

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE
LOK SABHA
UNSTARRED QUESTION NO. 3894
TO BE ANSWERED ON 11th August, 2023

PROCUREMENT OF ITEMS FOR ARMED FORCES

3894. SHRIMATI POONAM MAHAJAN:
MS. RAMYA HARIDAS:

Will the Minister of DEFENCE be pleased to state:

- (a) whether the Government is procuring things/items for the armed forces and establishments in defence from Micro, Small and Medium Enterprises (MSME) with a view to promote the MSME Sector in the country;
- (b) if so, the details thereof;
- (c) the purchases/acquisitions made for armed forces and establishments in defence during the last five years, year-wise; and
- (d) if not, the reasons therefor?

A N S W E R

MINISTER OF STATE
IN THE MINISTRY OF DEFENCE

(SHRI AJAY BHATT)

(a) & (b): Yes, Sir. Capital procurement of Defence equipment is carried out as per Defence Acquisition Procedure (DAP 2020) with a focus on “Atmanirbhar Bharat” i.e “Self Reliance” wherein indigenisation, innovation and import substitution has been facilitated through various schemes to build a robust ecosystem based on domestic industry including Micro, Small and Medium Enterprises (MSME). One of the key objectives of Make in India initiative of the Government is to bring MSMEs and Startups into the defence supply chain and thereby boost self reliance.

The Government has taken several policy initiatives for promotion of MSMEs in defence and some of the DAP provisions enabling participation of MSMEs/Startups are as under: -

- Reservation of delegated cases with AoN cost up to Rs. 100 crores for MSMEs, provided there are at least two or more MSMEs eligible to participate in the category
- Relaxation of financial parameter for recognised Start-ups/MSMEs.
- Waiver of EMD requirement from recognised Micro and Small Enterprises (MSEs)
- Relaxation in financial eligibility criteria for MSMEs for MAKE-1 projects.

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- Setting up Innovations for Defence Excellence (iDEX) initiative under the Defence Innovation Organisation (DIO) and Technology Development Fund (TDF) under DRDO to use a multi-pronged approach and engage a large pool of innovators/technocrats/professionals/academicians including amongst the smaller enterprises, start-ups and MSMES, to foster innovation in a coherent, strategized, and integrated manner.
- The Defence Offset guidelines have further paved the way for proactive participation of MSMEs of India by incorporating a scheme of multipliers of 1.5 for engaging MSME as Indian Offset Partners (IOP), which promotes their integration in global supply chain.

(c) & (d): During last five financial years (2018-19 to 2022-23), 239 capital acquisition contracts have been signed for procurement of defence items/equipment. Out of which, 168 contracts accounting for 68% of total contracts value have been signed with Indian vendors including MSMEs. Year wise details of capital contracts signed with domestic vendors are as under: -

| Sl. No | Year | No of contracts |
|--------|---------|-----------------|
| 1 | 2018-19 | 30 |
| 2 | 2019-20 | 38 |
| 3 | 2020-21 | 34 |
| 4 | 2021-22 | 30 |
| 5 | 2022-23 | 36 |
