

**STANDING COMMITTEE ON DEFENCE**

**(2021-22)**

**(SEVENTEENTH LOK SABHA)**

**MINISTRY OF DEFENCE**

**DEMANDS FOR GRANTS (2022-23)**

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

**(DEMAND NO. 21)**

**TWENTY-EIGHTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**March, 2022 / Phalguna , 1943 (Saka)**

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DEFENCE PLANNING AND MARRIED ACCOMMODATION PROJECT**

**(DEMAND NO. 21)**

*Presented to Lok Sabha on 16.03.2022.*

*Laid in Rajya Sabha on 16.03.2022.*



**LOK SABHA SECRETARIAT**

**NEW DELHI**

**March, 2022 / Phalguna , 1943 (Saka)**

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## COMPOSITION OF STANDING COMMITTEE ON DEFENCE (2021-22)

**SHRI JUAL ORAM**

-

**CHAIRPERSON**

### **Lok Sabha**

2	Kunwar Danish Ali
3	Shri Nitesh Ganga Deb
4	Shri Rahul Gandhi
5	Shri D.V. Sadananda Gowda
6	Shri Annasaheb Shankar Jolle
7	Choudhary Mehboob Ali Kaiser
8	Shri Rattan Lal Kataria
9	Dr. Ram Shankar Katheria
10	Shri Sridhar Kotagiri
11	Smt. Rajashree Mallick
12	Shri Uttam Kumar Reddy Nalamada
13	Dr. T. R. Paarivendhar
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 Durga Das (D.D.) Uikey
21	Vacant

### **Rajya Sabha**

22	Dr. Ashok Bajpai
23	Shri N. R. Elango
24	Shri Prem Chand Gupta
25	Shri Venkataramana Rao Mopidevi
26	Shri Sharad Pawar
27	Shri V. Lakshmikantha Rao
28	Shri Kamakhya Prasad Tasa
29	Dr. Sudhanshu Trivedi
30	Lt. Gen. (Dr.) D.P. Vats (Retd.)
31	Shri K.C. Venugopal

## **SECRETARIAT**

- |   |                     |   |                   |
|---|---------------------|---|-------------------|
| 1 | Shri M K Madhusudan | - | Joint 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 (2021-22), having been authorised by the Committee, present this Twenty-eighth Report (Seventeenth Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 2022-23 on 'Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 21)'.

2. The Demands for Grants of the Ministry of Defence were laid on 9 February, 2022 in Lok Sabha. The Committee took evidence of the representatives of the Ministry of Defence on 16, 17 and 18 February, 2022. The draft Report was considered and adopted by the Committee at their Sitting held on 14 March, 2022.

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;  
10 March, 2022  
19 Phalguna, 1943 (Saka)**

**JUAL ORAM  
Chairperson  
Standing Committee on Defence**

**CHAPTER I**

**CAPITAL OUTLAY ON DEFENCE SERVICES**

**DEMAND NO. 21**

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. 21 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 2021-22, RE 2021-22 and BE 2022-23 Ministry of Finance allocated funds for Defence Services for Revenue and Capital Heads as under:

(₹ in crore)

	<b>BE 2021-22</b>	<b>RE 2021-22</b>	<b>BE 2022-23</b>
<b>Revenue (Net)</b>	2,12,027.56	2,29,567.23	2,33,000.54
<b>Capital</b>	1,35,060.72	1,38,850.90	1,52,369.61
<b>Total</b>	3,47,088.28	3,68,418.13	3,85,370.15

1.3 The year-wise allocations in Budget Estimates, Revised Estimates and Actual Expenditure under Defence Services Estimates (DSE) since 2017-18 and BE for 2022-23 are as under:

(₹ 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
2019-20	3,05,296.07	3,16,296.07	3,18,664.58
2020-21	3,23,053.00	3,43,822.00	3,40,093.51
2021-22	3,47,088.28	3,68,418.13	2,66,558.69*
2022-23	3,85,370.15		

\*up to Dec, 2021

1.4 The Ministry of Defence forwarded the following information during the Sitting of the Committee through Power Point Presentation elaborating summary of the Defence Budget (DSE) comparison between 2021-22 *vis-a-vis* 2022-23:

(₹ in crore)						
Summary of Defence Services Estimates - 2021-22 vis-à-vis 2022-23						
	BE 2021-22			BE 2022-23		
	Allocation	% of Rev. Exp.	% of DSE	Allocation	% of Rev. Exp.	% of DSE
<b>Revenue Expenditure</b>						
Pay & Allowances	1,53,919.44	72.59	44.35	1,67,343.74	71.82	43.42
Stores & Equipment	31,483.63	14.85	9.07	40,009.14	17.17	10.38
Transportation	6,182.65	2.92	1.78	6,203.43	2.66	1.61
Miscellaneous	6,912.37	3.26	1.99	5,851.87	2.51	1.52
Revenue Works, etc	13,529.47	6.38	3.90	13,592.36	5.83	3.53
<b>(a) Total Revenue Expenditure</b>	<b>2,12,027.56</b>	<b>100.00</b>	<b>61.09</b>	<b>2,33,000.54</b>	<b>100.00</b>	<b>60.46</b>
<b>(b) Capital Expenditure</b>	<b>1,35,060.72</b>		<b>38.91</b>	<b>1,52,369.61</b>		<b>39.54</b>
Capital Acquisition/ Modernisation	1,11,463.21		32.11	1,24,408.64		32.28
<b>Total (a &amp; b)</b>	<b>3,47,088.28</b>			<b>3,85,370.15</b>		

1.5 It was further explained by a representative of the Ministry to the Committee during the evidence:

“We have the allocation for Defence Services and MoD Civil and then total defence pension. If we look at it, we find that it was Rs. 2,12,027.56 crore which was given to the Defence Service Estimates under revenue, this has been pegged at Rs.2,33,000.54 crore. Under capital, the amount which was Rs. 1,35,060.72 crore has been increased to Rs. 1,52,369.19 crore. Over all,



the total budget which was Rs. 4,78,195.62 crore has been increased to Rs. 5,25,166.15 crore.”

1.6 The Ministry informed the Committee that the break-up of the allocations for Capital Outlay which 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 are given below:

(₹ in crore)

	BE 2021-22	RE 2021-22	BE 2022-23
Revenue (Net)	2,12,027.56	2,29,567.23	233000.54
Capital (Acquisition)	1,11,463.21	1,13,717.59	1,24,408.64
Capital (other than Capital Acquisition)	23,597.51	25,133.31	27,960.97
Total Capital	1,35,060.72	1,38,850.90	1,52,369.61
Total (Rev+Capital)	3,47,088.28	3,68,418.13	3,85,370.15

Details of Capital Budget

(₹ in crore)

	BE 2021-22	RE 2021-22	BE 2022-23
Capital Acquisition	1,11,463.21	1,13,717.59	1,24,408.64
Capital (Other than Acquisition)			
Land & Works of 3 Services (including Married Accommodation Projects)	11,537.01	10,895.81	12,149.16
DRDO, DGOF and Other Defence Departments	12,060.50	14,237.50	15,811.81
Total Capital	1,35,060.72	1,38,850.90	1,52,369.61

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

1.7 Details as provided 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 2016-17 onwards are as follows:

## A. REVENUE

(Rs. in crore)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
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	1,41,456.91	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	1,39,903.33
	Navy	32,237.96	22,934.75	28,379.84	23,347.69	23,166.05
	Air Force	43,904.17	29,962.66	44,605.21	31,742.07	32,825.23
2021-22*	Army	1,70,705.28	1,47,644.13	1,68,657.23	1,57,619.06	1,24,608.42
	Navy	34,256.83	23,360.68	30,069.08	23,925.91	17,043.37
	Air Force	44,992.90	30,652.53	48,816.59	34,283.02	27,307.22
2022-23	Army	1,74,038.35	1,63,713.69			
	Navy	34,701.66	25,406.42			
	Air Force	50,692.44	32,873.46			

(# 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, 2021.

Note:- RE 21-22 and BE 22-23 are yet to be approved by the Parliament.

## B. CAPITAL

(₹ in crore)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
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	26,320.93
	Navy	45,268.31	26,688.28	51,769.28	37,542.88	41,666.76
	Air Force	66,207.29	43,281.91	72,955.18	55,083.91	58,207.95
2021-22*	Army	51,492.10	36,531.90	38,344.90	25,377.09	14,569.08
	Navy	70,920.78	33,253.55	50,011.38	46,021.54	29,616.00
	Air Force	77,140.56	53,214.77	71,176.39	53,214.77	36,820.15
2022-23	Army	46,844.37	32,115.26			
	Navy	67,622.96	47,590.99			
	Air Force	85,322.60	56,851.55			

(# 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, 2021.

Note: RE 21-22 and BE 22-23 are yet to be approved by the Parliament

1.8 Regarding service-wise information on the projections and allocations made under Capital and Revenue heads combined for 2021-22 and the BE for 2022-23, the Ministry furnished the following statement:

**(₹ in crore)**

Service/ Deptt.	R.E. 2021-22	%age of Total Budget	B.E. 2022-23	%age of Total Budget
Army	1,82,996.15	49.67%	1,95,828.95	50.82%
Navy	69,947.45	18.99%	72,997.41	18.94%
Air Force	87,497.79	23.75%	89,725.01	23.28%
DGO/DoO(C&S)	8,601.81	2.33%	4,284.50	1.11%
R&D	18,337.44	4.98%	21,330.20	5.53%
DGQA	1,037.49	0.28%	1,204.08	0.31%
<b>Total</b>	<b>3,68,418.13</b>		<b>3,85,370.15</b>	

Note: Net Revenue plus Capital provision has been shown here.

1.9 When the Ministry was enquired about any discrepancy in the projections and allocations in BE 2022-23 in Capital Budget and the impact of reduced allocation on the projects/procurements, it was submitted as under:

“In BE 2022-23, an amount of Rs. 1,52,369.61 crore has been allocated against projections of Rs. 2,15,995.43 crore in Capital Head under Defence Services Estimates. Though the allocations received are not as per projections made, however, based on expenditure during the year and pending committed liabilities, if required, additional funds will be sought at Supplementary/RE stage. It may not be possible to ascertain at this stage as to which project(s) may get affected due to lesser allocations. However, the allocated funds will be optimally utilized towards operational activities. Also, if required, through reprioritization, it will be ensured that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services.”

1.10 Elaborating the data of growth of Indian Capital Budget in comparison to Central Budget and GDP in both absolute and relative terms for the last five years. The Ministry submitted as under:-

“The total Defence Budget (including Miscellaneous and Pensions) is Rs. 5,25,166.15 Crore, for the year 2022-23, which is 13.31% of total Central Government Expenditure and 2.04% of GDP for the year 2022-23. Also, Capital Budget of Ministry of Defence for 2022-23 is approximately 21.38% of the total capital expenditure of the Central Government.”

Data on growth of Indian Capital Budget in comparison to Central Government Expenditure (CGE) and GDP, in absolute and relative terms, for the last five years and 2022-23 (BE) is given below:

(₹ in crore)					
Year	Indian Capital Expenditure	Total CGE (Actuals)	Indian Cap. Exp % of CGE	GDP	Indian Cap. Exp % of GDP
<b>2017-18 (Actual)</b>	2,63,140	21,41,973	12.28	170,90,042	1.54
<b>2018-19 (Actual)</b>	3,07,714	23,15,113	13.29	188,86,957 (2nd RE)	1.63
<b>2019-20 (Actual)</b>	3,35,726	26,86,330	12.50	203,51,013 (1st RE)	1.65
<b>2020-21 (Actual)</b>	4,26,317	35,09,836	12.15	197,45,670 (PE)	2.16
<b>2021-22 (RE)</b>	6,02,711	37,70,000	15.99	232,14,703 (1st AE)	2.60
<b>2022-23 (BE)</b>	7,50,246	39,44,909	19.02	258,00,000	2.91

Note: GDP figures from FY 2017-18 to 2021-22 are as per Economic Survey 2021-22 (Vol-2) – Table 1.6-Components of GDP at Current Prices and for FY 2022-23 are from Budget at a Glance (2022-23).

Indian Capital Expenditure and CGE figures from FY 2017-18 to 2020-21(Actuals), 2021-22 (RE) and 2022-23(BE) are as per Budget at a Glance 2019-20 onwards.

BE= Budget Estimates, RE=Revised Estimates,

PE = Provisional Estimates AE= Advanced Estimates

1.11 As regards information on comparative data of the Capital Budget of neighboring countries as well as developed and advanced countries with their central budget and GDP, it was stated by the Ministry “that the said information is not readily available in the Ministry. In the past also, a like to like comparison of the data on defence spending vis-à-vis that of other countries was difficult to compile due to lack of uniformity in treatment of different components of expenditure and non-availability of reliable published data. However, based on inputs from Stockholm International Peace Research Institute (SIPRI) Military Expenditure Database, data on defence budget in respect of some neighbouring/ advanced countries, including defence spending as

percentage of their GDP and share of government spending was being provided. The SIPRI website does not contain Capital Budget of any country.”

1.12 When enquired about the impact of growth of the Capital Budget on the modernization/acquisition plans of the Forces, it was apprised to the Committee as under:

“it may be seen that allocation under Capital Budget is consistently increasing and from 2017-18 it has increased by Rs 65,881.60 crore (76.17%) in 2022-23.

Acquisition Wing, being a specialist organization created on the basis of the Kargil Committee Report and recommendations of the Group of Ministers looks after all capital acquisition projects from inception to finality. In addition, the Defence Procurement Board, which is chaired by Defence Secretary and The Defence Acquisition Council headed by Raksha Mantri comprising of all stakeholders, monitors adherence to broad timelines in Defence Procurement.

The modernisation plans of the Forces will proceed as planned. Additional funds will be sought at Supplementary/RE stage as and when required. Also, if required, through reprioritization, it will be ensured that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services.”

1.13 Following details regarding additional allocation sought by the three Services separately and the actual allocation provided during last 5 years, were forwarded to the Committee by the Ministry:

“Service-wise details of Budget Estimates (BE) allocation, Revised Estimates (RE) projection and Revised Estimates (RE) Allocation from FY 2017-18 to 2021-22 in Capital Head in respect of three Services under Defence Services Estimates are tabulated below:-

(₹ in crore)

Year	Service	BE Allocated	RE		
			Projected	Additional Allocation Sought	Allocated
2017-18	Army	25,205.71	40,791.43	15,585.72	25,205.71
	Navy	19,348.16	27,717.41	8,369.25	19,348.16
	Air Force	33,570.17	52,548.50	18,978.33	33,570.17
2018-19	Army	26,815.71	41,614.41	14,798.70	26,815.71
	Navy	20,848.16	30,735.65	9,887.49	20,890.87
	Air Force	35,770.17	68,579.46	32,809.29	35,770.17
2019-20	Army	29,511.25	46,032.00	16,520.75	29,666.90
	Navy	23,156.43	40,123.18	16,966.75	26,156.43
	Air Force	39,347.19	81,301.99	41,954.80	44,947.19
2020-21	Army	32,462.38	39,019.17	6,556.79	33,283.28
	Navy	26,688.28	51,769.28	25,081.00	37,542.88
	Air Force	43,281.91	72,955.18	29,673.27	55,083.91
2021-22	Army	36,531.90	38,344.90	1,813.00	25,377.09
	Navy	33,253.55	50,011.38	16,757.83	46,021.54
	Air Force	53,214.77	71,176.39	17,961.62	53,214.77

This Ministry submits the requirements projected by the Services to Ministry of Finance for favourable consideration. While allocating funds, Ministry of Finance analyses past absorption capacity of the Services, pace of expenditure in the current Financial Year, overall resource envelope available etc. Based on the overall ceilings conveyed by M/o Finance, Ministry of Defence allocates funds among the Services and Organisations under MoD, taking into account Inter-Services priorities, pace of expenditure, pending committed liabilities etc. Also, if required, through reprioritization, it is ensured that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services.

