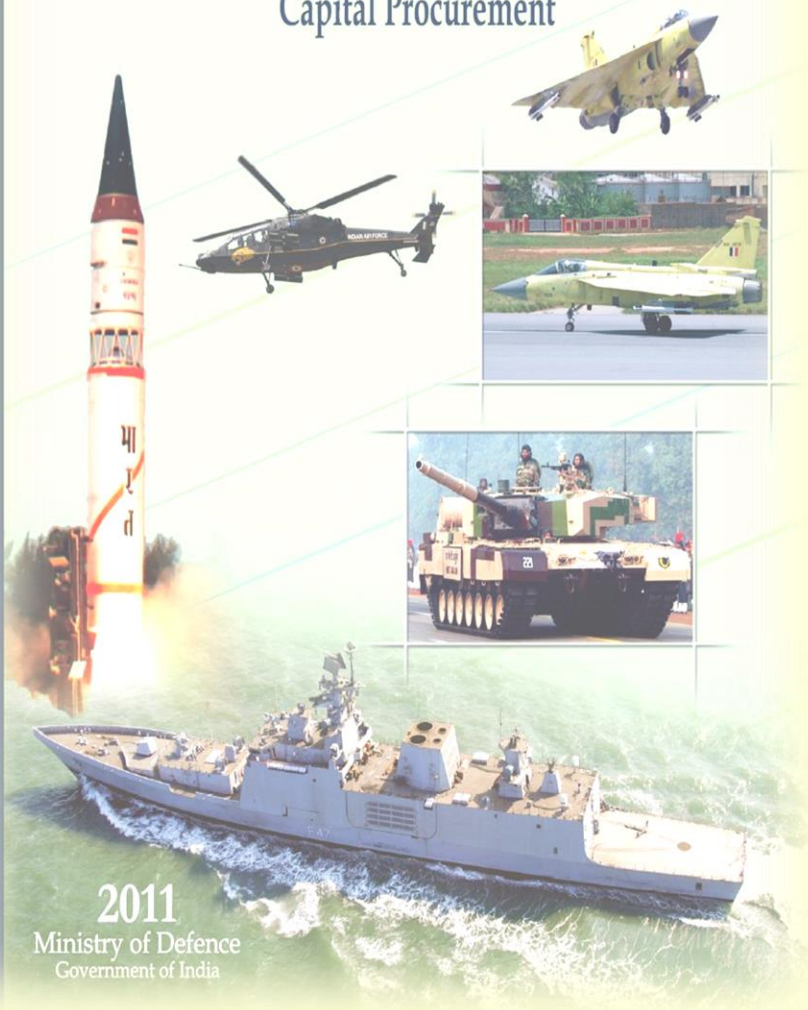




Defence Procurement Procedure

Capital Procurement



DEFENCE

PROCUREMENT

PROCEDURE - 2016

2011

Ministry of Defence
Government of India

Defence Procurement Procedure Capital Procurement



AIM



- Timely procurement of military equipment, systems, and platforms required by the Armed Forces in terms of performance capabilities and quality standards
- Optimum utilization of allocated budgetary resources.
- Provide for the highest degree of probity, public accountability, transparency, fair competition and level playing field
- Pursue steadfastly self-reliance in defence equipment production and acquisition



CHAPTERS



- **DPP 2016 consists of a Preamble and 7 chapters**
- **Chapters 1 to 5 have been uploaded on MoD website on 28 Mar 2016**
- **Two chapters will be promulgated in the near future**

<u>Chapter I.</u>	Operational Context, Acquisition Categories and Acquisition Plans
<u>Chapter II.</u>	Procurement Procedure for categories under ‘Buy’, ‘Buy and Make’ schemes
<u>Chapter III.</u>	Procedure for ‘Make’ category of Acquisition
<u>Chapter IV.</u>	Procedure for Defence Ship Building
<u>Chapter V.</u>	Fast Track Procedure
<u>Chapter VI.</u>	<i>Standard Contract Document</i>
<u>Chapter VII.</u>	<i>Strategic Partners and Partnerships (to be notified separately)</i>



