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Government of India
Ministry of Heavy Industries & Public Enterprises
Department of Public Enterprises

Public Enterprises Bhawan
Block No. 14, CGO Complex
Lodhi Road, New Delhi
Dated: 23rd September, 2011

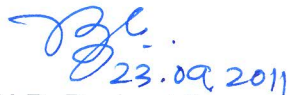
OFFICE MEMORANDUM

Sub: Guidelines on (i) Research & Development and (ii) Sustainable Development for Central Public Sector Enterprises (CPSEs)

The undersigned is directed to enclose Guidelines on (i) Research & Development and (ii) Sustainable Development for Central Public Sector Enterprises. These Guidelines issue with the approval of Minister, Heavy Industries & Public Enterprises.

2. These Guidelines are available on DPE website
<http://dpemou.nic.in/MOUFiles/R&D.pdf> and
http://dpemou.nic.in/MOUFiles/Sustainable_Dev.pdf.
3. CPSEs are requested to implement these Guidelines with immediate effect. However, for the purpose of Performance Evaluation under the MoU system, these Guidelines will take effect from the year 2012-13.
4. All the administrative Ministries/Departments are requested to take note of the above Guidelines and bring these Guidelines to the notice of CPSEs under their control for necessary action.

Encl: as above


23.09.2011
(J.R. Panigrahi)
Director (MoU)
Tel.24360841

To:

1. Secretaries of all administrative Ministries/Departments
2. Chief Executives of all CPSEs

GUIDELINES

ON

RESEARCH & DEVELOPMENT (R&D)

FOR

CENTRAL PUBLIC SECTOR ENTERPRISES

Department of Public Enterprises
Ministry of Heavy Industries & Public Enterprises

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1. RATIONALE

- 1.1 The ongoing integration of world economies has opened up an array of business opportunities and challenges to corporate firms to access new markets on the one hand and increased competition on the other. This intense competition is pushing business leaders to increasingly recognize the need to shift focus to new business opportunities. The situation has also compelled organisations in the developed world to make their operations R&D driven as they increasingly confront the risks of competing with low cost producers in emerging markets.
- 1.2 Despite substantial achievements and high levels of performance in a large number of sectors, our country has not optimally utilized its vast research potential. It urgently needs to strengthen its enormous capacity to generate knowledge and to translate that knowledge into economic and social value.
- 1.3 At the time of independence, our nation did not have a strong, organized scientific or technological infrastructure and it had to depend heavily upon imported technologies for development. India's Science and Technology Policy, 2003 aimed at optimal utilization of existing physical and knowledge resources, development of innovative technologies, creation and management of intellectual property, systems and methodologies for mitigation and management of natural hazards, etc. Over the years, our country has developed a large base of scientific manpower with the expertise to facilitate and promote modern advancements in basic and applied sciences. The time is therefore, ripe to focus on R&D for accelerating development and growth in the country.
- 1.4 R&D plays an important role in the business processes that result in technology bringing new products and services to the market place. R&D results in high quality jobs, successful enterprises, better goods, services and more efficient and cost effective processes.

- 1.5 As per the Research and Development Statistics 2007-08 published by the Ministry of Science and Technology, India's R&D expenditure as a percentage of GNP in 2005-06 was 0.89% as compared to 0.81% in 2002-03. The share of various sectors in the National R&D expenditure for the year 2005-06 was: Central Govt. 57.5%, Public sector industry 4.5%, Private sector 25.9%, State Govt. 7.7% and Higher Education 4.4%.
- 1.6 The rationale behind R&D activities for CPSE's is the changed business environment is highly competitive markets, the rapid pace of change in technology, stringent emission norms, quality control criteria, heightened expectations and demands of customers, lack of transfer of technology and know-how from competitors, etc. R&D activities by CPSEs can result in substantial increases in market share and competitiveness. They would help to increase profitability and reduce costs. R&D is also a vital input for strengthening the defence preparedness of our nation.
- 1.7 R&D initiatives can further help strengthen our country's technological capabilities, ensure growth and help in the creation of jobs. They would also allow CPSEs to address the new challenges and opportunities in increasingly competitive global markets. R&D programs will create opportunities for the young and educated youth and will help in retaining talent within the country. Focused R&D programs, combined with new international partnerships, can help to address global issues such as climate change, health, energy security, food security and poverty alleviation.
- 1.8 In MoUs to be signed between CPSEs and administrative Ministries/Departments from the year 2011-12 onwards, 5% weightage out of 50% for non-financial parameters has been earmarked for R&D activities.

