

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

UNSTARRED QUESTION NO:2385

ANSWERED ON:09.08.2010

TRANSPARENCY IN DEFENCE DEALS

Rajaram Shri Wakchaure Bhausahab;Singh Shri Ijyaraj ;Vasava Shri Mansukhbhai D.

Will the Minister of DEFENCE be pleased to state:

- (a) the steps taken by the Government to check irregularities in defence procurement deals;
- (b) whether the Government has formulated any policy to bring transparency in defence deals;
- (c) if so, the salient features of the said policy;
- (d) the amount of funds allocated for defence procurement during the last three years;
- (e) the amount of the said funds utilised so far; and
- (f) the reasons for non-utilisation of the remaining funds?

Answer

MINISTER OF DEFENCE(SHRI A.K. ANTONY)

(a) to (f): A statement is attached.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF LOK SABHA UNSTARRED QUESTION NO. 2385 FOR ON 9.8.2010

The objective of Defence Procurement Procedure (DPP) is to ensure expeditious procurement of approved requirements of the Armed Forces in terms of capability sought within the time-frames prescribed by optimally utilizing allocated budgetary resources. While achieving this objective, these procedures demonstrate the highest degree of probity and public accountability, transparency in operations, free competition and impartiality. The provisions incorporated in DPP for checking irregularities and to ensure transparency include; (i) An 'Integrity Pact' between the Government department and the bidder for all contracts above Rs.100 crores; (ii) Dealing directly with Original Equipment Manufacturers (OEM) or Authorised vendors or Government Sponsored Export Agencies (applicable in case of countries where domestic laws do not permit direct export by OEMs);(iii) Major decisions in the acquisition process being taken in a 'Collegiate' manner; (iv) Enhanced transparency in the conduct of field trials;(v) Pre-bid meetings with the vendors; (vi) Prohibiting the use of undue influence by the seller for obtaining any contract with the Government; (vii) Prohibiting the engagement of any individual or firm to recommend to the Government the award of a contract to the seller, and the payment of any amount in respect of any such recommendation.

The details of allocation and utilization of funds for capital budget during the last three years are as follows:-

(Rs. in crores)

Year Budget Estimates Revised Estimates Actual Expenditure

2007-2008 32826.80 28110.01 27903.42

2008-2009 37482.77 30614.64 30000.42

2009-2010 40367.72 35146.88 38427.00

Funds could not be fully utilized as delays do occur on account of various reasons, such as insufficient and limited vendor base, non-conformity of the offers to Request for Proposal (RFP) conditions, field trials, complexities in contract negotiations, delay in achieving

milestones as envisaged under the contract, limited indigenous capability and long lead time for indigenization etc.