### **Ratio for Capital and Revenue outlay**

1.14 Statement indicating the ratio for Capital and Revenue outlay from 2017-18 onwards as furnished to the Committee is as under:

(₹ in crore)

Year	Service	Outlay		Ratio	
		Revenue	Capital	Revenue	Capital
2017-18	Army	1,27,507.48	27,148.26	82	18
	Navy	18,715.05	20,118.58	48	52
	Air Force	27,393.20	34,917.60	44	56
	<b>Total Outlay</b>	<b>1,73,615.73</b>	<b>82,184.44</b>	<b>68</b>	<b>32</b>
2018-19	Army	1,34,241.38	27,438.66	83	17
	Navy	20,856.23	21,509.60	49	51
	Air Force	28,291.25	36,451.74	44	56
	<b>Total Outlay</b>	<b>1,83,388.86</b>	<b>85,400.00</b>	<b>68</b>	<b>32</b>
2019-20	Army	1,42,529.38	29,000.88	83	17
	Navy	22,387.31	27,446.68	45	55
	Air Force	30,124.31	45,104.23	40	60
	<b>Total Outlay</b>	<b>1,95,041.00</b>	<b>1,01,551.79</b>	<b>66</b>	<b>34</b>
2020-21	Army	1,39,903.33	26,320.93	84	16
	Navy	23,166.05	41,666.76	36	64
	Air Force	32,825.23	58,207.95	36	64
	<b>Total Outlay</b>	<b>1,95,894.61</b>	<b>1,26,195.64</b>	<b>61</b>	<b>39</b>
2021-22(RE)	Army	1,57,619.06	25,377.09	86	14
	Navy	23,925.91	46,021.54	34	66
	Air Force	34,283.02	53,214.77	39	61
	<b>Total Outlay</b>	<b>2,15,827.99</b>	<b>1,24,613.40</b>	<b>63</b>	<b>37</b>
2022-23(BE)	Army	1,63,713.69	32,115.26	84	16
	Navy	25,406.42	47,590.99	35	65
	Air Force	32,873.46	56,851.55	37	63
	<b>Total Outlay</b>	<b>2,21,993.57</b>	<b>1,36,557.80</b>	<b>62</b>	<b>38</b>

### **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.

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.

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.

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

1.16 Further, the Ministry informed about Defence Capital Acquisition Budget as under:

"Defence Capital acquisition is carried out in accordance with the Defence Procurement Procedure (DPP)/Defence Acquisition Procedure(DAP) and undertaken through Ten years Integrated Capability Development Plan(ICDP), Five Years Defence Capability Acquisition Plan (DCAP) and Annual Acquisition Plan (AAP).The cases listed in the approved Annual Acquisition Plan (AAP) are progressed as per the DPP/DAP provisions and funds allocated and budgeted under the capital Acquisitions heads of concerned Service for the given financial year.

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

(₹ 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	1,14,320.30	1,18,966.44
2021-22 (upto Dec, 21)	1,11,463.21	1,13,717.59	75,194.31

During the last four financial years (2017-18 to 2020-21) and the current year 2021-22 (up to, December 2021), 152 contracts have been signed with Indian vendors and 87 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, Tanks, Rockets launchers, Bullet Proof Jackets(BPJs), aircrafts, simulators, ammunition, Pinaka System, Assault Rifles, secure communication network etc."



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

(₹ in crore)

Service	2021-22 (BE)			2022-23 (BE)		
	Total Capital	Capital Acquisition	Other than Capital Acquisition	Total Capital	Capital Acquisition	Other than Capital Acquisition
Army	36,531.90	30,636.90	5,895.00	32,115.26	25,908.85	6,206.41
Navy	32,050.02	31,031.02	1,019.00	46,323.31	45,250.00	1,073.31
Jt. Staff	1,203.53	474.52	729.01	1,267.68	499.81	767.87
Air Force	53,214.77	49,320.77	3,894.00	56,851.55	52,749.98	4,101.57
DoO (C&S)	665.00	-	665.00	3,810.00	-	3,810.00
DRDO	11,375.50	-	11,375.50	11,981.81	-	11,981.81
DGQA	20.00	-	20.00	20.00	-	20.00
<b>Total</b>	<b>1,35,060.72</b>	<b>1,11,463.21</b>	<b>23,597.51</b>	<b>1,52,369.61</b>	<b>1,24,408.64</b>	<b>27,960.97</b>

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

“This is the defence modernisation budget. There is an increase of 79 per cent over the last five years from 2017-18 onwards and 12 per cent in 2022-23. In absolute terms, the figure which was Rs. 1,11,463 crore has increased to Rs.1,24,409 crore. This is the modernisation budget as percentage of DSE. In 2021-22, this was Rs. 32.11 per cent and it has increased to Rs. 32.28 per cent.”

### **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 is under consideration with the Government. A suitable mechanism for

operationalising the Fund is being worked out in consultation with the Ministry of Finance.”

### **Committed Liabilities and New Schemes**

1.21 The Committee were informed by the Ministry that “Committed Liability refers to payments anticipated during a financial year in respect of contracts concluded in previous years. New Schemes include new projects/proposals which are at various stages of approval and are likely to be approved and contracts concluded during the year. In the Defence Services Estimates (DSE), there is no separate allocation of funds for Committed Liabilities (CL) and New Schemes (NS) and these are catered through Capital Acquisition (Modernization) budget. 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. In the current financial year an amount of Rs. 1,11,463.21 crore was allocated in BE 2021-22 under Capital Acquisition head which was increased by Rs. 2,254.38 crore to Rs. 1,13,717.59 crore in RE 2021-22.”

1.22 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) and these are catered through Capital Acquisition (Modernization) budget. The projected and allocated funds for the three Services under Capital Acquisition in BE 2022-23 are as follows:-

<b>(₹ in crore)</b>		
<b>SERVICE</b>	<b>Projection BE 2022-23</b>	<b>Allocation BE 2022-23</b>
<b>Army</b>	34,791.10	25,908.85
<b>Navy (excluding Jt. Staff)</b>	62,689.89	45,250.00
<b>Air Force</b>	79,860.81	52,749.98

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.

1.23 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) and these are catered through Capital Acquisition (Modernization) budget. Ministry of Defence had sought an additional amount of Rs. 34,163.15 Crore at RE stage 2021-22 under Capital Acquisition head. Based on the allocations received, an additional amount of Rs 2,254.38 crore has been provided for in RE 2021-22 increasing the total allocation under this head to Rs 1,13,717.59 crore in RE 2021-22 compared to BE 21-22 allocation of Rs. 1,11,463.21 crore.”

1.24 The Ministry was asked to provide details of budget estimates, total allocation under Committed Liabilities and New Schemes for the year 2022-23. In this regard it was submitted as under:

“In the Defence Services Estimates (DSE), there is no separate allocation of funds for Committed Liabilities (CL) and New Schemes (NS) and these are catered through Capital Acquisition (Modernization) budget. The projected and allocated funds under Capital Acquisition in FY 2022-23, are as follows:-

(₹ in crore)

Projection BE 2022-23	Allocation BE 2022-23
1,77,958.63	1,24,408.64

Though the allocations received are not as per projections made, however, based on expenditure during the year and pending committed liabilities, if required, additional funds will be sought at Supplementary/RE stage. It may not be possible to ascertain at this stage as to which project(s) may get affected due to lesser allocations. However, the allocated funds will be optimally utilized towards operational activities. Also, if required, through reprioritization, it will be ensured that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services.”

1.25 The details of projected requirement and amount finally allocated for the Services, along with the actual expenditure (each separately as well as consolidated)

for Committed Liabilities and New Schemes 2016-17 onwards have been furnished by the Ministry as under:

“In the Defence Services Estimates (DSE), there is no separate allocation of funds for Committed Liabilities (CL) and New Schemes (NS) and these are catered through Capital Acquisition (Modernization) budget. Details of BE and RE projections for Capital Acquisition, allocations made and the actual expenditure from 2016-17 onwards is as under:

**2016-17**

(₹ in crore)

Service	BE Projection	BE Allocation	RE Projection	RE Allocation	Actual Expenditure
Army	29,670.28	21,535.26	27,476.22	17,966.46	22,404.33
Navy	28,057.00	20,363.77	20,500.36	18,138.75	18,419.88
Jt Staff	750.83	544.95	568.67	369.00	317.13
Air Force	37,966.41	27,556.02	32,653.03	26,245.15	28,255.35
<b>Total</b>	<b>96,444.52</b>	<b>70,000.00</b>	<b>81,198.28</b>	<b>62,719.36</b>	<b>69,396.69</b>

**2017-18:**

(₹ in crore)

Service	BE Projection	BE Allocation	RE Projection	RE Allocation	Actual Expenditure
Army	34,082.20	20,178.21	34,290.01	20,177.21	22,088.02
Navy	26,621.49	18,004.76	25,006.76	17,593.55	18,152.99
Jt Staff	421.97	390.54	442.17	294.58	294.84
Air Force	57,820.75	30,899.90	49,424.65	30,899.90	32,196.35
<b>Total</b>	<b>1,18,946.4</b>	<b>69,473.41</b>	<b>1,09,163.59</b>	<b>68,965.24</b>	<b>72,732.20</b>

**2018-19:**

(₹ 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
<b>Total</b>	<b>1,37,239.77</b>	<b>74,115.99</b>	<b>1,28,817.80</b>	<b>73,882.95</b>	<b>75,892.85</b>

**2019-20:**

(₹ 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
<b>Total</b>	<b>1,37,239.77</b>	<b>80,959.08</b>	<b>1,51,437.46</b>	<b>90,179.14</b>	<b>91,053.15</b>

**2020-21:**

(₹ 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	22,510.29
Navy	40,927.91	24,598.00	49,376.51	35,715.67	40,084.65
Jt Staff	692.41	350.28	486.82	317.11	229.17
Air Force	60,840.17	39,030.91	69,421.59	52,281.91	56,142.33
<b>Total</b>	<b>1,43,991.29</b>	<b>90,047.80</b>	<b>1,51,245.92</b>	<b>1,14,320.30</b>	<b>1,18,966.44</b>

**2021-22:****(₹ in crore)**

<b>Service</b>	<b>BE Projection</b>	<b>BE Allocation</b>	<b>RE Projection</b>	<b>RE Allocation</b>	<b>Actual Expenditure*</b>
Army	39,977.00	30,636.90	30,636.90	19,485.09	11,760.68
Navy	65,888.96	31,031.02	47,414.33	43,736.02	28,483.39
Jt Staff	827.42	474.52	405.71	405.71	94.45
Air Force	72,180.06	49,320.77	67,169.42	50,090.77	34,855.79
<b>Total</b>	<b>1,78,873.44</b>	<b>1,11,463.21</b>	<b>1,45,626.36</b>	<b>1,13,717.59</b>	<b>75,194.31</b>

\*Expenditure is upto December, 2021

Though the allocations received are not as per projections made, however, based on expenditure during the year and pending committed liabilities, if required, additional funds will be sought at Supplementary/RE stage. The progress of expenditure is reviewed from time to time by Financial Advisor (Defence Services)/ Secretary (Defence Finance) / Defence Secretary to ensure that the budgetary allocations are utilized. All efforts are made to ensure that the allocated funds are optimally utilized towards operational activities. Also, if required, through reprioritization, it is ensured that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services.”

## **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 It was further submitted by the Ministry that Defence Capital acquisition is carried out in accordance with the Defence Procurement Procedure (DPP)/Defence Acquisition Procedure(DAP) and undertaken through Ten years Integrated Capability Development Plan(ICDP), Five Years Defence Capability Acquisition Plan (DCAP) and Annual Acquisition Plan (AAP).The cases listed in the approved Annual Acquisition Plan (AAP) are progressed as per the DPP/DAP provisions and funds allocated and budgeted under the capital Acquisitions heads of concerned Service for the given financial year.

2.3 When asked about the Budget Estimates(BE), Revised Estimates(RE) and Actual Expenditure on Modernisation for capital acquisition for the last five financial years and current year, the Ministry forwarded the following statement:

<b>(₹ in crore)</b>			
<b>Year</b>	<b>BE</b>	<b>RE</b>	<b>Actual</b>
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
<b>2020-21</b>	<b>90047.80</b>	<b>1,14,320.30</b>	<b>1,18,966.44</b>
<b>2021-22 (upto Dec, 21)</b>	<b>1,11,463.21</b>	<b>1,13,717.59</b>	<b>75,194.31</b>

2.4 Regarding the revision of the Defence Procurement Manual (DPM), a representative of the Ministry intimated the Committee as under:

“The last DPM came in 2016 and it is being revised to bring in the latest orders and the other developments which have taken place in meantime.”

### **Capital and Annual Procurement Plan**

2.5 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. DAP 2020 focuses on simplifying the Defence acquisition procedure and institutionalizing monitoring mechanism with concurrent actions using digital technologies for selection of best equipment in a transparent and competitive manner giving adequate opportunities to capable vendors. Cutting down permissible time frames for various activities and institutionalising robust mechanisms to monitor for probity at various stages of the acquisition process are the attributes of this DAP.

Further, following steps have been taken by the Ministry of Defence for timely, efficient and effective Defence procurement:

- i. Simplification of the Acquisition process by incorporating provisions such as single stage grant of AoN (Categorisation and grant of AoN by same authority), delegation of approvals down to SHQ level (GS Evaluation and TEC stage), empowerment of CNC (negotiate with L2 if L1 fails to meet contractual obligations and negotiate and recommend acceptance of equipment with latest specifications for obsolescence management).
- ii. Smoothening acquisition process to ensure implementation of Raksha Mantri's directive to ensure adherence of two year timelines for completing acquisition process. This has led to instituting measures to ensure curbing of delays especially during trial evaluation stage. Various steps undertaken and incorporated in DAP 2020 include incorporating draft trial methodology and draft ATP procedures as part of RFP, simplification of trials process etc.
- iii. Integrated and joint approach in D&D cases involving user and developing agency.”

