

ESTIMATES COMMITTEE
(2002-2003)

(THIRTEENTH LOK SABHA)

ELEVENTH REPORT

MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS
– BUDGET DIVISION)

CREATION OF NEW DEMAND FOR GRANTS FOR “DEFENCE
RESEARCH & DEVELOPMENT
ORGANISATION” UNDER THE MINISTRY OF DEFENCE

Presented to Lok Sabha on 13th December, 2002

LOK SABHA SECRETARIAT
NEW DELHI

December ,2002/Agrahayana ,1924(S)

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COMPOSITION OF THE ESTIMATES COMMITTEE
(2002-2003)

Prof. Ummareddy Venkateswarlu – Chairman

MEMBERS

2. Shri Ramchander Baina
3. Shri S. Bangarappa
4. Shri Surendra Singh Barwala
5. Shri Lal Muni Chaubey
6. Shri Ezhilmalai Dalit
7. Smt. Sheela Gautam
8. Shri Shankar Prasad Jaiswal
9. Shri Shriprakash Jaiswal
10. Shri N.N. Krishnadas
11. Dr. C. Krishnan
12. Shri P.R. Kyndiah
13. Shri Samik Lahiri
14. Shri Sanat Kumar Mandal
15. Shri Manjay Lal
16. Shri Ram Nagina Mishra
17. Shri Shyam Bihari Mishra
18. Shri Subodh Mohite
19. Prof. Rasa Singh Rawat
20. Shri G. Ganga Reddy
21. Shri Dileep Sanghani
22. Shri Abdul Rasheed Shaheen
23. Shri Chandra Bhushan Singh
24. Shri Maheshwar Singh
25. Shri Rampal Singh
26. Shri Kodikunnil Suresh
27. Shri Lal Bihari Tiwari
28. Shri Shankersinh Vaghela
29. Shri D. Venugopal
30. Shri Rammurti Singh Verma

SECRETARIAT

1. Shri John Joseph - Additional Secretary
2. Shri K.L. Narang - Director
3. Shri Cyril John - Under Secretary
4. Smt. Manju Chowdhury - Committee Officer

INTRODUCTION

I, the Chairman of Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Eleventh Report on the Ministry of Finance (Deptt. of Economic Affairs – Budget Division) – Creation of new Demand for Grants for Defence Research & Development Organisation under the Ministry of Defence.

2. The Committee at their sitting held on 30th October, 2002 considered Memoranda prepared on a note dated the 6.9.2002 received from the Ministry of Finance (Deptt. of Economic Affairs – Budget Division) requesting for Creation of new Demand for Grants for Defence Research & Development Organisation under the Ministry of Defence.

3. The Report was considered and adopted by the Committee at their sitting held on 2nd December, 2002.

4. For facility of reference the recommendations/observations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in the Appendix to the Report.

NEW DELHI;
December 12 , 2002
Agrahayana 21 ,1924(Saka)

UMMAREDDY VENKATESWARLU,
Chairman
Committee on Estimates

REPORT

Creation of New Demand for Grants for “Defence Research and Development Organisation” under the Ministry of Defence

1.1 The Ministry of Finance (Department of Economic Affairs – Budget Division) vide their letter dated 18.03.2002 stated that they had received a proposal from the Ministry of Defence for separation of Budget provision meant for ‘Research & Development Organisation’ from the existing Grant ‘Defence Services-Army’ and creation of a separate Demand therefor.

1.2 In response to a request to the Ministry of Finance (Department of Economic Affairs – Budget Division) to furnish a note giving reasons on the basis of which Ministry of Defence propose to create a separate Demand for the Defence Research & Development Organisation, the Ministry of Defence vide their OM No. 9(26) Budget – 1/2001 dated 6th September, 2002 furnished a note giving the following reasons :-

Background

- “(i) Since its formation in 1958, laboratories/establishments of the Defence R&D Organisation have been executing programmes/projects in a wide range of disciplines such as aeronautics, armaments, missiles, combat vehicles and engineering, advanced computing, electronics, life sciences, advanced materials and composites and Naval R&D. The programmes/projects are undertaken either to meet the specific requirements of the three Services (Staff projects) or to develop competence in emerging technologies of relevance to futuristic systems (technology demonstration and technology development projects).
- (ii) The Revenue expenditure provisions for Defence R&D Organisation are included in the Demand for Grant “Defence Services-Army” (Demand No. 17 in Budget Estimates 2002-03) and are accounted for as Minor Head 108 – Research and Development Organisation under Major Head 2076. The provisions for Capital expenditure are included in the Demand for Grant “Capital Outlay on Defence Services” (Demand No. 21 in Budget Estimates 2002-03) and are accounted for as Minor Head 111-Works of Sub-Major Head 05 – Research and Development Organisation of Major Head 4076.
- (iii) In BE 2002-03, the gross provision for Revenue expenditure made for Defence R&D Organisation is Rs. 2706.93 crore.

