (v) Allotment of already completed dwelling units of MAP.
- (vi) Constraints on construction activities for civilians around military stations.

4. Thereafter, a Power Point Presentation by the representatives of the Ministry of Defence was made on Defence Procurement Policy. This was followed by extensive discussion on following points:

- (i) Enhancement of Foreign Direct Investment limit under Defence Acquisition Policy from 49 per cent to 74 per cent.
- (ii) Digital facilities for the private players under DPP
- (iii) Efforts to encourage indigenisation in Defence sector to reduce dependence on imports
- (iv) Inclusion of more private industries under DAP 2020.
- (v) Ensuring quality of products manufactured under Make in India.
- (vi) Delays in design and development of a product to be manufactured indigenously.
- (vii) Adherence to the time-line for acquiring a defence asset.

5. Thereafter, a Power Point Presentation on Ministry of Defence-Pension was made by representatives of Ministry of Defence. This was followed by extensive discussion on the following issues:

- (i) Reduction in the final calculated amount of the Defence Pension in 2020-21.
- (ii) Issues related with One Rank One Pension (OROP).
- (iii) Constraints and problems related with disbursement of Pension.
- (iv) Time frame for redressal of grievances of Ex-servicemen.
- (v) Manpower employed under Controller General of Defence Accounts (CGDA).
- (vi) Centralised Pension Disbursement System.

6. The Chairperson directed the representatives of the Ministry of Defence and other organizations to furnish written replies to all the queries at the earliest.

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

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE (2020-21)

**MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2020-21)**

The Committee sat on Tuesday, the 09 March, 2021 from 1500 hrs. to 1530 hrs. in Committee Room No. 'C', Parliament House Annexe, New Delhi.

PRESENT

SHRI JUAL ORAM

-

CHAIRPERSON

MEMBERS

LOK SABHA

- 2 Shri Devusinh Jesingbhai Chauhan
- 3 Shri Nitesh Ganga Deb
- 4 Shri Annasaheb Shankar Jolle
- 5 Choudhary Mehboob Ali Kaiser
- 6 Shri Kapil Moreshwar Patil
- 7 Shri Anumula Revanth Reddy
- 8 Shri Jugal Kishore Sharma
- 9 Shri Prathap Simha
- 10 Shri Brijendra Singh
- 11 Shri Kotagiri Sridhar
- 12 Shri Durga Das Uikey

RAJYA SABHA

- 13 Dr. Ashok Bajpai
- 14 Shri Sanjay Raut
- 15 Shri Rajeev Satav
- 16 Dr. Sudhanshu Trivedi
- 17 Lt. Gen. Dr. D. P. Vats (Retd.)

SECRETARIAT

1. Smt. Kalpana Sharma - Additional Secretary
2. Dr. Sanjeev Sharma - Director
3. Shri Rahul Singh - Deputy Secretary

2. At the outset, Hon'ble Chairperson welcomed the Members of the Committee and gave a brief on the following six reports to be adopted during the meeting and also solicited their suggestions :-

- (i) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'General Defence Budget, Border Roads Organisation, Indian Coast Guard, Defence Estates Organisation, Defence Public Sector Undertakings, Canteen Stores Department, Welfare of Ex-Servicemen and Defence Pensions (Demand Nos. 18 and 21)';
- (ii) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'Army, Navy, Air Force, Joint Staff, Military Engineer Services, Ex-Servicemen Contributory Health Scheme and Sainik Schools (Demand Nos.19 and 20)';
- (iii) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)';
- (iv) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'Ordnance Factories, Defence Research and Development Organisation, Directorate General of Quality Assurance, and National Cadet Corps (Demand Nos. 19 and 20)';
- (v) Action Taken by the Government on the Observations/Recommendations contained in the Third Report (17th Lok Sabha) on the subject 'Demands for Grants of the Ministry of Defence for the year 2019-20 on Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)'; and
- (vi) Action Taken by the Government on the Observations/Recommendations contained in the Seventh Report (17th Lok Sabha) on the subject 'Demands for Grants of the Ministry of Defence for the year 2020-21 on Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)'.

3. However, some members requested Hon'ble Chairperson for some more time to study the Reports. As per consensus arrived at in the meeting, Hon'ble Chairperson postponed the meeting to 15.03.2021 (Monday).

4. Hon'ble Chairperson also informed the Committee that the responses to Members, supplementary questions will be received from the Ministry in due course of time. Accordingly, Hon'ble Chairperson directed that those responses would be incorporated at subsequent stages such as examination of subject reports, drafting On the Spot Study Tour questionnaires and even at the time of finalizing Action Taken Reports, if required.

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE (2020-21)

**MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2020-21)**

The Committee sat on Monday, the 15 March, 2021 from 1000 hrs. to 1045 hrs. in Committee Room No. 'B', Parliament House Annexe, New Delhi.

PRESENT

SHRI JUAL ORAM

-

CHAIRPERSON

MEMBERS

LOK SABHA

2. Shri Ajay Bhatt
3. Shri Rahul Gandhi
4. Shri Kapil Moreshwar Patil
5. Shri Anumula Revnath Reddy
6. Shri Jugal Kishore Sharma
7. Shri Prathap Simha
8. Shri Brijendra Singh
9. Shri Kotagiri Sridhar
10. Shri Durga Das Uikey

RAJYA SABHA

11. Dr. Ashok Bajpai
12. Shri Sanjay Raut
13. Dr. Sudhanshu Trivedi
14. Lt. Gen. Dr. D. P. Vats (Retd.)

SECRETARIAT

1. Smt. Kalpana Sharma - Additional Secretary
2. Dr. Sanjeev Sharma - Director
3. Shri Rahul Singh - Deputy Secretary

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them about the agenda for the Sitting. The Committee then took up for consideration the following draft Reports:-

- (i) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'General Defence Budget, Border Roads Organisation, Indian Coast Guard, Defence Estates Organisation, Defence Public Sector Undertakings, Canteen Stores Department, Welfare of Ex-Servicemen and Defence Pensions(Demand Nos. 18 and 21)';
- (ii) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'Army, Navy, Air Force, Joint Staff, Military Engineer Services, Ex-Servicemen Contributory Health Scheme and Sainik Schools (Demand Nos. 19 and 20)';
- (iii) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)';
- (iv) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'Ordnance Factories, Defence Research and Development Organisation, Directorate General of Quality Assurance, and National Cadet Corps (Demand Nos. 19 and 20)';
- (v) Action Taken by the Government on the Observations/Recommendations contained in the Third Report (17th Lok Sabha) on the subject 'Demands for Grants of the Ministry of Defence for the year 2019-20 on Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)'; and
- (vi) Action Taken by the Government on the Observations/Recommendations contained in the Seventh Report (17th Lok Sabha) on the subject 'Demands for Grants of the Ministry of Defence for the year 2020-21 on Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)'.

3. After some deliberations, the Committee adopted the above reports without any modifications. During the deliberations, certain issues on the working of BRO, Ex-Servicemen Contributory Health Scheme and Defence Estates Organisation/ Cantonments figured. The Committee decided to include these issues during in-depth examination of the subject reports.

4. The Committee authorized the Chairperson to finalise the above draft Reports and present the same to the House on a date convenient to him.

The Committee then adjourned.