## **Accountability and Transparency in Defence Procurement**

2.6 Following information was forwarded to the Committee by the Ministry on the measures instituted for ensuring accountability and transparency in Defence Procurement cases:

“In order to promote Probity, Public Accountability and Transparency in defence capital procurements, various steps have been taken by Government which include:

- (i) Execution of Pre Contract Integrity Pact (PCIP) (binding agreement between parties that their officials will not offer or accept bribes) for all cases above Rs. 20 Crore to ensure corruption free procurement process.
- (ii) Guidelines for Handling of Complaints provide for time bound disposal of complaints aligned to CVC/ DOP&T guidelines 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**

2.7 The Ministry furnished 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 (2017-18 to 2020-21) and the current year 2021-22 (upto, Dec 2021), Out of total 239 contracts, 87 contracts worth about Rs. 1,18,111.98 crore have been signed with foreign vendors including USA, Russia, Israel, France etc for procurement of defence equipment for Armed forces. The defence equipment imported during this period includes helicopters, aircrafts, missiles, rifles, simulators and ammunition.”



2.8 Information on the expenditure on Defence equipments Service-wise, imported from foreign vendors and acquired from indigenous sources over the last ten financial years under Capital Acquisition budget, forwarded to the Committee, is as under:

Financial year	Army		Navy		Air Force	
	Foreign	Indigenous	Foreign	Indigenous	Foreign	Indigenous
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
<b>2019-20</b>	<b>8059.41</b>	<b>20896.14</b>	<b>8039.13</b>	<b>17401.50</b>	<b>25580.46</b>	<b>16461.54</b>
<b>2020-21</b>	<b>5027.96</b>	<b>17446.83</b>	<b>17037.14</b>	<b>23047.51</b>	<b>19504.18</b>	<b>36638.14</b>
<b>2021-22 (upto Dec,21)</b>	<b>1814.26 (upto Dec, 2021)</b>	<b>9946.42 (upto Dec, 2021)</b>	<b>12102.79</b>	<b>16840.61</b>	<b>15467.92</b>	<b>19387.51</b>

2.9 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 by the Stockholm International Peace Research Institute (SIPRI), India has been shown as the second largest importer of defence equipment for the year 2014-19. 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’

2.10 The Ministry of Defence furnished the following statements containing details of Capital Procurements through indigenous and Foreign Sources and value of imports:

- (i) Details of Capital Procurement through Indigenous and Foreign sources for the period 2016-17 to 2020-21 are appended below:-

(₹ in crore)		
<u>Year</u>	<u>Total Procurement</u>	<u>Procurement from Foreign Vendors</u>
<b>2016-17</b>	69,150.12	27,278.09
<b>2017-18</b>	72,732.21	29,035.42
<b>2018-19</b>	75,913.06	36,957.06
<b>2019-20</b>	91,004.94	38,156.83
<b>2020-21</b>	1,18,860.52	42,786.54

- (ii) Further, imports for three services separately for the period 2016-17 to 2020-21 is as follows:-

(₹ in crore)					
<u>Capital - Foreign Proc</u>					
	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
<b>Army</b>	5,284.92	4,190.41	4,189.53	3,729.86	5,027.96
<b>Navy</b>	6,204.59	5,008.27	4,485.93	8,827.46	18,257.37
<b>Air Force</b>	15,788.58	19,836.74	28,281.60	25,599.51	19,501.21
<b>Total</b>	<b>27,278.09</b>	<b>29,035.42</b>	<b>36,957.06</b>	<b>38,156.83</b>	<b>42,786.54</b>

### **Self Reliance and Make in India**

2.11 Elaborating the action plan of the Government of India to make the country self-reliant in defence production, the Ministry stated as under:

- (a) DPP 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'.
- (b) In order to promote indigenous design and development of defence equipment 'Buy {Indian-IDD (Indigenously Designed, Developed and manufactured))}' category was introduced in 2016 and was accorded top most priority for procurement of capital equipment.
- (c) Ministry of Defence has notified two 'Positive Indigenisation Lists' with total 209 items for which there would be an interim embargo on the import beyond the timeline indicated against them. This is a big step towards achieving self-reliance in defence. This would offer a great opportunity to the Indian defence industry to manufacture these items using their own design and development capabilities to meet the requirements of the Armed Forces in the coming years. This list includes some high technology weapon systems like artillery guns, assault rifles, corvettes, sonar systems, transport aircrafts, light combat helicopters (LCHs), radars and many other items to fulfil the needs of our Defence Services. Further, the Government has notified a Positive Indigenisation list of sub-systems/ assemblies/ sub-assemblies/ components of DPSUs on 27 Dec 2021. The list contains 2500 items, which

are already indigenized and 351 items for which there would be an embargo on the import beyond the timeline indicated against each of them.

(d) The 'Make' Procedure of capital procurement has been simplified. There is a provision for funding upto 70% of development cost by the Government to Indian industry under Make-I category. In addition, there are specific reservations for MSMEs under the 'Make' procedure.

(e) Procedure for 'Make-II' category (Industry funded), introduced in DPP 2016 to encourage indigenous development and manufacture of defence equipment has number of industry friendly provisions such as relaxation of eligibility criterion, minimal documentation, provision for considering proposals suggested by industry/individual etc. So far, **62** projects relating to Army, Navy & Air Force, have been accorded 'Approval in Principle', valuing about Rs. 30,000 crores.

(f) 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. So far 45 FDI proposal / Joint Venture have been approved in defence sector for manufacture of various defence equipments. Further, significant FDI inflows in Defence and Aerospace sectors have been witnessed. As per data furnished by 86 companies in Defence and Aerospace sector, so far (i.e. till December, 2021), FDI inflows of over Rs 4564crores have been reported in Defence and Aerospace sectors.

(g) An innovation ecosystem for Defence titled Innovations for Defence Excellence (iDEX) has been launched in April 2018. iDEX is aimed at creation of an ecosystem to foster innovation and technology development in Defence and Aerospace by engaging Industries including MSMEs, Start-ups, Individual Innovators, R&D institutes and Academia and provide them grants/funding and other support to carry out R&D which has potential for future adoption for Indian defence and aerospace needs. So far, 83 Start-ups have been engaged and 60 contracts have signed. To give a major boost to development of innovative defence technologies and support the growing Start-up base in the country, Ministry of Defence has also approved a new scheme worth Rs 498.80 Crores during current year, which would support about 300 new Start-ups and 20 incubators. Further, it has also been decided to channelize Rs 1000 Crore during 2021-22 for procurement from the iDEX Start-ups.

(h) An indigenization portal namely SRIJAN has been launched in 14 August 2020 by Hon'ble Raksha Mantri for DPSUs/OFB/Services with an industry interface to provide development support to MSMEs/Startups/Industry for import substitution. As on date 11 Feb 2021, there are 17,871 items uploaded by DPSUs / OFB / SHQs on the Portal. Indian industry (93 Vendors) has shown interests so far in 3821 items. DPSUs/OFB/SHQs are interacting with these interested Indian Industry for Indigenization of items

based on their requirements of items as per their respective guidelines and procedures. Progress has been made by DPSUs/OFB/SHQs in placing orders/development orders on some of the vendors.

(i) “Offset portal” has been created in May 2019 to ensure Greater transparency, efficiency and accountability in the process. Reforms in Offset policy have been included in DAP 2020, with thrust on attracting investment and Technology for Defence manufacturing. Higher preference has given for purchase of defence products as compared to components, as under:

- (i) Multiplier:
  - For products / systems (x 1.0)
  - For components (x 0.5)
  - For MSME (x 1.5)
- (ii) Investments incentivized through higher multipliers:
  - In Defence Manufacturing (x 1.5)
  - In Defence Industrial Corridors (x 2.0)
  - For Transfer of Technology to Indian Enterprises (x 2.0)
  - For Transfer of Technology to OFB / DPSUs (x 3.0)
  - Higher Multiplier for Critical Technology (x 4.0)

(j) Government has notified the ‘Strategic Partnership (SP)’ Model in May 2017, which envisages establishment of long-term strategic partnerships with Indian entities through a transparent and competitive process, wherein they would tie up with global Original Equipment Manufacturers (OEMs) to seek technology transfers to set up domestic manufacturing infrastructure and supply chains.

(k) Government has notified a ‘Policy for indigenisation of components and spares used in Defence Platforms’ in March 2019 with the objective to create an industry ecosystem which is able to indigenize the imported components (including alloys & special materials) and sub-assemblies for defence equipment and platform manufactured in India.

(l) An Inter-Governmental Agreement (IGA) on “Mutual Cooperation in Joint Manufacturing of Spares, Components, Aggregates and other material related to Russian/Soviet Origin Arms and Defence Equipment” was signed in Sep 2019. The objective of the IGA is to enhance the After Sales Support and operational availability of Russian origin equipment currently in service in Indian Armed Forces by organizing production of spares and components in the territory of India by Indian Industry by way of creation of Joint Ventures/Partnership with Russian Original Equipment Manufacturers (OEMs) under the framework of the “Make in India” initiative.

(m) Defence Products list requiring Industrial Licences has been rationalised and manufacture of most of parts or components does not require Industrial License. The initial validity of the Industrial Licence granted under the IDR Act has been increased from 03 years to 15 years with a provision to further extend it by 03 years on a case-to-case basis. There has been steady increase in the number of Industrial Licenses issued for defence manufacturing. Government has issued 556 Industrial Licenses till September,

2021 for manufacture of a wide range of defence items to private companies. This is more than double the number of licenses that existed in March 2014.

(n) Department of Defence Production has notified 46 items under the latest Public Procurement Order 2017 notified by Department for Promotion of Industry and Internal Trade (DPIIT), for which there is sufficient local capacity and competition and procurement of these items shall be done from local suppliers only irrespective of the purchase value.

(o) Defence Investor Cell has been created in Feb-2018 the Ministry to provide all necessary information including addressing queries related to investment opportunities, procedures and regulatory requirements for investment in the sector. As on 31 Jan 2022, 1325 queries / cases from industry, largely from MSMEs, have been received and duly dealt with, by Defence Investor Cell since its inception.”

2.12 In this connection a representative of the Ministry deposed before the Committee as under:

“इसके अलावा जो हमारा ऑलरेडी इक्विपमेंट सर्विसेज के पास हैं, उसको सस्टेन करने के लिए हमें बहुत ज्यादा फॉरेन और ग्लोबल इंडस्ट्री के ऊपर निर्भर होना पड़ता था, उस निर्भरता को कम करने के लिए भी हमने यह एक नई कैटेगरी बनाई है, जिसमें कि जितने हमारे ऐम्पुनिशन हैं, स्पेयर पार्ट्स हैं, सब-असेम्बलीस हैं, उन्हें हम इंडिया में ही और इंडियन इंडस्ट्री उसको बना सके, चाहे वह जॉइंट वेंचर के साथ बनाए या उसको, इंडस्ट्री को खरीदकर अपने इंडिया में बनाए और स्वदेशी डिजाइन से बनाए।”

2.13 The Committee were further informed during the presentation by the Ministry of Defence before them during the evidence that:

“इसके अलावा इस प्रोक्योरमेंट प्रोसीजर में हम एक नया प्रावधान लाए हैं, जिसमें हमने स्वदेशी मिलिट्री मैटेरियल और सॉफ्टवेयर को भी उसमें प्राथमिकता दी है कि इसमें सारे, जो भी मैनुफैक्चरिंग या डिजाइन या डेवलपमेंट हो रहा है, उसको उसमें इस्तेमाल किया जाए, क्योंकि विद इन दी कंट्री देअर इज ए लॉट ऑफ कैपेबिलिटी मैटेरियल्स की और सॉफ्टवेयर्स की है।”

2.14 Regarding analysis to find out the utility and impact of the imported products and equipments *vis-à-vis* their counterparts which are now indigenously manufactured under ‘Make-in-India’ Project, the Ministry forwarded the following information:

“While formulating the Requirements, the Service Head Quarters make an assessment of the operational needs, state-of-the-art and comparable products in the international markets. Hence, the technological benchmarking with foreign counterparts are done while the Staff Requirements are drawn up. Therefore, the products manufactured against such Staff Requirements are comparable in performance to their international equivalents and their utility is at par with the imported product. Further, being indigenous products, with Intellectual Property Rights (IPR) available with the Indian industry, the development of such products have far reaching impact on Indian Industrial ecosystem as well as the nation in-terms of growth, maturity, self-reliance, future upgrade capability, weapon integration flexibility, etc.”

2.15 The Ministry also informed the Committee that ‘the second Positive Indigenisation List comprising 108 items was notified by the Ministry of Defence on 31 May 2021, which is to be implemented from Dec 21 to Dec 25, 2021. The details are hosted on MoD website for wider dissemination’.

2.16 When asked about allocation of funds ‘Make-in-India’ Project, the Committee were apprised by the Ministry 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-IDDMM)’, ‘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. Further, Ministry of Defence has earmarked about 64 per cent of its modernisation funds amounting to almost Rs 71,400 crore under the capital acquisition budget for 2021-22 for procurement from the domestic industries.”

2.17 The Ministry submitted the following information to the Committee regarding value of indigenized production:

The trends in Value of Production (VoP) in the last three years are indicated as below:

(₹ in crore)		
<u>Year</u>	<u>Total Production</u>	<u>Total Export</u>
<b>2018-19</b>	81,120	10,745.77
<b>2019-20</b>	79,071	9,115.55
<b>2020-21</b>	84,643	8,434.83*
<b>2021-22 (as on 25 Jan 2022)</b>	34,384	5,434.70.70*

\* Period affected by COVID-19 & Omicron.

2.18 The Ministry further stated that 'exports value from 2016-17 to 2020-21 in r/o DPSUs and erstwhile OFs is ₹ 4584.82 crore approximately and Imports value from 2016-17 to 2020-21 in r/o DPSUs and erstwhile OFs is ₹ 54481.77 crore approximately'.

### **Private Sector Participation**

2.19 The Ministry apprised the Committee regarding present Private Sector Contribution in Defence production as under:

“India’s Defence Industry in the year 2020-21 recorded production of approx. Rs. 84,643 cr. Even in the production activities of defence public sector and erstwhile OFB, 67.16% of their production activities are being outsourced. This brings out the important role being played by Private Industry in Defence Production. The contribution of private sector companies in defence production is as indicated below:-

<b><u>Year</u></b>	<b><u>Defence Private Companies</u> <b><u>(₹ in crore)</u></b></b>
2018-19	17,350
2019-20	15,894
2020-21	17,268

iDEX :To promote innovation in Defence Sector, “Innovations for Defence Excellence (iDEX)” was launched in April 2018 by Hon’ble Prime Minister. iDEX aims at creation of an ecosystem to foster innovation and technology development in Defence and Aerospace by engaging Industries including MSMEs, start-ups, individual innovators, R&D institutes and academia and provide them grants/funding and other support to carry out R&D which has potential for future adoption for Indian defence and aerospace needs. So far, 114 Start-ups have been engaged and 63 contracts have signed. One procurement order has been placed by Navy. To give a major boost to development of innovative defence technologies and support the growing Start-up base in the country, Ministry of Defence has also approved a new scheme worth Rs 498.80 Crores during current year, which would support about 300 new Start-ups and 20 incubators. Further, it has also been decided to channelize Rs 1000 Crore during 2021-22 for procurement from the iDEX Start-ups.