- (iv) It is now proposed to separate the Revenue budget provision for Research & Development Organisation from the Demand for Grant “Defence Services-Army”, and to reflect it as a separate Demand for Grant “Defence Services-Research & Development”. The Capital budgetary requirements for the Defence Research & Development Organisation will continue to be included in the Demand for Grant “Capital Outlay on Defence Services” as at present.

Reasons

- (v) The proposal for a separate Demand for Grant for Defence Research and Development Organisation has been made due to the following reasons:
 - (a) Defence R&D Organisation undertakes the projects/ programmes for all the Defence Services/Departments as well as for developing capabilities in emerging technologies of relevance to futuristic systems. Thus, activities of Defence R&D Organisation are not specific to Army alone.
 - (b) Army has no control over the expenditure on Defence R&D and, therefore, the present budgetary arrangement does not correctly correspond to the budgetary control and accountability, and
 - (c) The magnitude of Defence R&D Organisation’s expenditure justifies its allocation separate from that of Army’s Demand for Grant. The Group of Ministers (GOM) on Reforming the National Security System had also recommended that keeping in view the extent of expenditure on Defence R&D, a new Major Budget Head for Defence R&D should be created. This recommendation of GOM has also been approved by the Government in May, 2001.
- (vi) Ministry of Finance, Controller General of Accounts and Comptroller & Auditor General of India have agreed to the proposal for creation of a separate Major Head for Revenue expenditure of Defence R&D Organisation. Keeping in view the present arrangement in Defence Services Estimates whereby each Demand for Grant corresponds to one Major Head, a new Demand for Grant for Revenue expenditure of DRDO is proposed to be

created. Accordingly, this will result in Six Demands for Grants for Defence Services Estimates as shown below:

Defence Services	Army
Defence Services	Navy
Defence Services	Air Force
Defence Ordnance Factories	
Defence Services – Research & Development	
Capital Outlay on Defence Services	

- (vii) The foregoing detailed reasons are being submitted as required vide Lok Sabha Secretariat OM No. 20/1/1/EC/2002 dated 18.7.2002 for placing before the Estimates Committee for consideration and decision.”

1.3 The Committee note that since its formation in 1958, laboratories/ establishments of the Defence R&D Organisation have been executing programmes/projects in a wide range of disciplines such as aeronautics, armaments, missiles, combat vehicles and engineering, advanced computing, electronics, life sciences, advanced materials and composites and Naval R&D. The programmes/projects are undertaken either to meet the specific requirements of the three Services (Staff projects) or to develop competence in emerging technologies of relevance to futuristic systems (technology demonstration and technology development projects).

1.4 According to the Ministry of Defence the Revenue expenditure provisions for Defence R&D Organisation are included in the Demands for Grants “Defence Services – Army”. The Committee are informed that gross provision for Revenue expenditure for Defence R&D Organisation in the Budget Estimates for the year 2002-03 was Rs. 2706.93 crore. The Committee note that DRDO undertakes research and development projects and programmes for all the Defence Services/Departments and thus does not confine its activities to Army alone. The Committee further note that the present arrangement does not correctly correspond to the budgetary control and accountability as the Army has no control over the expenditure on Defence R&D. The Ministry have also stated that the magnitude of DRDO’s expenditure justifies creation of a Demand for Grants separate from that of the Army’s.

1.5 Creation of a new Demand for Grants for “Defence Services – Research & Development” has been recommended by the Group of Ministers on reforming National Security System and has been approved by the Government in May, 2001. Subsequently, the Ministry of Finance, Controller General of Accounts and Comptroller & Auditor General of India have also agreed to the proposal for creation of separate Major Head for Revenue expenditure of DRDO. The Ministry of Defence have, therefore, informed the Committee that keeping in view the present arrangement in Defence Services Estimates whereby each Demand

for Grant corresponds to one major Head, a new Demand for Grant for Revenue expenditure of DRDO is proposed to be created.

1.6 The Committee agree with the views expressed by Government for creation of a new Demand for Grants for “Defence Services – Research & Development” in view of the fact that Defence R&D Organisation undertakes the projects/programmes for all the Defence Services/Departments as well as for developing capabilities in emerging technologies of relevance to futuristic systems. Moreover, the activities of DRDO are not specific to Army alone. The Committee are also in agreement that the present budgetary arrangement does not correctly correspond to the required budgetary control and accountability.

1.7 The Committee, therefore, after taking into consideration the reasons on the basis of which Ministry of Defence propose to create a separate Demand for Grants approve the proposal of the Government for creation of a separate Demand for Grants for “Defence Services – Research & Development”. The Committee accordingly recommend that a separate Budget Head may be allocated for “Defence Services – Research & Development” under the Ministry of Defence.

NEW DELHI;
December 12, 2002
Agrahayana 21 ,1924(Saka)

UMMAREDDY VENKATESWARLU
Chairman
Committee on Estimates

APPENDIX-I

MINUTES OF SITTING OF THE ESTIMATES COMMITTEE (2002-2003)

EIGHTH SITTING

The Committee sat on Wednesday, the 30th October, 2002 from 1300 to 1435 hours.