FOCUS AREAS IN DPP 2016



- **Make in India / Thrust on Indigenisation**
 - **Buy (Indian - IDDM) category introduced**
 - **Enhanced / Rationalised Indigenous content**
- **Revised Make procedure – to facilitate participation of Indian Industry**
- **Enhancing the role of MSMEs in Defence sector**
- **Cutting down timeframes for procurements**
- **Flexibility in Single vendor situations**
- **Additional parameters in SQRs to enhance capability**



DPP 2016 – CHAPTER I & II



- **Buy (Indian - Indigenously Designed Developed and Manufactured {IDDM})**
 - **To promote indigenous design, development & manufacturing**
 - **Minimum of 40% Indigenous Content with IDDM**
OR
 - **60% Indigenous Content of total contract value if not Indigenous design & development**
 - **Most preferred category**
- **Buy (Indian) – Minimum Indigenous Content 40% (against 30%)**



DPP-2016- CHAPTER I & II (CONTD)



- **Buy & Make (Indian) Indigenous Content of 50% only in Make portion of the scheme**
- **Flexibility to AoN according authority to change % age of Indigenous content**
- **Definition of Indian Vendor incorporated**
- **Two year roll on plan introduced for ‘Make’ cases in the AAP**



DPP-2016- CHAPTER I & II (CONTD)



- **RFI process has been elaborated in detail as the first step of the Acquisition process.**
- **The Objectives of RFI are :-**
 - **To formulate/refine/rationalise the SQRs**
 - **To generate input for structuring the RFP**
 - **To aid in deciding the acquisition category, based on Defining Attributes**
 - **To determine indicative cost implications**



DPP-2016- CHAPTER I & II (CONTD)



- Parameters of SQRs
 - Essential Parameters 'A.' Part of contemporary equipment available in the market
 - Essential Parameters 'B.' Can be developed and achieved by the vendors using available technologies to be achieved mandatorily by L1 vendor after signing contract
 - Enhanced Performance Parameters (EPP)
 - To provision for additional capabilities over and above the essential parameters
 - **Decided at AoN stage**
 - **Weightage for determination of L-1, Maximum 10%, To get superior products by paying marginally higher cost**



DPP-2016- CHAPTER I & II (CONTD)



- **AoN Validity**
 - **Reduced to six months (from one year) for ‘Buy’ cases and to one year (from two years) for ‘Buy and Make (Indian)’ and Turnkey cases. *Moreover, draft RFP has to be submitted along with proposal for seeking AoN***
- **Production Agencies**
 - **Private Industry as Production Agency and Technology Transfer Partners**
- **Single Vendor Cases**
 - **At bid submission and TEC stages, RFP will not be automatically retreated**
 - **Can process case with due justification**
 - **With approval of DAC**



DPP-2016- CHAPTER I & II (CONTD)



- **Offsets**
 - **Only in cases where the cost of the contract is more than Rs 2000 crores (Rs 300 crore earlier)**
- **Provision for Reimbursement of cost of trial samples for low value items being procured in large quantities**
- **Joint trials for single OEM item fielded by multiple Indian vendors**
- **Procedure introduced for acceptance of change of name of vendor**



OTHER MEASURES



- **Guidelines for handling of complaints notified**
- **Guidelines for regulations of Agents and debarment of vendors are at advanced stage of approval and would be notified shortly**



CHAPTER III – MAKE PROCEDURE



- **Make – I (Govt Funded)**
 - **90% of development cost funded by Govt**
 - **Provision for mobilisation advance**
- **Make – II (Industry Funded)**
- **Low value projects in Make I (upto Rs 10 Crore) and Make II (upto Rs 3 Crore) for MSMEs**
- **Dedicated Project Management Unit constituted at SHQ - responsible for driving ‘Make’ Projects**
- **Only Indian vendors including Association of Persons (AoP) eligible for ‘Make’ Projects**



FAST TRACK PROCEDURE



- The Aim of the FTP has been elaborated as follows :-
 - **Ensure** expeditious procurement for urgent operational requirements **of the regular and special forces, foreseen as imminent during War as well as Peace time**
 - May also be applied for cases where **undue/unforeseen delay** due to reasons beyond the control of the acquisition set up, **adversely impact the capacity and preparedness** of the regular and Special Forces



JAI HIND