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**STANDING COMMITTEE ON DEFENCE
(2016-17)**

(SIXTEENTH LOK SABHA)

MINISTRY OF DEFENCE

[Action Taken by the Government on the Observations/Recommendations contained in the Twenty Second Report (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2016-17 on Capital Outlay on Defence Services, Procurement Policy and Defence Planning (Demand No. 23)']

TWENTY SEVENTH REPORT



LOK SABHA SECRETARIAT

NEW DELHI

March, 2017/Phalguna, 1938 (Saka)

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Presented to Lok Sabha on

Laid in Rajya Sabha on



LOK SABHA SECRETARIAT

NEW DELHI

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CONTENTS

	PAGE.
COMPOSITION OF THE COMMITTEE (2016-17)	
INTRODUCTION	
CHAPTER I Report.....	
CHAPTER II (A) Observations/Recommendations which have been accepted by the Government.....	
(A) Observations/Recommendations which have been accepted by the Government and to be commented upon.....	
CHAPTER III Observations/Recommendations which the Committee do not desire to pursue in view of the replies of the Government	
CHAPTER IV Observations/Recommendations in respect of which Replies of the Government have not been accepted by the Committee which require reiteration and commented upon...	
CHAPTER V Observations/Recommendations in respect of which Government have furnished interim replies.....	

APPENDICES

I	Minutes of the sixth sitting of the Standing Committee on Defence (2016-17) held on 16.01.2016.....
II	Analysis of Action Taken by the Government on the Observations/Recommendations contained in the Twenty Second Report (Sixteenth Lok Sabha) of the Standing Committee on Defence (2016-17).....

COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (2016-17)

Maj Gen B C Khanduri, AVSM (Retd)

-

Chairperson

Lok Sabha

2. Shri Dipak Adhikari (Dev)
3. Shri Suresh C Angadi
4. Shri Shrirang Appa Barne
5. Shri Thupstan Chhewang
6. Col Sonaram Choudhary(Retd)
7. Shri H D Devegowda
8. Shri Sher Singh Ghubaya
- 9.* Shri B. Senguttuvan
10. Dr Murli Manohar Joshi
11. Km Shobha Karandlaje
12. Shri Vinod Khanna
13. Dr Mriganka Mahato
14. Shri Rodmal Nagar
15. Shri A P Jithender Reddy
16. Shri Ch Malla Reddy
17. Shri Rajeev Shankarrao Satav
18. Smt Mala Rajya Lakshmi Shah
- 19.# Shri Partha Pratim Ray
20. Shri Dharambir Singh
21. Smt Pratyusha Rajeshwari Singh
- 22.** Shri G Hari
- 23.\$ Capt Amarinder Singh

Rajya Sabha

1. Shri K R Arjunan
2. Shri A U Singh Deo
3. Shri Harivansh
- 4.^ Shri Rajeev Chandrasekhar
5. Shri Madhusudan Mistry
6. Shri Praful Patel
7. Shri Sanjay Raut
8. Dr Abhishek Manu Singhvi
9. Smt Ambika Soni
10. Dr Subramanian Swamy
- 11.@ Shri Om Prakash Mathur

* **Nominated w.e.f on 13.02.2017**

** **Ceased to be Member of the Committee w.e.f. 13.02.2017**

\$ **Ceased to be Member of the Committee w.e.f. 23.11.2016**

Nominated w.e.f. 02.01.2017

@ **Ceased to be Member of the Committee w.e.f. 10.10.2016**

^ **Nominated w.e.f. 10.10.2016**

SECRETARIAT

1	Smt. Kalpana Sharma	-	Joint Secretary
	2 Shri T.G. Chandrasekhar	-	Director
	3 Smt. Jyochnamayi Sinha	-	Additional Director
4	Shri Rahul Singh	-	Under Secretary

INTRODUCTION

I, the Chairperson of the Standing Committee on Defence (2016-17), having been authorised by the Committee, present this Twenty-Seventh report on Action Taken by the Government on the Observations/Recommendations contained in the Twenty Second Report (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2016-17 on Capital Outlay on Defence Services, Procurement Policy and Defence Planning (Demand No. 23)'.

2. The Twenty Second Report was presented to Lok Sabha / laid on the Table of Rajya Sabha on 03 May, 2016. The Report contained 49 Observations/Recommendations. The Action Taken Notes on the Observations/Recommendations were received from the Ministry of Defence in October, 2016.

3. The Committee considered and adopted this Report at their Sitting held on 16 January, 2017.

4. An analysis of action taken by the Government on the Observations/Recommendations contained in the Twenty Second Report of the Committee is given in Appendix II.

5. For facility of reference and convenience, Observations/Recommendations of the Committee have been printed in bold letters in the Report.

**New Delhi;
1 February, 2017
12 Magha, 1938 (Saka)**

**Maj Gen B C Khanduri, AVSM (Retd),
Chairperson,
Standing Committee on Defence**

REPORT
CHAPTER I

This report of the Standing Committee on Defence deals with action taken by the Government on the observations/recommendations contained in the Twenty Second Report (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2016-17 on Capital Outlay on Defence Services, Procurement Policy and Defence Planning (Demand No. 23)' which was presented to Lok Sabha and laid in Rajya Sabha on 03 May 2016.

2. The Committee's Twenty Second Report (16th Lok Sabha) contained Forty Nine observations/recommendations on the following aspects:-

Para No.	Subject
1 - 7	Allocations under Capital Budget Head
8-11	Capital Acquisitions - Creation of 'Roll on' and 'Non-Lapsable Fund'
12	Capital Acquisition Budget for Specific projects
13 - 20	Underspending
21	Capital and Revenue Outlay Ratio
22 - 25	Committed Liabilities and New Schemes
26	Deals which may be affected immediately due to lower Capital Outlay
27 - 28	Long gestation period in procurement
29	Essential Parameters of DPP 2016
30 - 31	Dependence on foreign suppliers for military hardware
32 - 33	Import content in equipment produced, and developed by DRDO, Ordnance Factories and DPSUs.
34 - 37	Make-in-India policy
38 - 40	Defence Planning - Five Year Plans
41 - 42	Long Term Integrated Perspective Plan (LTIPP)
43 - 47	Married Accommodation Project
48 - 49	Authorisation of Married Accommodation and Satisfaction Level

3. **Action Taken Replies** have been received from the Government in respect of all the observations/recommendations contained in the Report. The replies have been examined and the same have been categorised as follows:-

(a) Observations/Recommendations which have been accepted by the Government:

Para Nos. 21,30,31, 32,33, 43, 44, 45, 46 and 47

(10 Recommendations)

These may be included in Chapter II of the Draft Report.

- (b) Observations/Recommendations which have been accepted by the Government and to be commented upon:

Para Nos. 13, 14, 15, 16, 17, 18, 19, 20, 26, 27, 28, 34, 35, 36, 37, 41 and 42

(17 Recommendations)

These may be included in Chapter II of the Draft Report.

- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:

(00 Recommendations)

Nil may be shown in Chapter III of the Draft Report.

- (iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee which require reiteration and commented upon:

Para Nos. 1, 2, 3, 4, 5, 6,7, 8,9,10,11,12,22,23, 24, 25, 29, 38, 39, 40, 48, 49

(22 Recommendations)

This may be included in Chapter IV of the Draft Report.

- (iv) Observations/Recommendations in respect of which Government has furnished interim replies:

Nil may be shown in Chapter V of the Draft Report **(00 Recommendation)**

4. The Committee desire that the Ministry's response to the comments made in Chapter I of this Report be furnished to them at the earliest and in any case not later than six months of the presentation of this Report.

A. Allocations under Capital Budget Head

Recommendation (Para Nos.1 - 7)

5. The Committee had recommended as under:

'The Committee note that during the year 2015-16, at the Budget Estimate stage an amount of Rs 94,588 crore was provided under the Capital Budget Head (including other than acquisition). However, this amount was reduced to Rs. 81,400 crore at the Revised Estimate stage. The Committee are surprised to find that in the current year, the budget under Capital Head is Rs. 8248 crore less as compared to BE 2015-16. Specifically for Capital Acquisition, which is also stated to be the modernization budget for the Forces, the net reduction for BE 2016-17, as compared to the BE of 2015-16, is to the extent of Rs. 7,406.69 crore!

The trend of Capital Account Budgeting may be evidenced from the following data:

(Rs. in Crore)						
Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
2011-12	Army	25,611.68	19,210.69	20,641.69	16,005.69	14,947.82
	Navy	26,882.60	14,657.83	21,482.18	17,459.08	19,211.52
	Air Force	36,186.10	30,282.03	30,282.03	27,734.78	28,841.18
2012-13	Army	28,234.60	19,237.80	18,971.09	15,749.30	14,760.69
	Navy	28,643.19	24,766.42	25,002.85	18,266.42	17,759.88
	Air Force	36,950.52	30,514.45	36,999.62	30,517.95	32,980.11
2013-14	Army	25,528.08	17,883.83	19,271.59	14,967.25	14,433.29
	Navy	33,775.53	24,149.03	27,290.06	20,418.98	20,358.85
	Air Force	64,607.84	39,208.84	65,825.22	37,750.44	38,614.93
2014-15	Army	41,936.15	26,533.60	23,832.67	21,933.54	18,586.73
	Navy	28,253.21	23,832.67	22,903.31	18,507.07	22,269.66
	Air Force	62,408.33	33,710.68	38,948.19	33,710.68	32,796.42
2015-16	Army	31,938.67	27,342.42	27,845.33	24,230.47	14,693.82*
	Navy	26,268.13	25,003.24	25,152.20	19,740.06	15,275.55*
	Air Force	46,191.96	33,686.75	35,780.78	30,442.15	26,363.84*
2016-17	Army	37,960.18	26,935.81			
	Navy	#	#			
	Air Force	30,223.31	22,000.09			
		41,266.41	29,795.42			

* Expenditure upto end of January 2016

(# Includes BE of NCC, Military Farms, Rashtriya Rifles and ECHS which are shifted to modified Grant No. 20-MoD(Miscellaneous) from FY 2016-17)

This year too, the Army projected an amount of Rs. 37,960.18 crore for Capital Budget but only Rs. 26,935.81 crore has been allocated, which is in line with the trend being witnessed over the years.

The same is the case with the Navy and Air Force which projected a requirement of Rs. 30,223.31 crore and Rs. 41,266.41 crore respectively but were provided an allocation of Rs. 22,000.09 crore and 29,795 crore. It would be worthwhile to note here that while the Ministry has to purchase all modern

weapon systems from foreign sources, the increase in the Capital Budget for the current year, 2016-17 in dollar terms is less than what was allocated at RE 2015-16.

The Committee find this phenomenon, where the projected amount in the Capital Budget is not provided to the Services, to be very discouraging. This results in severe cuts in procurement apart from adversely impacting schemes relating *inter alia* to Land, Aircraft and Aero Engines, heavy and medium vehicles and other equipment, military farms, rolling stock, Ex-Serviceman's Contributory Health Scheme, Rashtriya Rifles, National Cadet Corps, Construction Works, National Defence Academy, Married Accommodation Project, Naval Fleet and Naval Dockyards/Projects, etc.

During the deliberations on Demands for Grants (2016-17), the Defence Secretary very candidly submitted before the Committee that the money allocated for Capital acquisition was not in accordance with the requirements of the Services. The Services get whatever is allocated by the Ministry of Finance. The often repeated explanation of the Ministry in regard to the allocations not being commensurate with the projections is centered on the overall resource constraints of Government of India. Although, assurances are given by the way of stating that additional allocations would be provided as and when required at the supplementary/RE Stage, the matter gets postponed to the subsequent years. Moreover, when the threat perception is on the increase, the Services seem to be falling back. The Committee cannot accept the stance of the Ministry which implies that the Services have to manage with whatever is allocated. Proactive steps need to be taken for effectively countering the threat scenario.

Therefore, the Committee urge upon the Ministry to ensure that the allocations to the Services, under the Capital Head, are commensurate with the projection and the "Threat Perception" so that the process of modernization of the Services keeps pace as per with the plan and matters pertaining to security do not suffer for the want of resources.'

6. The Ministry in its Action Taken Reply has stated as under:

'This Ministry had projected an amount of Rs. 1,21,929.80crores in Capital Budget for FY 2016-17, whereas an amount of Rs. 86,340 crores has been allocated i.e. reduced allocation of Rs. 35,589.80 crores. It is a fact that this Ministry is bound by budgetary ceilings conveyed by Ministry of Finance. Though reference were made to Ministry of Finance for augmentation of ceilings conveyed by them but no positive response is received in this regard. The reduced allocations were passed on uniformly among all the Services.