There is a provision for funding upto 70% of development cost by the Government to Indian industry under Make-I category.”

2.20 When asked about how the private sector is helping Defence Public Sector Undertakings & erstwhile Ordnance Factories in manufacturing of world class defence equipment, the Ministry replied as under:

“The private sector is helping erstwhile OFs and DPSUs by providing input material, components, assemblies/ sub-assemblies for the various weapons/ defence equipment being produced in these units to promote the participation of private sector, outsourcing and Vendor Development guidelines for DPSUs and OFB have been formulated and circulated to them. The guidelines mandate each DPSUs and OFB to have a short term and long term outsourcing and vendor development plan to gradually increase the outsourcing from private sector.

Some of the state-of-the art weapon/platform made by private sector for defence forces includes Akash weapon system, Brahmos weapon system, MILAN-2T, Advanced Towed Artillery Gun system & VAJRA. Summation of Annual Sales Turnover (Rs. in crores) as reported by the companies is as follows:-

<b>(₹ in crore)</b>					
<b>Year</b>	<b>Defence Public Sector Undertakings</b>	<b>Erstwhile Ordnance Factory Board</b>	<b>Other Public Sector Undertakings / Joint Ventures</b>	<b>Defence Private Companies</b>	<b>Total Production</b>
<b>2016-17</b>	40,427	14,825	4,698	14,104	<b>74,054</b>
<b>2017-18</b>	43,464	14,829	5,180	15,347	<b>78,820</b>
<b>2018-19</b>	45,387	12,816	5,567	17,350	<b>81,120</b>
<b>2019-20</b>	47,655	9,227	6,295	15,894	<b>79,071</b>
<b>2020-21</b>	46,711	14,635	6,029	17,268	<b>84,643</b>
<b>2021-22 (utpo 3<sup>rd</sup>Qtr)</b>	19,570	3,523	2,767	8,524	<b>34,384</b>

India's Defence Industry in the year 2020-21 recorded production of approx. Rs. 84,643 crore. Besides, more than 12000 MSMEs as vendors are engaged in supplying various items to erstwhile OFB and Defence PSUs.

Government of India has established Technology Development Fund (TDF) Scheme under 'Make in India' initiative to create an eco-system for enhancing cutting edge technology capability by inculcating R&D culture in Industry for building indigenous state-of-art systems for defence applications and import substitution. The scheme has been established to promote self-reliance in Defence Technology as part of the 'Make in India' initiative by encouraging participation of public / private industries especially MSMEs including Start-ups.

Department of Defence Production has notified 46 items under the latest Public Procurement Order 2017 notified by Department for Promotion of Industry and Internal Trade (DPIIT), for which there is sufficient local capacity and competition and procurement of these items shall be done from local suppliers only irrespective of the purchase value.

Make-II procedure has been simplified to encourage wider participation of Indian industry, with impetus for MSME / start-ups sector and timely



induction of equipment into Indian Armed forces. In addition, the frame work for implementation of 'Make-II' at Ordnance Factory Board (OFB) and Defence Public Sector Undertakings (DPSUs) level has also been notified.

Government has notified a Policy for indigenisation of components and spares used in Defence Platforms in March 2019 with the objective to create an industry ecosystem which is able to indigenize the imported components (including alloys & special materials) and sub-assemblies for defence equipment and platform manufactured by private sector companies through outsourcing in India.

Defence Products list requiring Industrial Licences has been rationalised and manufacture of most of parts or components does not require Industrial License. The initial validity of the Industrial Licence granted under the IDR Act has been increased from 03 years to 15 years with a provision to further extend it by 03 years on a case-to-case basis. There has been steady increase in the number of Industrial Licenses issued for defence manufacturing. Government has issued 556 Industrial Licenses till September, 2021 for manufacture of a wide range of defence items to private companies. This is more than double the number of licenses that existed in March 2014."

2.21 Regarding current status of the policy for 'Strategic Partnership' for various platforms from the Private Sector Industry, the Ministry stated as under:

"In accordance with Chapter VII of the Defence Acquisition Procedure 2020 (DAP-20), measures have been instituted to revitalise Defence Industrial ecosystem through Strategic Partnerships. The Strategic Partnership (SP) model has been implemented under the DAP-20 to enable participation of private Indian firm in Make in India in defence. The SP is expected to play the role of a System Integrator by building an extensive eco-system comprising development partners, specialised vendors and suppliers, in particular, those from the MSME sector. In the initial phase, Strategic partners will be selected in the segments of Fighter aircraft, helicopters, submarines and Armoured Fighting Vehicles (AFV)/Main Battle Tanks (MBTs).

Under the Strategic Partnership Model, Indian Navy is progressing procurement cases for indigenous construction of six submarines under Project 75(I) and 111 Naval Utility Helicopters."

### **Extreme Cold Weather Clothing System**

2.22 The Ministry furnished the following information on the procurement of Extreme Cold Weather Clothing System (ECWCS) for the forces and development of its source and procurement within the country:

“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.

### **Quality of Supply**

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.

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).

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.”

2.23 The Ministry also informed the Committee that ECWCS is no longer being imported. ECWCS is now being procured only from indigenous private industry. In this connection the Ministry further apprised the Committee that Indian private industry is now capable of manufacturing ECWCS in India and successful supplies have already commenced from indigenous supplier.

### **Offset Clause**

2.24 The Ministry apprised the Committee of the Offset Clause under Defence capital Acquisition as under:

“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 ₹ 2,000 crore. No offsets will be applicable in all ab-initio Single Vendor Cases including procurements based on IGA/FMS. 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. 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 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. However, 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 DPSUs/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.

Offset obligations can be discharged by any one or a combination of the following 05 avenues:

Sl. No	Discharge Avenue	Indian Offset Partner	Features
1	Direct purchase of or executing export order for eligible Products or Services	Private Sector/DPSU	Eligible product/services Listed (Investment in civil infrastructures & training has been excluded)
2	Investment in Defence Manufacturing through FDI or direct investment or JV or through non-equity route for co-production, co-development and production or licensed production of defence products.	Private Sector/DPSU	Through FDI
3	Investment in Transfer of Technology for manufacture of eligible products	Private Sector/DPSU	Through JV/non-equity route
4	Acquisition of technology through ToT to Government Institutions & establishments	DRDO/DPSU	
5	Critical Technology Acquisition	DRDO	Critical technologies listed

Multipliers are incentives for offsets in targeted areas, to promote MSME and acquisition of critical technology. The following multipliers are permitted under DAP 2020:

Eligible Products	1.0
Components of eligible products	0.5
Investment in defence manufacturing	1.5
Investment in Defence Industrial Corridors for defence manufacturing	2.0
<b>IOP</b>	
MSME	1.5
Private Industry (ToT)	2.0
DPSUs/DRDO (ToT)	3.0
DRDO (Critical Technology)	4.0

2.25 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:-

- i. Fostering development of internationally competitive enterprises and
- ii. 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 ₹ 2000 crores or more as per DAP 2020.

As on date, a total of 57 Defence Offset contracts have been signed in MoD. The total offset obligations are estimated at approx US \$ 13.52 billion to be discharged over a period from 2008-2033. Out of the above amount, the contracted offset obligations due as on 17.01.2022, is US\$ 6.8 billion against which the vendors have submitted offset claims amounting to US\$ 4.59 billion. Out of the submitted claims, offset claims worth US\$ 3.37 billion have been disposed.

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 user 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 incentivizing by higher multiplier upto 4..
- (e) Incentivizing active involvement 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)."

2.26 Elaborating the advantages of Offset Clause, one of the representatives of the Ministry deposed before the Committee as under:

“...इन एडिशन जो कि हमारे बाई ग्लोबल केसेज हैं, पुराने भी हैं और यदि कोई नया बाई चांस आता भी है, उसमें एक ऑफसेट प्रोविजन होता है, हमने कहा है कि वह भी इंडियन पार्टनर्स के थ्रू ही बनाइए और इसके अलावा हमने उसको मल्टिप्लिकेशन फैक्टर दिए हैं ताकि वह या तो डिफेंस कॉरिडोर में इन्वेस्ट करे या उसमें हमें अच्छी कोर टेक्नोलॉजी ट्रांसफर करे या हमारी मैनुफैक्चरिंग यूनिट्स दे या हमारे डीपीएसयूज में के थ्रू वह ऑफसेट्स को हमें डिलिवर करे।”

### **Defence Offsets Monitoring Wing (DOMW)**

2.27 The Ministry forwarded the following information on setting 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 is 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 17<sup>th</sup> January, 2022, 57 offset contracts have been signed and the total offset obligations work out to US\$ 13.52 Billion approx (contracts with different denominations converted to US\$). The obligations to be discharged till 17<sup>th</sup> January, 2022 amounts to USD 6.8 billion approx. against which offset claims worth US\$ 4.59 Billion 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\$ 2.9 billion.

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 maintain 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.”

2.28 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 (earlier 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."

### **Foreign Direct Investment (FDI)**

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

"The Government has reviewed the Foreign Direct Investment (FDI) policy in Defence Sector in September 2020 thereby allowing FDI under Automatic Route up to 74% and beyond 74% through Government Route wherever it is likely to result in access to Modern technology or for other reasons to be recorded."

2.30 Further, the Committee were informed that current "FDI policy facilitate up to 100% by Government route wherever, it is likely to result in access to modern technology or for other reasons to be recorded. Increasing the automatic route till 100% will nullify the ownership of domestic partner."

2.31 The details of the FDI/JV proposals which have been approved in the Defence Sector in the past five calendar years have been forwarded to the Committee as follows:

<u>Name of JV</u>	<u>Activity</u>
2017	
M/s Ideaforge Technology Pvt Ltd	Manufacture of unmanned aerial systems used in Defence sector.
M/s Alpha-Elsec Defence and Aerospace Systems Pvt Ltd	Manufacture of optical goods and equipment and optical instruments.
2018	
Indo Russian Helicopters Ltd	To manufacture, supply, maintain and service



	Helicopters to the Indian Defence Forces.
2019	
M/s Indo Russian Rifles Pvt Ltd	Design, Development and Production of Kalashnikov Series Rifle.
2020	
M/s Omnidyne Systems Pvt Ltd	Research, Development and Manufacturing of advanced, state of the art, unmanned vehicle systems and related technologies.
M/s Elbit Systems Ltd	Primarily undertaking research and development in the defence sector in India, executing design and development programs and also for engaging in upcoming defence programs in the Indian defence sector as well as in the international market by providing services as a sub-contractor in compliance with applicable law including Defence Procurement Procedure issued by the Government of India, as amended from time to time. Further, the applicant has stated that it will undertake research and development in the Indian defence sector, execute design and development programs, as well as undertake manufacturing of products that do not require industrial license.
2021	
M/s Everchem Asia Pvt Ltd	Engage exclusively in holding indirect investment in M/s Calimara Matters Pvt Ltd, subject to 74% acquisition of M/s Calimara Matter Ltd by M/s Calibre Chemicals.

2.32 Regarding impact of increasing the FDI Limits, the Ministry forwarded the following information showing procurement of defence equipment by the three services in the last three years.

“As per data of Controller General of Defence Accounts (CGDA) on procurement of defence equipment by the three Services (Army, Navy and Air Force) in the last three years, brings out that increasing reliance has been laid on procurement from domestic sources and the expenditure on procurement from foreign sources has shown significant reduction in percentage terms:

<b>(₹ in crore)</b>					
Year	Expenditure on Procurement (both capital and revenue) from Domestic sources		Expenditure on Procurement (both capital and revenue) from Foreign sources		Total expenditure on Procurement (both capital and revenue)
	Value	Percentage	Value	Percentage	Value
<b>2018-19</b>	50500	54.0	42974	46.0	93474
<b>2019-20</b>	63722	58.8	44618	41.2	108340
<b>2020-21</b>	88631	63.6	50709	36.4	139340

2.33 The Ministry further furnished the following statement showing reasons for the low investment rates from international companies despite increasing the FDI limit:

“(i) Defence sector has been opened up for private sector participation in the year 2001. The FDI policy was amended in 2013 by which FDI was allowed up to 26% through Government route and above 26%, through Cabinet Committee on Security (CCS) on case-to-case basis. Further, revision of FDI policy in 2014 increased the FDI limit and composite foreign investment up to 49% was allowed through Government route (FIPB Route) and beyond 49% with the approval of CCS.

(ii) In 2015, FDI policy in Defence sector was further reviewed. As per the policy, Foreign Investment Cap was allowed up to 49% through automatic route and above 49% under Government route on case-to-case basis, wherever it is likely to result in access to modern and ‘state-of-art’ technology in the country. The policy was again revised in 2016 wherein Foreign Investment up to 49% was allowed through automatic route and beyond 49% under Government route wherever it is likely to result in access to modern technology or for other reasons to be recorded. DPIIT vide Press Note 4(2020 Series) dated 17.09.2020 has again enhanced FDI limit 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.

(iii) The FDI in Defence Sector is a new phenomenon and continuously increasing in the last 5-6 years. Also, Defence being a monopsony and Government being the only buyer, the investment are dependent on limited market opportunities. Since 2014, the total FDI inflow till December, 2021 has been over Rs 3243 crores. Moreover, this has also resulted due to number of Policy reforms undertaken by the Department of Defence Production for attracting investment:

- Higher multipliers assigned in Offset Policy to attract investment and Transfer of Technology for Defence manufacturing.
- Specific consultations are done regularly with Foreign Original Equipment Manufacturers (FOEMs).
- Two Defence Corridors have been established; one in Tamil Nadu and another in Uttar Pradesh provide Plug & Play support to the industries in the Corridor. Customized incentives package are provided to investors based on investment, employment and project location which may include GST based refunds on sales, Stamp duty concessions on land allotment, Electricity Tax exemption Capital subsidy and Training subsidy for training workers.
- Webinars are conducted with Friendly Foreign Countries (FFCs) under the aegis of DDP, MoD through Indian Missions abroad and Industry Associations with active participation from Indian Defence Industries. So far, 24 webinars have been conducted with FFCs.
- Defence Investor Cell has been created to provide all necessary information including addressing queries related to investment opportunities, procedures, and regulatory requirements for investment in the sector.”



## **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 Raksha Mantri's (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 The Ministry forwarded the following information regarding expenditure incurred under Defence Services Estimates during the last 5 Defence Five Year Plan periods, *vis a vis* Budget Estimates/ Revised Estimates. Defence Services Estimates covers the detailed estimates for the Defence Services and Organisation/Services covered:

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

Under Grant No. 20 (Defence Services Revenue) and Grant No. 21 (capital Outlay on Defence Services) of the Ministry of Defence.

