

INDIGENOUS MANUFACTURING OF DEFENCE EQUIPMENTS

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Ministry of Defence

Indigenous Manufacturing of Defence Equipments

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(1) Capital procurement of defence equipment is undertaken from various domestic as well as foreign vendors as per extant Defence Procurement Procedure (DPP), based on threat perception, operational challenges and technological changes and to keep the Army in a state of readiness to meet the entire spectrum of security challenges.

1. Based on the data provided by CGDA, the Capital expenditure on purchase of defence items by the three services in the last three years, from Indian vendors and Foreign vendors are as given below :-

Capital Procurement

(Rs in Crore)

Year	Procurement from Indian vendors	Percentage (%)	Procurement from Foreign vendors	Percentage (%)	Total Procurement
2015-16	39149	62.80	23192	37.20	62341
2016-17	41872	60.55	27278	39.45	69150
2017-18	43697	60.08	29035	39.92	72732

DPP focuses on institutionalising, streamlining, and 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. The key objectives of the 'Make in India' initiative of the Government are being realised through several policy measures which include: -

- A separate procedure for 'Make-II' sub-category has been notified wherein a number of industry friendly provisions such as relaxation of eligibility criterion, minimal documentation, provision for considering 'suo-moto' proposals suggested by industry/individual etc., have been introduced.
- The Standard Operating Procedure (SOP) for consideration of 'suo-moto' proposals under 'Make-II' sub/category of Capital Acquisition has been promulgated.
- A Defence Investor Cell has been created in the Ministry to provide all necessary information including addressing queries related to investment opportunities, procedures and regulatory requirements for investment in the sector.

- The process for export clearance has been streamlined and made transparent & online.
- The strengthening of defence-industrial base of the country is a continuous process and is undertaken by the Government periodically based on the requirements, viability, availability of resources etc. Recently, it has been decided to establish two defence industrial corridors to serve as an engine of economic development and growth of defence industrial base in the country. While one corridor spans Chennai, Hosur, Coimbatore, Salem and Tiruchirappalli in Tamil Nadu, the other extends across Aligarh, Agra, Jhansi, Kanpur, Chitrakoot and Lucknow in Uttar Pradesh (UP).
- An innovation ecosystem for Defence titled Innovations for Defence Excellence (iDEX) has been launched on 12th April 2018 by the Hon'ble PM during Def-expo 2018. iDEX is aimed at creation of an ecosystem to foster innovation and technology development in Defence and Aerospace by engaging Industries including MSMEs, Start-ups, Individual Innovators, R&D institutes and Academia and provide them grants / funding and other support to carryout R&D which has potential for future adoption for Indian defence and aerospace needs.
- Offset guidelines have been made flexible by allowing change of Indian Offset Partners (IOPs) and offset components, even in signed contracts. Foreign Original Equipment Manufacturers (OEMs) are now not required to indicate the details of IOPs and products at the time of signing of contracts. 'Services' as an avenue of offset have been re-instated.
- To promote the participation of private sector, Outsourcing and Vendor Development Guidelines for DPSUs and OFB have been issued. The guidelines mandate each DPSU and OFB to have a short-term and long-term outsourcing and vendor development plan to gradually increase the outsourcing from private sector.
- 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-IDDM (Indigenously Designed, Developed and Manufactured)}' has been introduced in DPP-2016 to promote indigenous design and development of defence equipment. This Category has been 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.
- 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.
- The 'Make' Procedure has been simplified with provisions for funding of 90% of development cost by the Government to Indian industry and reserving projects not exceeding development cost of Rs. 10 Crore (Government funded) and Rs. 3 Crore (Industry funded) for MSMEs.
- Foreign Direct Investment (FDI) Policy has been revised and under the revised policy, FDI is allowed under automatic route upto 49% and beyond 49% through Government route wherever it is likely to result in access to modern technology or for other reasons to be recorded.
- The Defence Products List for the purpose of issuing Industrial Licenses (ILs) under IDR Act has been revised and most of the components, parts, sub-systems, testing equipment and production equipment have been removed from the list, so as to reduce the entry barriers for the industry, particularly small & medium segment. The initial validity of the Industrial

License 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.

- Government has set up the Technology Development Fund (TDF) to encourage participation of public/ private industries especially MSMEs, through provision of grants, so as to create an eco-system for enhancing cutting-edge technology capability for defence applications.

This information was given by Raksha Rajya Mantri Dr. Subhash Bhamre in a written reply to Shri Akhilesh Prasad Singh in Rajya Sabha today.

NAo/Nampi/Rajib/HS

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