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**STANDING COMMITTEE ON DEFENCE
(2020-21)**

(SEVENTEENTH LOK SABHA)

MINISTRY OF DEFENCE

[Action Taken by the Government on the Observations / Recommendations contained in the Third Report (17th Lok Sabha) on 'Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)'.]

SEVENTEENTH REPORT



LOK SABHA SECRETARIAT

NEW DELHI

March, 2021/ Phalguna, 1942 (Saka)

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Presented to Lok Sabha on 16.03.2021

Laid in Rajya Sabha on 16.03.2021



LOK SABHA SECRETARIAT

NEW DELHI

March, 2021/ Phalguna, 1942 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (2020-21)

SHRI JUAL ORAM

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CHAIRPERSON

Lok Sabha

2. Shri Deepak (Dev) Adhikari
3. Kunwar Danish Ali
4. Shri Ajay Bhatt
5. Shri Devusinh Jesingbhai Chauhan
6. Shri Nitesh Ganga Deb
7. Shri Rahul Gandhi
8. Shri Annasaheb Shankar Jolle
9. Choudhary Mehboob Ali Kaiser
10. Prof. (Dr.) Ram Shankar Katheria
11. Smt. (Dr.) Rajashree Mallick
12. Dr. T.R. Paarivendhar
13. Shri Kapil Moreshwar Patil
14. Shri Anumula Revanth Reddy
15. Shri Jugal Kishore Sharma
16. Dr. Shrikant Eknath Shinde
17. Shri Prathap Simha
18. Shri Brijendra Singh
19. Shri Mahabali Singh
20. Shri Kotagiri Sridhar
21. Shri Durga Das Uikey

Rajya Sabha

22. Dr. Ashok Bajpai
23. Shri Prem Chand Gupta
24. Shri Sharad Pawar
25. Shri V. Lakshmikantha Rao
26. Shri Sanjay Raut
27. Shri Rajeev Satav
28. Dr. Abhishek Manu Singhvi
29. Shri Kamakhya Prasad Tasa
30. Dr. Sudhanshu Trivedi
31. Lt. Gen. Dr. D. P. Vats (Retd.)

SECRETARIAT

- | | | | |
|----|--------------------|---|----------------------|
| 1. | Smt Kalpana Sharma | - | Additional Secretary |
| 2. | Dr. Sanjeev Sharma | - | Director |
| 3. | Shri Rahul Singh | - | Deputy Secretary |
| 4. | Smt Shilpa Kant | - | Committee Officer |

INTRODUCTION

I, the Chairperson of the Standing Committee on Defence (2020-21), having been authorized by the Committee, present this Seventeenth Report of the Committee on 'Action Taken by the Government on the Observations/Recommendations contained in the Third Report on 'Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)'.

2. The Third Report (17th Lok Sabha) was laid in Rajya Sabha on 13.12.2019 , presented to the Honorable Speaker on 20.12.2019 and presented to Lok Sabha on 31.01.2020. The Report contained 34 Observations/Recommendations. The Ministry of Defence furnished Action Taken Replies on all the Observations/Recommendations in July, 2020.

3. The draft Report was considered by the Committee at their Sittings held on 9 and 15 March, 2021 and adopted at the Sitting held on 15 March, 2021.

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

5. An analysis of Action Taken by the Government on the Observations/Recommendations contained in the Third Report (17th Lok Sabha) of the Standing Committee on Defence is given in Appendix II.

New Delhi;
15 March, 2021
24 Phalguna, 1942 (Saka)

JUAL ORAM
Chairperson
Standing Committee on Defence

ACTION TAKEN REPORT ON THE RECOMMENDATIONS CONTAINED IN THE THIRD REPORT (SEVENTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON DEFENCE ON THE SUBJECT 'DEMANDS FOR GRANTS OF THE MINISTRY OF DEFENCE FOR THE YEAR 2019-20 ON CAPITAL OUTLAY ON DEFENCE SERVICES, PROCUREMENT POLICY, DEFENCE PLANNING AND MAP (DEMAND NO. 20)'

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 Third Report (17th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2019-20 on Capital Outlay on Defence Services, Procurement Policy, Defence Planning and MAP (Demand no. 20)' which was laid in Rajya Sabha on 13.12.2019, presented to the Hon'ble Speaker Lok Sabha on 20.12.2019 and presented to Lok Sabha on 31.01.2020.

2. The Committee's Third Report contained 34 observations/recommendations on the following aspects:-

Para No.	Subject
1-2	Capital Outlay on Defence Services
3-4	Committed Liability
5	Service-wise Projections and Allocation
6-7	Additional Allotment sought by the Ministry-interaction with MOF
8-10	Modernization of Defence Forces
11-14	Defence Procurement Policy
15	Defence Exports
16-17	Defence Procurement Procedure
18	Defence Corridors
19-21	Dependence on Foreign Vendors for Military Hardware
22	Procurement of Extreme Cold Weather Clothing System (ECWCS)
23-25	Import Content of Equipment Produced and Developed by DRDO, Ordnance Factories and DPSUs
26-27	Offset Clause

28	Defence Planning
29	Non Fructification of Defence Five Year Plans
30-32	Long Term Integrated Perspective Plan (LTIPP)
33	Delay in Phase III of MAP
34	Current Deficiency in Dwelling Unit

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

(i) **(A) Observations/Recommendations which have been accepted by the Government:**

**Para Nos. 1,2,5,6,7,8,9,10,11,12,13,14,15,16,17,18,19,20,21,22,24,25,26,27,28,
29,30,32 and 34.**

(29 Recommendations)

(Please see Chapter II (A) of the Report)

(B) Observations/Recommendations which have been accepted by the Government and commented upon:

Para Nos. 3,4 and 23.

(03 Recommendations)

(Please see Chapter II (B) of the Report)

(ii) **Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:**

Nil.

(0 Recommendation)

(Please see Chapter III of the Report)

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

Nil.

(0 Recommendation)

(Please see Chapter IV of the Report)

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

Para No. 31 and 33 .

(02 Recommendations)

(Please see Chapter V of the Report)

4. The Committee desire that the Ministry's response to their comments made in Chapter I of this Report and final replies to the recommendations/ observations for which only interim replies have been given by the Government to be furnished to them at the earliest and in any case not later than six months of the presentation of this Report.

5. To give one general recommendation whereby the word 'noted' has been used. The Committee are of the firm view that the word 'noted' implies that it has been noted for compliance. In case it is otherwise, the Committee may be informed at the earliest along with the reasons for non-compliance of the recommendations if any.

6. It goes without saying that Action Taken Statements which are due to be submitted within six months of the presentation of this Report, see the light of the day within the prescribed timeline.

A. Committed Liability

Recommendation No. 3-4:

Recommendation No. 3:

7. The Committee find that Committed Liability refers to payments anticipated during a financial year in respect of contracts concluded in previous years. Under the Defence Services Estimates, Committed Liabilities constitute a significant element in respect of the Capital acquisition segment, since one project may span several financial years. As such, it is important to track the element of Committed Liabilities, which hold first charge on the budget allocation. Inadequate allocation for committed liabilities could lead to default on contractual obligations. New Schemes include new projects/proposals, which are at various stages of approval and are likely to be implemented in near future.

Recommendation No. 4:

8. The Committee note from the data supplied by the Ministry that in the year 2016-17, instead of Rs. 75,553 crore, only Rs. 62,619 crore were allocated. Similarly in the year 2017-18, instead of Rs. 91,382, only Rs. 68,965 crore were allocated. In the year 2018-19, instead of Rs. 1, 10,044 crore, only Rs. 73,883 crore were allocated. In the year 2019-2020, instead of Rs. 1, 13,667 crore, only Rs. 80,959 crore were allocated. It leaves a shortage of Rs. 10,933 crore, Rs. 22,417 crore, Rs. 36,161 crore and Rs. 32,709 crore respectively all these years which is an issue of concern for the Committee. The Committee find the shortage baffling, as these are the payments towards procurements already done in previous years. The Committee feel that making the country defaulter in payment will not go well in the international markets, therefore, they recommend that allocation as promised should be disbursed for Committed Liabilities.

Reply of the Government

9. Keeping in view the Committed Liabilities to be cleared during the FY 2019-20, Ministry of Defence had sought additional fund in RE 2019-20 under Capital Acquisition. Based on the allocations received from M/o Finance, an additional amount of Rs. 8,877.08 Crore has been provided in RE 2019-20 increasing the total allocation to Rs. 89,836.16 Crore compared to BE 2019-20 allocation of Rs. 80,959.08 Crore.

10. The Committee fail to understand that when there is such an enormous shortage in budgetary allocation viz. Rs. 32,709 crore in F.Y. 2019-20, Rs. 36,161 crore in 2018-19 and so on, every year, how will the Ministry manage to clear its arrears in outstanding debt amount. The Committee notice that as there is huge pendency pertaining to Committed Liabilities, the Ministry would take concrete steps to make more allocations under this head and clear the

dues at the earliest. The Committee, in addition, desire the Ministry to apprise them of the latest position regarding the outstanding amount to be paid under Committed Liability Head.

B. Import Content of Equipment Produced and Developed by DRDO, Ordnance Factories and DPSUs

Recommendation No. 23:

11. The Committee are happy to note that Ordnance Factory Board (OFB) products are classic example of successful implementation of “Make in India” programme initiated by the Government as almost 90 percent items of OFB products are indigenously made and OFB has been making continuous endeavors to bring down import content in its products. Import dependency of OFB is on those items only which are of perennial import nature and ToT has not been established from Original Equipment Manufacturers (OEMs). The Committee also satisfied with the fact that import content over value of issue has reduced from 12 percent in 2016-17 to 9 per cent in 2018-19. The Committee desire that OFB should take appropriate measures to reduce import content percentage in 155mm x 45 Calibre Artillery Gun System “Dhanush” and T-90 tank which is quite high at 16 and 26 per cent respectively.

The Committee note that Goa Shipyard Ltd has been able to decrease import content during the last three years and also indigenized Steel Plates, Gearboxes, Steering Gear system, Fin stabilizer system, Heli Grid, Doors (water & Weather tight) and Gemini Boats for on-going 5 CGOPVs project. The indigenous content has increased from 62 per cent in last project to 74 per cent in this project. However, 26 per cent import content is still high, therefore, the Committee recommend that GSL should take measures to reduce it further.

The Committee also note that in Mazagon Dock Ltd, which constructs Warships and Submarines for Indian Navy, import content is quite high and it ranges from 25 percent to 50 percent depending on the products. The Committee desired that it needs to come down substantially by introducing material from local industry. If, MDL wants to make “Make in India”, a success story, similarly, in Bharat Dynamics Ltd (BDL), import content ranges from 3 per cent to 29 per cent, which needs to be checked.

Reply of the Government

12. (i) **OFB:** OFB is persistently pursuing the national goal of self-reliance in Defence manufacture through high level of indigenization. In case of T-90 tanks, ToT was provided by Russian OEMs. On the other hand ‘Dhanush’ is an indigenous Artillery Gun System. This gun system has remarkably high indigenous content of more than 80% at prototype stage. Certain sub-systems are of imported

nature due to limitations in availability of such systems indigenously. Details are given in succeeding paragraphs.

In case of T-90 Tank, technology has not been provided by OEM (Russia) for some items like NBC System equipment (PKUZ-1A), Camouflage Paint, Miniature Electric Motor, Stabilizer (Ex-Bharat Electronics Ltd.), Mounting of Gyro Direction Indicator, Optical Sending Unit etc. and such items are imported in nature. However, HVF has taken initiative to indigenize/develop these items in collaboration with DGQA & DRDO, in-house R&D projects and vendor development under 'Make-II' Procedure for Indigenisation. In this way, import content is expected to be reduced to less than 20% in the next 2-3 years.

In case of 155mm x 45 Calibre Artillery Gun System "Dhanush", 16 percent import content is mainly due to 2 items i.e. Power Pack and Electronic Suit. For Power Pack, GCF has taken up in-house R&D project to develop it by using indigenously sourced engines. The Electronic Suite is procured from Bharat Electronics Ltd., but has inputs of imported nature. Dhanush Gun has undergone series of trials over many years before it was cleared for induction by Indian Army. However, Army (User) has specifically asked not to change the configuration of the electronic suit for the time being. Hence, this item is not likely to be indigenized in near future.

- (i) **GSL:** Goa Shipyard Ltd. (GSL), a DPSU under the MoD is engaged in the construction of Ships and other relating platforms for Indian Navy and Indian Coast Guard in particular. Shipbuilding business is cyclic in nature, the requirement of machineries and equipment are project specific and vary from project to project based on the operational requirements of the ship.

The increase in Indigenous content from 62% on 06 Coast Guard OPV project to 75% on 05 Coast Guard OPVs Project was on a ship of similar design of follow-on class. The items undertaken for indigenization on 05 CG OPV project were earlier imported on 06 CG OPV project already built by GSL, leading to overall increase in indigenous content from 62% to 74%.

Presently GSL does not have new orders for building vessels of similar design. In case GSL is considered for building more vessels of similar design as per requirement of Indian Coast Guard / Indian Navy, efforts will be made to undertake more equipment / components for indigenization to further enhance the percentage of indigenous content beyond 74%. However, GSL is pursuing another project i.e. construction of 02 Frigates, where majority of the main equipment are being indigenized.

- (ii) **MDL:** Mazagon Dock Shipbuilders Ltd. (MDL) has continuously endeavored to reduce import content of ships built by the shipyard. The indigenous content for the Scorpene Class Submarine being constructed under project P75 in collaboration with M/S Naval Group, France is expected to be 30%.

There are, however, contractual constraint, wherein the customer decides the equipment fit onboard. In such cases the shipyard's scope for indigenization gets constrained. This is more relevant to weapon platforms for the vessels built by MDL

Bottleneck for import substitution: The content of foreign input in ships can be reduced by incorporating adequate and binding clauses at the contract stage. Some of the major equipment, Weapons & Sensors for our projects are finalized by Indian Navy and most of these are either Buyer Furnished Equipment (BFE) or Buyer Nominated Equipment (BNE). These are very high value items which constitute a significant portion of the project cost. Scope for reduction in import content gets restricted as selection of these critical items are beyond purview of MDL.

- (iii) **Bharat Dynamics Ltd. (BDL):** Actual yearly import for the above projects will vary due to the following reasons:

- a) BDL goes for Global tendering depending on the value, wherein BDL will place order on L1 basis (irrespective of origin of vendors). Due to which, import content in the project varies (Ex., Raw Materials etc.,).
- b) Inability of Indian Suppliers to supply the required quantities within the delivery schedules required for MoD, forcing BDL to import even though the items are indigenized (Ex., Propellants, Warheads etc.,) Due to which, import content in the project varies.
- c) Last three years import percentage is as given below.

Year	Import Percentage on VoP
2016-17	8.32 %
2017-18	7.8 %
2018-19	12.7 %

13. In their recommendation the Committee had desired that the import content which was ranging between 25 percent to 50 percent in Mazagon Dock Ltd. should be brought down by introducing material from local industry. The Ministry in their reply have stated that some of the major equipment, weapons and sensors are finalized by Indian Navy and most of these are either Buyer Furnished Equipment (BFE) or Buyer Nominated Equipment (BNE). These are

very high value items which constitute a significant portion of the project cost. The Committee also note that there are some contractual constraint. In the light of the above the Committee believe that as the Ministry has continuously endeavoured to reduce import content in the past, in the same manner it will make more efforts to dissolve the issue of contractual constraint and subsequently bring down the import content pertaining to Mazagon Dock Ltd. (MDL) as well as Bharat Dynamics Ltd. (BDL).