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 4 years in the current Five Year Plan (2017-18, 2018-19, 2019-20 and 2020-21), Budget Estimates and Revised Estimates for Current Financial Year 2021-22 and Budget Estimates for 2022-23 in respect of Defence Services Estimates is as under:

<b>(₹ in crore)</b>			
<b>Year</b>	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>
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	2,05,788.59	1,34,304.92	3,40,093.51
2021-22(BE)	2,12,027.56	1,35,060.72	3,47,088.28
2021-22 (RE)	2,29,567.23	1,38,850.90	3,68,418.13
2022-23 (BE)	2,33,000.54	1,52,369.61	3,85,370.15

3.4 The Ministry was asked to state the projections, allocations, and actual expenditure of each year of the thirteenth Defence Five Year Plan (2017-2022) including the projection for the year 2022-23. It was replied as under:

(₹ in crore)			
Year	BE	RE	Actual Expenditure
<b>13<sup>th</sup> Plan</b>			
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	3,40,093.51
2021-22	3,47,088.28	3,68,418.13	2,66,558.69*
2022-23	3,85,370.15		

\*up to Dec, 2021

3.5 Financial targets of Services/Departments during the Financial Year 2022-23 in the broad categories fixed by the Ministry was forwarded to the Committee as follows:

(₹ in crore)				
S.No.	Service/ Deptt.	Allocation in BE 2022-23		
		Revenue	Capital	Total
1.	Army	1,63,713.69	32,115.26	1,95,828.95
2.	Navy	25,406.42	47,590.99	72,997.41
3.	Air Force	32,873.46	56,851.55	89,725.01
4.	DGOF	474.50	3810.00	4,284.50
5.	R&D	9,348.39	11,981.81	21,330.20
6.	DGQA	1,184.08	20.00	1,204.08
7.	Total	2,33,000.54	1,52,369.61	3,85,370.15

3.6 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.”

3.7 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:

(₹ in crore)

Service/ Deptt	Amount Earmarked Final Grant			Amount Spent		
	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21
<b>Army</b>	1,56,597.74	1,73,405.32	1,70,677.21	1,61,680.04	1,71,530.26	1,66,224.26
<b>Navy</b>	41,662.83	48,261.58	64,725.13	42,365.83	49,833.99	64,832.81
<b>Air Force</b>	64,569.23	74,906.18	90,817.31	64,742.99	75,228.54	91,033.18
<b>DGOF/ DoO (C&amp;S)</b>	1,102.82	888.33	435.72	907.13	3,678.76	1,379.95
<b>R &amp; D</b>	17,121.99	17,730.78	16,145.74	17,048.67	17,375.17	15,706.96
<b>DGQA</b>	1,023.41	1,103.88	1,003.00	943.99	1,017.86	916.35
<b>Total</b>	<b>2,82,078.02</b>	<b>3,16,296.07</b>	<b>3,43,804.11</b>	<b>2,87,688.65</b>	<b>3,18,664.58</b>	<b>3,40,093.51</b>

Military Farms and ECHS were shifted to Defence Services Estimates from the FY 2019-20 in BE 2019-20 (Regular Budget). Hence expenditure for 2018-19 does not include expenditure of these two organizations.

3.8 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 taken by it. In this regard, the Ministry submitted as under:

‘The 12<sup>th</sup> Plan was approved by the RM. MoF, however, did not approve the Plan. While formulating the guidelines for the 13<sup>th</sup> 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.

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.

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.

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.’

## **CHAPTER IV**

### **MARRIED ACCOMMODATION PROJECT**

During the course of examination of Demand for Grants, the Committee were informed 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 stated for construction in four phases.

#### **Budgetary Provisions**

4.2 The Committee were provided with the details regarding the projections and allocations made to MAP under Capital Head and the expenditure incurred during the last five years along with the details of the projected and allocated budget for the year 2022-23 are as under: -

<b><u>Financial Year</u></b>	<b><u>Combined State of all Services</u></b> <b>(₹ in crore)</b>		
	<b><u>Projection</u></b>	<b><u>Allocated</u></b>	<b><u>Utilised</u></b>
2017-18	1320.0000	1363.0000	1343.7114
2018-19	1000.0000	889.5422	878.9999
2019-20	670.0000	465.9066	458.6427
2020-21	532.0000	242.1470	209.6507
2021-22*	551.0000	232.5000	63.7848
2022-23	452.3084	NA	NA
* As on 31Dec 2021.			

4.3 The Ministry also apprised the Committee that Rs. 195 crore are likely to be utilized by 31 March, 2022:

4.4 It was further informed by the Ministry that “no additional allocations have been sought by the MAP in 2021-22 and previous years over and above budgetary allocations.”

4.5 On being asked about the Capital and Revenue ratio of the budget allocated for the MAP in respect of three services during last five years and projections for 2022-23, the Ministry submitted as under:

(₹ in crore)

<u>Financial Year</u>	<u>Budget Head</u>	<u>Projection</u>	<u>Allocated</u>	<u>Utilised</u>	<u>Capital and Revenue Ratio</u>
2017-18	Capital	1320.00	1363.000	1343.7114	<b>496.2138</b>
	Revenue	2.500	2.7468	2.7451	
2018-19	Capital	1000.00	889.4522	878.999	<b>265.5350</b>
	Revenue	2.500	3.350	3.3675	
2019-20	Capital	670.00	465.9066	458.6427	<b>139.0766</b>
	Revenue	3.350	3.350	3.0611	
2020-21	Capital	532.00	242.1470	209.6507	<b>80.7157</b>
	Revenue	3.350	3.000	2.3576	
2021-22*	Capital	551.00	232.500	63.7848	<b>130.5007</b>
	Revenue	3.350	1.7816	1.6484	
2022-23	Capital	452.3084	-	-	<b>-</b>
	Revenue	3.350	-	-	
* As on 31 <sup>st</sup> Dec 2021.					

4.6 During oral evidence of the Ministry regarding examination of Demands for Grants 2022-23, one of their representatives deposed before the Committee regarding budgetary allocations and expenditure under Married Accommodation Project as under:

“... जहां तक बजट एलोकेशन का सवाल आता है, पिछले पांच सालों में हमारा जो बजट एलोकेशन था, वह वर्ष 2017-18 में 1,363 करोड़ रुपये था, जो एक्सपेंडिचर हुआ है, वह 1,344 करोड़ रुपये है। इसी तरह वर्ष 2018-19 में 890 करोड़ रुपये का बजट एलोकेशन था, जिसमें से एक्सपेंडिचर 880 करोड़ रुपये का हुआ है। वर्ष 2019-20 में 470 करोड़ रुपये के बजट एलोकेशन में से हमारा एक्सपेंडिचर 459 करोड़ रुपये रहा है। वर्ष 2020-21 और 2021-22 में जो एलोकेशन था, वह कम था और हमारा जो एक्सपेंडिचर हुआ है, उसमें पूरा टार्गेट अचीव करने में थोड़ी सी दिक्कत आई है। ये दिक्कत कोविड के मद्देनजर और कुछ कंस्ट्रक्शन रिलेटेड इश्यूज के कारण आई है।”

### **III Phases of MAP**

4.7 During the course of evidence, a representative of the Ministry apprised the Committee of the Phase-wise total sanctioned dwelling units or houses to Army, Air Force and Navy as under:-



PHASE	ARMY	AIR FORCE	NAVY	TOTAL
I	50,924	7,509	3,225	61,658
II	58,382	5,238	3,107	66,727
III	67,134	3,362	-	70,496
<b>TOTAL</b>				<b>1,98,881</b>

4.8 The Ministry submitted the following information regarding current status of all the MAP Phases:

‘Phase-I has been completed and all DUs 57875 have been handed over to the users. However, financial closure could not be completed in respect of following projects since execution agency/contractors have not cleared the defects pointed out during 2 years of the defect liability after physical taking over of assets by the user:-

- (i) **Delhi Group-V: Basantar lines, Kabul lines.** Construction for residential area for Army under PM (West) MAP.
- (ii) **Delhi Group-III: Mahipalpur.** Construction for residential area for Army under PM (East) MAP.
- (iii) **Shahjahanpur (Uttar Pradesh).** Construction of DUs at Shahjahanpur by CPSU.
- (iv) **Shillong (Meghalaya).** Construction of DUs including allied services at Shillong (MAP Phase-I) by CPSU.

Phase-II progress is 95.5%. As on date 9,222 Dwelling Units are balance. The revised target for completion of MAP Phase-II is December 2023.

Phase-III is being foreclosed. Draft Cabinet Note has been concurred by Defence Finance and has been processed for approval of the Competent Authority before finally seeking the approval of the CCS.’

4.9 It was further deposed by a representative of the Ministry before the Committee regarding progress of all the three phases as under:

“जहां तक मैप की प्रोग्रेस का सवाल है, मैप फेज़-1 में जो 57,875 घर थे, वे सब कंप्लीट हो चुके हैं और हैंडओवर हो चुके हैं। मैप फेज़-2 में जो 69,904 घर हैं, उनकी प्रोग्रेस अभी 95.5 परसेंट है। कई स्टेशंस और कई ड्वेलिंग यूनिट्स जो ऑलरेडी कंप्लीट हो चुकी हैं और हैंडओवर हो चुकी हैं। बैलेंस घरों की जो हमारी प्रोग्रेस है, वह इस वक्त चल रही है। टारगेट

यह है कि लेटेस्ट दिसंबर, 2023 तक हम इसको कंप्लीट कर देंगे। जहां तक मैप फेज-3 का सवाल है, यह एक बहुत ही डेलिब्रेटली हाएस्ट लेवल पर फैसला लिया गया था कि जो मैप फेज-3 है, उसको मैप के थ्रू न करते हुए, **AMWP** – एनुअल मेजर वर्क्स प्रोग्राम के माध्यम से किया जाएगा।”

4.10 The following statement explains the Phase-wise progress more clearly:

<u>PROGRESS : MAP</u>				
PH	HOUSES	COST (IN CR)	OVERALL PROG	HOUSES COMPLETED
I	57,875	6,033	100%	100%
II	69,904	13,682	95.50%	86% (60,056)
III	71,102	-	Execution through AMWP (Annual Major Work Program ) route	
TOTAL	1,98,881	19, 715	92.3 %	
1,17,931 HOUSES COMPLETED OUT OF 1,27,779 HOUSES (PHASE-I & II)				

4.11 Elaborating the current deficiency of dwelling units under MAP, the Ministry forwarded the following information:

‘Under MAP 1,98,881 dwelling units (DUs) were approved to be constructed in four phases of four years each at an approx cost Rs 17,358 crores. The distribution of the DUs was as under: -

(i)	Army	-	1, 76,440
(ii)	Air Force	-	16,109
(iii)	Navy	-	6,332

DG MAP was mandated for the construction of 1,98,881 Dwelling Units (DUs) in three Phases. So far, the CCS approval has been received for construction of 1,27,779 DUs in Phase-I and Phase-II. Out of these 1,17,876 DUs have been completed as on date and 9,903 DUs are balance. The current status is as under:-

<b>Phases</b>	<b>Dwelling Units</b>	<b>Completed</b>	<b>Balance</b>	<b>Remarks</b>
Ph-I	57,875	57,875	NIL	All DUs completed
Ph-II	69,904	60,001	9,903	<ul style="list-style-type: none"> <li>Physical progress 95.50%</li> <li>Target for Physical completion- Dec 2023.</li> </ul>

Ph-III	71,102	NIL	NIL	<ul style="list-style-type: none"> <li>• Go-ahead received for preparation of DPRs and Rs 100 Crs were allotted by MoD.</li> <li>• Eight DEPMC Contracts were concluded for preparation of DPRs at 13 Stations for construction of 24,592 Dwelling Units. The same are under various stages of preparation.</li> <li>• In principle decision has been taken in MoD for foreclosure of MAP Phase-III and completion of the balance DUs through Annual Major Works Programme (AMWP) route. The same are being approved through AMWP.</li> <li>• After obtaining the CCS approval, the MAP Phase-III contracts are planned to be transferred to MES on <b>“as is where is basis”</b>.</li> </ul>
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4.12 When asked about extension of MAP in the state of Jammu and Kashmir, the Committee were apprised as under:

“A total of 988 Dwelling Units have been completed in Jammu & Kashmir as part of MAP Phase-I. Thereafter, 4518 DUs were planned to be constructed in Jammu & Kashmir as part of MAP Phase-II. As on date 2756 DUs have been completed in MAP Phase-II and balance DUs are still under construction at various stages.”

## **OBSERVATIONS/RECOMMENDATIONS**

### **CAPITAL OUTLAY ON DEFENCE SERVICES**

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

2. The Committee note that in 2022-23, Ministry of Defence has been allocated Rs. 1,52,369.61 crore *vis-à-vis* total allocation of Rs. 1,38,850.90 crore in

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

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

#### **Projections and Allocations in respect of three services**

4. The Committee observe that since 2016-17, none of the three Services have been allocated the amount that has been projected by the Ministry at BE or RE Stage. The gap between the RE figures for Army in 2016-17 was to the tune of Rs. 10,472.04 crore which has increased to Rs. 12,967.81 crore in 2021-22. For

Navy the difference was Rs. 2933.76 crore in 2016-17 at RE stage which has become Rs. 3,989.84 crore in 2021-22. For Air Force the gap was Rs. 8,273.09 crore in 2014-15 which increased to Rs. 17,961.62 crore in 2020-21 RE stage. The Committee further note that at BE stage in 2022-23 the gap between the projected and allocated budget for Army, Navy and Air Force is Rs. 14,729.11 crore, Rs. 20,031.97 crore and Rs. 28,471.05 crore respectively which are remarkably high. The Committee are of the view that in the present scenario of heightened tensions with our neighbouring countries especially at borders of our country, such situation is not conducive for defence preparedness of the country to bring it at par with them or making it even better than theirs by possessing capital intensive modern machines which are imperative to tilt the result of war in our favour and also increase deterrence capabilities of our country. Taking into account the trend of sharp decline in the allocation of funds vis-à-vis projections under Army, Air Force and Navy, the Committee recommend that the Ministry should not make any reductions while allocating budget for Capital Head for any of the Services in the Demands for the coming years. The Committee also recommend the Ministry to take steps to enhance allocation at Revised Estimate Stage in 2022-23 and also at the time of Supplementary Grants keeping in view the operational preparedness of the three forces.

