

PRIVATE SECTOR INVESTMENT IN DEFENCE PRODUCTION

Prelims: Economics- Infrastructure Road, inland, Railway aviation, Housing, Rural & Urban
Science & Technology- Defence Infrastructure

Mains: GS-III- Infrastructure: Energy, Ports, Roads, Airports, Railways, etc.

Why in News?

- ▶▶ The defence industry sector was opened up to 100% for private sector participation in May 2001 through licensing.

Highlights:

- ▶▶ Defence Procurement Procedure (DPP) had been revised in 2016 wherein 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 equipment.
- ▶▶ 'Buy (Indian)', 'Buy and Make (Indian)' & 'Make' categories of capital acquisition have been given preference over 'Buy (Global)' & 'Buy & Make (Global)' categories.
- ▶▶ The 'Strategic Partnership (SP)' model has been notified by the government to establish longstanding strategic partnerships with Indian entities through a transparent and competitive process, in order to tie up with 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.
- ▶▶ Separate procedure for 'Make-II' subcategory has been notified wherein a number of industry friendly provisions such as relaxation of eligibility criterion, minimal documentation, provision for considering proposals suggested by industry/individual, etc. have been introduced.
- ▶▶ The Government will establish two defence industrial corridors to serve as an engine of economic development and growth of defence industrial base in India.

- ▶▶ An innovation ecosystem for Defence titled Innovations for Defence Excellence (iDEX) has been launched in April, 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 carry out R&D.
- ▶▶ The Mission Raksha Gyan Shakti has been introduced to encourage IPR culture in indigenous defence industry.
- ▶▶ A Policy for indigenisation of components and spares used in Defence Platforms has been notified in April 2019.
- ▶▶ A Defence Investor Cell has been created in the Defence Ministry to provide all necessary information including addressing queries related to investment opportunities, procedures and regulatory requirements for investment in the sector.
- ▶▶ FDI is now allowed under automatic route up to 49% and beyond 49% through Government route.
- ▶▶ Export clearance process has been streamlined and a scheme for the promotion of defence exports has been notified.
- ▶▶ Technology Development Fund (TDF) has been set up by the GOI to encourage participation of public/private industries especially MSMEs, through provision of grants.
- ▶▶ 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 reinstated.

GATEWAY