C. Long Term Integrated Perspective Plan (LTIPP)

Recommendation No. 31:

14. The Committee observe that for Married Accommodation Project the allocations during the year 2015-16 was 2744.19 crore. This was more than the projections of 1,950.65 crore. The expenditure was 2736.61 crore which was almost 100 per cent of the allocated amount. During the years 2016-17 and 2017-18 the allocation was less than the projections. However, the expenditure was almost 100 per cent of the allocated amount. The Committee are pained to note that during the year 2018-19 against the projection of 1,457 crore the allocations were only 874 crore. The gap between projection and allocation is 582.04 crore. But the utilization is 879 crore. During the year 2019-20 against the projections of 2,670 crore the allocation is only 430 crore. There is shortfall of 2,240 crore. The Ministry has spent 227.24 crore as on 31st October, 2019.

Reply of the Government

15. The details of funds Demanded, Allotment made and Expenditure incurred in respect of MAP during the last five years is at Annexure 'A'. It has been the endeavour to utilize the fund allocated judiciously to safeguard against surrender at last moment and also have the ability to spend additional fund at the fag end of financial year in case of surrender by other departments. During the year 2018-19, a projection of Rs 2,670 crore was made collectively for MAP Phase-II and Phase-III. The demand in respect of MAP Ph-II was Rs 500 crore, Rs 90 crore and Rs 80 crore for Army, Air Force & Navy respectively, and in respect of the Phase-III, the demand was Rs 2,000 crore. However, due to inadequate funds, the allocation was made only for MAP Phase II.

Married Accommodation Project : Allotment / Expenditure

(Rs in Cr)

<u>Year</u>	<u>Service</u>	<u>Projection</u>	<u>Allotment</u>	<u>Expenditure</u>
2015-16	Army (902/45)	1500.0000	2374.192	2365.796
	Navy (912/41)	200.6500	190.000	190.493
	Air Force (917/41)	250.0000	180.000	180.327
	Total	1950.6500	2744.192	2736.616

2016-17	Army (902/45)	2400.0000	1675.000	1675.993
	Navy (912/41)	180.0000	110.000	102.236
	Air Force (917/41)	250.0000	180.000	179.832
	Total	2830.0000	1965.000	1958.061
2017-18	Army (902/45)	1672.0000	1120.000	1099.931
	Navy (912/41)	108.0000	68.000	67.255
	Air Force (917/41)	197.0000	175.000	176.525
	Total	1977.0000	1363.000	1343.711
2018-19	Army (902/45)	1200.0000	756.961	761.917
	Navy (912/41)	57.0000	28.000	27.702
	Air Force (917/41)	200.0000	90.000	89.381
	Total	1457.0000	874.961	879.000
2019-20 (Apr to Dec 19)	Army (902/45)	2500.000	320.000	274.962
	Navy (912/41)	60.000	50.000	20.976
	Air Force (917/41)	110.000	80.000	43.629
	Total	2670.000	450.000	339.567

16. Taking into account that the shortfall between the projection and allocation has been increasing every year and during the year 2019-20 against the projections of Rs. 2,670 crore the allocation is only Rs. 430 crore, the Committee would like to be apprised of the problems faced by the Ministry of Defence in the face of shortage of funds to the tune of Rs. 2,240 crore. The Committee would also like to be apprised of the present status of MAP Phase-II.

D. Delay in Phase III of MAP

Recommendation No. 33:

17. The Committee note that 71,102 Dwelling Units are required to be constructed in MAP Ph-III where Army is the major stake holder as 70,432 Dwelling Units are to be constructed for Army. Draft Cabinet Note (DCN) for this phase has been submitted to Ministry of Finance with the approval of

Hon'ble Raksha Mantri. The Ministry of Finance raised certain observations in this regard which are under examination in consultation of Def. (Fin).

Keeping in view the budgetary priorities, Army Headquarters have conveyed their decision to restrict the planning for MAP Phase III to 24,592 Dwelling Units. Accordingly, planning for MAP Phase III has commenced at the eight locations viz; Delhi & Gurgaon; Meerut; Chandimandir, Ambala & Patiala; Panagarh; Dehradun; Jaisalmer; Pune, Kirkee&Dehu Road; and Bangalore.

The Committee take serious note of the prolonged delay in the planning of Phase III of MAP and the budgetary constrained involved thereon. Therefore, they recommend the Ministry of Defence to complete the consultation process with the Ministry of Finance at the earliest and provide adequate budgetary allocation thereof. The developments in this regard be intimated to the Committee.

Reply of the Government

18. The proposal for MAP Phase-III is under consideration. MoD is contemplating alternative sources for funds for the project. The present impetus towards modernization of requirements of defence services, does not allow adequacy of funds for MAP Phase-III. The Government is therefore, contemplating to take up some DUs based on the NBCC's model as a pilot project. The draft CCS Note on MAP for commencement of MAP Phase-III will be processed after finalization of the Dwelling Units (DUs) under NBCC's model on pilot basis by carrying out subsequent changes in the number of DUs to be taken up through the MAP route and the estimated cost etc.

19. The Committee, taking in view the prolonged delay in the planning of Phase III of MAP had recommended the Ministry of Defence to pursue the Ministry of Finance to provide adequate budgetary allocation. The Committee further note the proposal for MAP Phase-III is still under consideration and the draft CCS Note on MAP for commencement of MAP Phase-III will be processed after finalization of the Dwelling Units (DUs) under NBCC's model. In this case also, the Committee would like to be apprised of the progress made in this regard.

CHAPTER II (A)

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Capital Outlay on Defence Services

Recommendation No. 1-2:

Recommendation No. 1:

The Committee note that Capital Outlay on Defence Services, caters for the expenditure incurred on durable assets of Defence Services, i.e., Army, Navy, Air Force, Joint Staff, Defence Ordnance Factories, Defence Research & Development Organisation (DRDO), Director General Quality Assurance(DGQA), National Cadet Corps (NCC), Married Accommodation, National Defence Academy and Rashtryia Rifles. During the year 2019-20, the Ministry allocated Rs. 1,03,394.31 crore against the projection of Rs. 1,70,936.07 crore under the Capital Head, leaving a gap of Rs. 67,541.76 crore. Out of it, the Capital (Acquisition including DGOF Supplies) is allocated Rs. 80,959.08 crore, Land & Works of three Services (including Married Accommodation Projects) Rs. 11,055.79 crore, DRDO, DGOF and Other Defence Departments Rs. 22,435.23 crore.

Recommendation No. 2:

The Committee note that the Ministry of Defence has allocated 60.48 per cent less amount than the projection. It is a well known fact that without infusion of new machines, technological upgrades and procurement of Capital intensive platforms, the Armed Forces cannot cope up with the might of other country's armed powers, especially with the inimical neighbours. The Committee, therefore, urge the Ministry of Defence and the Ministry of Finance, not to reduce allocations for the Armed Forces in the Capital Head, which are essential for the development of credible deterrence capabilities. The Committee hope that at least now the Ministry would leave no stone unturned so as to ensure the Forces, allocations as per the projection at the Supplementary Grants stage. It should always be borne in mind that expenditure made on capital outlay during peace time is like building block for the Forces which builds a strong Force/organization in the long run.

Reply of the Government

Earlier, there was a trend of reduction in BE allocations under Capital Head at RE stage based on pace of expenditure. This trend was reversed in 2017-18 and no cut was imposed in RE 17-18 as well as RE 18-19. In RE 2019-20, Rs. 1,10,394.31 Crore has been allocated to Ministry of Defence under Capital Head i.e. an increase of Rs. 7,000 Crore over BE 2019-20. In BE 2020-21 also, there is an increase of Rs.10,339.69 Crore over BE 2019-20 allocations under Capital Head.

Additional requirements will be assessed under Capital Head and will be sought from M/o Finance at Supplementary/ RE stage.

Service-wise Projections and Allocation

Recommendation No. 5:

The Committee note from the information submitted by the Ministry for Service-wise Projections and Allocation made under Capital head for the year 2019-20 that Army projected an allocation for Rs. 44,690.98 crore, however, it was allocated only Rs. 29,511.25 crore, which is Rs. 15,179.73 crore less than the projection or say 34 per cent less than the amount asked for. Similarly Navy projected for an amount of Rs. 35,713.84 crore but was allocated only Rs. 22,227.53 crore. Joint Staff projected for Rs. 1,507.14 crore but got only Rs. 928.90 crore. The Air Force projected for Rs. 74,894.56 crore but got an allocation of Rs. 39,347.19 crore only, which is less than half of the amount asked for. Although, the Ministry has stated that the allocated funds will be optimally and fully utilized towards operational activities and based on expenditure during the year, additional funds will be sought at Supplementary/ RE stage. The Ministry also assured the Committee that urgent and critical capabilities would be acquired without any compromise to operational preparedness of the Defence Services. However, in practice, the additional amount sought for, never received from the Ministry of Finance, thereby affecting operational preparedness of the Defence Forces. Therefore, the Committee have to recommend firmly that allocations as per the projections by the Services should be made. All efforts should be done to convince the Ministry of Finance to take this portentous issue to a logical conclusion.

Reply of the Government

The requirements projected by Services are proposed to the Ministry of Finance for favourable consideration. Historically, allocation received from M/o Finance falls short of projected requirements. In RE 2019-20, an amount of Rs.1,79,282.77 Crore (i.e. Rs. 75,888.46 Crore more than the BE 2019-20 allocations) was projected to M/o Finance. However, M/o Finance has allocated Rs.1,10,394.31 Crore (i.e. an increase of Rs.7,000 Crore over BE 2019-20) to Ministry of Defence under Capital Head.

Additional Allotment sought by the Ministry-interaction with MOF

(Recommendation No. 6-7):

Recommendation No. 6:

The Committee learn that the Ministry is bound by the budgetary ceiling conveyed by Ministry of Finance. Therefore, the reduced allocations have been passed on uniformly among all the Services. This reflects the compromises made in the modernization process of Defence Services thereby negatively impacting their capabilities. Now, as informed to the Committee, the Ministry would forward the requirements of the services under Capital Head to the Ministry of Finance for favourable consideration at supplementary/ Revised Estimates stage. The Ministry was asked whether, the matter has been taken up proactively at the Ministerial level to avoid default in payment of Committed Liabilities. The Ministry in its reply has stated that while keeping in view payment of Committed Liabilities, consideration for an additional allotment of Rs. 13,300 crore above the Budget Estimates (BE), for meeting inescapable and obligatory expenses to offset the impact of custom duty payments, rupee devaluation and increase in oil prices, had been taken up with M/o Finance at Ministerial level vide DO letter No. 11(10)/Bud-I/2018/3500-F/RM/18 dated 28th September, 2018. In reply to the said DO letter, Hon'ble Finance Minister, in DO letter No. 4(4)-B(AC)/2018 dated 27th November, 2018 to Hon'ble Defence Minister, had conveyed that additional requirement towards rupee devaluation and rising fuel prices, suitable increase has been provided for meeting these additionalities under revenue head through Demand No. 20- Defence Services Estimates (Revenue) in RE 2018-19. This increase is based on the pace of expenditure in the current year and the likely savings under other budget heads of the Ministry.

Recommendation No. 7:

The Committee are happy that the Ministry of Defence has taken up the matter with the Ministry of Finance on the issue, however, they find that there is no clear cut assurance by the Ministry of Finance as it only focused on rupee devaluation and rising fuel prices. Therefore, the Committee are of the view that matter may again be discussed earnestly with the Ministry of Finance to provide allocation as per the projection in the Capital Head.

Reply of the Government

It is a fact that Ministry of Finance had allocated additional sum of Rs.2,794.91Crore in RE 18-19 under Revenue head of Defence Services Estimates.

In FY 2019-20, an amount of Rs. 1,03,394.31 was allocated in BE under Capital Head. This Ministry had projected additional requirement of Rs. 75,888.46 crore under Capital Head in RE 2019-20. M/o Finance allocated Rs.1,10,394.31 Crore (i.e. an increase of Rs.7,000 Crore over BE 2019-20) to Ministry of Defence under Capital Head. It may be relevant to mention that earlier there was trend of

reduction in BE allocations under Capital Head at RE stage. This trend was reversed in 2017-18 and no cut was imposed in RE 17-18 as well as in RE 18-19. In the Financial Year 2019-20, additional sum of Rs. 7,000 crore is received in Capital Head.

Modernisation of Defence Forces

Recommendation No. 8-9:

Recommendation No. 8:

The Committee note from the reply submitted by the Ministry that modernization involves the acquisition of new state-of-the art platforms, technologies and weapon systems to upgrade and augment Defence capabilities. The Committee are not oblivious of the fact that modernization of Defence Forces is a continuous process based on threat perception, operational challenges and technological changes to keep the Armed Forces in a state of readiness to meet the entire spectrum of security challenges. The committee also note that the Government attaches the highest priority to ensure that the Armed Forces are sufficiently equipped to meet any operational requirement. This is achieved through induction of new equipment and technological upgradation of capabilities. The equipment requirements of the Armed Forces are planned and progressed through a detailed process which includes 15 year Long Term Integrated Perspective Plan (LTIPP), a five year Service-wise capability Acquisition Plan, a two year roll-on Annual Acquisition Plan and deliberations by the Defence Acquisition Council chaired by the Raksha Mantri.

Recommendation No. 9:

The Committee further note that various steps are being taken by the Government for modernisation. i.e opening up of the Defence Industry sector, which was hitherto reserved for the public sector up to 100 percent for Indian private sector participation, with Foreign Direct Investment (FDI) upto 26 percent both subject to licensing, allowing FDI under automatic route upto 49 percent and beyond 49 per cent through Government route, seeking technology transfer to set up domestic manufacturing infrastructure and supply chain through the Strategic Partnership (SP) Model which envisages establishment of long term Strategic Partnership with Indian entities etc.

Reply of the Government

The observations of the Hon'ble Standing Committee are factual and based on responses provided earlier, no comments are offered.

Recommendation No. 10:

The Committee are happy to learn that new and innovative measures have been taken by the Government for the modernisation of the forces; however, they still recommend that sufficient allocation should be made to the forces to modernize existing weapon system and to procure state-of the art equipment. Any predicaments faced by the Ministry in this regard should be intimated to the Committee at the time of furnishing Action Taken Notes (ATNs). The Committee desire that there should be regular interaction with foreign Defence industry partners to make India a lucrative place for investing and making it a Defence Industry hub. The Committee also desire that monitoring of Government initiatives should be done at regular intervals so any bottlenecks can be checked at the beginning only.