The Committee may be assured that projections / requirements of the Services under Capital Head will be forwarded to Ministry of Finance for consideration at Supplementary/RE stage. In case the funds are not provided as per projections by the Ministry of Finance, the available resources will be optimally utilized based on prioritized requirements of the Services. It may, however, be added that all efforts will be made to ensure that critical requirements of Services do not suffer due to want of funds.'

7. The Committee note from the Action Taken Reply that while the Ministry projected a requirement of an amount of Rs. 1,21,929.80 crore for Capital Acquisitions during the financial year 2016-17, the allocation was Rs.35,589.80 crore less than the projected amount due to the budgetary ceilings conveyed by the Ministry of Finance. The request for reconsidering the matter and augmenting the ceilings did not evoke any response from the Ministry of Finance. The Committee, in this regard, feel that the helplessness of Ministry of Defence in getting sufficient funds towards the Capital Budget may lead to non-fructification of modernization schemes of all the three Services which could ultimately have the negative effect of compromising the security of the Nation.

8. The Committee desire to know whether or not the funds projected at the Revised Estimates and supplementary grants stages were provided by the Ministry of Finance. The Committee also desire that a detailed account of the reasons for making lesser allocations as compared to the projections made be communicated to them.

B. Capital Acquisitions - Creation of 'Roll on' and 'Non-Lapsable Fund'

Recommendation (Para Nos.8 - 11)

9. The Committee had recommended as under:

'The Committee find it very surprising that instead of increasing the allocation, the Ministry has reduced the budget for Capital acquisitions for the Forces. As can be seen, all the three Services have witnessed a drop in allocation not only at the RE of 2015-16 but also in the BE 2016-17 allocations. The back to back decline in allocation comes at a time when all the three Services have several mega procurement contracts (including the one for procuring Rafale fighters) to be finalized. The cut in the latest allocation would therefore mean that all the pending procurement projects may not go through unless the Government decides to step up the allocation. The past trend of allocations and expenditure shows that the Ministry of Finance imposes budgetary cuts at RE stage. The Committee have, in their reports presented earlier, emphasised on the allocations being of a 'Roll on' and 'Non Lapsable' nature. The Ministry, however, does not seem to have initiated any action in this direction and has only stated that it may not be desirable to make the Capital Budget 'Non-Lapsable' and 'Roll on', ostensibly on the plea that there has been no occasion in the last five years where any substantial amounts were available as surplus for rolling over. The intention of the Committee in recommending having Non-Lapsable funds for Defence modernization is primarily for ensuring that the money allocated for a particular item is spent on the specified item only, not necessarily in the same Financial year.

The Committee, therefore, desire that the Ministry should look into the aspect of creating a 'Non-Lapsable' and 'Roll on' Capital Budget afresh so that allocations made towards a specific item are not lapsed and fresh allocations sought in the next financial year for the same purpose.'

10. The Ministry in its Action Taken Reply has stated as under:

'The utilisation of the Defence capital budget must be viewed in its entirety. Focussing only on a particular Service, or year, of under spending may not be appropriate as it gives a distorted picture. It is more appropriate to focus on under-spending, if any, under the capital budget as a whole rather than any one Service. Under-spending by one Service is usually counter balanced by excess spending by another Service. Thus, from the position of utilisation of the capital budget tabulated below, it may be seen that funds available have been fully utilised:

crores)

(Rs. in

Year	BE	RE	Actuals	% age utilisation
2010-11	60,000.00	60,833.26	62,056.00	102.01
2011-12	69,198.81	66,143.81	67,902.38	102.65
2012-13	79,578.63	69,578.63	70,499.12	101.32
2013-14	86,740.71	78,872.23	79,125.05	100.32
2014-15	94,587.95	81,965.24	81,887.42	99.91
2015-16	94,588.00	81,400.00 79,483.28 (MA)	80,081.64	98.38% (RE) 100.75% (MA)

(MA=Modified Appropriation)

In view of the above, it is felt that no purpose is served by delineating the capital budget as “non-lapsable and roll-on” as on no occasion during the last five years were any surplus funds available for rolling over.

11. As brought out in clear terms in the report on the Demands for Grants (2016-17), there has been a substantial reduction in the Service wise allocation under the Capital Budget Head at RE stage. It is primarily on this count that the Committee considered the matter to be indicative of a negative trend and recommended creation of 'Non Lapsable' and 'Roll On' Capital Budget so that allocations made towards specified items do not lapse and the necessity of seeking fresh allocations for the same purpose in the next financial year does not arise. Instead of addressing this core issue of making the budgeted funds for Capital Acquisition as non-lapsable, the Ministry has, in the Action Taken Note, chosen a misleading route of detailing the trend of budget allocation and spending during the year. The Committee are of the view that if the procurement deals do not reach finality in a particular financial year in which the allocations are made, the budgeted amounts should not be allowed to lapse and the Ministry should be relieved from the exercise of adhering to complex and time-consuming processes repeatedly for re-allocation and re-prioritisation of budgeted amounts.

12. The Committee also find from the reply submitted that there has always been a substantial difference in the allocations made at the Budget Estimates and Revised Estimates stages. However, the assessment of the trend of utilisation of the budgeted resources is always made by way of comparing the Revised Estimates to the actual expenditure, which may not be correct. Comparing the Budget Estimates with the Actual Expenditure would give a better and more realistic picture of the Budgetary process.

C. Capital Acquisition Budget for Specific projects

Recommendation (Para No. 12)

13. The Committee had recommended as under:

'The Committee understand that the budget allocated for Capital Acquisitions pertaining to high value equipment for the Services is distinct and separate. However, the funds allocated lapse due to absence of proper planning to acquire defence equipment. While tendering evidence, the Defence Secretary too admitted that the process of planning needs to be drastically changed. Therefore, with a view to monitoring the specific items there is a need for converting this Budget into an "outcome" oriented budget of specified categories / projects, viz., programmes and schemes for acquisition of Artillery and Air Defence Guns, Bullet-Proof Jackets, Helicopters, Missiles, Submarines, Naval Ships, Fighter and transport Aircraft, Mid-Air Re-Fuellers etc. Annual targets could be set for each such programme/scheme and allocations made accordingly, thus paving the way for outcome-oriented monitoring. Since the outcome of each such project would be measurable, it would be possible to assess the progress made by the Ministry during the year, pinpoint the reasons for shortfall and take remedial measures.'

14. The Ministry in its Action Taken Reply has stated as under:

'The progress of capital acquisition expenditure is monitored regularly by the Acquisition Wing which is tasked with the responsibility of defence capital procurement. Acquisition Wing, being a specialist organization created on the basis of the Kargil Committee Report and recommendations of the Group of Ministers, not only monitors capital expenditure, but also 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.'

15. The Committee cannot help noting from the action taken reply submitted by the Ministry that despite the mechanism of having a specialised organization viz. Acquisition Wing, which was created on the basis of the Kargil Committee Report and recommendations of the Group of Ministers for dealing with matters of Defence Procurements, there is substantial delay in the programs and schemes for acquisition of Artillery and Air Defence Guns, Bullet-Proof Jackets, Helicopters, Missiles, Submarines, Naval Ships, Fighter and transport Aircraft, Mid-Air Re-Fuellers etc. This leads to the impression that the mechanism is not firmly in place, which leaves scope for glitches in the planning process. Therefore, the Committee desire that the Ministry should introspect and device new means and fine tune the existing processes, so that our Forces get the essential supplies/requirements to keep themselves battle-ready at all times and in all conditions.

D. Under spending

Recommendation (Para Nos. 13-20)

16. The Committee had recommended as under:

'The Committee while examining the Demands for Grants, 2015-16, also observed that the Capital expenditure has never remained under control. It was observed that the Capital Head invariably ends off with unutilised funds. During the year 2011-12, at RE stage, Army was allocated Rs. 16, 005.69 crore but was able to utilise only Rs. 14, 947.82 crore. During the year 2012-13, at RE stage, Army was allocated Rs. 15, 749.30 crore, but again it was able to utilise only Rs. 14,760.69 crore. In the same year, Navy was allocated Rs. 18, 266.42 crore but it could spend only Rs. 17, 759.88 crore. During the year 2013-14, the Army was allocated Rs.14, 967.25 crore at RE stage, but it was able to spend only Rs. 14, 433.29 crore. Similar was the case with Navy, which was not able to spend in full the allocation made at RE stage. Again, in the year 2014-15, Army was allocated Rs. 21, 933.54 crore but spent only Rs. 18, 586.73 crore and Air Force was able to spend only Rs. 32, 796.42 crore against the allocation of Rs. 33, 710.68 crore. During the year, 2015-16, Army was allocated Rs. 24, 230.47 crore, Navy Rs. 19, 740.06 crore and Air Force Rs. 30, 442.15 crore at RE stage but by the end of January, 2016, these services were able to spend only Rs. 14,693.82 crore, Rs. 15,275.55 crore and Rs. 26,363.84 crore respectively.

Further, the allocation for Capital Acquisition for Army which was

Rs.21,939.4crore during 2015-16, was reduced to Rs.1,79,97.6 crore (Reduction of Rs 3,941.8 crore). In BE of 2016-17, allocation of Rs. 21,535.3 crore amounts to a reduction of Rs. 404.1 crore as compared to BE 2015-16.

The allocation for Capital Acquisition for Navy which was Rs. 24,283.24 crore during 2015-16 was reduced to Rs. 19,101.19 crore at RE (Reduction of Rs. 5,182.05 crore).The allocation of Rs. 21,322.64 crore at BE 2016-17 is short of the allocation of BE 2015-16 by Rs. 2,960.6 crore.

The allocation for Capital Acquisition for Air Force during 2015-16 was Rs. 31,481.52 crore which has been reduced to Rs. 28,643.1 crore at RE (Reduction of Rs. 2,838.42 crore). The allocation at BE 2016-17 is Rs. 27,556.02 crore with the difference between BE 2015-16 and BE 2016-17 being to the extent of Rs. 3925.5 crore.

This decline in the allocation for Capital Acquisition will definitely affect several procurement contracts including the one pertaining to Rafale fighters Aircraft which is to be finalised. The cut in budgetary allocation at BE 2016-17 indicates that all the pending procurement projects may not go through unless the Government increases the allocations at the Revised Estimate stage. The Ministry has stated that the process of modernisation of the forces will proceed as planned. In case the pace of utilisation of available funds and the approval of new schemes surpasses available resources, additional funds will be sought. A close examination of the defence budgets of the past reveals that the Government's ability to spend has come under repeated pressure. In the past four years, the MoD has surrendered over Rs. 35,000 crore from its Capital allocations.

The Committee in this regard, take note of the admission by the Financial Advisor that the Ministry of Defence is unable to spend the full amount allocated under the Capital Budget either as given or reduced in the RE stage. The Committee find it surprising that despite having a full fledged Defence Procurement Policy and a separate Financial Division of experts, the Ministry has not been able to utilise the money allocated year after year. The Committee, therefore, reiterate their earlier recommendation that Capital Allocation and Expenditure should be "Non-Lapsable and Roll-on" allocation. It should be a part of plan expenditure and the progress should be monitored by a Specialist/expert Committee to ensure that the time schedules as set are followed on various stages till the delivery of Capital goods.

Keeping in mind the overall budgetary constraints of Government of India, the Committee also desire that the Ministry of Defence explore the possibility of leasing out their unutilized land and other equipment and earn Capital which could be utilized for Capital acquisition. The Committee may be intimated of the action taken in this regard.

During examination of Demands for Grants 2015-16, the Committee was apprised that Capital Outlay was in the ratio of 30:40:30 all over the world which means that out of the total Capital Outlay, 30 per cent has to be for the category of state-of-the-art technology, 40 per cent current and 30 per cent for obsolescence. The Ministry of Defence is endeavoring to follow this standard pattern. The Committee felt that in order to achieve this standard ratio, we would have to not only enhance our Capital Outlay but also make it "Non-Lapsable and Roll-on" as an urgent change in our Financial Policy. The major

reason cited by the Defence Secretary for not adhering to this standard ratio was insufficient Capital Budget. Therefore, the Committee desired that the Defence Ministry officials have to make sincere and effective efforts and ensure that the funds allocated are fully & efficiently utilized under respective heads.'

