

MoD Approval of Defence Procurement Procedure 2013, a Major Step Forward, says FICCI

New Delhi, April 22, 2013: FICCI has welcomed the approval by the Ministry of Defence (MoD) of the Defence Procurement Procedure (DPP) 2013 as “a major step forward”.

In an welcome development, the Defence Acquisition Council (DAC) for the first time has laid emphasis on indigenous development and self reliance in defence production. These include preferential treatment to categories of procurement, favouring indigenous development and domestic manufacturing, rationalisation of taxes and duty structure so as to create a level-playing ground for the private sector and sharing the public version of LTIPP amongst a host of other welcome steps. These can prove to be major milestones towards attaining substantive self reliance through building Indigenous Defence Industry.

FICCI had made a host of recommendations which were articulated in its submissions to MoD over the over the past one year such as on preferential treatment to domestic companies, simplification of Buy and Make (Indian) and Make category, defining indigenous content, ironing out discrepancies in the taxes and duty structure. These have found resonance in the soon-to-be released policy by the government. The premise of FICCI recommendations towards the revision of the new policy document has been to bring the DPP in sync with the Defence Production Policy 2011, whose aim is to attain self reliance in defence production, strengthen defence R&D and create a conducive environment for growth for the private defence sector .

“Clarity in the definition of indigenous content and resolution of issues related to taxes and duties with respect to the private sector are welcome steps. Industry will look forward to the fine print and hopes that issues related to loading of taxes and duties on Indian offset partners where system integration is done within India by the private sector as also domestic industry being granted purchase preference over foreign OEMs are addressed”, said Dr A Didar Singh, Secretary General, FICCI.

The initial feedback from the industry on the policy is positive; however, the fine print will bring more clarity and help assess the true impact of the revised policy.

Amongst the issues that remain unaddressed is the long-pending demand for setting up an office of Additional Secretary in MoD taking accountability of the private sector and indigenisation. FICCI has long espoused the creation of an office in MoD which will fix accountability of indigenisation level in the country.

While funds have been earmarked for MSMEs in defence to support them in development of defence equipment, the issue of earmarking a pie of the defence procurements to the MSMEs remain unaddressed. The latter is the key to creating a vibrant defence MSME sector which can actively contribute to the indigenisation goal.

Also, there is no mention of multiplier benefit for R&D in private sector as has been given to the DRDO, thus undermining R&D efforts of the private sector. This has to be addressed to support and encourage the investments made buy the private sector in defence production.

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