

**ESTIMATES COMMITTEE
(2003-2004)**

(THIRTEENTH LOK SABHA)

EIGHTEENTH REPORT

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS – BUDGET DIVISION)

Action taken by Government on the recommendations contained in the Eleventh Report of Estimates Committee (Thirteenth Lok Sabha) on the 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.

Presented to Lok Sabha on August 19, 2003

**LOK SABHA SECRETARIAT
NEW DELHI**

August , 2003/Sravana ,1925 (S)

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COMPOSITION OF ESTIMATES COMMITTEE
(2003-2004)

Prof. Ummareddy Venkateswarlu – Chairman

MEMBERS

2. Shri Raashid Alvi
3. Prof. S.P. Singh Baghel
4. Shri Ramchander Baina
5. Shri G.M. Banatwalla
6. Shri Sudip Bandyopadhyay
7. Shri S. Bangarappa
8. Shri Lal Muni Chaubey
9. Shri Dalit Ezhilmalai
10. Smt. Sheela Gautam
11. Shri Shankar Prasad Jaiswal
12. Shri Shriprakash Jaiswal
13. Shri N.N. Krishnadas
14. Shri C. Kuppaswami
15. Shri P.R. Kyndiah
16. Shri Samik Lahiri
17. Shri Sanat Kumar Mandal
18. Shri Shivaji Mane
19. Shri Manjay Lal
20. Shri Ram Nagina Mishra
21. Shri Shyam Bihari Mishra
22. Prof. Rasa Singh Rawat
23. Shri G. Ganga Reddy
24. Shri Dileep Sanghani
25. Kunwar Akhilesh Singh
26. Shri Maheshwar Singh
27. Dr. Raghuvansh Prasad Singh
28. Shri Rampal Singh
29. Shri Lal Bihari Tiwari
30. Shri Shankersinh Vaghela

SECRETARIAT

1. Smt. P.K.Sandhu - Joint Secretary
2. Shri A.K. Singh - Principal Chief Parliamentary
Interpreter
3. Shri Cyril John - Under Secretary
4. Smt. Manju Chaudhary - Committee Officer

INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Eighteenth Report on action taken by Government on the recommendations contained in the Eleventh Report of Estimates Committee on the 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.

2. The Eleventh Report (Thirteenth Lok Sabha) was presented to Lok Sabha on 13th December, 2002. The Government furnished their replies indicating action taken on the recommendations contained in that Report on 13th June, 2003. The Draft Report was considered and adopted by Estimates Committee (2003-04) at their sitting held on 6th August, 2003.

3. The Report has been divided into the following Chapters:

- I. Report;
- II. Recommendations/Observations which have been accepted by Government;
- III. Recommendations/Observations which the Committee do not desire to pursue in view of Government’s replies;
- IV. Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee; and

V. Recommendations/Observations in respect of which final replies of Government are still awaited.

4. An analysis of action taken by Government on the recommendations contained in the Eleventh Report of Estimates Committee (Thirteenth Lok Sabha) is given in Appendix II. It would be observed therefrom that all the 5 observations/recommendations made in the Report, i.e., 100% have been accepted by Government.

NEW DELHI

August 18, 2003

Sarvana 27, 1925(S)

UMMAREDDY VENKATESWARLU,

Chairman,

Committee on Estimates.

CHAPTER I

REPORT

1.1 This Report of the Estimates Committee deals with action taken by Government on the recommendations contained in their Eleventh Report (13th Lok Sabha) on the 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.

1.2 The Committee’s Eleventh Report (Thirteenth Lok Sabha) was presented to Lok Sabha on 13th December, 2002. Action Taken Notes have been received from the Ministry in respect of the recommendations/observations contained in the Report.

1.3 Taking into consideration the reasons and the necessity for creation of new Demand for Grants for Defence Research and Development Organisation, the Committee recommended as follows:

“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.”

1.4 The Ministry in their action taken reply have stated as follows:

“As per the recommendation contained in para no. 1.7 of the Report, a separate Demand for Grant “Defence Services – Research & Development” under the Ministry of Defence alongwith a separate Budget Head has been created with effect from the financial year 2003-2004.”