17. The Ministry in its Action Taken Reply has stated as under:

'The suggestion made by the Committee has been noted. This Ministry is already exploring alternatives of raising resources. A concept paper on land management is under preparation. Draft Cabinet Note for closing down of Military Farms is also under preparation. The Committee will be apprised of the outcome of these activities in due course.

The recommendations of the Committee are noted for compliance.

The Committee may be assured that projections / requirements of the Services under Capital Head will be forwarded to Ministry of Finance for consideration at Supplementary/RE stage. In case the funds are not provided as per projections by the Ministry of Finance, the available resources will be optimally utilized based on prioritized requirements of the Services. It may, however, be added that all efforts will be made to ensure that critical requirements of Services do not suffer due to want of funds.

Necessary instructions are being issued from time to time for sticking to financial propriety and avoidance of underutilization of funds/wasteful expenditure.

The Committee may be assured that all efforts will be made to ensure optimum utilization of scarce resources.'

18. The Committee are happy to note that their recommendations are noted by the Ministry for compliance. However, they desire to be furnished with details of the additional allocations sought and actually provided by the Ministry of Finance during 2016-17 at the stage of Supplementary Grants. The Committee also desire to know whether the allocations have been sufficient for meeting the requirement of the Services.

E. Committed Liabilities and New Schemes

Recommendation (Para Nos. 22-25)

19. The Committee had recommended as under:

'The Committee also note from the reply of the Ministry that as far as the Capital segment is concerned, funds are first set aside for meeting the projected Committed Liabilities that are likely to materialise during the year. The remaining allocation is distributed for meeting the requirement projected for other items. The procurement plan for Capital modernization schemes may have to be reviewed and re-prioritized, based on available funds.

The Committee note that Committed Liability refers to payments anticipated during a financial year in respect of contracts concluded in the previous years. Under the Defence Services Estimate, Committed Liabilities constitute a significant element in respect of the Capital acquisition segment, since a project may span over several financial years. As such, it is important to track the element of Committed Liabilities which hold the first charge on the budget allocation. Inadequate allocation for Committed Liabilities could lead to default on contractual obligations. During the year 2014-15, BE allocations for committed liabilities and new schemes were Rs. 18,851.26 crore and Rs 2,084.15 crore in case of Army. For the Navy these allocations were Rs. 21,248.07 crore and Rs. 663.92 crore respectively. In case of Joint Staff, an allocation of Rs. 473.07 crore was made for Committed Liabilities and only Rs. 9.17 crore for New Schemes. The case of Air Force was no different either. The Force was given only Rs. 29,173.40 crore for Committed Liabilities and Rs. 2,644.99 crore for New Schemes. In total, Rs. 69, 745.80 crore was allocated for Committed Liabilities and Rs. 5,402.23 crore for New Schemes. For the current year, 2016-17, the Services projected a requirement of Rs. 73,552.51 crore for Committed Liabilities and Rs. 22,892.02 crore for New Schemes which includes Rs. 21,921.38 crore for Army, Rs. 23,276 crore for Navy, Rs. 325.55 crore for Joint Staff and Rs. 28029.58 crore for Air Force under the head 'Committed Liabilities' and Rs. 7,748.91 crore for Army, Rs. 4,781 crore for Navy, Rs. 425.28 crore for Joint Staff and Rs. 9,936.83 crore for New Schemes.

However, based on the allocation of funds by the Ministry of Finance, the actual allocation in BE 2016-17 is lesser by Rs. 2,472.12 crore for Committed Liabilities and Rs. 5,662.91 crore for New Schemes in case of Army, Rs. 4512.23 crore for Committed Liabilities and Rs. 3181 crore for New Schemes in case of Navy, Rs. 205.88 crore for New Schemes in case of Joint Staff, and Rs. 5138.53 crore for Committed Liabilities and Rs. 5251.86 for New Schemes in case of Air Force. In total, there is cut of Rs. 12,142.88 crore for Committed Liabilities and Rs. 14,301.65 crore for New Schemes. As per the Ministry of Defence's own admission, these shortfall in the allocation will affect

the preparedness of the Forces.

From the data supplied by the Ministry, it is seen that the allocations made for Committed Liabilities are being cut at RE stage each year. Considering the fact that Committed Liabilities are the payments anticipated during a financial year in respect of contracts concluded in previous years, the Committee are baffled as to how a cut can be made in the Head of Account for Committed Liabilities. The Committee also find it surprising that while the Government's stress is on modernization of the Forces, meager allocations are made for New Schemes pertaining to the Army and other Services as well. Therefore, the Committee desire that the Capital Budget should be increased so as to be commensurate with the projection of the Services. It also needs to be ensured that steps are taken to ensure that budget is utilized fully. It is the earnest desire of the Committee that proper allocations should be made for New Schemes for enabling in modernizing the forces.'

20. The Ministry in its Action Taken Reply has stated as under:

'It is a fact that available funds under Capital head are first set aside for Committed Liabilities as these included payments binding as per contract of projects under implementation.

The progress of capital acquisition expenditure is monitored regularly by the Acquisition Wing which is tasked with the responsibility of defence capital procurement. Acquisition Wing, being a specialist organization created on the basis of the Kargil Committee Report and recommendations of the Group of Ministers, not only monitors capital expenditure, but also 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 RakshaMantri comprising of all stakeholders, monitors adherence to broad timelines in Defence Procurement.

At the outset the Committee may be apprised that cut has never been applied on Committed Liabilities. Funds allocated under Capital budget are first assigned for Committed Liabilities as these payments cannot be avoided. The funds for New Schemes are catered through Capital Acquisition Head of Capital Budget.

For BE 2016-17, this Ministry had projected a requirement of Rs. 96,444.52 crores under Capital Acquisition head, however an amount of Rs. 70,000 crores could be allocated based on ceilings conveyed by Ministry of Finance. Of the allocated Rs. 70,000 crores, Rs. 53,291.55 crores are first kept for Committed Liabilities and the remaining amount of Rs. 16,708.45 crores is allocated to the Services under New Schemes. It may be added that all efforts will be made to ensure that critical requirements of Services do not suffer due to want of funds.

Necessary instructions are being issued from time to time for adherence to financial propriety and avoidance of underutilization of funds/wasteful expenditure.

The Committee may be assured that all efforts will be made to ensure optimum utilization of scarce resources.'

21. The Committee note from the action taken reply submitted by the Ministry that despite the existence of institutions such as Defence Procurement Board and the Acquisition Wing, a specialist organization which was created on the basis of the Kargil Committee Report and recommendations of the Group of Ministers, the funds allocated under the Head, 'New Schemes' under which new military equipment is procured are meager. This results in delays in acquisition of items of critical importance, which affects the overall process of modernization of the Services. This, the Committee feel is indicative of improper planning, and would result in inadequate allocation and utilization of available budgetary resources.

22. The Committee also find the reply of the Ministry to be misleading as the allocations intended for Committed Liabilities, that is, for meeting payments that cannot be avoided are being reduced. The Committee find it to be surprising that allocations made towards Committed Liabilities are being cut at the stage of RE each year. The Committee desire to be apprised of the details of the projections and allocations made under the Head, 'Committed Liabilities' in the last three years.

F. Deals which may be affected immediately due to lower Capital Outlay

Recommendation (Para No. 26)

23. The Committee had recommended as under:

'The Committee note that as per the statement of the Ministry of Defence lower Capital Budget allocation may affect the major Aircraft or Armament deals planned to be procured from foreign sources. The deals/plans in the pipeline include, induction of new fighters in the form of Su-30 aircraft, LCA Mk-1 and Mk-1A aircraft, Rafale aircraft and other suitable fighters. A separate proposal is planned to be made for additional funds in FY 2016-17 for procuring Rafale Aircraft, once the cost and timelines for delivery are finalised. As informed, the Government is also preparing the road map for induction of fighter aircraft in the IAF and all future induction will be as per this road map. IAF is likely to build up its fighter aircraft fleet to the required strength by the end of 15th Plan Period. The Committee are of the view that these, as well as

similar other big ticket projects, may be affected due to lower Capital Allocations. Therefore, there is a need on the part of the Ministry to shun ad-hoc planning and take necessary steps so that allocations under this head of account would be sufficient for purchasing modern equipment.'

24. The Ministry in its Action Taken Reply has stated as under:

'This Ministry is bound by budgetary ceilings conveyed by Ministry of Finance. However, the Committee may be assured that projections / requirements of the Services under Capital Head will be forwarded to Ministry of Finance for consideration at Supplementary/RE stage. In case the funds are not provided as per projections by the Ministry of Finance, the available resources will be optimally utilized based on prioritized requirements of the Services. It may, however, be added that all efforts will be made to ensure that critical requirements of Services do not suffer due to want of funds.'

25. As seen from the Action Taken Reply, the Ministry is bound by the budgetary ceilings, as conveyed by the Ministry of Finance. However, the Ministry has also assured the Committee that projection / requirement of the Services under the Capital Head of Account will be forwarded to Ministry of Finance for consideration at Supplementary/RE stage. In the event of funds not been made available as per projections, the available resources will be optimally utilized based on prioritization of the requirement of the Services. It has also been assured that efforts would be made to ensure that critical requirements of Services do not suffer due to want of funds. The Committee cannot help noting in this regard that the Ministry of Defence is in a state of helplessness in securing sufficient funds under the Capital Account, and this may hamper the programme of modernization of the three Services, which in turn would have the negative effect of compromising the security of the Nation. The Committee, therefore, impress on the need on the part of the Ministry of Finance to ensure that the funds, projected as required, and are necessary, are made available to the Defence Ministry.

G. Long gestation period in procurement

Recommendation (Para Nos. 27 and 28)

26. The Committee had recommended as under:

'The Committee note that procurement is an ongoing process and the time taken varies from case to case due to inherent complexities and uniqueness. The DPP provides for a broad timeframe of 80-137 Weeks for Capital procurement cases. During oral evidence, the Defence Secretary enlightened the Committee on new procurement procedure and stated that the Ministry has brought about some changes in the Defence Procurement Procedure, 2016 (DPP) and the innovations and the major changes have been made. The main preferred category in the Defence Procurement Procedure is now 'Buy Indian-Indian Designed, Developed and Manufactured (IDDM)' which is a new category. 'Buy Indian-IDDM' means Indigenously Designed, Developed and Manufactured products with minimum 40 per cent indigenous content. In case of the product not designed and developed indigenously, it should have at least 60 per cent indigenous content. The indigenous content in different categories have been specified, but are subject to variations on case-to-case basis in Categorisation Committee as approving authorities. The make procedure has been further made more attractive with Government bearing 90 per cent of the financial burden. Further, if RFP is not issued within the specified time, the total development cost will be paid to the developing agency. The preference to MSME in make procedure has been stipulated. Single vendor situation resulting because of submission of single bid has been rationalised without compromising transparency and only the Defence Acquisition Council is empowered to accept such situations. New categories of SQR like Essential Parameter A, Essential Parameter B and Enhanced Performance Parameter have been introduced to make it more realistic, industry friendly and without compromising the requirement of the Services or of transparency and without compromising Government interests and funds. The new changes which have been brought about in the Defence Procurement Procedure are expected to streamline the defence acquisition procedure drastically.

While the enthusiasm in propagating the new DPP is very encouraging, as admitted by the Ministry, the procurement cycles are very long and it takes three to seven years for the procurements to materialise. This raises the doubt on the assurances given by the Ministry on ensuring timely procurements. An unduly long time taken on specific acquisition, say 7 years, leaves the possibility of making the contracted equipment obsolete and better and more sophisticated models could have been introduced by some other company. Therefore, the Committee desire that the Ministry should make all out efforts to cut the procurement cycle to a minimum time span so that the requirement of the Forces may be met with in short time frame and also the equipment would not turn obsolescent by the time of delivery. The Committee also feel that the procedures related to procurement should be made simpler and user-friendly.'

27. The Ministry in its Action Taken Reply has stated as under:

'The new DPP 2016 has been promulgated with effective from 01.04.2016. The following provisions have been included / amended in DPP-2016 to cut down the procurement cycle and also to make it simpler and user friendly:-

(a) HQIDS will bring out the Technology perspective and Capability Roadmap (TPCR) for use by the industry. This document will be made available on MoD website and ensure improved transparency and responsiveness as also facilitate advance planning and preparation by industry.

