

(c) whether Government would inquire into the irregularities and fix responsibilities in this regard;

(d) if so, the details thereof; and

(e) if not, the reason for not taking action against the corrupt persons and preventing corruption?

THE MINISTER OF DEFENCE (SHRIMATI NIRMALA SITHARAMAN): (a) No, Sir.

(b) to (e) In view of (a) above, questions do not arise.

#### **Increase in threshold limit for DPP**

173. SHRI DEREK O'BRIEN: Will the Minister of DEFENCE be pleased to state:

(a) whether the offset threshold limit has been increased from ₹300 crore to ₹2,000 crore in the Defence Procurement Procedure (DPP) for 2016;

(b) if so, the reasons therefor;

(c) whether the change in limit would have a negative impact on indigenous enterprises and local manufacturers; and

(d) the steps taken to check this and to promote indigenous enterprises and self-sufficiency with respect to technology and arms production?

THE MINISTER OF STATE IN THE MINISTRY OF DEFENCE (DR. SUBHASH RAMRAO BHAMRE): (a) to (d) The threshold limit for defence offsets was fixed at ₹ 300 crore in 2008. Keeping in view enhancement in cost of procurement on account of offsets in such cases and difficulties faced by smaller OEMs in executing offset obligations, the threshold limit has been enhanced to ₹ 2000 crore in DPP-2016.

No negative impact is envisaged with this change in limit on indigenous enterprises and local manufacture.

The following provisions have been made in the DPP 2016 to promote indigenous enterprises and self-sufficiency with respect to technology and arms production:

(i) A new category of acquisition has been introduced - Buy Indian (IDDM), to promote indigenous design development and manufacturing. Under this category, indigenously designed equipment with minimum of 40% indigenous

content (IC), or equipment with 60% IC will be considered for acquisition. This category will be the most preferred acquisition category and one rank above the 'Buy (Indian)' category.

- (ii) 'Buy (Indian)' category of acquisition requires a minimum IC of 40% (as compared to 30% in the previous DPP) and in 'Buy and Make (Indian)' category; minimum IC of 50% will be required in Make portion of the scheme. Flexibility has been given to AoN according authority to change percentage of IC.
- (iii) Definition of Indian Vendor has been incorporated in the DPP.
- (iv) Make Procedure has been refined to ensure increased participation of Indian industry.
- (v) List of potential 'Make' projects has been identified and a 2-year roll on plan for 'Make' cases introduced in the Annual Acquisition Plan (AAP).
- (vi) 'Buy & Make' and 'Buy and Make (Indian)' categories also have a Make ' portion which is a result of technology transfer from either Indian or Foreign vendors which are shared with Defence/Private. Production Agencies.
- (vii) Investment in 'kind' in terms of Transfer of Technology (ToT) to Indian enterprises for the manufacture and/or maintenance of eligible products and provision of eligible services. This could be through joint ventures or through the non-equity route or co-production, co-development and production or licensed production of eligible products and eligible services.
- (viii) Provision of equipment and/or ToT to Government institutions and establishments engaged in the manufacture and/or maintenance of eligible products and provision of eligible services, including DRDO.
- (ix) In the discharge of offset obligations related to technology acquisition by DRDO, a multiplier up to 3 is permitted.
- (x) Para 47 of Chapter-II of DPP-16 provides for provision of ToT to an Indian Vendor for providing Maintenance Infrastructure in Buy (Global) category cases. The Indian entity could be an Indian vendor or entities like OFB/ Army Base Workshops/Naval Aircraft Yards/Base Repair Depots of Air Force.