#### Additional Allocation

5. The Committee note that additional allocation sought by the three Services in Capital Head separately in 2021-22 was Rs. 1,813.00 crore for Army, Rs. 16,757.83 crore for Navy and Rs. 17,961.62 crore for Air Force, after which total allocation stands at Rs. 25,377.09 crore for Army, Rs. 46,021.54 crore for Navy and Rs. 53,214.77 crore for Air Force at RE Stage. The Committee are of the

opinion that the Ministry should ensure that these additional allocation of funds at the first place should be granted to the three services, as first and foremost priority should be given to the preparedness of Defence Forces and should be utilized for critical projects and operational activities of the three Services. The Committee also desire the Ministry to take steps for timely expenditure of the allocated funds in the first two quarters itself so that requirement of additional funds is assessed timely and get approved from the Ministry of Finance at Supplementary Grants stage.

### **Modernization of Defence Forces**

6. The Committee observe that the Modernization of Defence Forces involves the acquisition of new state-of-the-art platforms, technologies and weapon systems to upgrade and augment Defence capabilities and is a continuous process based on threat perception, operational necessities and technological changes to keep the Armed Forces in a state of readiness to meet the entire spectrum of security challenges. As per the assertion made by the Ministry, Government attaches highest priority to ensure that the Armed Forces are sufficiently equipped to meet any operational requirement, which is achieved through induction of new equipment and technological upgradation of capabilities. The equipment requirements of the Armed Forces are planned and progressed through a detailed process which includes 15 Year Long Term Integrated Perspective Plan (LTIPP), a five year Service-wise Capability Acquisition Plan, a two year roll-on Annual Acquisition Plan and deliberations by the Defence Acquisition Council chaired by the Raksha Mantri. The Committee note that an overview of the BE, RE and AE on Modernization for capital acquisition since 2017-18 shows that Actual Expenditure incurred has been by and large more than the allocated funds even after RE Stage. Although the

Ministry has utilized Rs. 75,194.31 crore out of BE of Rs. 1,13,717.59 crore in 2021-22 by December, 2021, the Committee expect that the target of full utilization of funds will be achieved by the Ministry under this head by the end of F.Y. 2021-22. The Committee note that modernization of Armed Forces through procurement of new equipment and upgrading of existing equipments and systems is a continuous process which are progressed as per the approved Capital Acquisition plans, therefore, the Committee recommend that enhanced and adequate budgetary allocation should be made under Capital Head for modernization purpose so that the procurement and upgrading procedures should be carried out without any hurdle of shortage of funds.

#### **Committed Liabilities and New Schemes**

7. The Committee were informed that Committed Liability refers to payments anticipated during a financial year in respect of contracts concluded in previous years. Under the Defence Services Estimates, Committed Liabilities constitute a significant element in respect of the capital acquisition segment, since one project may span several financial years. As such, it is important to track the element of Committed Liabilities which holds first charge on the budget allocation and inadequate allocation for committed liabilities would definitely lead to 'default situation' on contractual obligations. New Schemes include new projects/ proposals which are at various stages of approval and are likely to be implemented in near future. The Committee learn that at present, there is no separate allocation of funds for Committed Liabilities and New Schemes under Defence Services Estimates and the funds for it are allocated under Capital Acquisition (Modernisation) Head. The Committee observe that in BE the allocation in the 2022-23 for Committed Liabilities and New Schemes is Rs.



1,24,408.64 crore vis-à-vis BE Projection of Rs. 1,77,958.63 crore. In 2021-22 RE allocation for Army is Rs. 19,485.09 crore against Rs. 30,636.90 crore, for Navy it is Rs. 43,736.02 crore vis-à-vis Rs. 47,414.33 crore, for joint staff it is Rs. 405.71 crore as per projection of Rs. 405.71 crore. For Air Force RE allocation stands at Rs/ 50,090.77 crore against RE projection of Rs. 67,169.42 crore. In addition it is ensured by the Ministry that urgent and critical capabilities are acquired without any compromise to the operational preparedness of the Defence Services. The Committee find it contradictory in comparison to amount of funds actually allocated under RE-2021-22 for the three services especially Army being a capital intensive force. Considering this grim situation towards allocation in Capital Acquisition Fund, the Committee in their 7<sup>th</sup> and 21<sup>st</sup> Report had recommended the Ministry of Defence to create a dedicated fund for Committed Liabilities and New Schemes. As no progress has been observed by the Committee in this regard, the Committee again urge upon the Ministry to create a separate dedicated Head for Committed Liabilities and New Schemes from the next Budget onwards, so that there are no difficulties faced in matching the deadlines in the payment towards already committed purchases and latest weaponry could be procured under New Schemes.

#### **Non Lapsable Defence Modernization Fund – Defence Renewal Fund**

8. The Committee in their previous reports have recommended making Capital Budget 'Non-lapsable' and 'Roll-on' in nature. The Committee were apprised during the oral evidence that a draft Cabinet note for Non-Lapsable Defence Modernisation Fund is under consideration. The Committee observe that out of the total budgetary allocation of Rs. 3,43,822.00 in 2020-21 only Rs. 2,33,176.70 have been utilized by the Ministry upto December 2020. As there is

around Rs. 110,645.3 crore left unutilized which is to be spent in the three months of this F.Y. 2020-21, the Committee recommend the Ministry to expedite the constitution of a Non-Lapsable Defence Modernisation Fund – Defence Renewal Fund, which may be meant exclusively for the procurement of critical defence assets at critical times. As the draft Cabinet note for constituting a Non-Lapsable Modernisation Fund is under consideration, the Committee urge upon the Ministry that approval may be accorded expeditiously so as to fructify its creation at the earliest so that procurement can be done unhampered without pursuing for funds to receive at Supplementary or Additional Grants stages.

## **PROCUREMENT POLICY**

### **Defence Procurement Policy**

9. The Committee note that the policy for procurement of Defence equipment for the Armed Forces aims to ensure timely procurement of military equipment, systems and platforms as required by the Armed Forces in terms of performance capabilities and quality standards, through optimum utilisation of allocated budgetary resources. The policy also seeks to ensure that the highest degree of probity, public accountability, transparency, fair competition and level-playing field in the process of procurement, besides, self-reliance in Defence equipment production and acquisition as a key aim of the policy which is pursued through Make in India. The policy is implemented through the mechanism of Defence Procurement Procedure (DPP). The Committee also find that the Defence Procurement Procedure 2016 has been revised as Defence Acquisition Procedure 2020 which is driven by the tenets of Defence Reforms announced as part of Aatmanirbhar Bharat Abhiyan. In order to promote indigenous design and

development of defence equipment 'Buy {Indian-IDD (Indigenously Designed, Developed and Manufactured))}' category which was introduced in 2016 and was accorded top most priority for procurement of capital equipment, has been retained in DAP 2020. The Committee were also informed that Ministry of Defence has notified a second positive Indigenization List comprising 108 items for which there would be an interim embargo on the import. The Committee were informed by the Ministry that the last Defence Procurement Manual (DPM) came out in 2016 and is presently under revision to incorporate the latest orders and other developments. The Committee express the hope that the revised Manual on Defence Acquisition Procedure will not only make the procedure fast track for procuring the arms, ammunition and defence equipment in a time bound manner and also promote self-reliance. While reposing faith in the good intentions of the Ministry of Defence, nevertheless the Committee recommend that concerted efforts of all stakeholders in the process of procurement such as the Ministry, DPSUs the Armed Forces and private sector are crucial for realization of the goal of self reliance in Defence Sector for which all out efforts should be made by the Ministry to bring out the maximum gains from each of them.

#### **Accountability and Transparency in Defence Procurement**

10. The Committee note that for ensuring accountability and transparency in Defence Procurement cases, measures for promoting probity, public accountability and transparency in Defence capital procurements are put in place by the Ministry which include execution of Pre Contract Integrity Pact (PCIP) for all cases above Rs. 20 crore to ensure corruption free procurement process; time bound disposal of complaints which are aligned to CVC/ DOP&T guidelines; instructions issued for ascertaining vigilance status of L1 vendor before seeking approval of the Competent Financial Authority (CFA); guidelines for penalties in

business dealings with suspect entities and capacity assessment guidelines for shipbuilding entities. While taking cognisance of the fact that accountability and transparency are extremely imperative in the Defence Sector dealing with Procurement Procedures, the Committee appreciate the initiatives of the Ministry and recommend that the above measures be strictly followed and a vigorous monitoring mechanism be set up for ensuring corruption-free, fair and timely procurement of weapon systems. The Committee desire to be apprised of the number of cases, if any, when persons were found guilty after implementation of above guidelines.

#### **Increasing Dependence on Foreign Suppliers for Military Hardware**

11. The Committee express their concern over the ever increasing import of arms and equipments in the country. Though India is the largest importer of the arms and equipment in the World, the Committee find that no authoritative and official information of India being the largest importer of Defence equipment is available as no country officially reveals information on import of Defence equipment. However, in the report published by the Stockholm International Peace Research Institute (SIPRI), India has been shown as the second largest importer of Defence equipment for the year 2014-19. The Committee in their Twenty-first Report on 'examination of Demand for Grants 2021-22' have pointed out that India was reported to be the largest importer of Defence equipment during the period 2012-16. The Committee appreciate the efforts of the Ministry in this direction by bringing down the imports of defence equipment which is a step towards the goal of Self Reliance and Make in India which is evident from the SIPRI Report. Taking note of the fact that capital procurement of Defence equipment is undertaken from various domestic as well as foreign vendors in

accordance with the Defence Procurement Procedure (DPP), based on threat perception, operational challenges and technological changes so as to keep the Armed Forces in a state of readiness to meet the entire spectrum of security challenges, the Committee expect that with the increasing focus on self reliance and promotion of indigenous industries, the import of defence equipment will further fall down.

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

#### **Self Reliance and Make in India**

13. The Committee note that the proposals of capital acquisition in Defence Procurement Procedure are categorized as ‘Buy Indian – IDDM’, Buy (Indian), Buy and make (Indian) & ‘Buy and Make’ with preference over ‘Buy (Global)’ category, to make the country self reliant in defence production. For this, Ministry of Defence has earmarked about 64 per cent of its modernization funds

amounting to Rs. 71,400 crore under capital acquisition budget for 2021-22 for procurement from domestic industries. The Committee further note that the value of indigenized production which was Rs 84,643 crore in 2020-21 has come down to Rs. 34,384 crore (up to 25 Jan, 2022) and the reasons being attributed to Covid-19 pandemic. As a big chunk of capital acquisition budget has been earmarked to procurement from domestic industries, the Committee recommend that Ministry should explore more efficacious ways to utilize the full allocated funds in the current financial year 2021-22. The Committee wish to be apprised of the total utilization of funds out of Rs. 71,400 crore earmarked for domestic industries in 2021-22 and also the amount of funds allocated in 2022-23 for this purpose. The Committee further desire that the Ministry should make concerted efforts to set up proper co-ordination between, Armed Forces, DPSUs and private sector so as to increase the production under Make in India categories.

#### **Extreme Cold Weather Clothing System**

14. The Committee observe that Extreme Cold Weather Clothing System (ECWCS) which is a three layer clothing being procured for soldiers deployed in Super High Altitude Areas like Siachen. The Committee note that its procurement is based on effectiveness of the item determined through user trials carried out under actual operational conditions. It is also ensured that procurement is done only from user approved sources and DGQA make certain that there is zero deviation between bulk supply and user approved sample determined. In addition, user satisfaction on quality during usage is monitored through suitably structured feedback processes and in case of any quality issue during usage, the user can raise a defect report as per Army Order 323/166, based on which detailed technical investigation is then carried out by DGQA to verify the claims

of the user and ascertain reasons for defect. The Committee would like to recall that in their 7<sup>th</sup> and 21<sup>st</sup> Reports, they have recommended for indigenous production of ECWCS in the country. The Committee are glad to find that Indian Private Industry is now capable of manufacturing ECWCS in India and its procurement has already been commenced from indigenous supplier. The Committee appreciate the efforts of the Ministry and hope that the list of indigenously manufactured and procured items would further increase by the determined efforts of the Ministry.

### **Offset Clause**

15. 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 and the Offset guidelines framed under DPP have since been amended 6 times. As per Defence Acquisition Procedure (DAP 2020) offset provisions are applicable only on “Buy Global” categories of capital acquisitions. They apply in capital acquisition contracts which are more than Rs. 2,000 crore. However, the offsets are not applicable to procurements under “Fast Track Procedure” and in “Option Clause” cases if the same was not envisaged in the original contract. Further no offsets will be applicable in all ab-initio Single Vendor Cases including procurements based on Inter Governmental Agreements/Foreign Military Sales (IGA/FMS) and the offset applicability on Indian companies under ‘Buy Global’ cases do not arise in case the indigenization component is 30% or more. The Committee also note that offset contracts are co-terminus with the main procurement contract and signed along with the main procurement contract after approval of Competent Financial Authority (CFA) and the period of offset discharge can be extended on exceptional ground by a maximum period of two years. Further the DAP

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

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

17. While expressing satisfaction that the Defence Offset Monitoring Wing is effectively discharging its duties, the Committee recommend the Ministry to be more cautious and transparent as the scope of Offset has been increased from



Rs. 300 crore to Rs. 2,000 crore or more. The Committee desire that the Ministry should try to establish some import substitute products industry while discharging the 30 per cent obligation.

### **Foreign Direct Investment**

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

## **DEFENCE PLANNING**

### **Five Year Defence Plans**

19. The Committee note that the Defence Five Year Plans are formulated to elaborate the necessary steps to maintain and augment Defence capabilities in

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

20. The Committee note that Defence Five Year Plans serve as a guide for formulating annual budgetary protection submitted to the Ministry of Finance (MoF). The Committee also note that Government has set up a Defence Planning Committee under the Thirteenth Defence Plan (2017-22), to facilitate comprehensive and integrated planning for defence matters, which analyses and evaluate all relevant inputs relating to defence planning, *inter-alia*, national defence and security priorities, foreign policy imperatives, operational directives and security related doctrines, defence acquisition and infrastructure development plans including 15 year Long Term Integrated Perspective Plan (LTIPP), defence technology, etc. The Committee are surprised to note that the 12<sup>th</sup> Plan was approved by the Raksha Mantri but the same was not approved by the Ministry of Finance. The Committee, however, find that non-approval of the Defence Plan did not act as a hindrance in implementation of Defence projects. The Committee in their earlier Reports have been recommending to adopt measures for foolproof budgetary planning and implementation for Ministry of Defence. The Committee, at this stage express the hope that the Ministry's focused efforts would ensure proper and effective implementation of the various activities planned which are likely to proceed according to the annual budgetary

allocations and the 13<sup>th</sup> Defence Plan serves as a guide for formulating yearly budgetary projections even without the formal approval by the Ministry of Finance.