(b) Request for Information (RFI) process has been laid down as the first step of the acquisition process and elaborated in detail with an aim to have extensive interaction with vendors, after uploading broad details of the upcoming procurement case on MoD website. This enables the industry to understand requirements of the MoD and propose their solutions accordingly.

(c) Draft RFP has to be prepared and enclosed with Statement of Case (S of C) at Acceptance of Necessity (AoN) stage itself. This would help in reducing the timelines for issuing the RFP thereby reducing overall time for the procurement process.

(d) AoN validity has been reduced to six months (from one year) for 'Buy' Cases and to one year (from two years) for 'Buy and Make(Indian)' cases.

(e) Offset obligation is required only in cases where the cost of contract is more than Rs. 2000 crores. This would ease the conditions of business for foreign vendors and speed up decision making.

(f) Provision for involving private industry as Production Agencies and ToT partners in addition to DPSUs have been incorporated.

(g) The scope of Fast Track Procedure has been enlarged to cover peace time urgent operational requirement also. In addition, it can also be applied for cases where undue/unforeseen delay due to reasons beyond the control of the acquisition set up is seen to be adversely impacting the preparedness of the forces.'

28. The Committee note that the new Defence Procurement Policy (2016) has been promulgated w.e.f. 01.04.2016 with the intention of speeding the procurement of critical Defence items and cutting down the timeframe of procurement cycle. The Committee hope that Acceptance of Necessity (AON) and Request for Information (RFI) processes which are considered to be initial

mandatory steps of the acquisition process have been made foolproof and user-friendly. The Committee desire that impact analysis of the new procedures stipulated under the policy be conveyed to them at the earliest.

H. Essential Parameters of DPP 2016

Recommendation (Para No. 29)

29. The Committee had recommended as under:

'The committee expressed concerns and doubts on certain parameters of DPP 2016 on which no satisfactory reply was given by the representatives of the Ministry. For instance, in the event of a vendor failing to deliver the equipment contracted for, it was informed that the Ministry cannot go back to L-2 vendor. The committee are of the view that having such a provision which enables to approach the L-2 vendor would be beneficial by way of widening the vendor base as well. The committee also expressed doubts over ensuring timely delivery of the equipment under the new dispensation, which possibly envisages that the vendors are ready with the products. At times, it may be preferable to opt for retrofitting of the existing equipment instead of opting to buy off the shelf, which may not materialize or take unduly long time. The committee, therefore, feel that such of the provisions of the new DPP need to be relooked into and reformulated. The committee desire that responsibility should be fixed and that there should be provision of penalties on the vendors who do not deliver satisfactorily.'

30. The Ministry in its Action Taken Reply has stated as under:

(a) In the event of a vendor failing to deliver the equipment contracted for during contract period, it would not be feasible to go in for L-2 vendor since advances and initial amounts based on delivery schedule would have already been paid to L-1 vendor. Keeping this in view, no separate provision for this has been incorporated in DPP-2016.

(b) Decisions with regard to retrofitting an existing equipment instead of opting to buy off the shelf, are required to be taken by the Services on the basis of operational necessity and current state of equipment.

(c) Provision of penalties on vendors who do not deliver satisfactorily is ensured by Liquidated Damages (LD) clause or other penal provisions.'

31. The Committee note from the reply submitted by the Ministry that in the event of a vendor failing to deliver the equipment during the contract period, it would not be feasible to consider the L-2 vendor since advances and initial amounts based on delivery schedule would have already been paid to L-1 vendor. No separate provision has been incorporated in DPP-2016 in this regard. As the Defence Procurement Projects and Plans have long gestation periods and there can be additional delays on account of failure to deliver on the part of L1 vendor, the Committee express the need for having a back up plan, which can, possibly include provisions for going back to the L-2 or L-3 Vendor for the supplies.

The Committee also desire that the provision for imposing penalties on Vendors who do not deliver satisfactorily, that is, the liquidated damages (LD) clauses as well as other penal provisions are judiciously used so that the penal amounts on account of failure to deliver are collected without any hindrance or delay.

I. Make-in-India policy

Recommendation (Para No. 34-37)

32. The Committee had recommended as under:

'The Committee note that 'Make in India' initiative of the Government of India aims to facilitate investment, foster innovation, protect intellectual property, build best-in-class manufacturing infrastructure; whereas Defence Production Policy aims at 'achieving substantive self-reliance in the design, development and production of equipment, weapon systems, platforms required for Defence in as early a time frame possible; creating conditions conducive for the private industry to take an active role in this endeavour; enhancing potential of SMEs in indigenization and broadening the Defence R&D base of the country. The 'Make in India' initiative provides further fillip in realising the objectives of Defence Production Policy in achieving the substantive self-reliance in Defence requirements of the country. In order to evolve a policy framework to implement Make in India in Defence manufacturing, a 'Committee of Experts' was constituted in the Ministry. The recommendations of the Committee have been suitably incorporated in revised DPP approved by DAC in Jan 2016.

The Committee also note that apart from this, several policy changes have been initiated by the Government to build a robust Defence Industrial base in India. These include, liberalisation of FDI policy, liberalisation of industrial licensing policy, level playing field between public & private sector etc and these initiatives would help in more active participation of Indian private sector, especially Micro, Small & Medium Enterprises (MSMEs) in Defence Research, development and manufacturing of Defence equipment in the country; higher indigenisation levels in Defence equipment; enhancement of technical capabilities; creation of employment opportunities; thereby reducing in dependence on imports.

However, the Ministry has not made any specific allocations for the 'Make in India Policy' as there is no 'Make in India Project' category for procurement of Capital equipment. However, the objectives of 'Make in India' initiative of the Government are pursued by according preference to, 'Buy (Indian)', 'Buy and Make (Indian)' categories and other policy initiatives such as liberalization of FDI policy & Industrial Licensing policy, simplification of export procedures etc.

While tendering evidence before the Committee, the Defence Secretary too, elaborated on Make in India policy under the procurement process, the latest outcome of which seems to be the introduction of the new category (Indian Design Developed and Produced) in DPP 2016. While the Ministry is pursuing many plans for encouraging Indian Defence Sector, the Committee desire that the focus should be on trying to develop core, critical capabilities in the country; and not working as system integrator only. The Committee desire that specific steps taken in this direction may be conveyed to them.'

33. The Ministry in its Action Taken Reply has stated as under:

'The Government has taken several policy initiatives, such as according preference to 'Buy (Indian-IDDMM)', 'Buy (Indian)', 'Buy and Make (Indian)' categories of capital acquisition over 'Buy (Global)' category in Defence Procurement Procedure (DPP), liberalization of FDI policy & Industrial Licensing policy, simplification of export procedures, creating level playing field for Indian private and public sector companies, to make the country self-reliant in defence production. The specific steps taken to develop core, critical capabilities in the country are described in the succeeding paragraphs.

The '**Make**' procedure inDPP-2016 has been recast and shall be sub-divided into the following:-

- (i) Make I (Government funded) - Will include projects necessitating harnessing of critical technologies.
- (ii) Make II (Industry funded) - Will be self-funded by the developers with key focus on import substitution.

To enable risk mitigation for the developers, the share of MoD in Govt funded projects has been increased from 80% to 90%. The development agencies

will also be able to get a mobilisation advance of 20% of the estimated cost of development.

Buy (Indian-IDDM) procurement category has been introduced in DPP-2016. This category refers to procurement from Indian vendors of products that are indigenously designed, developed and manufactured, and have at least 40% indigenous content. If the product is not designed and developed indigenously, it will have to have 60 percent indigenous content. 'Buy (Indian-IDDM)' will encourage indigenous design and development of products.

The '**Buy (Indian)**' category, in which the product is to be procured from Indian vendors, will now require to have an indigenous content of minimum 40%, instead of the earlier 30% requirement.

Indian companies are allowed for tie-ups with a foreign Original Equipment Manufacturer (OEM) for Transfer of Technology (ToT) under '**Buy & Make (Indian)**' category.

Under '**Buy & Make**' category of Capital Acquisition, the foreign vendor is required to transfer the Technology to Indian Production Agency (IPA) for indigenous production of the items. Provisions have also been made to allow Foreign OEM to select IPA of its choice for ToT.

Defence Offsets Guidelines in DPP-2016 provide for ToT to Indian Companies as one of the eligible avenues for discharge of offsets.

Defence Research and Development Organization (DRDO) has issued Guidelines for ToT which provide for an institutional mechanism for transfer of technology developed by them to Industries, both public and private sector.'

34. The Committee note from the action taken reply submitted by the Ministry that for making the country self-reliant in Defence production, the policy initiatives taken by the Government include, according preference to 'Buy (Indian-IDDM)', 'Buy (Indian)', 'Buy and Make (Indian)' categories of capital acquisition over 'Buy (Global)' category in Defence Procurement Procedure (DPP), liberalization of FDI policy & Industrial Licensing policy, simplification of export procedures, creating level playing field for Indian private and public sector companies etc. Also, Defence Offsets Guidelines have been issued. The Committee desire that an impact analysis of the initiatives being undertaken by the Ministry in this regard may be conveyed to them at the earliest.

J. Defence Planning - Five Year Plans

Recommendation (Para Nos. 38-40)

35. The Committee had recommended as under:

'The Committee note that the Defence Five Year Plans are formulated to chalk out the necessary steps to maintain and augment Defence capabilities in line with the RM's Operational Directives, the Long Term Perspective Planning and the current threat perception. These plans help to estimate the outlay required to achieve the planned objectives. The plan period of 10th Plan was 2002-07, 11th Plan, 2007-12 and 12th Plan 2012-17. However, to the surprise of the Committee, these Plans did not receive Government approval.'

The Committee also note that during the 10th Plan (2002-07), a projection of Rs. 4,18,101 crore was made, but the expenditure incurred was only Rs. 3,57,627.17 crore. During 11th Plan (2007-12), a projection of Rs. 6,48,750.16 crore was made but expenditure incurred was on the higher side at Rs. 6,72,714.63 crore. As per the submission of the Ministry, although the Five Year Plans did not receive Governmental approval, the activities were proceeded with for implementation to the extent possible, within the available allocations. Thus, the Plans formulated only served as a guide for formulating annual budgetary projections even though formal approvals for the Plans could not be obtained.

The Committee does not find the reasoning put forth by the Ministry that instead of Five Year Plans, the annual plans served the purpose to be tenable. Long term plans are made with the intention of accessing the requirements of the Services and avoiding ad-hoc planning so that a trajectory may be taken to achieve the desired objectives. The Committee would like to be apprised of the specific reasons for non approval of these plans and desire that approval of Defence Five Year Plans should be given due importance so that our Forces know of the availability of budget and are also able to anticipate the number and type of equipment and infrastructure that needs to be created in the coming Five Years and prepare themselves accordingly.'

36. The Ministry in its Action Taken Reply has stated as under:

'The 12th Defence Five Year Plan remained under correspondence with the Ministry of Finance till November, 2014. With the finalisation of the BE for 2015-16 it was felt that there was no further purpose in pursuing approval of the Plan for 2012-17 given that budget for four out of five years of the Plan period was fixed. Under the circumstances, it was decided not to pursue the case for government approval of the Plan further. However, annual budget projections and individual schemes continue to be processed by the Ministry as envisaged in the Plan.'

It may be added that guidelines for preparation of 13th Defence Five Year Plan, which covers the period from 2017 to 2022, were issued on 30.11.15. It is likely that 13th Defence Plan will be prepared as per prescribed time-lines.

Preparation/finalization of Defence Plan do not guarantee availability of funds from Ministry of Finance. However, submission of a realistic Plan to Ministry of Finance sensitises them and other stakeholders to the requirement of Defence. Therefore, this Ministry is preparing 13th Defence Plan which will be shared with Ministry of Finance once finalized.'

37. The Committee find from the action taken reply submitted by the Ministry that the 12th Defence Five Year plan remained under correspondence with the Ministry of Finance till November, 2014. However, after that, the matter was not pursued due to the fact that the Five Year plan term was nearing completion. The Committee also note from the reply of the Ministry that guidelines for preparation of 13th Defence Five Year Plan, which covers the period from 2017 to 2022, were issued on 30.11.15. It is likely that the 13th Defence Plan will be prepared as per prescribed time-lines. The Committee are of the view that non- finalisation/approval of Defence Five Year plan is indicative of failure on the part of Ministries of Finance and Defence. The Committee desire that preparations of the 13th Defence Five Year plan should also guarantee availability of funds by the Ministry of Finance by sensitizing the Ministry on the requirement.