PRESENT

Prof. Ummareddy Venkateswarlu – Chairman

MEMBERS

2. Shri Ramchander Binda
3. Smt. Sheela Gautam
4. Shri N.N. Krishnadas
5. Dr. C. Krishnan
6. Shri Sanat Kumar Mandal
7. Shri Manjay Lal
8. Prof. Rasa Singh Rawat
9. Shri G. Ganga Reddy
10. Shri Abdul Rasheed Shaheen
11. Shri Maheshwar Singh
12. Shri Rampal Singh
13. Shri Lal Bihari Tiwari
14. Shri Shankersinh Vaghela

SECRETARIAT

1. Shri K.L. Narang - Director
2. Shri Cyril John - Under Secretary

2. ** ** **
- ** ** **

3. The Committee then considered Memorandum No. 2 on the Ministry of Defence – Proposal for Creation of New Demand for Grants for Defence Research & Development Organisation and approved the proposal of the Government.

The Committee then adjourned.

APPENDIX - II

MINUTES OF SITTING OF THE ESTIMATES COMMITTEE (2002-2003)

TENTH SITTING

The Committee sat on Monday, the 2th December, 2002 from 1500 to 1530 hours.

PRESENT

Prof. Ummareddy Venkateswarlu-Chairman

MEMBERS

1. Shri S. Bangarappa
2. Shri Dalit Ezhilmalai
3. Smt. Sheela Gautam
4. Dr. C. Krishnan
5. Shri P.R. Kyndiah
6. Shri Sanat Kumar Mandal
7. Shri Manjay Lal
8. Shri Shyam Bihari Mishra
9. Prof. Rasa Singh Rawat
10. Shri Abdul Rashid Shaheen
11. Shri Chandra Bhushan Singh
12. Shri Maheshwar Singh
13. Shri Lal Bihari Tiwari

SECRETARIAT

1. Shri K.L. Narang - Director
2. Shri Cyril John - Under Secretary

2. The Committee considered the draft Report on Ministry of Finance (Department of Economic Affairs-Budget Division) - Creation of new Demand for Grants for Defence Research and Development Organisation under the Ministry of Defence and adopted the same without any modification.

3. The Committee authorised the Chairman to finalise the Report and present the same to Lok Sabha.

The Committee then adjourned.

STATEMENT OF OBSERVATIONS/RECOMMENDATIONS

Sl. No.	Para No.	Observations/Recommendations
1	2	3
1	1.3	<p>The Committee note that since its formation in 1958, laboratories/establishments of the Defence R&D Organisation have been executing programmes/projects in a wide range of disciplines such as aeronautics, armaments, missiles, combat vehicles and engineering, advanced computing, electronics, life sciences, advanced materials and composites and Naval R&D. The programmes/projects are undertaken either to meet the specific requirements of the three Services (Staff projects) or to develop competence in emerging technologies of relevance to futuristic systems (technology demonstration and technology development projects).</p>
2.	1.4	<p>According to the Ministry of Defence the Revenue expenditure provisions for Defence R&D Organisation are included in the Demands for Grants “Defence Services – Army”. The Committee are informed that gross provision for Revenue expenditure for Defence R&D Organisation in the Budget Estimates for the year 2002-03 was Rs. 2706.93 crore. The Committee note that DRDO undertakes research and development projects and programmes for all the Defence Services/Departments and thus does not confine its activities to Army alone. The Committee further note that the present arrangement does not correctly correspond to the budgetary control and accountability as the Army has no control over the expenditure on Defence R&D. The Ministry have also stated that the magnitude of DRDO’s expenditure justifies creation of a Demand for Grants separate from that of the Army’s.</p>
3.	1.5	<p>Creation of a new Demand for Grants for “Defence Services – Research & Development” has been recommended by the Group of Ministers on reforming National Security System and has been approved by</p>

the Government in May, 2001. Subsequently, the Ministry of Finance, Controller General of Accounts and Comptroller & Auditor General of India has also agreed to the proposal for creation of separate Major Head for Revenue expenditure of DRDO. The Ministry of Defence have, therefore, informed the Committee that keeping in view the present arrangement in Defence Services Estimates whereby each Demand for Grant corresponds to one major Head, a new Demand for Grant for Revenue expenditure of DRDO is proposed to be created.

4. 1.6 The Committee agree with the views expressed by Government for creation of a new Demand for Grants for “Defence Services – Research & Development” in view of the fact that Defence R&D Organisation undertakes the projects/programmes for all the Defence Services/Departments as well as for developing capabilities in emerging technologies of relevance to futuristic systems. Moreover, the activities of DRDO are not specific to Army alone. The Committee are also in agreement that the present budgetary arrangement does not correctly correspond to the required budgetary control and accountability.
5. 1.7 The Committee, therefore, after taking into consideration the reasons on the basis of which Ministry of Defence propose to create a separate Demand for Grants approve the proposal of the Government for creation of a separate Demand for Grants for “Defence Services – Research & Development”. The Committee accordingly recommend that a separate Budget Head may be allocated for “Defence Services – Research & Development” under the Ministry of Defence.