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

## **MARRIED ACCOMMODATION PROJECT**

22. 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 personnel of three Services, with the aim of eradicating the shortage of married accommodation for service personnel. The MAP was setup to fulfill the promise made to the Armed Forces by the Government of India. Two lakh dwelling units had been planned for construction under the scheme in four phases. At present, balance of 9,903 dwelling units have to be completed under Phase-II and 71,102 dwelling units are planned under Phase-III which are assigned to Annual Major Works Programme (AMWP) for their completion. The Committee note that in 2020-21, Rs. 209.6507 crore were utilised *vis-a-vis* Allocation of Rs. 242.147 and in 2021-22, Rs. 63.7848 crore were utilised out of total allocation of Rs. 232.50 crore till (31st December, 2021) for the MAP. The Committee are concerned to find that despite the pendency in construction of dwelling units under Phase-II and Phase-III of MAP, the utilisation of funds is very low in 2021-22 which amounts to nearly one-third of the total funds. According to the revised rules of expenditure of the Department of Expenditure, Ministry of Finance, in the last quarter of the Financial Year, the limits of Expenditure has been revised to 25 per cent and 10 per cent in the last month of financial year. The Committee, therefore, fail to understand as to how the Ministry would be in a position to utilise the rest of the allocated funds in 2021-22. The Committee, therefore, recommend that the Ministry should devise an expenditure mechanism with strict time lines so as to utilise the allocated funds in totality in a given financial year so that the funds are not surrendered at the end.

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

New Delhi;  
14 March, 2022  
23 Phalguna, 1943 (Saka)

JUAL ORAM  
Chairperson  
Standing Committee on Defence

**STANDING COMMITTEE ON DEFENCE (2021-22)**

**MINUTES OF THE FOURTH SITTING OF THE STANDING COMMITTEE ON  
DEFENCE (2021-22)**

The Committee sat on Wednesday, the 16<sup>th</sup> February, 2022 from 1100 hrs to 1745 hrs in Committee Room C, Ground Floor, Parliament House Annexe, New Delhi.

**PRESENT**

**Lt. Gen. Dr. D. P. Vats (Retd.) – Acting Chairperson**

**MEMBERS**

**Lok Sabha**

2. Kunwar Danish Ali
3. Shri D.V. Sadananda Gowda
4. Shri Rattan Lal Kataria
5. Dr. T.R. Paarivendhar
6. Shri Prathap Simha
7. Shri Brijendra Singh
8. Shri Mahabali Singh

**Rajya Sabha**

9. Dr. Ashok Bajpai
10. Shri Sharad Pawar
11. Shri Kamakhya Prasad Tasa
12. Dr. Sudhanshu Trivedi
13. Shri K.C. Venugopal

**SECRETARIAT**

- |                         |   |                  |
|-------------------------|---|------------------|
| 1. Shri M.K. Madhusudan | - | Joint 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	Lt Gen Anil Puri, Addl Secretary, DMA
3	Smt Nivedita Shukla Verma, Addl Secretary
4	Shri Sanjiv Mittal, Financial Advisor Defence Services
5	Shri Sanjay Jaju, Addl Secretary, DP
6	Radm Kapil Mohan Dhir, JS(Navy)
7	Maj Gen K Narayanan, JS(Army)
8	AVM H Bains, JS(Air)
9	Shri Rajesh Sharma, Addl. FA(RS) & JS
10	Shri Anurag Bajpai, JS(P&C)
11	Shri Surendra Prasad, JS(NS)
12	Shri Chandraker Bharti, JS(Aero)
13	Cmde Siddharth Mishra, Chairman & Managing Director (CMD), BDL
14	Shri R. Madhavan, CMD, HAL
15	Mrs. Anandi Ramalingam, CMD, BEL
16	Cmde Hemant Khatri, CMD, HSL
17	Shri Amit Banerjee, CMS, BEML
18	Cmde B.B. Nagpal, CMD, GSL
19	Radm VK Saxena, CMD, GRSE
20	Dr. Sanjay Kumar Jha, CMD, MIDHANI
21	Vadm Narayan Prasad, CMD, MDL
22	Shri Rakesh Mittal, JS(Lands)
23	Shri Ajay Kumar Sharma, DGDE
24	Lt Gen SS Mishra, Quarter Master General (QMG)
25	Maj Gen Sumit Talwar, ADG Land, Works & Environment
26	Smt. Meena B. Sharma, Sr. Addl. DG
27	Shri Valeti Premchand, Addl. DG
28	Shri Ravi Shankar, Addl. DG
29	Smt. Sonam Yangdol, Addl. DG
30	Smt. Vibha Sharma, Addl. DG
31	Maj Gen Ravi Murugan, ADG, MO(B)
32	Shri Dinesh Kumar, JS(AF)
33	Maj Gen YP Khanduri, GM & Chairman, BOA
34	Lt Gen Shantanu Dayal, DCOAS(CD&S)
35	Shri Satish Singh, JS(BR)
36	Lt Gen Rajeev Chaudhary, DGBR
37	DG VS Pathania, DGICG
38	ADG Rakesh Pal, ADGCG
39	DIG Manoj Bhatia, PD(Budget)
40	V Adm SN Ghormade, VCNS
41	R Adm CR Praveen Nair, ACNS(P&P)
42	Air Mshl BR Krishna, CISC
43	R Adm Manish Sharma, ACIDS(FP&Adm)
44	Lt Gen Samir Gupta, DG, FP
45	Maj Gen H Dharmarajan, ADG, FP
46	Maj Sunil Kumar Sharma, GSO-1, FP-4

47	Maj Gen Rajendra Bana, ADG, OS(B)
48	Lt. Gen Rakesh Kapoor, DG CD
49	Maj Gen Sandeep Jain, ADG CD (A)

2. At the outset, the Joint Secretary informed the Committee that Hon'ble Chairperson would not be able to attend the Sitzings in connection with examination of Demands for Grants of the Ministry of Defence for the year 2022-23. He further stated that as per Rule 258, if the Chairperson is absent from any sitting, the Committee shall choose another Member to act as Chairperson for the sitting. In this connection, the Members requested Lt. Gen. (Dr.) D. P. Vats (Retd.) to Chair the Sitzings.

3. Thereafter, the Acting Chairperson welcomed the Defence Secretary, General Officers, Senior Bureaucrats and other officers of the Ministry of Defence to the Sitting of the Committee convened to deliberate on various aspects relating to Demands for Grants of the Ministry of Defence for the year 2022-23. Before proceeding further, all present observed a minute's silence to honour General Bipin Rawat, 13 Defence officials and Ms. Madulika Rawat who died in a chopper crash in December 2021 and seven Defence personnel who died in a recent tragedy of avalanche near LAC.

4. The Chairperson informed all 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 2022-23 on the subjects 'General Defence Budget, Capital Outlay on Defence Services, Department of Military Affairs (DMA), Ministry of Defence (Civil), Defence Public Sector Undertakings (DPSUs), Directorate General Defence Estate (DGDE), Canteen Stores Department (CSD), Border Roads Organization (BRO), Coast Guard Organisation (CGO), Navy and Joint Staff' and requested the representatives of the Ministry of Defence 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 stipulating that the discussions in the Sitting are to be treated as confidential and are not to be made public till the Report of the Committee on the subject is presented to Parliament.

5. 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 2022-23. The highlights of the brief given by the Defence Secretary are as under:



- i. Increase of approximately 12.82 percent over the Financial Year 2021-22 in capital allocations pertaining to modernisation in infrastructure development of Armed Forces;
- ii. Enhancement of share of domestic capital procurement, which was earmarked at 58 per cent and 64 per cent in 2020-21 and 2021-22, respectively, to 68 per cent of the capital acquisition Budget of the Defence Services for the year 2022-23 which would roughly amount to Rs. 84,598 crore;
- iii. Earmarking of 25 per cent of the Defence Research and Development Budget for private industries, start-ups and academia;
- iv. Allocation of Rs. 60 crore and Rs. 23 crore, respectively, for Innovation for Defence Excellence (IDEX) and Defence Testing Infrastructure scheme in the Financial Year 2022-23 for enabling the Defence industrial eco-system in the country;
- v. Jump of 55.60 percent in capital segment of the MoD (Civil) Budget catering to organisations like Coast Guard, Border Roads Organisation, Directorate General of Defence Estates etc.;
- vi. Increase of 40 per cent in capital Budget of Border Roads Organisation in Financial Year 2022-23 *vis-à-vis* Financial Year 2021-22;
- vii. Enhancement of 60.24 percent in the capital Budget of Indian Coast Guard to Rs. 4,246. 37 crore in FY 2022-23, *vis-à-vis* Rs. 2,650 crore in FY 2021-22;
- viii. Earmarking of Rs. 1,643 crore in Revised Estimates (RE) of 2021-22 and Rs. 1310 crore in Budget Estimates (BE) of 2022-23 for planned modernization of seven newly created Defence Public Sector Undertakings (DPSUs). Additional earmarking of Rs. 2500 crore in BE of 2022-23 and also in RE of 2021-22 as Emergency Authorisation Fund for these DPSUs; and
- ix. Implementation of SPARSH, an integrated system for automated sanction and disbursement of Defence pension, by the Ministry of Defence since July, 2021.

6. 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. Growth of Defence Budget *vis-à-vis* inflation and Central Government Expenditure;
- ii. Static expenditure on Research & Development for the past few years;
- iii. Plans for coping with Defence modernization plans in view of the budgetary allocation for 2022-23;
- iv. Decrease in Pension Bill;
- v. Monitoring of quality of products/equipment manufactured under '*Aatmanirbhar Bharat*' initiative;
- vi. Major increase in allocation for Border Roads Organisation;
- vii. Scope of revenue generation in opening up of Defence Research and Development to private industry and academia;
- viii. Huge mismatch between projection and allocation in Defence Budget for the Financial Year 2022-23 and its effect on operational preparedness of the Forces, Modernisation plans and '*Aatmanirbhar Bharat*' initiative;
- ix. Progress of Defence Industrial Corridors in UP and Tamil Nadu and funds allotted to each corridor;
- x. Use of jamming technology in electronic warfare;
- xi. Maintenance of airports controlled by Defence Forces;
- xii. Utilization of funds under Capital Outlay on Defence Forces in FY 2021-22;
- xiii. Utilization of funds by the Services in FY 2022-23;
- xiv. Integrated Theater Commands;
- xv. Enhanced delegated financial powers to Armed Forces at field and headquarters level; and
- xvi. 'Ease of doing business' for entrepreneurs/suppliers willing to enter Defence sector.

7. After tea break, the representatives of the Ministry of Defence and the Defence Public Sector Undertakings (DPSUs) 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. Steps taken by the Ministry for upgrading production and manufacturing in DPSUs, which was hit by COVID pandemic for the last two years;
- ii. Percentage of indigenous content in products/equipment being manufactured by the DPSUs;

- iii. Profit accrued due to exports in the last two years;
- iv. Profitability of BEML and plan for its disinvestment;
- v. Steps being taken for protection of DPSUs' future; and
- vi. Construction of submarines by DPSUs.

8. 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. A case where a 102 year old Government school in Hebbal, Bengaluru is locked in ownership of land dispute with Defence authorities/establishment;
- ii. Demands/requests of the State/ local Government for transfer of land from the Defence authorities to them for infrastructural development;
- iii. Elections of Cantonment Boards; and
- iv. Salient features of draft Cantonment Bill, 2021.

9. Thereafter, a presentation was given by Canteen Stores Department (CSD) followed by discussion *inter alia* on Goods and Service Tax (GST) on products in CSD and provision/supply of new stitched combat uniforms for officers in the Army through CSD.

10. Followed by CSD, a Power Point presentation on Border Roads Organization (BRO) was made. The deliberations were held on the subject on following points:

- i. Appreciation of role of BRO;
- ii. Requirement of critical equipment by BRO; and
- iii. Raising of all women Road Construction Company (RCC).

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 on following points:

- i. Use of drones by Coast Guard Organisation;
- ii. Steps taken for helping the fishermen who stray into waters of other countries;
- iii. Manpower in the Coast Guard Organisation;

- iv. Utilization of allocated amount for FY 2021-22; and
- v. Training of marine police personnel.

12. Thereafter, 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. Allocation of funds *vis-à-vis* projections and plans on meeting the requirements as per the allocation;
- ii. Operational preparedness of Navy to counter threat perception;
- iii. Modernisation of Navy;
- iv. Percentage of import content which is unavoidable for modernization;
- v. Future roadmap to defend the Indian Ocean; and
- vi. Manpower strength in Navy.

13. Thereafter, a presentation on Joint Staff was made which was followed by discussion *inter alia* on following points:

- i. Special Operations Division;
- ii. Pace of expenditure and milestone payments in FY 2021-22; and
- iii. Air Defence Command and Maritime Theater Command.

14. The Chairperson, at the end, thanked the Defence Secretary, General Officers, Flag Officers, Senior Bureaucrats and Defence Officers for extensive discussion on the Demands for Grants and for responding to the queries of the Members. The Chairperson also requested the representatives to furnish information which was not readily available to the Secretariat expeditiously.

The witness then withdrew.

The Committee then adjourned.