38. The Committee also desire that corrective and effective steps need to be taken for implementing/ executing plans pertaining to Defence modernisation/ procurement.

K. Long Term Integrated Perspective Plan (LTIPP)

Recommendation (Para Nos. 41 and 42)

39. The Committee had recommended as under:

'The Committee note that the Headquarters Integrated Defence Staff (HQIDS), in consultation with the Service Headquarters (SHQs), had evolved the 15 year Long Term Integrated Perspective Plan (LTIPP). Presently, LTIPP 2012-2027 is in vogue and has been approved by the Defence Acquisition Council. Proposals for acquisition of Capital Assets flow out from the Defence procurement planning process which covers the 15 year LTIPP, 5 year Services Capital Acquisition Plan (SCAP) and Annual Acquisition Plan (AAP). The LTIPP is translated into the SCAP, covering a five year period. The AAP of each service is a two year Roll on plan for Capital acquisition and consists of the schemes from the approved five year SCAP. Thus, the long term plan (LTIPP) gets finally translated to short term plan (AAP) and the cases included in the AAP are progressed for acquisition as per the Defence Procurement Procedure. Progress of procurement cases is regularly reviewed in SHQ and MoD. Amendments are made to the DPP, as and when required, to streamline the acquisition process.'

The Committee also note that during the 11th Plan period an amount of Rs. 2,21,978.65crore was allocated at Budget Estimate stage. However, the amount was reduced to Rs 2,02,974.22crore at Revised Estimate stage and Rs. 2,11,058.83 crore was the actual amount spent. During first three years of 12th Plan period Rs. 2,14,624.86 crore was allocated which was reduced to Rs. 1,89,953.6 crore at Revised Estimated stage. The amount actually spent during 12th Plan Period was Rs. 1,91,201.22 crore for the purchase of Ships, Aircrafts, Missiles, Tanks, Rockets, Ammunition, Simulator, Helicopters, Radars etc. The Committee find substantial variation in BE, RE and Actual figures of both the plan periods. Therefore, they desire to know the reasons for the same and whether before allocating funds for Capital Acquisition, aspects relating to cost escalation due to inflation has been taken into account.'

40. The Ministry in its Action Taken Reply has stated as under:

'Defence Budget is peculiar in nature and is different from budget of other Civil Ministries. No set trend could be seen the expenditure pattern of Defence Budget especially under Capital Head. This basically due the fact that many of the projects being handled in Defence Ministry involve large payments spread across years. Due to this fact there is a possibility that some years may see large expenditure whereas the succeeding year may see fall in expenditure. Though all aspect are taken into account while projecting/allocating funds, it may not be possible to accurately predict the expenditure as it depends on various facts like necessary approvals, meeting the milestones/time-lines etc.'

It may also be added that the progress of capital acquisition expenditure is monitored regularly by the Acquisition Wing which is tasked with the responsibility of defence capital procurement. Acquisition Wing, being a specialist organization created on the basis of the Kargil Committee Report and recommendations of the Group of Ministers, not only monitors capital expenditure, but also 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 RakshaMantri comprising of all stakeholders, monitors adherence to broad timelines in Defence Procurement.'

41. The Committee are not convinced with the Action Taken Reply, which, by inter-alia indicating that the Defence Budget is peculiar in nature and is different from the Budget of other Civil Ministries, owing to which no specific trend of expenditure pattern can be deciphered or highlighted is routine in nature. The reply indicates that there is a possibility that some years may witness a large quantum of expenditure whereas the succeeding years may see a fall in expenditure. The reply also indicates that the Ministry feels that there is no necessity for Long Term Integrated Perspective Plan. Therefore, the Committee desire that a cost benefit analysis of Long Term Integrated Perspective Plan (LTIPP) should be carried out and they be informed of the findings.

L. Authorisation of Married Accommodation and Satisfaction Level

Recommendation (Para Nos. 48 and 49)

42. The Committee had recommended as under:

'The Committee note that NCOs/OR of Army were authorised 14 percent married accommodation as per 'Scale of Accommodation' 1983. This was revised to 35 per cent vide Scale of Accommodation 2009. Authorisation levels have been decided in the past taking into account likely level of deployment in peace areas and likely percentage of personnel who would be married and moving with families to places of posting. The increase in authorisation reflects the changes seen with respect to the above parameters among NCO/ORs due to changes in socio-economic conditions and increasing number of nuclear families. Authorisation of Married Accommodation at present is worked out based on the scales of accommodation 2009 and satisfaction level is decided based on the accommodation available vis a vis accommodation authorised.

The Committee find that authorisation and satisfaction level as calculated by the Ministry is misleading and gives an incorrect impression that if the

satisfaction level is 100 percent as per the scale, it would imply that every armed forces personnel has been given accommodation. The Committee desire that the Ministry should take necessary steps to ensure that satisfaction level, in case of Officers as well as Jawans achieved in the true sense of term.'

43. The Ministry in its Action Taken Reply has stated as under:

'Factual statement

Authorisation is based on Scales of Accommodation 2009 and forms the basis for construction of married accommodation. At the time when MAP was perceived and sanctioned, units in field / counter insurgency (Northern and Eastern Command units) were not considered due to prevailing internal security situation. However, due to improved ground situation, accommodation for field formations is also planned for popular stations outside Northern and Eastern Command, primarily for use by all ranks posted to field formations/ commands. Construction has been completed in MAP Phase-I (57875 Dwelling Units). Phase-II has achieved 72 % progress, 25083 DUs have been constructed and remaining 44821 DUs are under construction. Ph-III & Ph-IV have been clubbed. Any enhancement to authorization in Scales of Accommodation 2009 will be considered after due deliberation and will be based on ground requirements.'

44. **The Committee had, in their Report on the Demands for Grants (2016-17) recommended that the 'authorisation' and 'satisfaction' levels being calculated by the Ministry are misleading and convey an incorrect impression that if the satisfaction level is 100 percent as per the scale, it would imply that all the armed forces personnel have been provided with accommodation. The reply of the Ministry is no different from the ones furnished on previous occasions. Therefore, the Committee reiterate their earlier recommendation that the Ministry should take necessary steps to ensure that the satisfaction level, in case of Officers as well as Jawans is achieved in the true sense of term.**

CHAPTER II

(A) OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation No. 21

From the information furnished by the Ministry it is seen that the 'Revenue' to 'Capital Ratio' of the budgetary allocation in case of the Army has changed from 77:23 (77 – Revenue and 23 - Capital) in 2011-12 to 81:19 in 2015-16 and 2016-17 (BE). Similarly, in the case of the Air Force the allocation on Revenue Account has risen from 34 per cent in 2011-12 to 44 per cent in 2016-17 (BE) with commensurate fall in the allocation under the Capital Account. The Committee find it very disappointing to note that the Budget for Capital acquisitions for the Army is declining in comparison to revenue allocations thereby leaving very little scope for acquisition of new weapon systems. With a view to have the Services in a war-ready mode and to arm them with modern state of the art weaponry, a Capital revenue ratio that is in favour of the Capital segment is a must.

Reply of the Government

The higher growth in the revenue expenditure of the Army is mainly attributable to the fact that it is manpower intensive with a large portion of its expenditure being devoted to Salaries. This skews the revenue-capital ratio in favour of revenue expenditure, especially when compared to the other Services.

The Committee may be assured that projections / requirements of the Army under Capital Head will be forwarded to Ministry of Finance for consideration at Supplementary/RE stage. In case the funds are not provided as per projections by the Ministry of Finance, the available resources will be optimally utilized based on prioritized requirements of the Army. It may also be added that all efforts will be made to ensure that critical requirements of Army or any other Service do not suffer due to want of funds.

Dependance on foreign suppliers for military hardware

Recommendation No. 30

Modernization involves acquiring new state-of-the-art platforms, technologies and weapon systems to upgrade Defence capabilities. The budget for the same is taken from the capital segment of the Defence budget. However, the committee note that Army spent amount of Rs 991.67 crore in 2012-13, Rs 1501 crore in 2013-14, Rs 3452.61 crore in 2014-15 and Rs 2554.11 crore in 2015-16. Similarly, the Navy spent Rs 5968.80 crore in 2012-13, Rs 577.81 crore in 2013-14 Rs 6884 crore in 2014-15 and Rs 6110.31 crore in 2015-16 in importing equipment. As for the Air Force, an amount of Rs 19220.95 crore was spent in 2012-13, Rs 20,927.54 crore in 2013-14, Rs 14,655.75 crore, in 2014-15 and Rs 10,156.47 crore in the year 2015-16 on import of weaponry. In total last 4 years, the services imported equipments worth Rs 105001.02 crore. The committee are worried over the burgeoning import bill of the equipment, for which no action has been initiated by the ministry of reduce it till date. The committee desire that in New DPP, the Ministry should encourage the indigenous manufacturers and they may be provided incentives to design and develop Defence equipments so as to avoid spending large sums of money on foreign sources.

Recommendation No. 31

The committee find that dependence on foreign suppliers for military hardware is increasing. The Ministry clarified that capital procurement of Defence equipment from Indian and foreign vendors is carried out as per provisions of the DPP. However, Defence equipment is being imported from various countries as per the operational requirements of Armed Forces. The 89 contracts with total value of Rs 88786.73 crore signed during 2013-14 and 2014-15 include 50 contracts signed with Indian vendors with total value of Rs 64462.67 crore and 39 with foreign vendors with total value of Rs 24324.06 crore. The committee note that the major Defence equipment imported during last two years include rockets and component level repair facility for Tanks from Russia, Unmanned Aerial vehicles, fire control system for tanks and missiles from Israel, aircraft and simulators from USA and BMCS High Zone Modules of Artillery Guns from France. The committee desire that the Ministry should take pre-emptive action for enabling emergence and development of vendors within the country to supply military hardware to the Services. This would, inter alia help in avoiding repetition of the mistakes made earlier whereby vendors charged huge sums of money to supply spare parts or embargos were applied against the country supplying spare parts to India.

Reply of the Government on Recommendation no. 30 & 31

DPP-2016 focuses on institutionalising, streamlining and simplifying defence procurement procedure. It aims to give a boost to 'Make in India' initiative of the Government of India, by promoting indigenous design, development and manufacturing of defence equipment, platforms, systems and sub - system. 'Make' Procedure has also been refined and expanded to ensure increased participation of the Indian industry. Enhancing the role of MSMEs in defence sector is one of the defining features of DPP-2016. The specific provisions included in the DPP-2016 are as under :-

(a) in order to promote indigenous design and development of defence equipment, DPP-2016 has introduced the 'Buy (Indian – IDDM)(Indigenously Designed, Developed & Manufactured)' Category and accorded it top priority. This category refers to the procurement of product from an Indian vendor indigenously designed, developed and manufactured with min 40% IC.

(b) The priority of categories, as given below indicates the focus on promotion of Indian vendors :-

- (i) Buy (Indian – IDDM)
- (ii) Buy (Indian)
- (iii) Buy & Make (Indian)
- (iv) Buy & Make
- (v) Buy Global

The service concerned is required to justify why higher priority categorization is not adopted, if it recommends categories lower in priority.

(c) **Make** : The 'Make' categorization aims at developing long term indigenous defence capabilities with MoD sharing 90% of development cost. The 'Make' category of procurement would be pursued in isolation, in sequence or in tandem with any of the above five categories.

(d) **Design & Development cases by DRDO** : The process of Design & Development under Buy (Indian-IDDM)' category by DRDO/DPSUs/OFB has been formalized in DPP-2016 thus giving to boost to indigenous production.

(e) **MSMEs DPP** :DPP – 2016 provides great impetus to MSMEs with certain categories of 'Make' projects reserved exclusively for MSMEs.

(f) **ERV** : Exchange Rate variation shall also be applicable for Rupee contracts with Indian Vendors to bring in level playing field for Indian vendors competing with global vendors.

During the last two years (2014-15 and 2015-16), a total of 101 capital expenditure projects were cleared for procurement by the Defence Acquisition Council (DAC), involving a value of Rs. 2,22,418 crore of which 71 cases involving Rs. 1,18,183 crore (i.e 53% of total value), are under the 'Buy(Indian)' and 'Buy & Make (Indian)' categories. Efforts will continue to be made to enable expansion of the Indian vendor base for procurement of defence equipment.

