

Estimates Committee Report Summary

Preparedness of Armed Forces – Defence Production and Procurement

- The Estimates Committee (Chair: Dr. Murli Manohar Joshi) submitted its report on ‘Preparedness of Armed Forces – Defence Production and Procurement’ on July 25, 2018. Key findings and recommendations of the Committee include:
 - **Expenditure on defence services:** The Committee noted that defence expenditure as a percentage of total central government expenditure has declined from 13% in 2014-15 to 12% in 2017-18. Defence expenditure as a percentage of GDP has ranged between 2% in 2014-15 to 1.6% in 2017-18. The defence expenditure at 1.6% of GDP in 2017-18 was the lowest since 1962 when the India-China war was fought. The Committee stated that in the current geo-political scenario, India cannot afford complacency with regard to defence preparedness. It recommended that adequate financial resources for defence preparedness should be allocated, both for current needs and future expansion and modernisation plans.
 - **Proportion of capital procurement budget:** The Committee noted that the share of capital procurement budget in the defence budget has been continuously declining. It has decreased from 39% in 2013-14 to 34% in 2018-19. In addition, procurement in the forces is not being made in accordance with the Long Term Integrated Perspective Plan (a 15 year perspective plan for each of the three services-Army, Air Force, and Navy), but being adjusted as per budgetary allocations. Decrease in capital expenditure has an adverse impact on the modernisation process of armed forces, and can compromise the safety and security of the country. The Committee recommended that provisions for adequate allocation of capital budget should be made and funds fully utilised.
 - **Self-reliance in defence:** India is one of the largest importers of defence goods and services in the world. The Department of Defence Production, while deposing in front of the Committee, stated that of the total defence production, 40% is produced indigenously and 60% is imported. Further, the dependence on foreign suppliers for military hardware results in huge expenditure on import of defence equipment. The indigenisation (domestic production) level in the defence sector is increasing at a very slow rate.
- The draft Defence Production Policy 2018 aims at making India one of the world's top five defence producers by 2025, with self-reliance in 13 areas. In this regard, the Committee recommended that a road map should be drawn up with effective monitoring to achieve the level of self-reliance envisaged in the draft Policy. The Committee also urged the government to take urgent and immediate initiatives to decrease the country's dependence on imports. To achieve this, the government should also ensure that usage of local content in defence platforms and hardware is increased.
- **Ordnance Factory Board:** Ordnance factories are responsible for manufacturing calibre weapons, bombs, vision equipment, etc. 41 Ordnance factories operate under the Ordnance Factory Board. The constraints before the Ordnance factories include: (i) non-uniform demand from armed forces, (ii) production of uneconomic quantities to meet strategic needs, and (iii) difficulties in entering into long term agreements with dedicated vendors. Services have also reported quality issues with regard to armaments produced by Ordnance factories.
- The Committee recommended that there should be better coordinating mechanisms between Ordnance factories and the services. Services should place their orders for various armaments well in advance, keeping in mind the complexities involved and the long periods required for production. Additionally, modernisation and upgradation of technology in Ordnance factories should be given high priority.
- **Synergy between Armed Forces and Defence Public Sector Undertakings (DPSUs):** The Committee noted that with regard to several orders placed by services before the DPSUs, the deliveries were yet to start, or were due. This resulted in a huge gap between the orders received, targeted deliveries, and deliveries made. The Committee recommended enhanced synergy between the services and DPSUs, which is also essential for defence preparedness of the country. In this regard, the Ministry of Defence may constitute an institutional mechanism consisting of representatives of both the parties to facilitate synergy between them.



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