Reply of the Government

The Budget Estimates(BE), Revised Estimates(RE) and Actual Expenditure on Modernisation for capital acquisition for the last three financial years and current year (upto January, 2020) is as below :-

Year	BE	RE	Actual
2016-17	69898.69	62619.36	69280.17
2017-18	69473.41	68965.24	72732.20
2018-19	74115.99	73882.95	75900.54
2019-20	80959.08	89836.16	91128.74 [upto 9 th June, 2020{March (final) 2020}]

A structured and streamlined system exists for interaction with foreign defence industry. Regular interaction is being carried out between senior Defence officials and foreign defence industry to identify suitable ventures that would further contribute towards making India a Defence Industry Hub. The details of important bilateral defence corporation mechanisms are as under:-

- Indo-US Defence cooperation is being executed through Defence Technology & Trade Initiative (DTTI). The Joint Working Group Land System (JWG LS) was established in Feb, 2018. Presently six projects are being progressed through DTTI under JWG LS.
- Indo-Russian industrial defence cooperation is being executed through Indo- Russian Military Industrial Cooperation (IRMIC). This forum was established in 2017 with the aim to promote 'Make in India' initiative. The Fifth meeting of IRMIC was held on 6th February, 2020 during the DEF EXPO – 2020 at Lucknow.

- One of the notable outcome has been the signing of the IGA with Russian government in September, 2019, where-in the Russian industry would be collaborating with Indian partners to setup manufacturing facilities in India for spare parts, aggregates, units, instruments, test equipment, ground support equipment, ground handling equipment, embedded software , special training and support material, ensuring maintenance of the Russian(Soviet) origin arms and defence equipment in use with Indian Armed Forces.
- Regular interactions have been taking place with UK Defence Industry partners with an aim to increase capability dialogue and encourage investments in India.
- A scheme has recently been promulgated by DDP, MoD for enabling Indian Defence Attaches (DAs) posted in Indian Embassies abroad to carry out export promotion activities under which funds will be provided to the DAs to take up activities for promoting Indian Defence industry exports based on proposals received from Indian Missions abroad. The scheme will play a catalytic role in addressing interventions required for exploring new markets and promoting export oriented activities by the DAs, in the countries to which they are assigned.

Recommendation No. 11.

The Committee note that the policy for procurement of Defence equipment for the Armed Forces aims to ensure timely procurement of military equipment, systems and platforms as required by the Armed Forces in terms of performance capabilities and quality standards, through optimum utilization of allocated budgetary resources. The policy also seeks to ensure that the highest degree of probity, public accountability, transparency, fair competition and level-playing field are achieved in the process of procurement. In addition, self-reliance in defence equipment production and acquisition is steadfastly pursued as a key aim of the policy. The policy is implemented through the mechanism of Defence Procurement Procedure (DPP).

Reply of the Government

These are observations of the committee based on the information provided by the Ministry. Therefore, no further action is envisioned.

Recommendation No. 12.

The Committee also note that the objectives of the Defence Procurement Policy are to achieve substantive self-reliance in the design, development and production of equipment/weapon system/platforms required for Defence in as early a time frame as possible; to create conditions conducive for the private Industry to take an active role in this endeavour; to enhance potential of SMEs in indigenisation and to broaden the Defence R&D base of the country.

Reply of the Government

These are observations of the committee based on the information provided by the Ministry. Therefore, no further action is envisioned.

Recommendation No. 13:

The Committee further note that 'Make-In-India' initiative of the Government are being realised through several policy measures which provides thrust of all the policy framework including Defence Production Policy. It has taken several measures i.e. liberalized Industrial licensing regime for Indian manufacturers in Defence sector, simplification of the 'Make' Procedure with provisions for funding of 90 percent of development cost by the Government to Indian industry, notification of separate procedure for 'Make-II' sub-category, opportunity to industry to make suo-moto suggestions to the armed services regarding Defence equipment etc. The suo-moto mechanism has resulted in 9 Defence projects to be co-developed by Indian industry for the use of armed forces. This augurs well for greater self-reliance in our Defence requirement.

Reply of the Government

The following policy initiatives have been taken to increase self reliance in defence production and minimise dependence on imports of defence weapons:-

1. **Industrial licencing:** Industrial licensing regime for Indian manufacturers in Defence sector has been liberalized. Defence Products list requiring Industrial Licences has been rationalised and manufacture of most of parts or components does not require Industrial License. The initial validity of the Industrial Licence granted under the IDR Act has been increased from 03 years to 15 years with a provision to further extend it by 03 years on a case-to-case basis. Entry barriers for new entrants in Defence sector have been reduced which has helped SMEs in this sector. **The total number of Defence licenses issued has more than doubled from 215 as on 31st March 2014 to 460 till 31st December 2019 covering total of 275 Companies.**

2. **FDI:** FDI Policy has been revised and under the revised policy, Foreign Investment under automatic route upto 49% and above 49% through government route, wherever it is likely to result in access to modern technology or for other reasons to be recorded. Significant FDI inflows in Defence and Aerospace sectors have been witnessed. As per data furnished by 79 companies in Defence and Aerospace sector, till December, 2019, FDI inflow in Defence and Aerospace as reported by the companies stands at Rs 3155 crores as on 30.01.2020.

3. **Defence Procurement Procedure (DPP)**

(a) Defence Procurement Procedure (DPP) was revised in 2016. Specific provisions have been introduced for stimulating growth of the domestic defence industry. A new category of procurement 'Buy {Indian-IDD (Indigenously Designed, Developed and Manufactured)}' has been introduced in DPP-2016 to promote indigenous design and development of defence equipments. This Category has been accorded top most priority for procurement of capital equipment. Besides this, preference is being given to 'Buy (Indian)', 'Buy and Make (Indian)' and 'Make' categories of capital acquisition over 'Buy (Global)' & 'Buy & Make (Global)' categories.

(b) **"Make" Procedure:** In Feb, 2018 a separate procedure for 'Make-II' sub-category has been notified wherein a number of industry friendly provisions have been introduced. This effort of the Government to promote industry participation in indigenous development of defence items has yielded extremely encouraging response. Make-II Procedure for implementation at OFB/DPSUs have also been notified in Feb 2019. More than 2500 projects have so far been approved by OFB/DPSUs for development under Make-II.

4. As a result of all the above efforts, during the last 5 years i.e. 2014-15 to 2018-19 Government has accorded Acceptance of Necessity (AoN) to 204 proposals, worth Rs. **4,04,949.24** Crore approximately under 'Buy (Indian-IDD)', 'Buy (Indian)', 'Buy and Make (Indian)', 'Buy and Make', Strategic Partnership Model or 'Make' categories of capital procurement as per Defence Procurement Procedure (DPP) . In all the above categories Indian Industry would be engaged in defence manufacturing either through direct recipient of RFP or in collaboration with foreign OEMs.

5. **iDEX** : Innovations for Defence Excellence (iDEX) framework, was launched with the aim to achieve self-reliance and to foster innovation and technology development in Defence and Aerospace Sector by engaging Industries including MSMEs, start-ups, individual innovators, R&D institutes and academia. 58 iDEX winners have so far been identified for 18 problem statements/challenge under Defence India Startup Challenge (DISC).

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

7. **Defence Corridors:** Government has decided to establish two defence industrial corridors to serve as an engine of economic development and growth of defence industrial base in the country. They span across Chennai, Hosur, Coimbatore, Salem and Tiruchirappalli in Tamil Nadu and spanning across Aligarh, Agra, Jhansi, Kanpur, Chitrakoot and Lucknow in Uttar Pradesh, wherein investment of over Rs. 3,100 crore and Rs. 3,700 crore respectively were announced by OFB/ DPSUs/ Private Industries.

8. **Defence Innovation Hubs (DIHs):** iDEX envisages to engage with existing Defence Innovation Hubs (defence related MSME clusters) and create new hubs where innovators can get information about needs and feedback from the Services directly and create solutions for India's major defence platforms.

9. Department of Defence Production has notified 127 items under Public Procurement Order 2017 notified by Department for Promotion of Industry and Internal Trade (DPIIT). The Defence PSUs and OFB are thereby required to give preference to domestic manufacturers while procuring these items in accordance with the said policy.

10. **Testing facilities: The Test facilities/ infrastructure available with various Government agencies (OFB, DPSUs, DRDO, DGQA, DGAQA & SHQs) have been made available to private sector with the objective to assist them in design & development of defence systems. The details of test facilities, procedure and other Terms & Conditions are available on websites of respective Government Agencies. An 'SoP for allocation & utilisation of Proof ranges/Field firing Ranges for Private Industry' has also been notified.**

11. **Suo-Moto proposals:** Under the Revised Make-II, a new feature has been introduced which enables industry to make Suo-Moto proposals to the Services for their use. The suo-moto has particular relevance for new technologies/new products being developed by start-ups/industry. So far, 13 Suo-moto proposals have been accorded 'Approval in-Principle' by the Department.

Recommendation No. 14:

The Committee are happy to learn that private sector is taking suo-moto -interest in the Defence products. It would not only help the forces to get better import substituted products but would also pave way for healthy competition between private sector and DPSUs & Ordnance Factories. The Committee also welcome the move of the Government regarding revision of FDI Policy wherein Foreign investment up to 49 percent is allowed through automatic route and above 49 per cent under Government route attracting FDI inflows off over Rs. 3134 crore. The Committee hope that this propitious move bear fruits in establishing a huge Defence manufacturing base in the country and in coming years we would be self reliant in this field. In this regard, the Committee at this stage can only recommend that once the ball has been set rolling, all out efforts be made to accomplish the desired results with sustainability.

Reply of the Government

1. Under the revised Make-II, a new feature has been introduced which enables industry to make Suo-Moto proposals to the Services for their use. The suo-moto has particular relevance for new technologies/new products being developed by start-ups/industry. So far, 13 Suo-moto proposals have been accorded 'Approval in-Principle' by the Department.

2. FDI Policy has been revised and under the revised policy, Foreign Investment up to 49% is allowed through automatic route and above 49% under the Government route. FDI inflow in Defence and Aerospace as reported by the companies stands at Rs 3155 crore as on 30.01.2020.

Defence Exports

Recommendation No.15:

The Committee learn that the process of granting 'No objection Certificate' for export of Defence stores has been simplified, which has resulted in export of Rs.10,745 crore in 2018-19 and Defence exports have increased to 7 folds from 2016-17. While applauding the achievement of this figure, the Committee feel that in comparison to international Defence export market, that is very marginal. Therefore, they recommend the Ministry to take more initiatives and create favourable conditions so that exports are increased substantially in the coming year. The Ministry has informed that Defence Public Sector Undertakings have been encouraged to increase their export portfolio to 25 per cent of their turnover. The expectations of the Ministry with our DPSUs and Ordnance Factories will be met only if these factories make world class quality products. For improvements in the products of DPSUs and Ordnance Factories, the Ministry should encourage Transfer of Technology from the established and reputed manufacturers.

Reply of the Government

Initiatives towards Simplification, Decentralisation and Enhancing the Ease of doing Business.

Defence Exports

- ❖ Standard Operating Procedure (SOP) for the export of munitions list items have been modified and placed on the website of the DDP. The modifications in order to promote Ease of Doing Business are as below:-
 - a) In repeat orders of same product to the same entity, consultation process has been done away with and permission is issued immediately.

- b) For repeat orders of same product to different entity, consultation which used to be done earlier with all stakeholders is now limited only with MEA.
- c) In Intra-Company business (which is especially relevant for outsourcing of work by defence related parent company abroad to its subsidiary in India), the earlier requirement of getting End User Certificate (EUC) from the Government of importing country has been done away with and 'Buying' Company is authorized to issue the EUC.
- d) The legitimate export of the parts and components of small arms and body armour for civil use are now being permitted after prior consultation with MEA.
- e) For export of items for exhibition purposes, the requirement of consultation with stakeholders has been done away with (except for select countries).
- f) Export for the purpose of testing and evaluation and for the purpose of participation in tender EA is issued on case to case basis without insisting upon EUC from Government subject to the fulfilment of certain conditions.
- g) Powers have been delegated to DRDO, DGOF, and CMD's of DPSUs for exploring export opportunities and participation in global tenders.
- h) New End User Certificate Format for Parts & Components has been provided in SOP.
- i) For applications under Part B, EA is issued without waiting for the receipt of the original EUC, subject to the condition that it is received in the Department within 30 days of the date of filing the application.
- j) Validity of Export Authorization has been increased from 02 years to the date of completion of order/component whichever is later.
- k) A new provision for importing and re-exporting parts and components for undertaking repair or rework to provide replacement for a component under warranty obligation is inserted in the SOP as a sub-classification of repeat orders. Export Authorisation in such cases shall be subject to submission of an undertaking as in Appendix V of the SOP.
- l) The existing online application system of export authorisation has been made more user-friendly. A new software has been launched for improving the existing system being used by the industry to file the applications for issue of Export Authorisation. The following upgradation has been done to existing online system:-
 - i. Online filing of application by the industry.
 - ii. Online consultation with the stakeholders.
 - iii. Online processing of the application for approval of the competent authority.
 - iv. Online issuance of authorisation to the exporter.

- m) To ensure that Department of Defence Production remains a single point of contact for exporter for export of parts and components of Small Arms & Ammunitions and to remove any confusion from the minds of the industry, MHA was requested to delegate its powers under the Arms Rules-2016 to this Department for issue of licence under these rules. MHA vide Notification dated 1.11.2018 has delegated its powers to this Department to issue export license under Arms Rules-2016 in **Form X-A**, for parts & components of small arms.
- n) The Department of Defence Production has brought in 2 OGEL's (**Open General Export License**) one for the select parts and components and the other for intra-company transfer of technology. OGEL is a one-time export license, which permits the industry to export specified items to specified destinations, enumerated in the OGEL, without seeking export authorisation during the validity of the OGEL. These notifications have been placed on <https://www.defenceexim.gov.in>
- o) To further promote Ease of Doing Business and enhance the Defence Exports and also to achieve the objective set in Draft Defence Production Policy-2018 of annual Defence Exports to the tune of Rs.35,000 crore by the year 2025, the Department of Defence Production notified a **Scheme for Promotion of Defence Exports**. The scheme will provide an opportunity to the prospective exporters an option to get their product certified by the Govt. and access to the testing infrastructure of MOD for initial validation of the product and its subsequent field trials. The certificate can be produced by the prospective exporter for marketing their products suitably in the global market.
- p) The increase in the value of Defence Exports from the last financial year is Produced below:-

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u> <u>(till</u> <u>10.3.2020)</u>
Total Export (in Rs. Crore)	1940.64	2059.18	1521.91	4682.36	10745.77	8413.51*
No. of Authorizations issued	42	241	254	288	668	794

* The value mentioned includes actual export by DPSUs till 31.12.2019 and value as per authorisations issued by DDP(EPC) to private firms till 10.3.2020.

Recommendation no. 16.

The Committee note that Defence Procurement Procedure (DPP) was revised in 2016 and specific provisions introduced for stimulating growth of the domestic defence industry. A new category of procurement 'Buy {Indian-IDD (Indigenously Designed, Developed and Manufactured)' had been introduced in DPP-2016 to promote indigenous design and development of defence equipments. This category has accorded top most priority for procurement of capital equipment. Besides this, preference is being given to 'Buy (Indian)' and 'Buy and Make (Indian)' categories of capital acquisition over 'Buy (Global)' & 'Buy & Make (Global)' categories. The Committee have every reason to believe that by encouraging 'Buy (Indian)' categories of capital acquisition, more private sector companies will show interest in the area of defence manufacturing.