Recommendation No.33

“The Committee find this Situation to be of concern as the policy of the Nation is to lay more and more emphasis on Self reliance in Defence Production While the aspect of indigenously manufactured ships and crafts is highlighted, the analysis of import content reveals that the country is heavily dependent on supply of requisite equipment/components from foreign sources. It is a matter of surprise to note that MDL constructed the P 17A with 72 per cent import content. Another platform P15B was constructed with 68 per cent of import content. Even the products developed and manufactured by Ordnance Factories have more than 15 per cent import content. The Committee earnestly desire that in the interest of national security, appropriate measures be taken under the Make In India policy for achieving self-reliance in Defence Production and reducing the import content in the Military equipment manufactured indigenously.”

Reply of the Government

It is submitted that figures in regards to P17A and P15B have been erroneously reflected in the quoted report (reference para 2.1498)/page 28 and para 33 of page of the report). The figure should read as follows:-

Project	Import content as per the SCOD report	Factual/correct import content
P-15	42%	42%
P-17	54%	54%
P-15A	57%	57%
P-15B	68%	32%
P-17A	72%	28%

It was a typographical error i.e. indigenous content in P-17A and P-15B got reflected as import content. The SCOD report is required to be amended accordingly.

In respect of OFB, during the period 2012-15 import content (average) in respect of Ordnance Factories has been around 12.08, while during 2013-14, it has been 15.15.

Further, the observation of the committee has been noted for compliance.

MARRIED ACCOMMODATION PROJECT

Recommendation no. 43

The Committee note that the Directorate General of Married Accommodation Project (DG MAP) was raised by Government of India under the aegis of Engineer in Chief for constructing married accommodation for the three services, with the aim of overcoming the deficiency of accommodation for service personnel. A total deficiency of two lacs dwelling units have been slated for construction in four separate phases for addressing the deficiency.

Reply of the Government

Factual statement

Recommendation no. 44

The Committee also note that as admitted by DG MAP, the projects are running behind schedule by at least two years, which the Committee feel is the matter of concern. The argument put forth by the Ministry that outsourcing fifty percent work to Central Public Sector Undertakings contributed to the delay in the construction work is indicative of inadequacies in the monitoring system with MAP. Another reason given for the delay viz, big ticket players having underbid the project, also does not seem to be a plausible explanation. It is strange that despite many years of experience, the MAP could not differentiate between “under” or “overbidding”

Reply of the Government

Construction of 57875 DUs in Ph-I has been completed. In Ph-II, 69904 DUs were taken up for construction. 25083 DUs have been constructed. Construction of remaining 44821 DUs is in progress. 95 % of construction Ph-II will be completed by Dec 2017. The progress of the projects are regularly monitored. Due to non-satisfactory performance by PSUs, case was taken up with government and further allocation of work to PSUs has been stopped by Govt. DG MAP follows Competitive tendering procedure. The tenders were awarded based on the prevailing procedure and CVC guidelines. However, deficiencies in contract conditions have been observed & efforts are on to address these in Phase-III.

Recommendation no. 45

Although the DG MAP stated before the Committee that the MAP has got assured budgetary support and there was no shortage of funds, on the contrary, the data provided indicates that while MAP made a projection of Rs. 2830 crore during 2016-17, only Rs. 1546.85 crore were allotted.

Reply of the Government

Presently Rs1546.85 Cr have been allocated for MAP. However, it has been confirmed that based on expenditure further funds will be allocated by way of reappropriation/ supplementary grants/ revised estimates.

Recommendation no. 46

The Committee desire that instead of making assurances, MAP should make improvements in its working which should be reflected at the ground level. The Committee are also of the view that MAP should look into the aspect of obtaining prefabricated construction material which is available in the market so as to speed up the construction work and avoid delays in providing accommodation for the Services fighting for the nation.

Reply of the Government

DG MAP has done a comprehensive review of all existing rules and procedures and studied the best practices being followed by other Govt Deptts. Recommendations for change in existing system and procedures i.e. amendment to DEPMC Contract Conditions & Building Contract Conditions in order to realign them with the present ground realities have been concurred in by Def (Fin) and vetted by LA (Def). After obtaining the approval of RM, these will be adopted in Phase-III. In addition, new construction technologies like Pre Cast Technology and Shear wall Technology will also be adopted for construction in MAP Phase III. Above measures will significantly expedite the speed of construction and ensure faster delivery of Dwelling Units.

Recommendation no. 47

The Committee also desire that MAP should also identify areas where no accommodation outside the Military area is available which include Jaisalmer, Barmer etc and give priority for construction of dwelling units in such areas.

Reply of the Government

Prioritization for construction in MAP Phase-III has already been carried out by users based on waiting list in the Station, availability of accommodation in civil areas adjacent to Cantonment / Military Station boundaries and satisfaction level of stations. Jaisalmer has 1815 Dwelling Units (275 Officers, 140 JCOs and 1500 ORs) and has been allotted Priority I by users. No accommodation has been planned by users at Barmer.

(B) OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT AND TO BE COMMENTED UPON

Recommendation No. 19

Keeping in mind the overall budgetary constraints of Government of India, the Committee also desire that the Ministry of Defence explore the possibility of leasing out their unutilized land and other equipment and earn Capital which could be utilized for Capital acquisition. The Committee may be intimated of the action taken in this regard.

Reply of the Government

The suggestion made by the Committee has been noted. This Ministry is already exploring alternatives of raising resources. A concept paper on land management is under preparation. Draft Cabinet Note for closing down of Military Farms is also under preparation. The Committee will be apprised of the outcome of these activities in due course.

Recommendation No. 20

During examination of Demands for Grants 2015-16, the Committee was apprised that Capital Outlay was in the ratio of 30:40:30 all over the world which means that out of the total Capital Outlay, 30 per cent has to be for the category of state-of-the-art technology, 40 per cent current and 30 per cent for obsolescence. The Ministry of Defence is endeavouring to follow this standard pattern. The Committee felt that in order to achieve this standard ratio, we would have to not only enhance our Capital Outlay but also make it "Non-Lapsable and Roll-on" as an urgent change in our Financial Policy. The major reason cited by the Defence Secretary for not adhering to this standard ratio was insufficient Capital Budget. Therefore, the Committee desired that the Defence Ministry officials have to make sincere and effective efforts and ensure that the funds allocated are fully & efficiently utilized under respective heads.

Reply of the Government

The recommendations of the Committee are noted for compliance.

The Committee may be assured that projections / requirements of the Services under Capital Head will be forwarded to Ministry of Finance for consideration at Supplementary/RE stage. In case the funds are not provided as per projections by the Ministry of Finance, the available resources will be optimally utilized based on prioritized requirements of the Services. It may, however, be added that all efforts will be made to ensure that critical requirements of Services do not suffer due to want of funds.

Necessary instructions are being issued from time to time for sticking to financial propriety and avoidance of underutilization of funds/wasteful expenditure.

The Committee may be assured that all efforts will be made to ensure optimum utilization of scarce resources.

(For comments of the Committee please see Para No. 17 of Chapter I of the Report)

Recommendation No. 26

The Committee note that as per the statement of the Ministry of Defence lower Capital Budget allocation may affect the major Aircraft or Armament deals planned to be procured from foreign sources. The deals/plans in the pipeline include, induction of new fighters in the form of Su-30 aircraft, LCA Mk-1 and Mk-1A aircraft, Rafale aircraft and other suitable fighters. A separate proposal is planned to be made for additional funds in FY 2016-17 for procuring Rafale Aircraft, once the cost and timelines for delivery are finalised. As informed, the Government is also preparing the road map for induction of fighter aircraft in the IAF and all future induction will be as per this road map. IAF is likely to build up its fighter aircraft fleet to the required strength by the end of 15th Plan Period. The Committee are of the view that these, as well as similar other big ticket projects, may be affected due to lower Capital Allocations. Therefore, there is a need on the part of the Ministry to shun ad-hoc planning and take necessary steps so that allocations under this head of account would be sufficient for purchasing modern equipment.

Reply of the Government

This Ministry is bound by budgetary ceilings conveyed by Ministry of Finance. However, the Committee may be assured that projections / requirements of the Services under Capital Head will be forwarded to Ministry of Finance for consideration at Supplementary/RE stage. In case the funds are not provided as per projections by the Ministry of Finance, the available resources will be optimally utilized based on prioritized requirements of the Services. It may, however, be added that all efforts will be made to ensure that critical requirements of Services do not suffer due to want of funds.

(For comments of the Committee please see Para No. 25 of Chapter I of the Report)

Long gestation period in procurement

Recommendation no. 28

While the enthusiasm in propagating the new DPP is very encouraging, as admitted by the ministry, the procurement cycles are very long and it takes three to seven years for the procurements to materialise. This raises the doubt on the assurances given by the Ministry on ensuring timely procurements. An unduly long time taken on specific acquisition, say 7 years, leaves the possibility of making the contracted equipment obsolete and better and more sophisticated models could have been introduced by some other company. Therefore, the committee desire that the Ministry should make all out efforts to cut the procurements cycle to a minimum time

span so that the requirement of the Forces may be met with in short time frame and also the equipment would not turn obsolescent by the time of delivery. The committee also feel that the procedures related to procurement should be made simpler and user-friendly.

Reply of the Government

The new DPP 2016 has been promulgated with effective from 01.04.2016. The following provisions have been included / amended in DPP-2016 to cut down the procurement cycle and also to make it simpler and user friendly:-

(a) HQIDS will bring out the Technology perspective and Capability Roadmap (TPCR) for use by the industry. This document will be made available on MoD website and ensure improved transparency and responsiveness as also facilitate advance planning and preparation by industry.

(b) Request for Information (RFI) process has been laid down as the first step of the acquisition process and elaborated in detail with an aim to have extensive interaction with vendors, after uploading broad details of the upcoming procurement case on MoD website. This enables the industry to understand requirements of the MoD and propose their solutions accordingly.

(c) Draft RFP has to be prepared and enclosed with Statement of Case (S of C) at Acceptance of Necessity (AoN) stage itself. This would help in reducing the timelines for issuing the RFP thereby reducing overall time for the procurement process.

(d) AoN validity has been reduced to six months (from one year) for 'Buy' Cases and to one year (from two years) for 'Buy and Make(Indian)' cases.

(e) Offset obligation is required only in cases where the cost of contract is more than Rs. 2000 crores. This would ease the conditions of business for foreign vendors and speed up decision making.

(f) Provision for involving private industry as Production Agencies and ToT partners in addition to DPSUs have been incorporated.

(g) The scope of Fast Track Procedure has been enlarged to cover peace time urgent operational requirement also. In addition, it can also be applied for cases where undue/unforeseen delay due to reasons beyond the control of the acquisition set up is seen to be adversely impacting the preparedness of the forces.

(For comments of the Committee please see Para No. 28 of Chapter I of the Report)

Recommendation no. 37

While tendering evidence before the Committee, the Defence Secretary too, elaborated on Make in India policy under the procurement process, the latest outcome of which seems to be the introduction of the new category (Indian Design Developed and Produced) in DPP 2016. While the Ministry is pursuing many plans for encouraging Indian Defence Sector, the Committee desire that the focus should be on trying to develop core, critical capabilities in the country; and not working as system integrator only. The Committee desire that specific steps taken in this direction may be conveyed to them.

Reply of the Government

1. The Government has taken several policy initiatives, such as according preference to 'Buy (Indian-IDDMM)', 'Buy (Indian)', 'Buy and Make (Indian)' categories of capital acquisition over 'Buy (Global)' category in Defence Procurement Procedure (DPP), liberalization of FDI policy & Industrial Licensing policy, simplification of export procedures, creating level playing field for Indian private and public sector companies, to make the country self-reliant in defence production. The specific steps taken to develop core, critical capabilities in the country are described in the succeeding paragraphs.

2. The **'Make' procedure** in DPP-2016 has been recast and shall be sub-divided into the following:-

(i) Make I (Government funded) - Will include projects necessitating harnessing of critical technologies.

(ii) Make II (Industry funded) - Will be self-funded by the developers with key focus on import substitution.

To enable risk mitigation for the developers, the share of MoD in Govt funded projects has been increased from 80% to 90%. The development agencies will also be able to get a mobilisation advance of 20% of the estimated cost of development.

3. **Buy (Indian-IDDMM)** procurement category has been introduced in DPP-2016. This category refers to procurement from Indian vendors of products that are indigenously designed, developed and manufactured, and have at least 40% indigenous content. If the product is not designed and developed indigenously, it will have to have 60 percent indigenous content. 'Buy (Indian-IDDMM)' will encourage indigenous design and development of products.

