

GOVERNMENT OF INDIA  
MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES  
DEPARTMENT OF HEAVY INDUSTRY

**LOK SABHA**  
**UNSTARRED QUESTION NO. 2209**  
**TO BE ANSWERED ON. 31.07.2018**

**Factors Restricting Domestic Demand**

2209. SHRI VISHNU DAYAL RAM:

Will the Minister of HEAVY INDUSTRIES AND PUBLIC ENTERPRISES be pleased to state:

- (a) whether negative attitude towards domestic value addition in Government procurement policies, strict terms of contract, continuous import, use of old machinery, providing no incentive to replace them, zero import duty under 'Project Import' and delay in project implementation are the main reasons for restricting the domestic demand; and
- (b) if so, the measures taken to improve the said situation?

**ANSWER**

**MINISTER OF STATE IN THE MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES (SHRI BABUL SUPRIYO)**

(a): National Capital Goods Policy, 2016 has identified that issues like lack of positive bias towards domestic value addition in public procurement policies, difficult contract conditions, persistent import and use of second-hand machinery with no incentive for replacement, zero duty import under 'Project Imports' and delays in project implementation are having an adverse effect on the domestic demand of capital goods.

(b): In February, 2017 Ministry of Finance has revised General Financial Rules to encourage procurement by domestic manufacturers by introducing elements like government e-market place, life cycle cost, reverse auction and purchase preference to locally manufactured goods.

On 15<sup>th</sup> June, 2017, Ministry of Commerce and Industry has issued a detailed Order on Public Procurement to enhance the positive impact of Public Procurement on 'Make in India' initiative through measures like requirement of Purchase preference to local suppliers, minimum local content, requirement for specification in advance, increase in minimum local content and manufacturing under licence, technology collaboration agreement with phased indigenization.

As a follow up to this order, Department of Heavy Industry has issued order for localization requirement for some items of Capital Goods & Automotive Sector for Public Procurement.

Ministry of Defence had revised their Procurement Procedure with effect from 01.04.2016 which have provisions to facilitate participation of domestic manufacturers in defence procurement.

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