Besides this, in another welcome move, the Government has notified the 'Strategic Partnership (SP)' Model which envisages establishment of long-term strategic partnerships with Indian entities through a transparent and competitive process, wherein they would tie up with global Original Equipment Manufacturers (OEMs) to seek technology transfers to set up domestic manufacturing infrastructure and supply chains. As a result of said efforts, during the last 5 years i.e. 2014-15 to 2018-19 Government has accorded Acceptance of Necessity (AoN) to 204 proposals, worth Rs. 40, 4880 crore approximately under 'Buy (Indian-IDD)', 'Buy (Indian)', 'Buy and Make (Indian)', Strategic Partnership Model or 'Make' categories of capital procurement as per Defence Procurement Procedure (DPP). In all the above categories Indian Industry would be engaged in defence manufacturing either through direct recipient of RFP or in collaboration with foreign OEMs.

Reply of the Government

These are observations of the committee based on the information provided by MoD. Therefore, no further action is envisioned.

Recommendation no. 17.

The Committee further note that in DPP 2016 for achieving timely, efficient and effective procurement many steps has been taken by the Ministry i.e.

- (i) Inclusion of beneficiary bank details for Bank Guarantee in the Request for Proposal (RFP).
- (ii) Permitting confirmation of Bank Guarantee (BG) provided by a Foreign Bank and issuance of BG by Private Sector Banks Authorized by Ministry of Finance.
- (iii) Provisions for reassessment of Acceptance of Necessity (AoN) cost on receipt of DPRs (Detailed Project Reports) in 'Make' cases.
- (iv) Reckoning the date of ERV (Exchange Rate Variation) for Option Clauses to be the Last Date of Submission of Commercial Bids in Original case.

- (v) Inclusion of details of Independent Monitors in RFP.
- (vi) Clarity on imposition of LD (Liquidated Damages) and constituting of POVs (Professional Officers Valuations) in Contract Amendment cases.
- (vii) Doing away with additional BG for EPB (Essential Parameters 'B') in case EPB are trial evaluated during FET (Field Evaluation Trials).
- (viii) Permitting LC payment through all banks authorized by RBI for Government transactions.
- (ix) Exemption of CNC (Contract Negotiation Committee) from furnishing Reasonability of Cost Certificate for DPSU Equipment already Priced by Committee constituted under orders of Raksha Mantri.
- (x) Alignment of period of payment of Guaranteed sum by bank.
- (xi) Delegation of Financial powers to Services Headquarters from Rs.150 Cr to Rs.300 Cr.
- (xiii) Broad timeframe for completing procurement activities (from AoN to award of contract) has been reduced from 80-117 weeks to 70-94 weeks in multi vendor cases and from 92-137 weeks to 82-114 weeks in resultant Single Vendor cases.
- (xiv) Acceptance of Necessity (AoN) validity has been reduced to six months (from one year) for 'Buy' cases and to one year (from two years) for 'Buy & Make (Indian)' cases.
- (xv) Draft Request for Proposal (RFP) has to accompany Statement of Case (SoC) for AoN.
- (xvi) Single vendor cases at the bid submission and TEC stages will not be automatically retracted but processed with due justification with the approval of Defence Acquisition Council (DAC).
- (xvii) Guidelines for Change of Name of Vendor have been incorporated in DPP 2016 and Guidelines for Handling of Complaints have been notified to address avoid delays on this account.
- (xviii) To rationalise time taken for Field Evaluation Trials (FET), it has been provided that FET be held in conditions where equipment is most likely to be deployed. In addition, provisions have been incorporated for increased use of certification and simulations in the technical evaluation of equipment.
- (xix) Cases with AoN value of more than Rs. 150 crore to be directly brought before SCAPCHC thereby eliminating initial placement of such cases before SCAPCC.
- (xx) The aim of Fast Track Procedure (FTP) cases enhanced to cover urgent operational requirements relating to both foreseen and emergent situations.
- (xxi) RFI process has been elaborated in detail as the first step of the acquisition process and its objectives have been clearly defined.

(xxii) Parameters of SQR have been classified as Essential Parameters A and B. Essential Parameters A are generally a part of the contemporary equipment available in the market. Essential Parameters – B are those parameters which can be developed and achieved by the vendors using available technologies. Essential Parameters B are to be achieved mandatorily by L1 vendor after signing of contract.

(xxiii)SQRs will also have Enhanced Performance Parameters, to cater to additional capabilities over and above the essential parameters; vendors meeting the same will be given additional weightage during evaluation of their product cost.

The Committee are hopeful that measures taken by Ministry in the amended DPP 2016 would be successful in bringing institutional changes for the betterment of the Defence Industry, however, they recommend a need of proper monitoring and taking of effective corrective measures swiftly whenever need arises.

Reply of the Government

A number of amendments have been carried out in the DPP-2016 through various Business Process Re-engineering (BPR) exercises undertaken based on the experience gained in its implementation and the interactions held from time to time with various stakeholders including Industry bodies. Evolution of the DPP with constant amendments has been a driving force to ensure the advancement of defence manufacturing sector. MoD has supported 'Make in India' the initiatives of the Government of India with alignment of the procurement procedures, notable among which are the Strategic Partnership route, the Make-1 and Make-II procedures. The MoD/Acquisition has implemented BPR in Defence Capital Procurements and more than 50 amendments have been approved in Six phases of BPR. A revised version of DPP-2016 (updated as on 01.11.2019) has been uploaded on the Ministry's web portal. Review of the DPP-2016 is underway to publish a new and updated DPP for further improvement of the acquisition process and providing further impetus to "Make in India."

Recommendation No. 18:

The Committee find that two defence industry corridors have been set up in Tamil Nadu and Uttar Pradesh in collaboration with the States Government to provide state-of-the-art infrastructure and facilities for setting up defence production facilities. Development of these corridors will not only help in achievement of accelerated development and regional industry agglomeration, but will also facilitate a well-planned and efficient industrial base which will lead to increased defence production in the country and the region. During deliberations, the Committee learnt that around Rs. 3700 crore investments have already been announced by DPSUs and the private industries.

The Committee are happy for the innovative concept and establishing the Corridors in two different corners of the country, which would help to develop local industry. However, at the same time, they also desire that due care should be taken in establishing production facilities to win the trust of investor. They recommend that all-out efforts be done by mulling and implementing the requisite

measures in consonance with the two State Governments so that the best outcomes of these Corridors is seen and utilised.

Reply of the Government

Defence Corridors of UP & TN: Government of India has decided to establish two defence industrial corridors to serve as engines of economic development and growth of defence industrial base in the country. A defence corridor envisages an area that would line up domestic production of defence equipment by public sector, private sector and MSMEs for enhancing the operational capabilities of our armed forces. The locations of these corridors have been strategically decided to take into account the available ecosystem for enhancing the existing defence network. These corridors are spanning across Chennai, Hosur, Coimbatore, Salem and Tiruchirappalli in Tamil Nadu and across Aligarh, Agra, Jhansi, Kanpur, Chitrakoot and Lucknow in Uttar Pradesh (UP). Many stakeholders' interactions have been organized in these corridors. Investments amounting to Rs. 3100 Crore in Tamil Nadu and Rs. 3700 Crore in Uttar Pradesh have been announced.

Dependence on Foreign Vendors for military hardware

(Recommendation No. 19-21):

Recommendation No. 19:

The Committee note that Capital procurement of Defence equipment is undertaken from various domestic as well as foreign vendor based on operational requirements of the Armed Forces, the availability or capacity to produce the equipment in India and abroad to keep the Armed Forces in a state of readiness to meet the entire spectrum of security challenges. During the last four financial years (2015-16 to 2018-19), out of total 210 contracts worth about Rs.1,67,898 crore have been signed with foreign vendors including USA, Russia, Israel, France etc. for procurement of Defence equipment for Armed Forces. The Defence equipment imported during this period includes helicopters, aircrafts, missiles, rifles, artillery guns, simulators and ammunition.

Recommendation No. 20:

From the data supplied by the Ministry, the Committee also note that dependence on the foreign vendors is rising all these year. In the year 2014-15, out of total procurement of Rs 65,859.98crore, procurement from foreign vendors was Rs. 25,980.98 crore, which was 39.62 per cent of the total expenditure. The exception was the year 2015-16, wherein out of total procurement of Rs. 62,341.86 crore, procurement from foreign vendors was Rs.23,192.22 crore, which was 37.20 per cent of the total expenditure, 02.5 per cent lower than the previous year. In the year 2016-17, out of total procurement of Rs.69,150.12crore, procurement from foreign vendors was Rs 27,278.09 crore, which was 39.44 per cent of the total expenditure. In the year 2017.18, out of total procurement of Rs. 72,732.28 crore, procurement from foreign vendors was Rs.29.035.41 crore, making it close to last year's import at 39.92 per cent of the total expenditure. In the year 2018-19 again, out of total

procurement of Rs 75,920.74 crore, procurement from foreign vendors was Rs.35,957.06 crore, which was 48.67 per cent of the total capital expenditure.

Recommendation No. 21:

This led to very little procurement from the Indian sources as it is inversely proportional to procurement from foreign vendors and would affect our indigenous industry in long run. Therefore, the Committee recommend that the Ministry should chalk out a plan in consultation with DPSUs, OFB, the Services, Indian Industry, educational institutions of high repute and other stakeholder, and make concrete efforts to reduce dependence on the foreign vendor.

Reply of the Government

Capital procurement of defence equipment is undertaken from various domestic as well as foreign vendors in accordance with Defence Procurement Procedure (DPP) based on operational requirements of the Armed Forces, the availability or capacity to produce the equipment in India and abroad and to keep the Armed Forces in a state of readiness to meet the entire spectrum of security challenges. Government is pursuing initiative to achieve higher levels of indigenisation and self-reliance in the defence sector by harnessing the capabilities of the public and private sector industries in the country. These measure include according priority and preference to procurement from Indian vendors and liberalization of licensing regime. Defence Procurement procedure (DPP) accords the highest priority to 'Buy Indian (Indigenously Designed, Developed and Manufactured) (IDDM)'. The 'Make' procedure has been simplified with provision for earmarking projects not exceeding development cost of Rs. 10 crore (Government funded) and Rs. 3 Crore (Industry funded) for Micro, Small and Medium Enterprises (MSME); and with provisions for involving private industry as production agencies and technological transfer partners.

A new Make-II procedure has also been introduced in the DPP which allows Indian industry to conduct R&D, innovate and submit suo-moto proposals for supply of defence equipment. This provides a new avenue for participation of Indian industry including MSMEs and start-ups.

In addition, Government has promulgated policy on Strategic Partnership in the defence sector to encourage participation of the private sector in manufacture of major defence platforms and equipment. In order to catalyse indigenous production of defence and aerospace related items, Government has decided to set up two Defence Industrial Corridors in the country, one in the state of Uttar Pradesh and the other in Tamil Nadu.

Procurement of Extreme Cold Weather Clothing System (ECWCS)

Recommendation No. 22:

The Committee note from the replies submitted by the Ministry that 'Extreme Cold Weather Clothing System' which falls under the category of SCME (Special Clothing and Mountaineering Equipment) items invariably required by Armed Forces in Glacier regions. It is a three layered individual clothing item for soldiers deployed in the Siachen Glacier and other similar high altitude areas meant for providing adequate protection, thermal insulation and comfort from extreme cold climate and rough weather conditions at an altitude of more than 18,000 feet, low temperature up to -50°C and wind velocity of more than 40 Km/hr. Measures to monitor quality of supply are inherent in the procurement process and are ensured by Director General of Quality assurance (DGQA) as well as the User, both during procurement and usage. It has also stated that apart from foreign suppliers, an indigenous manufacturer is also participating in the ongoing procurement process for ECWCS items. However, during the oral evidence, a senior representative of Army apprised the Committee that as on date, virtually about 80 per cent of it is imported and there is no indigenous capability existing in India to make it.

The Committee recommend that as large number of such clothing is required for our Forces in Siachen and other areas, therefore, the Ministry should explore the possibility of developing a industry for manufacturing of the same, so the dependence on foreign sources can be reduced and ECWCS may be customized to Indian needs.

Reply of the Government

The reply contains information classified as 'Confidential' and therefore the same is being directly sent to the Hon'ble Chairperson Standing Committee on Defence with a request that the contents of this may not be incorporated in the Report of the Committee.

Recommendation No. 24:

In BEL, which has the line of business including Radars, Missile Systems, Communication, Electronic Warfare & Avionics, Network Centric Systems, SONARs & Fire Control Systems, Electro-Optics, Tank Electronics/Gun Upgrades Homeland Security and select non-defence products, the import content in products manufactured has minimum 20% to 24%. The Committee desire that by guiding local capable Indian Small Scale Industry to produce the products required by BEL, import content should be restricted.

The Committee also find that in BEML Ltd, import content during last five years ranged from 15.87 percent to 25.48 percent, which is quite high. The Committee recommend that desired steps should be taken to bring it down.

Reply of the Government

BEL: With the objective of restricting import content, BEL has been encouraging Indian Industry to play significant role in its supply chain. The company continuously enhances its indigenous vendor base including Small Scale Industries /MSME. At present around 15% of BEL's domestic vendor base comprises of MSME vendors & further enhancing this vendor base in an ongoing process. BEL has taken various measures to promote indigenous defence manufacturing in MSME sector. Major ones are listed below:

- Implementation of Government's Public Procurement Policy.
- Empanelment of MSME partners under Collaborative R&D Process.
- Items identified for procurement from MSMEs & Indigenization.
- BEL's Test Facilities are made available for use by MSMEs.
- Conduct Training Programs at free of cost (Problem Solving Techniques, Zero Defect, 5S, Lean, Six Sigma, QMS, ISO 9001, ISO 14001 etc.,) for MSME vendors.
- Vendor Development Programs and participation in events by Ministry of MSME.
- Online vendor registration in BEL's SRM portal and Nodal Officers to assist MSMEs.

However, since industry for manufacturing electronic components is not well established, BEL depends on imports for basic components.

BEML: BEML has given major thrust to Self-Reliance and already achieved indigenization levels of over 90% in the mainline Mining & Construction products, over 80% in Rail coaches & EMU's, and High Mobility Vehicles (HMV) and over 60% in Metro cars. The overall import content depends on product mix manufactured each year. As the portion of Metro cars in the overall sales has increased from 15% to 41% during the last 5 years, the import content as percentage of overall Value of Production has increased.

R&D is central to BEML's operations wherein over 65 % of the turnover comes from R&D developed products. Expenditure on R&D has increased from 2.01% in 2015-16 to 3.08% in 2017-18.

BEML's R&D has indigenously developed "Make In India" Products 150T & 190T Dump Trucks and 180T Electrical Excavator. These biggest electric drive dump trucks were designed and manufactured for the first time in India and are major import substitution products for the Mining sector.

Also, in Defence segment, BEML in association with M/s. CVRDE, has Designed, Developed and Supplied Arjun Armoured Repair & Recovery Vehicle (ARRV) which is under trials and further orders are expected which will result in FE savings for the country.

An Innovation Cell has been created to scout for new technologies and potential partnerships start-ups to develop new products and aggregates. M/s BEML have instituted Awards to identify and encourage R&D engineers. Towards protecting the Intellectual property of the Company, the

innovation cell has succeeded in filing 85 patents and received 7 patents so far covering innovations in product design, manufacturing and operations.