4. The **'Buy (Indian)'** category, in which the product is to be procured from Indian vendors, will now require to have an indigenous content of minimum 40%, instead of the earlier 30% requirement.

5. Indian companies are allowed for tie-ups with a foreign Original Equipment Manufacturer (OEM) for Transfer of Technology (ToT) under **'Buy & Make (Indian)'** category.

6. Under **'Buy & Make'** category of Capital Acquisition, the foreign vendor is required to transfer the Technology to Indian Production Agency (IPA) for indigenous production of the items. Provisions have also been made to allow Foreign OEM to select IPA of its choice for ToT.

7. **Defence Offsets Guidelines** in DPP-2016 provide for ToT to Indian Companies as one of the eligible avenues for discharge of offsets.

8. Defence Research and Development Organization (DRDO) has issued Guidelines for ToT which provide for an institutional mechanism for transfer of technology developed by them to Industries, both public and private sector.

(For comments of the Committee please see Para No. 34 of Chapter I of the Report)

Recommendation No. 42

The Committee also note that during the 11th Plan period an amount of Rs. 2,21,978.65crore was allocated at Budget Estimate stage. However, the amount was reduced to Rs 2,02,974.22crore at Revised Estimate stage and Rs. 2,11,058.83 crore was the actual amount spent. During first three years of 12th Plan period Rs. 2,14,624.86crore was allocated which was reduced to Rs. 1,89,953.6 crore at Revised Estimated stage. The amount actually spent during 12th Plan Period was Rs. 1,91,201.22crore for the purchase of Ships, Aircrafts, Missiles, Tanks, Rockets, Ammunition, Simulator, Helicopters, Radars etc. The Committee find substantial variation in BE, RE and Actual figures of both the plan periods. Therefore, they desire to know the reasons for the same and whether before allocating funds for Capital Acquisition, aspects relating to cost escalation due to inflation has been taken into account.

Reply of the Government

Defence Budget is peculiar in nature and is different from budget of other Civil Ministries. No set trend could be seen the expenditure patter of Defence Budget especially under Capital Head. This basically due the fact that many of the projects being handled in Defence Ministry involve large payments spread across years. Due to this fact there is a possibility that some years may see large expenditure whereas the succeeding year may see fall in expenditure. Though all aspect are taken into account while projecting/allocating funds, it may not be possible to accurately predict the expenditure as it depends on various facts like necessary approvals, meeting the milestones/time-lines etc.

It may also be added that the progress of capital acquisition expenditure is monitored regularly by the Acquisition Wing which is tasked with the responsibility of defence capital procurement. Acquisition Wing, being a specialist organization created on the basis of the Kargil Committee Report and recommendations of the Group of Ministers, not only monitors capital expenditure, but also 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 RakshaMantri comprising of all stakeholders, monitors adherence to broad timelines in Defence Procurement.

(For comments of the Committee please see Para No. 41 of Chapter I of the Report)

Chapter III

**OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT
DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE
GOVERNMENT**

-NIL-

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE WHICH REQUIRE REITERATION AND COMMENTED UPON

Recommendation No. 7

During the deliberations on Demands for Grants (2016-17), the Defence Secretary very candidly submitted before the Committee that the money allocated for Capital acquisition was not in accordance with the requirements of the Services. The Services get whatever is allocated by the Ministry of Finance. The often repeated explanation of the Ministry in regard to the allocations not being commensurate with the projections is centered on the overall resource constraints of Government of India. Although, assurances are given by the way of stating that additional allocations would be provided as and when required at the supplementary/RE Stage, the matter gets postponed to the subsequent years. Moreover, when the threat perception is on the increase, the Services seem to be falling back. The Committee cannot accept the stance of the Ministry which implies that the Services have to manage with whatever is allocated. Proactive steps need to be taken for effectively countering the threat scenario.

Therefore, the Committee urge upon the Ministry to ensure that the allocations to the Services, under the Capital Head, are commensurate with the projection and the "Threat Perception" so that the process of modernization of the Services keeps pace as per with the plan and matters pertaining to security do not suffer for the want of resources.

Reply of the Government

This Ministry had projected an amount of Rs. 1,21,929.80 crores in Capital Budget for FY 2016-17, whereas an amount of Rs. 86,340 crores has been allocated i.e. reduced allocation of Rs. 35,589.80 crores. It is a fact that this Ministry is bound by budgetary ceilings conveyed by Ministry of Finance. Though reference were made to Ministry of Finance for augmentation of ceilings conveyed by them but no positive response is received in this regard. The reduced allocations were passed on uniformly among all the Services.

The Committee may be assured that projections / requirements of the Services under Capital Head will be forwarded to Ministry of Finance for consideration at Supplementary/RE stage. In case the funds are not provided as per projections by the Ministry of Finance, the available resources will be optimally utilized based on prioritized requirements of the Services. It may, however, be added that all efforts will be made to ensure that critical requirements of Services do not suffer due to want of funds.

(For comments of the Committee please see Para No. 7 & 8 of Chapter I of the Report)

Recommendation No. 11

The Committee find from the data supplied by the Ministry that during the year 2015-16, in regard to the Army, an amount of Rs 21,934 crore provided initially was reduced to Rs. 17,997.6 crore at RE stage. For the current year, in BE 2016-17, Rs. 21,535.3 crore has been allocated, which is indicative of a negative trend, or decline of 1.8 per cent over BE 2015-16. Similarly, the allocation for Capital Acquisition with regard to Navy which was Rs. 24,283.24 crore at the stage of BE was reduced to Rs. 19,101.19 crore at RE stage. For the current year 2016-17, only Rs. 21,322.64 crore has been allocated, thereby indicating a decline of 12.2 per cent in the allocation in comparison to BE 2015-16. For the Air Force, Rs. 31,481.52 crore which was allocated at BE stage for the year 2015-16 was reduced to Rs. 28,643.10 crore at RE stage. For the current year, the allocation is Rs. 27,556.02 crore, which is indicative of a negative trend or fall of 12.5 per cent in the allocation in comparison to BE 2015-16.

The Committee note that, in total, an amount of Rs. 77,406.69 crore was provided in 2015-16 for Capital acquisitions, inclusive of DGOF supplies. At RE stage, the amount was reduced to Rs. 65,400 crore. For the current year, however, the Ministry has allocated only Rs. 70,000 crore.

The Committee find it very surprising that instead of increasing the allocation, the Ministry has reduced the budget for Capital acquisitions for the Forces. As can be seen, all the three Services have witnessed a drop in allocation not only at the RE of 2015-16 but also in the 2016-17 allocations. The back to back decline in allocation comes at a time when all the three Services have several mega procurement contracts (including the one for procuring Rafale fighters) to be finalized. The cut in the latest allocation would therefore mean that all the pending procurement projects may not go through unless the Government decides to step up the allocation. The past trend of allocations and expenditure shows that the Ministry of Finance imposes budgetary cuts at RE stage. The Committee have, in their reports presented earlier, emphasised on the allocations being of a 'Roll on' and 'Non Lapsable' nature. The Ministry, however, does not seem to have initiated any action in this direction and has only stated that it may not be desirable to make the Capital Budget 'Non-Lapsable' and 'Roll on', ostensibly on the plea that there has been no occasion in the last five years where any substantial amounts were available as surplus for rolling over. The intention of the Committee in recommending having Non-Lapsable funds for Defence modernization is primarily for ensuring that the money allocated for a particular item is spent on the specified item only, not necessarily in the same Financial year.

The Committee, therefore, desire that the Ministry should look into the aspect of creating a 'Non-Lapsable' and 'Roll on' Capital Budget afresh so that allocations made towards a specific item are not lapsed and fresh allocations sought in the next financial year for the same purpose.

Reply of the Government

The utilisation of the Defence capital budget must be viewed in its entirety. Focussing only on a particular Service, or year, of under spending may not be appropriate as it gives a distorted picture. It is more appropriate to focus on under-spending, if any, under the capital budget as a whole rather than any one Service. Under-spending by one Service is usually counter balanced by excess spending by

another Service. Thus, from the position of utilisation of the capital budget tabulated below, it may be seen that funds available have been fully utilised:

(Rs. in crores)

Year	BE	RE	Actuals	% age utilisation
2010-11	60,000.00	60,833.26	62,056.00	102.01
2011-12	69,198.81	66,143.81	67,902.38	102.65
2012-13	79,578.63	69,578.63	70,499.12	101.32
2013-14	86,740.71	78,872.23	79,125.05	100.32
2014-15	94,587.95	81,965.24	81,887.42	99.91
2015-16	94,588.00	81,400.00 79,483.28 (MA)	80,081.64	98.38% (RE) 100.75% (MA)

(MA=Modified Appropriation)

In view of the above, it is felt that no purpose is served by delineating the capital budget as "non-lapsable and roll-on" as on no occasion during the last five years were any surplus funds available for rolling over.

(For comments of the Committee please see Para No.11 & 12 of Chapter I of the Report)

Recommendation No. 12

The Committee understand that the budget allocated for Capital Acquisitions pertaining to high value equipment for the Services is distinct and separate. However, the funds allocated lapse due to absence of proper planning to acquire defence equipment. While tendering evidence, the Defence Secretary too admitted that the process of planning needs to be drastically changed. Therefore, with a view to monitoring the specific items there is a need for converting this Budget into an "outcome" oriented budget of specified categories / projects, viz., programmes and schemes for acquisition of Artillery and Air Defence Guns, Bullet-Proof Jackets, Helicopters, Missiles, Submarines, Naval Ships, Fighter and transport Aircraft, Mid-Air Re-Fuellers etc. Annual targets could be set for each such programme/scheme and allocations made accordingly, thus paving the way for outcome-oriented monitoring. Since the outcome of each such project would be measurable, it would be possible to assess the progress made by the Ministry during the year, pinpoint the reasons for shortfall and take remedial measures.

Reply of the Government

The progress of capital acquisition expenditure is monitored regularly by the Acquisition Wing which is tasked with the responsibility of defence capital procurement. Acquisition Wing, being a specialist organization created on the basis of the Kargil Committee Report and recommendations of the Group of Ministers, not only monitors capital expenditure, but also 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 RakshaMantri comprising of all stakeholders, monitors adherence to broad timelines in Defence Procurement.

(For comments of the Committee please see Para No.15 of Chapter I of the Report)

Recommendation No. 22

The Committee also note from the reply of the Ministry that as far as the Capital segment is concerned, funds are first set aside for meeting the projected Committed Liabilities that are likely to materialise during the year. The remaining allocation is distributed for meeting the requirement projected for other items. The procurement plan for Capital modernization schemes may have to be reviewed and re-prioritized, based on available funds.

Reply of the Government

It is a fact that available funds under Capital head are first set aside for Committed Liabilities as these included payments binding as per contract of projects under implementation.

The progress of capital acquisition expenditure is monitored regularly by the Acquisition Wing which is tasked with the responsibility of defence capital procurement. Acquisition Wing, being a specialist organization created on the basis of the Kargil Committee Report and recommendations of the Group of Ministers, not only monitors capital expenditure, but also 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 RakshaMantri comprising of all stakeholders, monitors adherence to broad timelines in Defence Procurement.

Recommendation No. 25

The Committee note that Committed Liability refers to payments anticipated during financial year in respect of contracts concluded in the previous years. Under the Defence Services Estimate, Committed Liabilities constitute a significant element in respect of the Capital acquisition segment, since a project may span over several financial years. As such, it is important to track the element of Committed Liabilities which hold the first charge on the budget allocation. Inadequate allocation for Committed Liabilities could lead to default on contractual obligations. During the year 2014-15, BE allocations for committed liabilities and new schemes were Rs. 18,851.26 crore and Rs 2,084.15 crore in case of Army. For the Navy these allocations were Rs. 21,248.07 crore and Rs. 663.92 crore respectively. In case of Joint Staff, an allocation of Rs. 473.07 crore was made for Committed Liabilities and only Rs. 9.17 crore for New Schemes. The case of Air Force was no different either. The Force was given only Rs. 29,173.40 crore for Committed Liabilities and Rs. 2,644.99 crore for New Schemes. In total, Rs. 69, 745.80 crore was allocated for Committed Liabilities and Rs. 5,402.23 crore for New Schemes. For the current year, 2016-17, the Services projected a requirement of Rs. 73,552.51 crore for Committed Liabilities and Rs. 22,892.02 crore for New Schemes which includes Rs. 21,921.38 crore for Army, Rs. 23,276 crore for Navy, Rs. 325.55 crore for Joint Staff and Rs. 28029.58 crore for Air Force under the head 'Committed Liabilities' and Rs. 7,748.91 crore for Army, Rs. 4,781 crore for Navy, Rs. 425.28 crore for Joint Staff and Rs. 9,936.83 crore for New Schemes.