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

## **STANDING COMMITTEE ON DEFENCE (2021-22)**

### **MINUTES OF THE SIXTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2021-22)**

The Committee sat on Thursday, the 17 February, 2022 from 1100 hrs. to 1820 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

#### **PRESENT**

**Lt. Gen. Dr. D. P. Vats (Retd.)**

–

**IN CHAIR**

#### **MEMBERS**

##### **LOK SABHA**

- 2 Kunwar Danish Ali
- 3 Shri Rahul Gandhi
- 4 Shri D.V. Sadananda Gowda
- 5 Shri Annasaheb Shankar Jolle
- 6 Shri Rattan Lal Kataria
- 7 Shri Uttam Kumar Reddy Nalamada
- 8 Shri Prathap Simha
- 9 Shri Brijendra Singh
- 10 Shri Mahabali Singh

##### **RAJYA SABHA**

- 11 Dr. Ashok Bajpai
- 12 Shri Sharad Pawar
- 13 Shri Kamakhya Prasad Tasa
- 14 Dr. Sudhanshu Trivedi

## **SECRETARIAT**

1. Shri M. K. Madhusudan - Joint Secretary
2. Dr. Sanjeev Sharma - Director
3. Shri Rahul Singh - Deputy Secretary

### **LIST OF WITNESSES**

### **MINISTRY OF DEFENCE**

<b>Sl. No.</b>	<b>Name &amp; Designation</b>
1	Dr. Ajay Kumar, Defence Secretary
2	Dr. G. Satheesh Reddy, Secretary, DDR&D
3	Lt Gen Manoj Pande, VCOAS
4	Lt Gen Anil Puri, Addl Secy, DMA
5	Smt Nivedita Shukla Verma, Addl Secy
6	Shri Sanjiv Mittal, FADS
7	Shri Rajesh Sharma, Addl. FA&JS
8	Shri Sanjay Jaju, Addl Secy, DP
9	Lt Gen SK Sharma, DCOAS (Start)
10	Lt Gen Shantanu Dayal, DCOAS(CD&S)
11	Lt. Gen CP Cariappa, MGS
12	Lt Gen Samir Gupta, DG, FP
13	Maj Gen K Narayanan JS (Army) & TA
14	Maj Gen Atul Rawat, Offg DG SP
15	Maj Gen H Dharmarajan, ADG, FP
16	Maj Gen S K Vidyarthi, ADG EM
17	Maj Gen K V Jauhar, ADG ADB
18	Lt. Gen Rakesh Kapoor, DG CD
19	Maj Gen Sandeep Jain, ADG CD
20	Lt Gen. Harpal Singh, E-in-C
21	Lt. Gen. S S Mishra, QMG
22	Maj Gen Ashok Kumar, DG Works
23	Shri Rakesh Mittal, JS(Lands)
24	Lt. Gen RK Malhotra, DG DGQA
25	Sh Rajeev Ranjan, ADG (Adm.)
26	Shri Mayank Tewari, JS (Med./ Trg.)
27	Lt. Gen Gurbirpal Singh, DG NCC
28	Shri Satish Singh, JS(BR)
29	Cmde Sandeep Chakravarti, Inspecting Officer, Sainik School Society

30	Air Mshl Sandeep Singh, VCAS
31	Air Mshl N Tiwari, DCAS
32	AVM N M Desai, Fin (P)
33	AVM H Bains, JS(Air)
34	AVM Arun Malik, ACAS (Proj)
35	Sh. K.S. Varaprasad, DS & DG(HR)
36	Sh. Hari Babu Srivastava, OS & DG (TM)
37	Ms Suma Varughese, OS & DG (MED & CoS)
38	Sh. G N Rao, OS & DG (PC & SI)
39	Dr. U K Singh, OS & DG (LS)
40	Shri Sangam Sinha, OS & DG (R&M)
41	Shri A D Rane OS & DG (BrahMos)
42	Shri Purusottam Bej, OS & Director, DFMM
43	Shri Vedveer Arya, Addl FA & JS
44	Dr. Ravindra Singh, Dir. DPARO&M
45	Dr. Sumit Goswami, Dir. DP&C
46	Shri Surendra Prasad Yadav, JS(NS)
47	Shri E R Sheikh, DG, DOO (C&S)
48	Shri Vijay Mittal, DDG
49	Shri N I Laskar, DDG
50	Shri Sanjeev Kishore, CMD (AVNL)
51	Shri Rajeev Puri, CMD (YIL)
52	Shri Sanjeev Kumar, CMD (IOL)
53	Shri Ravi Kant, CMD (MIL)
54	Shri Rajesh Choudhary, CMD (AWEIL)
55	Shri S. K. Sinha, CMD (TCL)
56	Shri V. K. Tiwari, CMD (GIL)

2. As the Chairperson of the Committee was not able to attend the Sitting, Lt. Gen Dr. D P Vats (Retd.) was chosen as the Acting Chairperson for the Sitting by the Members of the Committee present during the Sitting under the Rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

3. The Acting Chairperson then 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 them 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.

4. 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:

- i. Budgetary allocation to Army;
- ii. Efforts being made towards indigenisation by Indian Army
- iii. Requirements for drones and soldiers
- iv. Shortage of Manpower
- v. Low Capital Allocation
- vi. Female Cadets in NDA
- vii. Need large allocation
- viii. Contactless war
- ix. Indigenisation of Bullet Proof Jackets

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

- i. Under utilization of Revenue and Capital budget due to Covid-19
- ii. New Defence works procedure has been started from 1 April 2021
- iii. Special electricity slab for the Armed Forces
- iv. Implementation of green building norms in all the Defence Projects.
- v. Issues related to environment clearance
- vi. Need of high-end consultants for the big projects
- vii. Use of solar energy.

6. 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:

- i. Investigation of defects and remedial measures
- ii. Dip in inspection of Stores due to Corona
- iii. Un utilization in Capital Expenditure
- iv. Private Industry partnership
- v. Utilization of proof ranges by private industry
- vi. Use of digital means to cut down processing time.
- vii. Technical Training programme of DGQA personnel
- viii. Self Certification and Fit to Military Use certificates



7. 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:

- i. Simulator based training to NCC cadets especially
- ii. Waiting list of institutions
- iii. Expansion of NCC in schools, colleges and in Coastal and Border Areas
- iv. Employment opportunities of NCC cadets in private Industries
- v. Preference to NCC Cadets in various schemes of state governments
- vi. Implementation of Self Financing Scheme(SFS) in schools and colleges
- vii. Issues related to recruitment of permanent Trainers
- viii. Issues related to low selection rate of NCC cadets as officers in Armed Forces.

8. 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:

- i. Introduction of girls Cadets in Sainik Schools
- ii. Opening of 100 new schools in partnership with private sector
- iii. Dedicated user-friendly web portal created for registration of Sainik Schools
- iv. Irregular supply of funds by the state Governments
- v. Need for additional funds for improvement of infrastructure in Sainik Schools
- vi. Shortage of quality staff in Sainik Schools

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:

- i. Mismatch in Projected and allocated budget
- ii. Accidents of MiG-21
- iii. Medical facilities to the injured trainee pilots after the accident
- iv. Modernisation of Air Force
- v. Gestation period LCA
- vi. Very severe Shortage of Trainer Aircraft
- vii. Authorized strength of Squadron

- viii. Infrastructure issue in North Eastern States
- ix. Dependency on HAL and BEL for maintenance and repair of different type of Aircraft.

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

- i. Export of Brahmos Missiles to Phillipines
- ii. Coordination and technology transfer to private industries
- iii. Use of test facilities of DRDO by Private Industry.
- iv. Projects developed by DRDO with Academic Institutes and their funding
- v. Opening of 10 Centre of Excellence Institute
- vi. Ballistic Missile Defence (BMD) programme
- vii. Indigenisation of products by DRDO
- viii. Shortage of Scientists in DRDO

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

- i. Corporatization of Ordnance Factories
- ii. Order Book position of new DPSUs
- iii. Issue related to Employees of new DPSUS
- iv. Research and Development activities in new DPSUs
- v. Indigenisation programmes of new DPSUs
- vi. Steps taken by DPSUs for Export of their products
- vii. Issues related Challenges faced by all new DPSUs after corporatization
- viii. Future planning by new DPSUs

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 witnesses then withdrew

The Committee then adjourned.

13. A copy of verbatim proceedings has been kept on record.

**MINUTES OF THE SIXTH SITTING OF THE STANDING COMMITTEE ON**  
**DEFENCE (2021-22)**

**PRESENT**

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## MEMBERS

2. Kunwar Danish Ali
3. Shri Annasaheb Shankar Jolle
4. Shri Pratap Simha
5. Shri Brijendra Singh
6. Shri Mahabali Singh

7. Dr. Ashok Bajpai
8. Shri Prem Chand Gupta
9. Shri Sharad Pawar
10. Shri Kamakhya Prasad Tasa

1. Shri M K Madhusudan - Joint Secretary
2. Dr. Sanjeev Sharma - Director
3. Shri Rahul Singh - Deputy Secretary

**LIST OF WITNESSES**

**MINISTRY OF DEFENCE**

<b>Sl. No.</b>	<b>Name &amp; Designation</b>
1	Dr. Ajay Kumar, Defence Secretary
2	Shri B Anand, Secretary, ESW
3	Lt Gen Anil Puri, Addl Secy, DMA
4	Lt Gen Harsha Gupta, AG
5	Lt Gen Rakesh Kapoor, DGCD
6	Smt Nivedita Shukla Verma, Addl Secy
7	Shri Sanjiv Mittal, FADS
8	Maj Gen Sandeep Jain, ADG CD(A)
9	Maj Gen Raju Singh, DGMAP
10	Lt Gen SS Mishra, QMG
11	Lt Gen Adosh Kumar, DG LW&E
12	Shri Rajesh Sharma, Addl. FA(RS)&JS
13	VAdm SN Ghormade, VCNS
14	Shri Pankaj Agarwal, DG(Acq)
15	Shri Sanjay Jaju, Addl Secy(DP)
16	Air Mshl N Tiwari, DCAS
17	Lt Gen Atulya Solankey, DCIDS(PP&FD)
18	DG VS Pathania, DGICG
19	Smt Dipti Mohil Chawla, JS&AM(LS)
20	Shri Dinesh Kumar, JS&AM(MS)
21	Shri Sanjai Singh, JS&AM(Air)
22	Shri Chandraker Bharti, JS(Aero & DOMW)
23	RAdm R Sreenivas, ADG AT (M&S)
24	Maj Gen PK Saini, ADG AT (Army)
25	Dr. Pudi Hari Prasad, JS(ESW)
26	VAdm Dinesh K Tripathi, COP, Navy HQ
27	RAdm Arjun Dev Nair, ACOP(AC)
28	Maj Gen N R Indurkar, MD ECHS
29	Maj Gen Sharad Kapoor, DG(Resettlement)
30	Shri Rajnish Kumar, CGDA, New Delhi
31	Shri Praveen Kumar, Addl CGDA, New Delhi

32	Shri Himanshu Tripathi, DCDA(P), Prayagraj
33	Lt Gen Manoj Pande, VCOAS
34	Lt Gen SK Sharma, DCOAS(Strat)
35	Maj Gen Atul Rawat, Offg DG SP
36	Lt Gen Samir Gupta, DGFP
37	Maj Gen H Dharmarajan, ADG, FP
38	Maj Gen VK Sharma, ADG Proc(A)
39	Maj Gen K Narayanan, JS(Army & TA)
40	Shri R K Karna, Addl. FA & JS

2. As the Chairperson of the Committee was not able to attend the Sitting, Lt. Gen Dr. D P Vats (Retd.) was appointed as the Acting Chairperson for the Sitting, by the Members of the Committee present during the Sitting, citing Rule No. 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha on Parliamentary Committees.

3. The Acting Chairperson then 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 them 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.

4. 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 provisions for MAP.
- ii Status of construction of Dwelling Units under Phase II and Phase III of MAP.
- iii Completion of Phase III of MAP through Annual Major Works Programme (AMWP).
- iv Proposal for increasing dwelling units under MAP in Kashmir Valley.
- v Accommodation for female officers in the Defence Forces.

5. Thereafter, the representatives of the Ministry of Defence commenced their briefing through a Power Point presentation on Defence Procurement Policy. This was followed by extensive discussion on following points:

- i Emphasis on Indigenisation of the Defence equipment and self reliance in Defence.
- ii Reduction in the time - line of the Procurement cycle from 5 years to 2-3 years.
- iii Decrease in the procurement of defence equipment from foreign industries and promotion of domestic industries.
- iv Revision of the Defence Acquisition Procedure.
- v Inclusion of more private industries under DAP 2020.

6. 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. Budgetary grants for the Department of Welfare of Ex-Servicemen;
- ii. Status of pending bills of the private empanelled hospitals with the Department of Ex-Servicemen Welfare under Contributory Health Scheme (ECHS);
- iii. Placement opportunities and the process of resettlement for Ex-Servicemen.
- iv. Filling up of vacancies in Group B and Group C Non-Gazetted posts which are reserved for Ex-Servicemen;
- v. Lack of uniformity in the States/UTs regarding ex-gratia monetary benefits/compensation to the martyrs in the country;
- vi. Exemption to serving defence personnel from payment of toll tax at various toll plazas in the country.

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

- i. Budgetary grants and the utilization of funds under Ex-Servicemen Contributory Health Scheme (ECHS);
- ii. Provision for opening up of the services of the Armed Forces Hospitals to ECHS beneficiaries who are in need of urgent medical care;
- iii. Filling up the vacancies for the position of OIC, ECHS Polyclinics with the available Ex-Servicemen AMC/General Duty Medical Officer (GDMO);
- iv. Denial of services by the private empanelled hospitals to the ECHS beneficiaries.

8. 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. Various components of the Defence Pension;
- ii. Implementation of SPARSH for defence pensioners;
- iii. Issues related with One Rank One Pension (OROP);
- iv. Redressal of grievances through online portal CPGRAMS-6 AND CPGRAMS-7;
- v. Issues related with Military Service Pay.
- vi. Issues relating to disabled cadets who are boarded out of Defence academics.

9. The Chairperson thanked the Defence Secretary, General Officers and other Officers for extensive discussion and directed the representatives of the Ministry of Defence and other organizations to furnish written replies to all the queries at the earliest.

The witnesses then withdrew.

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

The Committee then adjourned.

**STANDING COMMITTEE ON DEFENCE (2021-22)**

**MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON  
DEFENCE (2021-22)**

The Committee sat on Monday, the 14 March, 2022 from 1500 hrs. to 1515 hrs.  
in Committee Room No. 'C', Parliament House Annexe, New Delhi.

**PRESENT**

**Lt. Gen. Dr. D. P. Vats (Retd.)                      –                      Acting Chairperson**

**MEMBERS**

**LOK SABHA**

2.        Kunwar Danish Ali
3.        Shri Nitesh Ganga Deb
4.        Shri Rahul Gandhi
5.        Shri D.V. Sadananda Gowda
6.        Shri Rattan Lal Kataria
7.        Shri Sridhar Kotagiri
8.        Smt. (Dr.) Rajashree Mallick
9.        Shri Uttam Kumar Reddy Nalamada
10.      Shri Jugal Kishore Sharma
11.      Dr. Shrikant Eknath Shinde
12.      Shri Prathap Simha
13.      Shri Brijendra Singh
14.      Shri Durga Das Uikey

**Rajya Sabha**

15.      Dr. Ashok Bajpai
16.      Shri Prem Chand Gupta
17.      Shri Venkataramana Rao Mopidevi
18.      Shri V. Lakshmikantha Rao
19.      Dr. Sudhanshu Trivedi



## SECRETARIAT

1. Shri M.K. Madhusudan - Joint Secretary
2. Dr. Sanjeev Sharma - Director
3. Shri Rahul Singh - Deputy Secretary

2. At the outset, the Joint Secretary informed the Committee that Hon'ble Chairperson would not be able to attend the Sitting for consideration and adoption of the draft Reports on Demands for Grants of the Ministry of Defence for the year 2022-23. He further stated that as per Rule 258, if the Chairperson is absent from any sitting, the Committee shall choose another Member to act as Chairperson for the sitting. In this connection, the Members requested Lt. Gen. (Dr.) D. P. Vats (Retd.) to Chair the Sitting.

3. Thereafter, the Acting 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 2022-23 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. 19 and 22)';**
- (ii) **Demands for Grants of the Ministry of Defence for the year 2022-23 on 'Army, Navy, Air Force, Joint Staff, Military Engineer Services, Ex-Servicemen Contributory Health Scheme and Sainik Schools (Demand Nos. 20 and 21)';**
- (iii) **Demands for Grants of the Ministry of Defence for the year 2022-23 on 'Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 21)'; and**
- (iv) **Demands for Grants of the Ministry of Defence for the year 2022-23 on 'Directorate of Ordnance (Coordination & Services)-New DPSUs, Defence Research and Development Organisation, Directorate General of Quality Assurance and National Cadet Corps (Demand Nos. 20 and 21)'.**

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

The Committee then adjourned.

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