

**GOVERNMENT OF INDIA  
DEFENCE  
LOK SABHA**

UNSTARRED QUESTION NO:3067  
ANSWERED ON:27.07.2009  
REVIEW OF DEFENCE PROCUREMENT POLICY  
Tewari Shri Manish

**Will the Minister of DEFENCE be pleased to state:**

- (a) the implications of the annual review of Defence Procurement Policy on the stability of policy regime and its impact on defence preparedness;
- (b) whether the offset clause of Defence Procurement Policy, 2008 has been substantially diluted as compared to that in Defence Procurement Policy, 2006; and
- (c) if so, the reasons therefor?

**Answer**

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

(a) to (c): A statement is attached.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF LOK SABHA UNSTARRED QUESTION NO. 3067 FOR ANSWER ON 27.7.2009

There is a provision of periodical review of Defence Procurement Procedure (DPP) every two years. It has now been decided that in order to infuse greater transparency and to encourage involvement of indigenous industry in defence procurement and to keep pace with changing times, a review of DPP may be undertaken annually.

The Offset Policy in DPP-2008 has been revised on the basis of experience and feedback gained in implementation of Offset Policy of DPP-2006. The salient features of the Offset Policy of DPP-2008 are as follows:-

- (i) The concept of offset credit banking has been introduced to enable foreign vendors to create offset programmes in anticipation of future obligations. This will also enable foreign industry and their Indian offset partner to have long term arrangements to discharge offsets and will thus enhance the capacity of the Indian industry to absorb offsets.
- (ii) A private industry is now required to have an industrial license only if so stipulated under the guidelines/licensing requirements for the defence industry issued by the Department of Industrial Policy and Promotion.
- (iii) A list of defence products has been added to facilitate the foreign vendors in implementing their offset obligations.