

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE**

DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA

**UNSTARRED QUESTION NO. 4235
TO BE ANSWERED ON MONDAY 22nd MARCH, 2021
[1 CHAITRA, 1943 (SAKA)]**

‘Non-lapsable Defence Fund’

No. 4235. Shri Pinaki Misra:

Will the Minister of Finance be pleased to state:

- (a) whether it is a fact that the 15th Finance Commission has recommended establishment of a separate non-lapsable Defence fund and if so, details thereof;
- (b) whether the Government intends to accept this recommendation;
- (c) if so, the funds that have been allocated for the same and the sources from which these funds will be raised; and
- (d) if not, the reasons therefor ?

ANSWER

**THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ANURAG SINGH THAKUR)**

- (a) The 15th Commission in Chapter 11 (para 11.54 and 11.56) Volume-I of the Final Report, has recommended the following for Defence and Internal Security (MFDIS) (Rashtriya Suraksha Naivedyam Kosh), to bridge the gap between projected budgetary requirements and budget allocation for defence and internal security:
 - (I) The proceeds of the fund will be utilized for the following three purposes:
 - (i) capital investment for modernization of Defence services;
 - (ii) capital investment for CAPFs and modernization of state police forces, as projected by MHA; and
 - (iii) a small component as welfare fund for our soldiers and para-military personnel.

The fund shall have the standard notified rules for its administration, public reporting, and audit by the Comptroller and Auditor General.

- (II) This fund will have four specific sources of incremental funding:
- (i) transfers from the Consolidated Fund of India;
 - (ii) disinvestment proceeds of DPSEs;
 - (iii) proceeds from the monetization of surplus defence land, including realization of arrears of payment for defence land used by State Governments and for public projects and cost recovered of encroached land; and
 - (iv) proceeds of receipts from defence land likely to be transferred to State Governments and for public projects in future.

The total indicative size of the proposed MFDIS over the period 2021-26 is Rs. 2,38,354 crore.

- (b) The Government's intention in respect of this recommendation is contained in para 21 of the Explanatory Memorandum, placed in Parliament on 1st February 2021, which inter-alia states, "The Government has accepted in-principle the creation of non-lapsable fund for Defence in the Public Account of India."
- (c) & (d) No fund has been allocated for this, since non-lapsable fund has not been created in the Public Account of India.