However, based on the allocation of funds by the Ministry of Finance, the actual allocation in BE 2016-17 is lesser by Rs. 2,472.12 crore for Committed

Liabilities and Rs. 5,662.91 crore for New Schemes in case of Army, Rs. 4512.23 crore for Committed Liabilities and Rs. 3181 crore for New Schemes in case of Navy, Rs. 205.88 crore for New Schemes in case of Joint Staff, and Rs. 5138.53 crore for Committed Liabilities and Rs. 5251.86 for New Schemes in case of Air Force. In total, there is cut of Rs. 12,142.88 crore for Committed Liabilities and Rs. 14,301.65 crore for New Schemes. As per the Ministry of Defence's own admission, these shortfall in the allocation will affect the preparedness of the Forces.

From the data supplied by the Ministry, it is seen that the allocations made for Committed Liabilities are being cut at RE stage each year. Considering the fact that Committed Liabilities are the payments anticipated during a financial year in respect of contracts concluded in previous years, the Committee are baffled as to how a cut can be made in the Head of Account for Committed Liabilities. The Committee also find it surprising that while the Government's stress is on modernization of the Forces, meagre allocations are made for New Schemes pertaining to the Army and other Services as well. Therefore, the Committee desire that the Capital Budget should be increased so as to be commensurate with the projection of the Services. It also needs to be ensured that steps are taken to ensure that budget is utilized fully. It is the earnest desire of the Committee that proper allocations should be made for New Schemes for enabling in modernizing the forces.

Reply of the Government

At the outset the Committee may be apprised that cut has never been applied on Committed Liabilities. Funds allocated under Capital budget are first assigned for Committed Liabilities as these payments cannot be avoided. The funds for New Schemes are catered through Capital Acquisition Head of Capital Budget.

For BE 2016-17, this Ministry had projected a requirement of Rs. 96,444.52 crores under Capital Acquisition head, however an amount of Rs. 70,000 crores could be allocated based on ceilings conveyed by Ministry of Finance. Of the allocated Rs. 70,000 crores, Rs. 53,291.55 crores are first kept for Committed Liabilities and the remaining amount of Rs. 16,708.45 crores is allocated to the Services under New Schemes. It may be added that all efforts will be made to ensure that critical requirements of Services do not suffer due to want of funds.

Necessary instructions are being issued from time to time for adherence to financial propriety and avoidance of underutilization of funds/wasteful expenditure.

The Committee may be assured that all efforts will be made to ensure optimum utilization of scarce resources.

(For comments of the Committee please see Para No. 21 & 22 of Chapter I of the Report)

Essential Parameter of DPP 2016

Recommendation No. 29.

The committee expressed concerns and doubts on certain parameters of DPP 2016 on which no satisfactory reply was given by the representatives of the Ministry. For instance, in the event of a vendor failing to deliver the equipment contracted for, it was informed that the Ministry cannot go back to L-2 vendor. The committee are of the view that having such a provision which enables to approach the L-2 vendor would be beneficial by way of widening the vendor base as well. The committee also expressed doubts over ensuring timely delivery of the equipment under the new dispensation, which possibly envisages that the vendors are ready with the products. At times, it may be preferable to opt for retrofitting of the existing equipment instead of opting to buy off the shelf, which may not materialize or take unduly long time. The committee, therefore, feel that such of the provisions of the new DPP need to be relooked into and reformulated. The committee desire that responsibility should be fixed and that there should be provision of penalties on the vendors who do not deliver satisfactorily.

Reply of the Government

- (a) In the event of a vendor failing to deliver the equipment contracted for during contract period, it would not be feasible to go in for L-2 vendor since advances and initial amounts based on delivery schedule would have already been paid to L-1 vendor. Keeping this in view, no separate provision for this has been incorporated in DPP-2016.
- (b) Decisions with regard to retrofitting an existing equipment instead of opting to buy off the shelf, are required to be taken by the Services on the basis of operational necessity and current state of equipment.
- (c) Provision of penalties on vendors who do not deliver satisfactorily is ensured by Liquidated Damages (LD) clause or other penal provisions.

(For comments of the Committee please see Para No.31 of Chapter I of the Report)

Recommendation No. 40

The Committee does not find the reasoning put forth by the Ministry that instead of Five Year Plans, the annual plans served the purpose to be tenable. Long term plans are made with the intention of accessing the requirements of the Services and avoiding ad-hoc planning so that a trajectory may be taken to achieve the desired objectives. The Committee would like to be apprised of the specific reasons for non-approval of these plans and desire that approval of Defence Five Year Plans should be given due importance so that our Forces know of the availability of budget and are also able to anticipate the number and type of equipment and infrastructure that needs to be created in the coming Five Years and prepare themselves accordingly.

Reply of the Government

The 12th Defence Five Year Plan remained under correspondence with the Ministry of Finance till November, 2014. With the finalisation of the BE for 2015-16 it was felt that there was no further purpose in pursuing approval of the Plan for 2012-

17 given that budget for four out of five years of the Plan period was fixed. Under the circumstances, it was decided not to pursue the case for government approval of the Plan further. However, annual budget projections and individual schemes continue to be processed by the Ministry as envisaged in the Plan.

It may be added that guidelines for preparation of 13th Defence Five Year Plan, which covers the period from 2017 to 2022, were issued on 30.11.15. It is likely that 13th Defence Plan will be prepared as per prescribed time-lines.

Preparation/finalization of Defence Plan do not guarantee availability of funds from Ministry of Finance. However, submission of a realistic Plan to Ministry of Finance sensitises them and other stakeholders to the requirement of Defence. Therefore, this Ministry is preparing 13th Defence Plan which will be shared with Ministry of Finance once finalized.

(For comments of the Committee please see Para No. 37 & 38 of Chapter I of the Report)

AUTHORIZATION OF MARRIED ACCOMMODATION & SATISFACTION LEVEL

Recommendation no. 48

The Committee note that NCOs/OR of Army were authorised 14 percent married accommodation as per 'Scale of Accommodation' 1983. This was revised to 35 per cent vide Scale of Accommodation 2009. Authorisation levels have been decided in the past taking into account likely level of deployment in peace areas and likely percentage of personnel who would be married and moving with families to places of posting. The increase in authorisation reflects the changes seen with respect to the above parameters among NCO/ORs due to changes in socio-economic conditions and increasing number of nuclear families. Authorisation of Married Accommodation at present is worked out based on the scales of accommodation 2009 and satisfaction level is decided based on the accommodation available vis a vis accommodation authorised.

Reply of the Government

Factual statement

Recommendation no. 49

The Committee find that authorisation and satisfaction level as calculated by the Ministry is misleading and gives an incorrect impression that if the satisfaction level is 100 percent as per the scale, it would imply that every armed forces personnel has been given accommodation. The Committee desire that the Ministry should take necessary steps to ensure that satisfaction level, in case of Officers as well as Jawans achieved in the true sense of term.

Reply of the Government

Authorisation is based on Scales of Accommodation 2009 and forms the basis for construction of married accommodation. At the time when MAP was perceived and sanctioned, units in field / counter insurgency (Northern and Eastern Command

units) were not considered due to prevailing internal security situation. However, due to improved ground situation, accommodation for field formations is also planned for popular stations outside Northern and Eastern Command, primarily for use by all ranks posted to field formations/ commands. Construction has been completed in MAP Phase-I (57875 Dwelling Units). Phase-II has achieved 72 % progress, 25083 DUs have been constructed and remaining 44821 DUs are under construction. Ph-III & Ph-IV have been clubbed. Any enhancement to authorization in Scales of Accommodation 2009 will be considered after due deliberation and will be based on ground requirements.

(For comments of the Committee please see Para No. 44 of Chapter I of the Report)

CHAPTER V

**OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT
HAS FURNISHED INTERIM REPLIES**

-NIL-

**NEW DELHI;
16 January, 2017
26 Pausa, 1938 (Saka)**

**MAJ GEN B C KHANDURI, AVSM (RETD),
Chairperson,
Standing Committee on Defence**

STANDING COMMITTEE ON DEFENCE

**MINUTES OF THE SIXTH SITTING OF THE STANDING COMMITTEE
ON DEFENCE (2016-17)**

The Committee sat on Friday, the 16th January, 2017 from 1130 hrs. to 1400 hrs. in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

MAJ GEN B C KHANDURI AVSM (RETD) - CHAIRPERSON
Lok Sabha

2. Shri H.D. Devegowda
3. Shri G. Hari
4. Shri Rodmal Nagar
5. Smt Pratyusha Rajeshwari Singh
6. Shri Partha Pratim Ray
7. Smt. Mala Rajya Laxmi Shah
8. Shri Shrirang Appa Barne
9. Col Sonaram Choudhary(Retd)
10. Km Shobha Karandlaje
11. Shri A P Jithender Reddy

Rajya Sabha

12. Shri Harivansh
13. Shri Madhusudan Mistry
14. Smt. Ambika Soni
15. Shri Sanjay Raut

SECRETARIAT

- | | | | |
|---|------------------------|---|---------------------|
| 1 | Smt Kalpana Sharma | - | Joint Secretary |
| 2 | Shri T G Chandrasekhar | - | Director |
| 3 | Smt Jyochnamayi Sinha | - | Additional Director |
| 4 | Shri Rahul Singh | - | Under Secretary |

2. At the outset, the Chairperson welcomed the Members to the Sitting of the Committee and briefed about the Draft reports.

3. The Committee then took up for consideration the following draft Reports on the action taken by the Government on the observations/recommendations contained in the following:

- (i) Nineteenth Report (16th Lok Sabha) on Demands for Grants of the Ministry of Defence(2016-17) on General Defence Budget, Civil Expenditure of Ministry of Defence (Demand No. 20) and Defence Pension(Demand No. 21);
- (ii) Twentieth Report (16th Lok Sabha) on Demands for Grants of the Ministry of Defence (2016-17) on Army, Navy and Air Force (Demand No. 22);
- (iii) Twenty-first Report (16th Lok Sabha) on Demands for Grants of the Ministry of Defence (2016-17) on Ministry of Defence (Miscellaneous) (Demand No. 20); and
- (iv) Twenty-second Report (16th Lok Sabha) on Demands for Grants of the Ministry of Defence (2016-17) on Capital Outlay on Defence Services, Procurement Policy and Defence Planning (Demand No. 23).

4. After deliberation, the Committee adopted the above Reports and authorized the Chairperson to finalize the Reports in the light of the suggestions as may be received from the Members within a week.

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

The Committee then adjourned.

* Does not pertain to this Report.

APPENDIX II

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/ RECOMMENDATIONS CONTAINED IN THE TWENTY SECOND REPORT (16TH LOK SABHA) ON 'DEMANDS FOR GRANTS OF THE MINISTRY OF DEFENCE FOR THE YEAR 2016-17 ON CAPITAL OUTLAY ON DEFENCE SERVICES, PROCUREMENT POLICY AND DEFENCE PLANNING (DEMAND NO. 23)'

1. Total number of recommendations 49
2. Observations/Recommendations which have been accepted by the Government (please see Chapter II A):

Recommendation Nos. 21,30,31, 32,33, 43, 44, 45, 46 and 47

Total : 10
Percentage: 20%
3. Observations/Recommendations which have been accepted by the Government and commented upon (please see Chapter II B):

Recommendation Nos. 13, 14, 15, 16, 17, 18, 19, 20, 26, 27, 28, 34, 35, 36, 37, 41 and 42

Total : 17
Percentage: 35%
4. Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government (please see Chapter III):

Recommendations - NIL

Total : 00
Percentage: 0%
5. Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee which require reiteration and commented upon (please see Chapter IV):
Recommendation Nos. - 1, 2, 3, 4, 5, 6,7, 8,9,10,11,12, 22, 23, 24, 25, 29, 38, 39, 40, 48 and 49

Total : 22
Percentage: 45%
6. Observations/Recommendations in respect of which Government have furnished interim replies/replies awaited (please see Chapter V):

Recommendation - Nil

Total : 00
Percentage: 0%