

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

STARRED QUESTION NO:354
ANSWERED ON:19.12.2011
EXPENDITURE ON DEFENCE PURCHASES
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Will the Minister of DEFENCE be pleased to state:

- (a) the total expenditure on defence purchases by India over the last decade and the percentage of total defence purchases which have come from the Indian private sector companies;
- (b) whether the policy of procuring defence equipment over the past three decades has had a definitive roadmap towards indigenization and if so, the details thereof and if not, the reasons for following an "ad-hoc garage sale" policy on defence purchases;
- (c) whether the Government is considering to increase the current FDI limit in defence manufacturing sector for promotion of an indigenous technology base and to generate greater domestic employment and if so, the details thereof; and
- (d) whether the Government is considering an institutionalized enhancement and enlargement in the role of Department of Defence Production and if so, the objectives to be achieved through such a restructuring and if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF DEFENCE (SHRI A.K. ANTONY)

(a) Madam, the total expenditure on defence purchases by India during the years from 2001-2002 to 2010-2011 (Revenue and Capital) was 4,42,607.70 crore. This includes procurement made from Indian private sector, Public Sector Undertakings, Ordnance Factories and foreign

sources. The accounting system does not separately capture data regarding defence purchases made from Indian private sector.

(b) There has been a major thrust on indigenous manufacture of Defence equipment through collaborative efforts of Defence Research and Development Organization, Defence Public Sector Undertakings, Ordnance Factory Board and Indian private sector. Defence industry was opened up for Indian private sector participation in May, 2001, with FDI upto 26%, subject to licensing. With a view to achieve greater self-reliance in defence production, Government has announced a Defence Production Policy in January, 2011. Besides, the Government has included a new categorization 'Buy & Make (Indian)' in the Defence Procurement Procedure in November, 2009 to encourage indigenous production in the country.

(c) This matter is under inter-ministerial consultations.

(d) The Department of Defence Production was restructured in January 2010 by assigning Land, Naval, Aerospace, Missiles and Electronic sectors to separate Joint Secretaries. Joint Secretary in-charge of Electronic sector also looks after defence industries participation and exports.