1.5 The Committee note with satisfaction that their recommendation has been accepted by the Government and a separate demand alongwith a separate Budget Head has since been created for Defence Research and Defence Organisation under the Ministry of Defence with effect from the financial year 2003-2004.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation/Observation (Sl. No. 1, Para No. 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).

Action taken by Government

In para 1.3 background to the case and the factual position has been given.

Recommendation/Observation (Sl. No. 2, Para No. 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.

Action taken by Government

In para 1.4, background to the case and the factual position has been given.

Recommendation/Observation (Sl. No. 3, Para No 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.

Action taken by Government

In para 1.5 background to the case and the factual position has been given.

Recomemndation/Observation (Sl. No. 4, Para No. 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.

Action taken by Government

In para 1.6, background to the case and the factual position has been given.

Recommendation/Observation (Sl. No. 5, Para No. 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.

Reply of Government

As per the recommendations contained in para 1.7 of the Report, a separate Demand for Grant “Defence Services – Research & Development” under the Ministry of Defence alongwith a separate Budget Head has been created with effect from the financial year 2003-2004.”

CHAPTER III

RECOMMENDATION/OBSERVATION WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLY

-NIL-

CHAPTER IV

**RECOMMENDATION/OBSERVATION IN RESPECT OF WHICH REPLY OF
GOVERNMENT HAS BEEN ACCEPTED BY THE COMMITTEE**

-NIL-

CHAPTER V

**RECOMMENDATION/OBSERVATION IN RESPECT OF WHICH FINAL
REPLY OF GOVERNMENT IS STILL AWAITED**

-NIL-

NEW DELHI;

August 18, 2003

Sravana 27, 1925(Saka)

UMMAREDDY VENKATESWARLU

Chairman

Committee on Estimates

**MINUTES OF SITTING OF THE ESTIMATES COMMITTEE
(2003-2004)**

SECOND SITTING

The Committee sat on Wednesday, the 6th August, 2003 from 1500 to 1545 hours.

PRESENT

Shri Shankersinh Vagehla – In the Chair

MEMBERS

2. Shri G. M. Banatwalla
3. Shri Dalit Ezhilmalai
4. Smt. Sheela Gautam
5. Shri N.N. Krishnadas
6. Shri C. Kuppuswami
7. Shri Samik Lahiri
8. Shri Sanat Kumar Mandal
9. Shri Shivaji Mane
10. Shri Manjay Lal
11. Shri Shyam Bihari Mishra
12. Kunwar Akhilesh Singh
13. Shri Maheshwar Singh

SECRETARIAT

1. Shri A.K. Singh - Principal Chief Parliamentary Interpreter
2. Shri Cyril John - Under Secretary

2. The Committee in the absence of the Chairman, chose Shri Shankersinh Vagehla to act as Chairman for the sitting under Rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

3. The Committee considered and adopted Draft Report on action taken by Government on the recommendations contained in the Eleventh Report of Estimates Committee (13th Lok Sabha) on the 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 without any modification.

4. The Committee authorized the Chairman to finalise the Report in the light of verbal and other consequential changes, if any, arising out of factual verification by the Ministry and to present the same to the House.

5. The Committee thereafter decided to undertake study tour in September and October, 2003 in two Study Groups for holding discussions in connection with subjects under examination by the Committee.

The Committee then adjourned.

APPENDIX II

(Vide Introduction to Report)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE ELEVENTH REPORT OF THE ESTIMATES COMMITTEE (THIRTEENTH LOK SABHA)

I.	Total Number of Recommendations/Observations	5	
II.	Recommendations/Observations which have been accepted by the Government :	5	
	(Nos. 1.3 to 1.7)		
	Percentage	100%	
III.	Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies :	NIL	
	Percentage		NIL
IV.	Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee :		NIL
	Percentage		NIL
V.	Recommendations/Observations in respect of which final replies of Government are still awaited :		NIL
	Percentage		NIL