The Company is also engaging with premier academic institutions, R&D establishments like DRDO and ARAI and Industry Partners to leverage technology for the benefit of customers such as introducing AI features in machines.

Steps taken by Company to bring down Import level

- Indigenisation Committee has been formed at each manufacturing division having members from R&D, Planning, Purchase and Production. The indigenization activity is monitored at Corporate level on regular basis.
- The Company is also working towards 'ZERO IMPORT' policy of Government of India and has released EoI for all Imported items for localization.
- To boost indigenous content, BEML has plans to enter into JV with renowned MNCs for local production of defence spares & aggregates, cabin, high value metro car aggregates.

Recommendation No. 25:

Similarly, HAL is currently manufacturing SU-30 MKI, Light Combat Aircraft (LCA), Advance Light Helicopter (ALH) and Dornier Do-228. The import content in value terms for the platforms under manufacture at HAL is 40 per cent to 60 per cent. The Committee recommend that HAL should explore the possibilities from local Defence industry to bring down the import content. The Committee may be apprised of the measures taken by OFB and DPSUs in bringing down the import percentage, within three months of presentation of the report.

Reply of the Government

- (i) **HAL:** The aircraft, helicopters and their systems are built to standard SOP (Standard of Preparation) after evolving component/module/system level specifications at the design stage. Any modification on SOP requires an elaborate re-certification process involving long gestation period and cost. Presently, import substitution on the platforms have been happening broadly under two circumstances;
- To upgrade existing system with a superior one to give better technical and functional capability or
 - To address the issues of obsolescence in order to support and sustain fleet availability for its entire lifecycle.

In house development of a system as a substitute to imported one when the latter is already operational with the sole moto of indigenization is a rare occurrence. Indigenization needs to be viewed in the perspective of techno-economic viability, in-house capability to offer high-end technology and the development time frame and its exploitation for a longer span of time on larger

number of aircraft sets. Availability of good order book is a must to exploit the true economic benefits of indigenization.

Indigenization is a continuous endeavor at HAL on various platforms including LCA and futuristic projects. Major LRUs/ Components like Gyro Reference Unit, GPS Antenna, Actuators, Smart Multi-Function Display, Mission Computer and Battery etc. are planned/ taken-up for Indigenization.

Non-availability of raw materials, consumables and standard parts of aeronautical grade from indigenous sources is a serious limitation in achieving self-reliance as major proportion is imported. Low volume of consumption, unsustained order book, high cost and timelines of development limited in view of the economy of scale also affect indigenization planning.

In respect of bought-out items like bearings, connectors or system equipment like actuators, ejection seats, fuel pumps, radars, EW equipment etc., the indigenous capability for Aeronautical standard is limited or does not exist in the country, and these will have to be invariably procured from foreign OEMs.

In an ideal scenario, HAL would aim to achieve even higher levels of indigenisation which again is linked to the numbers to be produced.

Notwithstanding the above, HAL has made following concerted efforts to raise the level of Indigenous content through in-house and outsourcing to Indian vendors.

- HAL has set up dedicated Indigenisation Cells at Divisional level and an Indigenisation Department at Corporate level.
- Every year HAL indigenizes more than 1000 items comprising of detail components, sub-assemblies and LRUs for sustenance of fleets and avoid production/ overhaul hold ups. More than 25000 items have been indigenised since 2009.
- HAL develops Test rigs and TTGE items indigenously through reverse engineering.
- In addition to HAL manufactured products, it also extends full support for maintenance and upgrades of aircraft & helicopters which are directly procured & used by defence services like AN-32, Mirage-2000, UAV (Heron/ Searcher), Seaking helicopters etc.
- A 'Make in India' portal is hosted in HAL website to offer opportunity of indigenization to private sector under Make I & II program. Details of test facilities available at HAL are also hosted for private vendors to utilize them during the course of Indigenization. HAL has identified and hosted more than 1000 items which can be taken up by the Indian Private Industry under Make-II as an endeavor to promote their participation in Indian defence manufacturing.

It is also important to develop / Indigenize the raw materials such as metals/alloys/ composites/ semiconductor materials and electronic components such as Integrated Circuits (ICs)/ Resistors/ Capacitors etc.

HAL is India's only aerospace major with indigenous design and manufacture capabilities. Procurement of HAL's indigenous products are effective import substitutes which obviate the need for

import of flyaway platforms from foreign manufactures. Hence, products like ALH, LCA, LCH, LUH, HTT-40 and license platforms like Su-30 MKI, Hawk, Dornier if inducted in greater numbers would definitely bring economy of scale to the Indian private vendors and would contribute to further reduction of imports in the long term.

- (ii) **OFB:** OFB is persistently pursuing the national goal of self-reliance in Defence manufacture through high level of indigenization and presently almost 90% items of OFB products are indigenously made. In case of T-90 tanks having 16% imported contents, ToT was provided by Russian OEMs. On the other hand 'Dhanush' is an indigenous Artillery Gun System. This gun system has remarkably high indigenous content of more than 80% at prototype stage. Certain sub-systems are of imported nature due to limitations in availability of such systems indigenously. Details are given in succeeding paragraphs.

In case of T-90 Tank, technology has not been provided by OEM (Russia) for some items like NBC System equipment (PKUZ-1A), Camouflage Paint, Miniature Electric Motor, Stabilizer (Ex-Bharat Electronics Ltd.), Mounting of Gyro Direction Indicator, Optical Sending Unit etc and such items are imported in nature. However, HVF has taken initiative to indigenize/develop these items in collaboration with DGQA & DRDO, in-house R&D projects and vendor development under Make-II Procedure for Indigenisation. In this way, import content is expected to be reduced to less than 20% in the next 2-3 years.

In case of 155mm x 45 Calibre Artillery Gun System "Dhanush", 16 percent import content is due to mainly 2 items i.e. Power Pack and Electronic Suit. For Power Pack, GCF has taken up in-house R&D project to develop it by using indigenously sourced engines. The Electronic Suite is procured from Bharat Electronics Ltd., but has inputs of imported nature. Dhanush Gun has undergone series of trials over many years before it was cleared for induction by Indian Army. However, Army (User) has specifically asked not to change the configuration of the electronic suit for the time being. Hence, this item is not likely to be indigenized in near future.

- (iii) **BEL:** BEL generally does not import fully finished Defence equipment. However, for the design, manufacture & supply of Defence equipment, the company resorts to imports only for some of the special Components/Raw materials, proprietary items/sub-systems etc., (input material) that are not being manufactured in the country. BEL continuously strives to minimize the dependence on import of these items through consistent efforts on indigenization, outsourcing from domestic industry, vendor development, collaborative R&D process involving Indian Private Industry including MSMEs etc. Major portion of BEL's turnover (87% on an average) is generated from products based on indigenous technology.

Besides, as part of CPSE Conclave action points of Government vis-a-vis Vision 2022, BEL has identified specific projects for Indigenization as part Challenges pertaining to Minimizing Import Bill and Integration of Innovation & Research through which various projects have been taken up for

indigenization in collaboration with other CPSEs/OFB. Besides, Indigenization in one of the major avenues BEL's Cost Reduction efforts where the company sets annual targets for achieving. Reduction in Import as a % of Revenue from Operations over the previous year is one of the Performance Criteria under MoU signed with Ministry. The above measures are expected to further bring down the import content in the coming years.

- (iv) **BDL:** Efforts are being made to indigenize explosive & propellant composition of invar missiles these items with the help of DRDO & private vendors. It is planned to complete the indigenization activity by 2022. This will reduce the import content.
- (v) **BEML:** BEML has given major thrust to Self-Reliance and already achieved indigenization levels of over 90% in the mainline Mining & Construction products, over 80% in Rail coaches & EMU's, and High Mobility Vehicles (HMV) and over 60% in Metro cars. The overall import content depends on product mix manufactured each year. As the portion of Metro cars in the overall sales has increased from 15% to 41% during the last 5 years, the import content as percentage of overall Value of Production has increased.

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BEML's R&D has indigenously developed "Make In India" Products 150T & 190T Dump Trucks and 1800 Electrical Excavator. These biggest electric drive dump trucks were designed and manufactured for the first time in India and are major import substitution products for the Mining sector.

Also, in Defence segment, BEML in association with M/s. CVRDE, has Designed, Developed and Supplied Arjun Armoured Repair & Recovery Vehicle (ARRV) which is under trials and further orders are expected which will result in FE savings for the country.

An Innovation Cell has been created to scout for new technologies and potential partnerships start-ups to develop new products and aggregates. M/s BEML have instituted Awards to identify and encourage R&D engineers. Towards protecting the Intellectual property of the Company, the innovation cell has succeeded in filing 85 patents and received 7 patents so far covering innovations in product design, manufacturing and operations.

The Company is also engaging with premier academic institutions, R&D establishments like DRDO and ARAI and Industry Partners to leverage technology for the benefit of customers such as introducing AI features in machines.

Steps taken by Company to bring down Import level

- Indigenisation Committee has been formed at each manufacturing division having members from R&D, Planning, Purchase and Production. The indigenization activity is monitored at Corporate level on regular basis.

- The Company is also working towards 'ZERO IMPORT' policy of Gol and has released EoI for all Imported items for localization.
 - To boost indigenous content, BEML has plans to enter into JV with renowned MNCs for local production of defence spares & aggregates, cabin, high value metro car aggregates.
- (vi) **MIDHANI:** MIDHANI has developed & supplied around 60 grades of important materials for HAL which include Special Steels, Super alloys and Titanium alloys of around 2500 MT and the details programs are given below;
- **Different alloys developed, manufactured & type approved :** MIG engines & airframes of MIG aircrafts ,LCA program , ALH, jaguar, turbo trainer , KAVERI and GHATAK engine

Further, MIDHANI has taken initiatives to developed materials for SU-30MKI, LCA and ALH as mentioned below.

MATERIAL UNDER DEVELOPMENT FOR SU30MKI AIRCRAFT – AL31FP ENGINES

ALLOYS FOR INDIGENISATION	APPLICATION	STATUS
TITANIUM BASE ALLOY		
BT-20	Compressor Stator Blades, Airframes	Under progress
NICKEL BASE ALLOY		
EP718ED	Covers, Flanges	Under discussion with HAL for development order
EP742ED *	Rings, Flanges	Order Received from GTRE, development under progress

*MIDHANI is in the process of signing a MOU with VIAM Russia to develop EP742 engine Disk for SU-30MKI.

MATERIAL UNDER DEVELOPMENT FOR JAGUAR AIRCRAFT – ADOUR MK 871 ENGINES

ALLOYS FOR INDIGENISATION	APPLICATION	STATUS
TITANIUM BASE ALLOY		
Ti 26A	High pressure Discs, Stage 1 to stage 5	Supplied to HAL
NICKEL BASE ALLOY		
Nimonic 115	Compressor Rotor Blades	Under Progress

MATERIAL UNDER DEVELOPMENT FOR ADVANCE MEDIUM COMBAT AIRCRAFT (AMCA) ENGINES

ALLOYS FOR INDIGENISATION	APPLICATION	STATUS
TITANIUM BASE ALLOY		
Ti 17 , Ti 900 , TI 834, TI 6242S	Blades and Vanes, Discs, Shafts, Casings.	Under discussion
NICKEL BASE ALLOY		
Su 718+, Rene 88Dt, Hastelloy X, Haynes 188, Haynes 230, CMSX-4, CMSX-10, Rene N6, MarM 509	Blades and Vanes, Discs, Shafts, Casings, Reheat system Flame Holder, heat System Fuel Spray Bar	Under discussion
SPECIAL STEEL		
AMS 6265, 15NiMoSiCr10, M 50	Bearing and Gear	Under discussion

MIDHANI is ready to take up the challenges of supplying aeronautical materials required by HAL with existing type approved materials. New alloys also can be developed and type approved with support of RCMA (M), DGAQA & HAL. HAL has to project their long term requirements, based on which MOQ can be decided & type approval work can be carried out economically.

- (vii) **MDL:** Steps taken by MDL in bringing down the import content are enumerated below.
- a. The 'Make in India'/ Indigenization Department of MDL is working on Indigenizing various equipment to reduce the dependency on import. MDL has so far indigenized eight equipment and system with the help of private firms. Expected saving of foreign exchange is Approx. Rs 425 Cr. For major items such as Remote Control Valve, Sonar Dome, Bridge Glass Window etc.
 - b. MDL has entered into contract with CFEES (DRDO), New Delhi for Joint Development of 'Magazine Fire Fighting System for warships', which was earlier being imported.
 - c. Public Procurement Policy (Preference to 'Make in India') has been implemented to increase the indigenous content of the procurement of items.
- (viii) **GRSE:** The measures taken by GRSE for reducing import content are as follows:
- a) Introduction of Make-II policy in GRSE Purchase Manual
 - b) Indigenisation Record: The items that have been indigenised so far are as follows:-

Sl. No.	Main Category
(i)	Anchor
(ii)	Anchor & Mooring Capstans
(iii)	Davits upto 5 Ton Capacity
(iv)	Plotting Table
(v)	Sound Power Telephone
(vi)	Copper and Cupro Nickel fittings
(vii)	Forged Reducer
(viii)	Forged Bends
(ix)	Helo Hangar Shutter
(x)	Helo Traversing System
(xi)	Centrifugal Pumps
(xii)	Centrifugal Pumps
(xiii)	Gate Valve (Line Valve)
(xiv)	Storm Valve (Under Water Valve)
(xv)	SD Globe Valve with IHC (Line Valve)
(xvi)	Butterfly Valve (Line Valve)
(xvii)	Pressure relief Valve (Line Valve)

Sl. No.	Main Category
(xviii)	SD Globe Valve (Line Valve)
(xix)	Rt Angle SD Globe Valve (Under Water Valve)
(xx)	SD Globe Valve (Line Valve)
(xxi)	Ball Valve (Line Valve)
(xxii)	Trewhella Grab for suspension bridges
(xxiii)	Assault Bridge(Man portable)

- c) The target for indigenisation for the next 5 years are as follows:
- (Data Acquisition and Processing System) DAPS for Survey Vessels.
 - HP Air fittings
 - Gas based Fire fighting system
- d) Other measures: ship borne items can be divided into the following categories:
- Category A: Single/ Dual nomination by customer (Indian Navy/ Coast Guard)
 - Category B: Multivendor nomination by Customer(Indian Navy/ Coast Guard)
 - Category C: Shipyard scope, no nomination.

Indigenisation of category, which is in the shipyard is almost 99%. Category B, generally pertains to Engineering equipment, wherein the indigenisation is around 70%. Category A pertains to generally weapon systems, wherein the indigenisation is around 30%. Indigenisation of Category A & B is in the purview of Service Headquarters. GRSE is a member in the committee under Chief of Materiel, IN to identify and progress indigenisation of items likely to be imported.

- (ix) **GSL:** GSL has implemented the following policies to increase the indigenization level:
- (i) GSL promulgated Make in India (Outsourcing, Long Term Procurement & Vendor Development and Indigenization) Policy in October, 2015 to enhance the local content / indigenization through increased vendor / manufacturing base in Defence Shipbuilding Sector. Assurance of Orders to vendors successfully developing import substitute.
 - (ii) **Purchase Preference Clause:** GSL implemented Preference to Make in India 2017 and accordingly arranged Purchase Preference to Local Indian Manufacturers over Foreign Manufacturers.

- (iii) **Make – II Procedure:** GSL also introduced Make – II Procedure in May 2019 to encourage indigenous design, development and manufacture (IDDM) of defence equipment/ weaponsystems as per MoD Office Order dtd Feb 2019.
- (iv) **Framework for Placing Long Term Orders for Indigenization:** GSL adopted framework for Placing Long Term Orders for Indigenization in line with MoD letter dated 15.11.2019.
- (x) **HSL:** In true spirit, Make in India initiative of Indian Navy started in Hindustan Shipyard Ltd (HSL) in early 50s itself. The first two indigenously built ships INS Druvak and INS Darshak of Indian navy were constructed by HSL. INS Druvak was a mooring vessel delivered to Indian Navy in 1959 and INS Darshak was a hydrographic survey vessel delivered to Indian Navy in 1964. Since then, HSL has been contributing to the cause of indigenisation by undertaking constructions of warships of different types for the Navy and the Coast Guard. Most significantly it has undertaken the MR of the Foxtrot class submarines (INS Vagli) as well as MR-cum-Modernisation of EKM class submarines (INS Sindhukirti), which otherwise had to be done in Russia. The yard has also nurtured a strong Design Office which can take up indigenous design of many kind of ships. Additionally, HSL has also built many ships and platforms for SCI, DCI, ONGC, GML, Port trusts, NIOT, Andaman & Nicobar administration etc.

Measures to promote indigenization

1. Despite above, Indigenization is being promoted by HSL by avoiding imported equipment and sourcing equipment / machineries from domestic vendors wherever feasible and permitted. Indigenous content as a % of VoP achieved during the last 5 years is tabulated below.

Year	VoP (Rs Crore)	Value of imported materials consumed during the year (Rs Crore)	Indigenous content as a % of VoP
(1)	(2)	(3)	(4) = [(2)-(3)/(2)]*100
2014-15	294.16	99.52	66.17
2015-16	593.29	159.63	73.09
2016-17	629.05	65.18	89.64
2017-18	644.78	72.84	88.70
2018-19	594.91	92.04	84.53

2. HSL has not indigenized any item as a development project. However, import substitutes for large number of items have been identified and used by the shipyard in the projects executed in the past, one such worth mentioning is the Medium Refit cum Modernisation (MRCM) of Indian Naval Submarine 'INS Sindhukirti'. The refit required very special type of materials and fittings to meet stringent technical/ quality norms. Efforts had

been made to find indigenous substitutes for certain Russian items since some of the items supplied under contract with RoE, Russia are either found insufficient or malfunctioning during trials of the Submarine. In most cases, material was not available in local market and HSL had to explore the industries/manufacturers all over India to meet the material requirement. Certain specialist equipment / facilities were procured / developed through experienced vendors. In addition, other suitable indigenous items like filler wires, paints, adhesives, insulation materials and fittings were also used. Thus, HSL had avoided delay in importing the items from RoE, saved precious foreign exchanges & dependency on RoE for basic raw material.

3. Items indigenized in-house/ developed through Indian vendors during last five years is tabulated below:-

Year	Indigenized items / equipment	
	In-House	Through Indian Vendors
2014-15	Exhaust Manifold, Self-priming system for Bilge pumps, Design, fabrication & erection of Diffraction fence, Design, fabrication and erection of Air Intake duct for Main Engine. Modified structural design of DSV Ship by replacing Steel Bulb profiles of with Angle profiles in order to avoid import of bulb profiles	Hydraulic selector regime panel, Anechoic Rubber Tiles& Adhesives, Ferrous & nonferrous end fittings, SS & titanium fasteners and tubes, Tank Side Blow valves and reducers, Electrodes Ultratensal-MH and Ultratherme-H and filler wires, Battery Pit Paints, Adhesives DG Sets, Pumps
2015-16	---	Air Filtration Units Main Alternator 1.2 MW Refrigeration Plant
2016-17	---	Air Handling Units Shaft Alternator 1.2 MW DG Sets Pumps
2017-18	---	Integrated Platform Management System (IPMS) Marine LAN Advanced Composite Communication System (ACCS) Modular Combat Management

		System (MOD CMS) Electrically Operated Gun Fighting Control System (EOGFCS) Link II MOD III (External communication system with ship, shore & aircraft for linking of various systems)
2018-19	---	Piping system components

4. The project-wise indigenization content achieved for recent completed / ongoing projects is as follows:-

- (a) 10 T BP Tugs for Indian Navy (6 Nos) – 66 %
- (b) Fleet Support Vessel (11184) – 80 %
- (c) Pontoons for DGNP (V) (4 Nos) – 100 %

5. HSL has been consistently making efforts to boost indigenization in its ship construction projects under Make in India policy. Following initiatives have been taken by HSL in this regard:-

- (a) Provisions contained in 'Public Procurement (Preference to Make in India), order 2017', issued by Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, have been incorporated in Purchase Manual for implementation.
- (b) Chief Indigenization Officer (CIO) has been nominated. Indigenization Committee has been constituted to select the items to be indigenized
- (c) The MAKE-II Procedure has been incorporated in the Purchase Manual in order to indigenize imported items through development of prototype. Four items have been selected for indigenisation under Make II.
- (d) Assurance of orders for future requirement in 5 years on the same Indian firm which executed Import substitute order successfully.
- (e) Relaxation of norms (prior experience and prior turnover) for MSMEs and start-ups in all public procurements, subject to meeting quality and technical specifications.
- (f) Alignment to payment terms i.e; provision of advance payments to MSMEs.
- (g) Deemed registration of vendors (Vendors registered in other Defence PSUs are to be considered as deemed Registered)

- (h) Efforts are being made to identify Tier-I & Tier-II Vendors so as to facilitate development of import substitutes.
- (i) 'Make in India' Portal has been created in the HSL Website to attract vendors. The contact details of Nodal Officer have been provided in the portal. The list of items which are hitherto being imported are displayed on the website with an intent to Indigenise.
- (j) With a view to familiarize the Vendor, a special link 'Information to Vendors' has also been incorporated in the HSL portal, which provides information like Guidelines for vendor registration, commercial questionnaire for indigenous and foreign suppliers, HSL Standard business terms & conditions, List of items, materials, equipment & works, HSL Manual on procurement of materials and services, MSMEs – List of items reserved for purchase from small scale industries, Vendor registration form – Supplier, Vendor registration Form-Contractor etc.
- (k) A direct link to the Make in India Page of Gol (<http://www.makeinindia.com>) has also been provided in the portal.

Further, Data on degree of Indigenization i.e Percentage of Indigenous procurement (indigenous content/ value of production*100) of OFB and DPSUs are as under:

DPSU/OFB	2016-17		2017-18		2018-19	
	Percentage of indigenous procurement (local content/Value of production) *100 (A)	Import content as % (100-A)	Percentage of indigenous procurement (local content/Value of production) *100	Import content as % (100-A)	Percentage of indigenous procurement (local content/Value of production) *100	Import content as % (100-A)
OFB	88.17	11.83	91.09	8.91	86.81	13.19
HAL	54.53	45.47	59.38	40.62	65.63	34.37
BEL	75.1	24.9	79.51	20.49	74.37	25.63
BEML	76.26	23.74	76.53	23.47	76.35	23.65
BDL	89.4	10.6	92.74	7.26	86.72	13.28
MDL	54.47	45.53	62.54	37.46	74.93	25.07
GRSE	93.71	6.29	90.71	9.29	94.19	5.81
GSL	78.24	21.76	75.58	24.42	73.76	26.24
HSL	89.23	10.77	86.93	13.07	81.27	18.73
MIDHANI	71.75	28.25	85.75	14.25	69.14	30.86
Total	72.52	27.48	76.5	23.5	79.93	20.07

Offset Clause

(Recommendation No. 26-27):

Recommendation No. 26:

The Committee note that Offsets under Defence Capital Acquisition were introduced in the Defence Procurement Procedure (DPP) in 2005 based on the recommendation of Kelkar Committee. The Offset guidelines in DPP have been amended 5 times thereafter. As mentioned in the earlier part of this report, there are 05 categories of capital procurement for defence equipment's i.e. (i) Buy (Indian-IDDMM), (ii) Buy (Indian), (iii) Buy & Make (Indian), (iv) Buy & Make and (v) Buy (Global). The offset provisions apply in capital acquisition contracts which are more than Rs 2000 crore. The threshold level of Rs 2000 crore was raised from Rs 300 crore in 2016. However, the offsets are not applicable to procurements under "Fast Track Procedure" and in "Option Clause" cases if the same was not envisaged in the original contract. It is relevant to note that offset applicability on Indian companies under "Buy Global" cases do not arise in case the indigenisation component is more than 30 percent. Offset contracts are co-terminus with the main procurement contract and signed along with the main procurement contract after approval of Competent Financial Authority (CFA). The period of offset discharge can be extended on exceptional ground by a maximum period of 02 year. The DPP stipulates eligible products/services for discharge of offset obligations which covers defence products, products for internal security and civil aerospace. The responsibility for fulfilment of offsets obligations lies with the main vendor. However, the vendor is permitted to discharge his obligations through Tier 1 sub-vendors based on their work share. The vendors are free to select their Indian Offset Partners (IOP) from DPSU/OFB/DRDO/private industry. The vendors are allowed to submit offset details either at the time of seeking offset credits or one year prior to discharge of offset obligations.

Reply of the Government

The observation of Hon'ble Standing Committee are factual, hence no comments are offered.

Recommendation No. 27:

The Committee have learn that the Ministry has gradually liberalised and fine-tuned the Offset Policy and the guidelines thereof to factor in the difficulties encountered in the implementation of the offsets to strengthen the domestic defence industrial base together with other synergic sector. This has resulted in the enlargement of the available avenues for discharge of offsets together with amplification of the products and services and specifying other measures making them more users friendly. For the purpose, the Committee recommend that while granting and allowing Offsets, participation of companies of repute should be encouraged and it should be ensured that companies offer servicing of the products for atleast twenty years after the sale of the product.

Reply of the Government

The Committee's recommendations have been duly noted.

Defence Planning

Recommendation No. 28:

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 Raksha Mantri's Operational Directives, the Long Term Perspective Planning(LTPP) and the current threat perception. These plans help to estimate the outlay required to achieve the planned objective. The Committee observe that against the Revised Estimate of Rs. 3, 61, 000.00 crore, the expenditure incurred during 10th Plan was Rs. 3,57,627.17 crore. Further, against the projection of Rs. 6,65,882.50 crore, the expenditure incurred during 11th Plan was Rs. 6,72,714.63 crore, which was clearly a case of overspending. Again, in 12th Plan, the expenditure incurred was Rs. 10,55,763.75 crore against a projection of Rs. 10,49,932.98. However, the Ministry of Defence has claimed that activities included in the plans proceeded during the Plan period within the available budget allocations. The allocated funds are optimally and fully utilized towards operational activities. If required, the schemes are reprioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Forces. The period of 13th Defence five year plan is from the year 2017 to 2022. However, the Ministry has not given the BE or RE for the same even after two years of beginning of the plan, therefore, the Committee recommend that in future, the Ministry should take due care in supplying the information to them. They would like to be apprised of the reasons of non-furnishing of this information.

Reply of the Government

The Committee has been apprised on the BE Projection, Allocation and Expenditure for the first three years of 13th Defence Five Year Plan Period and BE for 4th Year i.e. 2020-21 while furnishing replies on Examination of Demand for Grants of the Ministry of Defence for the year 2020-21 – List of Points (Part-I) (point no. 44 of Defence Planning). The reply give is reproduced below:-

(Rs. in crore)

Year	BE Projection	Allocation	Expenditure
2017-18	3,23,217.10	2,59,261.90	2,72,559.81
2018-19	3,95,851.34	2,79,305.32	2,87,688.65
2019-20	4,05,784.84	3,05,296.07	2,47,573.32*
2020-21	4,30,130.70	3,23,053.00	-

*Expenditure is upto December, 2019.

Non fructification of Defence Five Year Plans

Recommendation No. 29:

The Committee note that although the 12th Plan was approved by the Raksha Mantri, it was not acceded to by the Ministry of Finance. As per the Ministry of Defence, while formulating guidelines for the 13th Defence Plan it was decided that the Plan may be sent to Ministry of Finance for information only and not for approval as such. The Ministry of Finance will be kept in loop about the requirements of the Defence Forces in the coming year. The Ministry of Defence has submitted that non approval of Defence Plan does not act as hindrance in implementation of Defence projects. Activities planned are likely to proceed according to available annual budget allocations. The Defence Plan serves only as a guide for formulating annual budgetary projections even without the formal approval of the Ministry of Finance. The Committee cannot comprehend the reason for non-approval of the Defence Plans by the Finance Ministry and indifference of the Ministry of Defence towards it. It is surprising for the Committee to know the rationale given by the Ministry that Plan does not act as hindrance in implementation of Defence projects. The Committee are of the view that if that is the matter then there was no need for formulating any plan in the first place. Considering the above factors, the Committee recommend that in the light of this recommendation of the Committee, the Ministry should consider afresh and invariably try to take some sort of consent from the Ministry of Finance so that the Plans get a teeth at the time implementation.

Reply of the Government

The recommendation of the Committee has been noted. It is further submitted that non-approval of the Defence Plan does not act as hindrance in implementation of Defence projects. Activities planned are likely to proceed according to available annual budget allocations. The Defence Plan serves only as a guide for formulating annual budgetary projections even without the formal approval of the Ministry of Finance.

Long Term Integrated Perspective Plan (LTIPP)

Recommendation No. 30

From the information submitted to the Committee, 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 DPP, as and when required, to streamline the simplifying Defence procurement procedure 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-systems.

Thus, institutional mechanisms have been put in place by the MoD to monitor progress of acquisition plans.

The Committee are happy that the Ministry has also set up PLANET (Planning Archiving and Analysis Network) to maintain Services Capital Acquisition database in order to monitor progress of cases, efficient query management and analysis of data after accord of AoN. However, considering the fate of five Year Defence Plans, the Committee recommend that monitoring of 15 year LTIPP, 5 year Services Capital Acquisition Plan (SCAP) and Annual Acquisition Plan (AAP) should be done by constituting a High Powered Committee, which would have the final say in the decision making of above plans and meet at regular intervals. The scope of the Committee should be widened so it can also look into the matters relating to national security doctrines and related to operational directives and decide acquisitions as per the changes in the world security scenario.

Reply of the Government

The extant procedure for preparation, approval, implementation and monitoring of the LTIPP includes the following:-

<u>Ser No.</u>	<u>Plan</u>	<u>Processed/Prepared by</u>	<u>Approved by</u>
1	LTIPP	HQIDS	Defence Acquisition Council(DAC)
2	SCAP	HQIDS/SHQ	Defence Acquisition Council(DAC)
3	Annual Acquisition Plan (AAP)	SHQ	Defence Procurement Board (DPB)

2. All Capital Acquisition Plans/ Schemes, get reviewed every year while preparing the two year Roll on Annual Acquisition Plan (AAP). The AAP approval by DPB is accorded after being vetted by all stakeholders factoring the operational priorities of the services given the available resource envelop. The DAC/DPB are the approving /recommending authorities for the LTIPP, SCAP & AAP as also for all Capital Acquisition Schemes therein. The DAC/DPB periodically review ibid plans and schemes contained therein.

3. Considering the level of membership of DAC & DPB which are the Apex bodies in the MoD according to AoNs for the non-delegated capital acquisition proposals of the Services and also giving directions on the issues arising during contract finalization and/or execution stage, the need for creation of another Higher level Committee in the MoD for monitoring & reviewing capital acquisition plans viz. LTIPP, SCAP & AAP doesn't exist as it will lead to addition of another layer in the scheme approval/ finalisation process.

Recommendation No. 32:

The Committee find that Phase-II of the MAP has been approved by the CCS on 22nd May, 2008 for construction of 66,727 dwelling units with the probable date of completion of 31st March, 2012. Scale of Accommodation and specifications were enhanced in September 2009 and works commenced thereafter 69,904 Dwelling Units are being constructed in Phase-II which included 58,250 Dwelling Units for Army, 7,660 Dwelling Units for Air Force and 3,994 Dwelling Units for Navy. As on date, 69,232 Dwelling have been contracted, 56,128 Dwelling Units have been completed and 13,776 Dwelling Units are in various stages of construction. The main reasons attributed to the delay, due to the then prevailing economic situation in the country between 2010 to 2014. The poor performance of the contractors led to cancellation of 34 out of 63 contracts. The cancelled contracts have since been re-concluded except for four and work has recommenced. The overall progress of Phase II is 93.70 per cent. It is expected that full completion of Phase-II will be achieved by Dec 2021. The Committee are constrained to note that there has been considerable delay in execution of Phase II. Even after completion of prolonged seven and half years since March 2012, the Ministry could not complete the works of Phase II of MAP and now the time for completion of works has been extended to 2021 .The Committee take note of this delay. The Committee have been apprised of various reasons for the delay. Without going into the merit of such reasons, the Committee recommend that the Ministry of Defence to take effective steps to ensure early completion of the Phase-II of MAP by providing adequate allocations during the present and future financial year Also, since it shows an unhealthy trend and lack of planning as well as oversight, the Committee would now like to know the exact reasons why 34 out of 63 contracts were cancelled earlier. They would also like to be apprised whether any penalty was imposed on the erring contractors due to the poor performance. Cancellation of more than 50 per cent of the contracts is a serious issue. The Committee should be apprised as to how these contractors were selected and what was the basis of selection. At this stage, they recommend that in future such situations should not recur at any cost.

Reply of the Government

1. MoD specially created DG MAP in May 2002 to construct three lakh Dwelling Units (DUs) as the construction capacity of MES was considered limited to construct these houses in a time bound manner. The requirement was reassessed as 1.99 lakh DUs and the entire project was divided into four phases of four years each.

2. The DG MAP Organization has rapidly evolved since its raising despite unprecedented challenges. In order to objectively evaluate the Organization, there is a need to look at its strengths and its challenges.

(a) Challenges of the DG MAP Organization

- (i) Pan India Spread Across 400 Stations
- (ii) Outsourcing Model.
- (iii) No relaxation in Procedure
- (iv) User is Real Owner of the project

- (v) Multiple Layers of the Scrutiny
- (vi) Staff Constraints
- (vii) Multi Agency Coordination

(b) Strength of the DG MAP Organization

- (i) Lowest Establishment Charges
- (ii) Turnover to Employee ratio minimal
- (iii) Efficient Robust, Transparent and Frugal System
- (iv) Higher User Involvement

3. Time Overrun The delay in MAP Phase II was largely due to environmental factors such as recession in the economy and prevailing business sentiment coinciding with period of execution of MAP Phase II. A study on the subject has revealed that some of the contractors / construction agencies were hard pressed for funds for their other contracts and may have diverted some resources for their other projects. Total 63 contracts have been concluded and works are under progress. 34 contracts were cancelled due to poor performance of contractors and the Risk & Cost contracts against cancelled contracts have since been re-concluded except for four and work has recommenced. The Risk and Cost tender action for leftover stations are in progress. **Presently 56,504 DUs have been constructed and physical progress is 94%**. Six of the Phase-II Projects have been awarded prestigious Central Industrial Development Council (CIDC) Award and Indian Building Congress (IBC) Award for best construction in their category.

4. If the time overrun in Phase I may be seen in perspective of initial teething problems of a newly formed organization to stabilize, settle, mature and start performing, **the delay in Phase II may be seen in perspective of economic slowdown**. Project has since recovered despite the challenges. Finally, it is submitted that all extensions have been accorded by the Govt after due deliberation on all factors.

Action against defaulting Contractor / Consultants

5. Amongst the numerous reasons for the slow moving of contracts, one of the reason is attributable to acts of contractors. In Phase II of MAP, 34 contracts were cancelled due to slow progress and the following penal actions have been taken against them.

- a) Encashment of Performance Bank Guarantee Bonds (BGBs) and Retention money bank guarantee.
- b) All contractors whose contracts have been cancelled have been banned from awarding of any work in MES/MAP in future.
- c) Confiscation of all materials, tools & plants of the contractor at the time of cancellation.
- d) Under mentioned claims have been raised against the contractor in ongoing litigation /arbitration:-

- (i) 10% of contract amount as compensation for delay.
- (ii) Loss of HRA revenue to the Government due to delay in completion Dwelling Units.
- (iii) Extra expenditure incurred by the government in conclusion and completion of new Risk and Cost contract.
- (iv) Litigation expenses have been included in the Government claim.
- (v) The performance guarantees of contractors have been encashed. The other claims of the govt are recovered through court cases and litigation as per the law of the land. The same is in process.

Remedial Measures

6. **Augmentation of organization**-DG MAP organization has been augmented by employing techno legal consultant and Legal consultants to fast track the procedural delay in handling stalled projects and to effectively fight arbitration cases to deter contractors against invoking such clause to justify delay. In order to strengthen the executives and to enable them address bottlenecks, their powers have been enhanced by the Apex Steering Committee during its 56th meeting held on 27 Jul, 2017. These enhanced powers have facilitated control on time over run.

7. **Strengthening the Office of Project Manager (PM)**- Project Managers are now empowered to hire Buildings /Road (B/R) and Electrical /Mechanical (E/M) staff to effectively monitor projects.

8. **Selection & Pre mature removal of PMs**-It has been seen that a major credit of success of a Project is attributed to the leadership provided by the PM. In many cases, posting of a new PM has shot up the progress of a sliding Project & vice versa. Hence selection of a PM with requisite skills & leadership qualities is extremely essential. Pursuantly now the PMs are being posted with consultation with DG MAP.

9. **Limiting Number of Contracts**- It has been observed that more than one contract is being executed the contractor at different stations/ locations. Hence, emerges the reasons for Time overruns. There is a need to limit number of contracts to be executed by one contractor keeping in view his experience, past performance and financial & managerial capabilities. The practice is now being followed in MAP Ph III.

10. **Single contract for Building, Furniture, External Services and Arboriculture**- In MAP Phase II Buildings and Building related works were contracted by DG MAP while External Services, Furniture and Arboriculture works were contracted by MES. This led to major coordination problem, differing speeds of execution, problem of implementation in case of cancellation of one contract etc. Accordingly MAP Ph III will have single contract for Building, Furniture, External Services and Arboriculture.

11. **Revised Building Contract Conditions**- Revised Building Contract Condition for MAP Ph III has been approved by Ministry and will be instrumental in omitting the lacunae noticed during Ph II execution.

Following major transformational changes have been made with respect to MAP:-

- (a) Removal of Risk and Cost Clause.
- (b) Introduction of checks (Escrow Account) to prevent diversion of mobilization advance.
- (c) Incentive for early completion of projects.
- (d) Introduction of escalation clause for materials other than cement and steel.
- (e) Part taking over of the project.

12. **Changes in Consultancy Contract Conditions-**

- (a) More weightage to payments during construction stage.
- (b) Continuation of monthly payments in case the project gets delayed beyond the PDC.
- (c) Increased liquidated damages.
- (d) Increase in Performance Security from 5% to 10%.
- (e) Hefty rate of recoveries for non provision of technical and skilled manpower.
- (f) Selection of consultant through Quality and Cost Based System(QCBS) to ensure selection of high quality of consultants.

13. **New Construction Technologies-**New construction technologies are being adopted for speedy and quality construction in MAP Phase-III. DG MAP has invested significant time and resource for preparation of the same.

14. **Improved Specifications-** Improvement in scales and specifications of married accommodation. These improved scales and specifications will significantly improve the standard of living of troops and raise their morale.

Recommendation No. 34:

The Committee learn that the current deficiency of dwelling unit under MAP is 1,85,256 units. During the year 2019-20 the authorized dwelling unit (DU) for Army is 2,91,884. The deficiency is 1,48,227 and the satisfaction level is any 66 per cent. With regard to Navy, the held units are 24,629 and the deficiency is 6,623. That satisfaction level is 79 per cent. So far as air Force is concerned the held number of units is 45,369 and deficiency is 30,406. The satisfaction level is 60 percent. The committee observes that Army, the manpower intensive organization is facing huge shortage of Married Accommodation. Keeping in view the low level of satisfaction of the services in general and Army in particular, the Committee in no uncertain words recommend that the Ministry of Defence

accord top priority for the timely and effective execution of MAP under Phase II and Phase III without further loss of time. The Committee specifically emphasize and recommend to allocate the desired allocations for the completion of MAP.

Reply of the Government

As on date 94% progress have been achieved in MAP Phase II and all out efforts are being made to construct remaining 13,400 Dwelling Units. The remaining 13,400 Dwelling Units of MAP Phase II are likely to be completed by Dec, 2021. Full fund allotment for MAP Phase II has been assured. Under MAP Phase-III, 71,102 Dwelling Units are targeted to be constructed. Out of which, 70,432 Dwelling Units pertains to Army and 670 Dwelling Units to Air Force. New Construction Technology like Shear Wall and Precast Construction are Planned to be incorporated for speedy and efficient construction of MAP phase III. Once MAP Phase III will be completed the satisfaction of Army, Navy and Air Force would be 85%, 82% and 64% respectively.

CHAPTER II (B)

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT AND COMMENTED UPON

Committed Liability

(Recommendation No. 3-4):

Recommendation No. 3:

The Committee find that Committed Liability refers to payments anticipated during a financial year in respect of contracts concluded in previous years. Under the Defence Services Estimates, Committed Liabilities constitute a significant element in respect of the Capital acquisition segment, since one project may span several financial years. As such, it is important to track the element of Committed Liabilities, which hold first charge on the budget allocation. Inadequate allocation for committed liabilities could lead to default on contractual obligations. New Schemes include new projects/proposals, which are at various stages of approval and are likely to be implemented in near future.

Recommendation No. 4:

The Committee note from the data supplied by the Ministry that in the year 2016-17, instead of Rs. 75,553 crore, only Rs. 62,619 crore were allocated. Similarly in the year 2017-18, instead of Rs. 91,382, only Rs. 68,965 crore were allocated. In the year 2018-19, instead of Rs. 1, 10,044 crore, only Rs. 73,883 crore were allocated. In the year 2019-2020, instead of Rs. 1, 13,667 crore, only Rs. 80,959 crore were allocated. It leaves a shortage of Rs. 10,933 crore, Rs. 22,417 crore, Rs. 36,161 crore and Rs. 32,709 crore respectively all these years which is an issue of concern for the Committee. The Committee find the shortage baffling, as these are the payments towards procurements already done in previous years. The Committee feel that making the country defaulter in payment will not go well in the international markets, therefore, they recommend that allocation as promised should be disbursed for Committed Liabilities.

Reply of the Government

Keeping in view the Committed Liabilities to be cleared during the FY 2019-20, Ministry of Defence had sought additional fund in RE 2019-20 under Capital Acquisition. Based on the allocations received from M/o Finance, an additional amount of Rs. 8,877.08 Crore has been provided in RE 2019-20 increasing the total allocation to Rs. 89,836.16 Crore compared to BE 2019-20 allocation of Rs. 80,959.08 Crore.

Comments of the Committee. Please see Para No. 10 of Chapter I.

Recommendation No. 23

The Committee are happy to note that Ordnance Factory Board (OFB) products are classic example of successful implementation of “Make in India” programme initiated by the Government as almost 90 percent items of OFB products are indigenously made and OFB has been making continuous endeavors to bring down import content in its products. Import dependency of OFB is on those items only which are of perennial import nature and ToT has not been established from Original Equipment Manufacturers (OEMs). The Committee also satisfied with the fact that import content over value of issue has reduced from 12 percent in 2016-17 to 9 per cent in 2018-19. The Committee desire that OFB should take appropriate measures to reduce import content percentage in 155mm x 45 Calibre Artillery Gun System “Dhanush” and T-90 tank which is quite high at 16 and 26 per cent respectively.

The Committee note that Goa Shipyard Ltd has been able to decrease import content during the last three years and also indigenized Steel Plates, Gearboxes, Steering Gear system, Fin stabilizer system, Heli Grid, Doors (water & Weather tight) and Gemini Boats for on-going 5 CGOPVs project. The indigenous content has increased from 62 per cent in last project to 74 per cent in this project. However, 26 per cent import content is still high, therefore, the Committee recommend that GSL should take measures to reduce it further.

The Committee also note that in Mazagon Dock Ltd, which constructs Warships and Submarines for Indian Navy, import content is quite high and it ranges from 25 percent to 50 percent depending on the products. The Committee desired that it needs to come down substantially by introducing material from local industry. If, MDL wants to make “Make in India”, a success story, similarly, in Bharat Dynamics Ltd (BDL), import content ranges from 3 per cent to 29 per cent, which needs to be checked.

Reply of the Government

- (i) **OFB:** OFB is persistently pursuing the national goal of self-reliance in Defence manufacture through high level of indigenization. In case of T-90 tanks, ToT was provided by Russian OEMs. On the other hand ‘Dhanush’ is an indigenous Artillery Gun System. This gun system has remarkably high indigenous content of more than 80% at prototype stage. Certain sub-systems are of imported nature due to limitations in availability of such systems indigenously. Details are given in succeeding paragraphs.

In case of T-90 Tank, technology has not been provided by OEM (Russia) for some items like NBC System equipment (PKUZ-1A), Camouflage Paint, Miniature Electric Motor, Stabilizer (Ex-Bharat Electronics Ltd.), Mounting of Gyro Direction Indicator, Optical Sending Unit etc. and such items are imported in nature. However, HVF has taken initiative to indigenize/develop these items in collaboration with DGQA & DRDO, in-house R&D projects and vendor development under ‘Make-II’ Procedure for

Indigenisation. In this way, import content is expected to be reduced to less than 20% in the next 2-3 years.

In case of 155mm x 45 Calibre Artillery Gun System “Dhanush”, 16 percent import content is mainly due to 2 items i.e. Power Pack and Electronic Suit. For Power Pack, GCF has taken up in-house R&D project to develop it by using indigenously sourced engines. The Electronic Suite is procured from Bharat Electronics Ltd., but has inputs of imported nature. Dhanush Gun has undergone series of trials over many years before it was cleared for induction by Indian Army. However, Army (User) has specifically asked not to change the configuration of the electronic suit for the time being. Hence, this item is not likely to be indigenized in near future.

- (ii) **GSL:** Goa Shipyard Ltd. (GSL), a DPSU under the MoD is engaged in the construction of Ships and other relating platforms for Indian Navy and Indian Coast Guard in particular. Shipbuilding business is cyclic in nature, the requirement of machineries and equipment are project specific and vary from project to project based on the operational requirements of the ship.

The increase in Indigenous content from 62% on 06 Coast Guard OPV project to 75% on 05 Coast Guard OPVs Project was on a ship of similar design of follow-on class. The items undertaken for indigenization on 05 CG OPV project were earlier imported on 06 CG OPV project already built by GSL, leading to overall increase in indigenous content from 62% to 74%.

Presently GSL does not have new orders for building vessels of similar design. In case GSL is considered for building more vessels of similar design as per requirement of Indian Coast Guard / Indian Navy, efforts will be made to undertake more equipment / components for indigenization to further enhance the percentage of indigenous content beyond 74%. However, GSL is pursuing another project i.e. construction of 02 Frigates, where majority of the main equipment are being indigenized.

- (iii) **MDL:** Mazagon Dock Shipbuilders Ltd. (MDL) has continuously endeavored to reduce import content of ships built by the shipyard. The indigenous content for the Scorpene Class Submarine being constructed under project P75 in collaboration with M/S Naval Group, France is expected to be 30%.

The trend for indigenization is rising for our recent past and ongoing warship projects as shown under:

Project	% Indigenous Content	Status
P15 Destroyers	42	Completed
P17 Frigates	52	
P15A Destroyers	59	
P15B Destroyers	72	Ongoing projects - Expected indigenization is indicated
P17A Frigates	75	

There are, however, contractual constraint, wherein the customer decides the equipment fit onboard. In such cases the shipyard's scope for indigenization gets constrained. This is more relevant to weapon platforms for the vessels built by MDL

Bottleneck for import substitution: The content of foreign input in ships can be reduced by incorporating adequate and binding clauses at the contract stage. Some of the major equipment, Weapons & Sensors for our projects are finalized by Indian Navy and most of these are either Buyer Furnished Equipment (BFE) or Buyer Nominated Equipment (BNE). These are very high value items which constitute a significant portion of the project cost. Scope for reduction in import content gets restricted as selection of these critical items are beyond purview of MDL.

- (iv) **Bharat Dynamics Ltd. (BDL):** Actual yearly import for the above projects will vary due to the following reasons:
- a) BDL goes for Global tendering depending on the value, wherein BDL will place order on L1 basis (irrespective of origin of vendors). Due to which, import content in the project varies (Ex., Raw Materials etc.,).
 - b) Inability of Indian Suppliers to supply the required quantities within the delivery schedules required for MoD, forcing BDL to import even though the items are indigenized (Ex., Propellants, Warheads etc.,) Due to which, import content in the project varies.
 - c) Last three years import percentage is as given below.

Year	Import Percentage on VoP
2016-17	8.32 %
2017-18	7.8 %
2018-19	12.7 %

Further, as per goals set out during CPSE Conclave 2018, BDL has undertaken Indigenization of following products/items by 2022:

S.No.	Name of Product/item
1.	Octol powder for Akash Missile
2.	9M119.03.00.062 spring for Invar ATGM Missile
3.	CO ₂ for Invar ATGM Missile
4.	inductor Bush for Invar ATGM Missile
5.	power cylinder for Invar ATGM Missile
6.	Sustainer charge for Invar ATGM Missile

7.	War-head OKFOL(explosive composition) for Invar ATGM Missile
8.	War-head supplement-62 for Konkurs-M ATGM Missile
9.	Co ₂ for Invar ATGM Missile

Comments of the Committee. Please see Para No. 13 of Chapter I.

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES:

-NIL-

CHAPTER IV

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

-NIL-

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES:

Recommendation No. 31:

The Committee observe that for Married Accommodation Project the allocations during the year 2015-16 was 2744.19 crore. This was more than the projections of 1,950.65 crore. The expenditure was 2736.61 crore which was almost 100 per cent of the allocated amount. During the years 2016-17 and 2017-18 the allocation was less than the projections. However, the expenditure was almost 100 per cent of the allocated amount. The Committee are pained to note that during the year 2018-19 against the projection of 1,457 crore the allocations were only 874 crore. The gap between projection and allocation is 582.04 crore. But the utilization is 879 crore. During the year 2019-20 against the projections of 2,670 crore the allocation is only 430 crore. There is shortfall of 2,240 crore. The Ministry has spent 227.24 crore as on 31st October, 2019.

Reply of the Government

The details of funds Demanded, Allotment made and Expenditure incurred in respect of MAP during the last five years is at Annexure 'A'. It has been the endeavour to utilize the fund allocated judiciously to safeguard against surrender at last moment and also have the ability to spend additional fund at the fag end of financial year in case of surrender by other departments. During the year 2018-19, a projection of Rs 2,670 crore was made collectively for MAP Phase-II and Phase-III. The demand in respect of MAP Ph-II was Rs 500 crore, Rs 90 crore and Rs 80 crore for Army, Air Force & Navy respectively, and in respect of the Phase-III, the demand was Rs 2,000 crore. However, due to inadequate funds, the allocation was made only for MAP Phase II.

Married Accommodation Project : Allotment / Expenditure

(Rs in Cr)

<u>Year</u>	<u>Service</u>	<u>Projection</u>	<u>Allotment</u>	<u>Expenditure</u>
2015-16	Army (902/45)	1500.0000	2374.192	2365.796
	Navy (912/41)	200.6500	190.000	190.493
	Air Force (917/41)	250.0000	180.000	180.327
	Total		1950.6500	2744.192

2016-17	Army (902/45)	2400.0000	1675.000	1675.993
	Navy (912/41)	180.0000	110.000	102.236
	Air Force (917/41)	250.0000	180.000	179.832
	Total	2830.0000	1965.000	1958.061
2017-18	Army (902/45)	1672.0000	1120.000	1099.931
	Navy (912/41)	108.0000	68.000	67.255
	Air Force (917/41)	197.0000	175.000	176.525
	Total	1977.0000	1363.000	1343.711
2018-19	Army (902/45)	1200.0000	756.961	761.917
	Navy (912/41)	57.0000	28.000	27.702
	Air Force (917/41)	200.0000	90.000	89.381
	Total	1457.0000	874.961	879.000
2019-20 (Apr to Dec 19)	Army (902/45)	2500.000	320.000	274.962
	Navy (912/41)	60.000	50.000	20.976
	Air Force (917/41)	110.000	80.000	43.629
	Total	2670.000	450.000	339.567

Comments of the Committee. Please see Para No. 16 of Chapter I.

Recommendation No. 33:

The Committee note that 71,102 Dwelling Units are required to be constructed in MAP Ph-III where Army is the major stake holder as 70,432 Dwelling Units are to be constructed for Army. Draft Cabinet Note (DCN) for this phase has been submitted to Ministry of Finance with the approval of Hon'ble Raksha Mantri. The Ministry of Finance raised certain observations in this regard which are under examination in consultation of Def. (Fin).

Keeping in view the budgetary priorities, Army Headquarters have conveyed their decision to restrict the planning for MAP Phase III to 24,592 Dwelling Units. Accordingly, planning for MAP Phase III has commenced at the eight locations viz; Delhi & Gurgaon; Meerut; Chandimandir, Ambala & Patiala; Panagarh; Dehradun; Jaisalmer; Pune, Kirkee&Dehu Road; and Bangalore.

The Committee take serious note of the prolonged delay in the planning of Phase III of MAP and the budgetary constrained involved thereon. Therefore, they recommend the Ministry of Defence to complete the consultation process with the Ministry of Finance at the earliest and provide adequate budgetary allocation thereof. The developments in this regard be intimated to the Committee.

Reply of the Government

The proposal for MAP Phase-III is under consideration. MoD is contemplating alternative sources for funds for the project. The present impetus towards modernization of requirements of defence services, does not allow adequacy of funds for MAP Phase-III. The Government is therefore, contemplating to take up some DUs based on the NBCC's model as a pilot project. The draft CCS Note on MAP for commencement of MAP Phase-III will be processed after finalization of the Dwelling Units (DUs) under NBCC's model on pilot basis by carrying out subsequent changes in the number of DUs to be taken up through the MAP route and the estimated cost etc.

Comments of the Committee. Please see Para No. 19 of Chapter I.

**New Delhi;
15 March, 2021
24 Phalguna, 1942 (Saka)**

**JUAL ORAM
Chairperson
Standing Committee on Defence**

STANDING COMMITTEE ON DEFENCE (2020-21)

**MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2020-21)**

The Committee sat on Tuesday, the 09 March, 2021 from 1500 hrs. to 1530 hrs. in Committee Room No. 'C', Parliament House Annexe, New Delhi.

PRESENT

SHRI JUAL ORAM

-

CHAIRPERSON

MEMBERS

LOK SABHA

- 2 Shri Devusinh Jesingbhai Chauhan
- 3 Shri Nitesh Ganga Deb
- 4 Shri Annasaheb Shankar Jolle
- 5 Choudhary Mehboob Ali Kaiser
- 6 Shri Kapil Moreshwar Patil
- 7 Shri Anumula Revanth Reddy
- 8 Shri Jugal Kishore Sharma
- 9 Shri Prathap Simha
- 10 Shri Brijendra Singh
- 11 Shri Kotagiri Sridhar
- 12 Shri Durga Das Uikey

RAJYA SABHA

- 13 Dr. Ashok Bajpai
- 14 Shri Sanjay Raut
- 15 Shri Rajeev Satav
- 16 Dr. Sudhanshu Trivedi
- 17 Lt. Gen. Dr. D. P. Vats (Retd.)

SECRETARIAT

1. Smt. Kalpana Sharma - Additional Secretary
2. Dr. Sanjeev Sharma - Director
3. Shri Rahul Singh - Deputy Secretary

2. At the outset, Hon'ble Chairperson welcomed the Members of the Committee and gave a brief on the following six reports to be adopted during the meeting and also solicited their suggestions :-

- (i) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'General Defence Budget, Border Roads Organisation, Indian Coast Guard, Defence Estates Organisation, Defence Public Sector Undertakings, Canteen Stores Department, Welfare of Ex-Servicemen and Defence Pensions (Demand Nos. 18 and 21)';
- (ii) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'Army, Navy, Air Force, Joint Staff, Military Engineer Services, Ex-Servicemen Contributory Health Scheme and Sainik Schools (Demand Nos.19 and 20)';
- (iii) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)';
- (iv) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'Ordnance Factories, Defence Research and Development Organisation, Directorate General of Quality Assurance, and National Cadet Corps (Demand Nos. 19 and 20)';
- (v) Action Taken by the Government on the Observations/Recommendations contained in the Third Report (17th Lok Sabha) on the subject 'Demands for Grants of the Ministry of Defence for the year 2019-20 on Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)'; and
- (vi) Action Taken by the Government on the Observations/Recommendations contained in the Seventh Report (17th Lok Sabha) on the subject 'Demands for Grants of the Ministry of Defence for the year 2020-21 on Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)'.

3. However, some members requested Hon'ble Chairperson for some more time to study the Reports. As per consensus arrived at in the meeting, Hon'ble Chairperson postponed the meeting to 15.03.2021 (Monday).

4. Hon'ble Chairperson also informed the Committee that the responses to Members, supplementary questions will be received from the Ministry in due course of time. Accordingly, Hon'ble Chairperson directed that those responses would be incorporated at subsequent stages such as examination of subject reports, drafting On the Spot Study Tour questionnaires and even at the time of finalizing Action Taken Reports, if required.

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE (2020-21)

**MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2020-21)**

The Committee sat on Monday, the 15 March, 2021 from 1000 hrs. to 1045 hrs. in Committee Room No. 'B', Parliament House Annexe, New Delhi.

PRESENT

SHRI JUAL ORAM

-

CHAIRPERSON

MEMBERS

LOK SABHA

2. Shri Ajay Bhatt
3. Shri Rahul Gandhi
4. Shri Kapil Moreshwar Patil
5. Shri Anumula Revnath Reddy
6. Shri Jugal Kishore Sharma
7. Shri Prathap Simha
8. Shri Brijendra Singh
9. Shri Kotagiri Sridhar
10. Shri Durga Das Uikey

RAJYA SABHA

11. Dr. Ashok Bajpai
12. Shri Sanjay Raut
13. Dr. Sudhanshu Trivedi
14. Lt. Gen. Dr. D. P. Vats (Retd.)

SECRETARIAT

1. Smt. Kalpana Sharma - Additional Secretary
2. Dr. Sanjeev Sharma - Director
3. Shri Rahul Singh - Deputy Secretary

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them about the agenda for the Sitting. The Committee then took up for consideration the following draft Reports:-

- (i) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'General Defence Budget, Border Roads Organisation, Indian Coast Guard, Defence Estates Organisation, Defence Public Sector Undertakings, Canteen Stores Department, Welfare of Ex-Servicemen and Defence Pensions(Demand Nos. 18 and 21)';
- (ii) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'Army, Navy, Air Force, Joint Staff, Military Engineer Services, Ex-Servicemen Contributory Health Scheme and Sainik Schools (Demand Nos. 19 and 20)';
- (iii) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)';
- (iv) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'Ordnance Factories, Defence Research and Development Organisation, Directorate General of Quality Assurance, and National Cadet Corps (Demand Nos. 19 and 20)';
- (v) Action Taken by the Government on the Observations/Recommendations contained in the Third Report (17th Lok Sabha) on the subject 'Demands for Grants of the Ministry of Defence for the year 2019-20 on Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)'; and
- (vi) Action Taken by the Government on the Observations/Recommendations contained in the Seventh Report (17th Lok Sabha) on the subject 'Demands for Grants of the Ministry of Defence for the year 2020-21 on Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)';

3. After some deliberations, the Committee adopted the above reports without any modifications. During the deliberations, certain issues on the working of BRO, Ex-Servicemen Contributory Health Scheme and Defence Estates Organisation/ Cantonments figured. The Committee decided to include these issues during in-depth examination of the subject reports.

4. The Committee authorized the Chairperson to finalise the above draft Reports and present the same to the House on a date convenient to him.

The Committee then adjourned.

APPENDIX

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/ RECOMMENDATIONS CONTAINED IN THE THIRD REPORT (SEVENTEENTH LOK SABHA) ON 'CAPITAL OUTLAY ON DEFENCE SERVICES, PROCUREMENT POLICY, DEFENCE PLANNING AND MARRIED ACCOMMODATION PROJECT (DEMAND NO. 20)'

1. Total number of recommendations **34**

2. 2(A). Observations/Recommendations which have been accepted by the Government (please see Chapter II (A)):

Recommendation	Nos.	1	,2,
5,6,7,8,9,10,11,12,13,14,15,16,17,18,19,20,21,22,24,25,26,27,28,29,30,32 and 34.			

Total : 29
Percentage: 85.29%

2 (B). Observations/Recommendations which have been accepted by the Government and commented upon (please see Chapter II (B)):

Recommendation Nos. 3,4 and 24.

Total : 03
Percentage: 08.83%

3. Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government (please see Chapter III):

- NIL-

Total : 0
Percentage: 0%

4. 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):

- NIL-

Total : 0

Percentage: 0 %

5. Observations/Recommendations in respect of which Government have furnished interim replies/replies awaited (please see Chapter V):

Para No. 31 and 33.

Total : 2

Percentage:5.88 %