NEED FOR DPP REVISION

• DPP 2016 – promulgated in March 2016

• 47 amendments carried out as part of Business Process Reengineering

• Further scope of refinement in:-
  ➢ Support ‘Make in India’ initiative
  ➢ Design and Development cases
  ➢ Innovations for Defence Excellence (iDEX)
  ➢ Offset guidelines
  ➢ Life Cycle Support (align with Revenue procurement)
  ➢ Make India as Manufacturing Hub
• Hon’ble RM approved constitution of Main Review Committee under Chairmanship of DG(Acq) in Aug 2019

• Terms of Reference

  ➢ Remove procedural bottlenecks & hasten acquisition
  ➢ Optimise life cycle support
  ➢ Greater participation of Indian Industry for robust base
  ➢ Examine & incorporate new concepts
  ➢ Promote Indian Start-ups and R & D
  ➢ Support ‘Make in India’ initiative
MAJOR ASPECTS ADDRESSED

- Enhancement of Indigenous Content
- Incorporating use of indigenous Raw Material, Software & components
- Make & iDEX
- Impetus to MSMEs
- Refining of the procedure
- Conduct of Trials & Acceptance Tests
- New Concepts – Long Term Product Support, Leasing, Price Variation Clause
- New Chapters – Information & Communication Technology, Post Contract Management
ENHANCEMENT OF INDIGENOUS CONTENT

- Overall enhancement in requirement of Indigenous Content (IC)

<table>
<thead>
<tr>
<th>Category</th>
<th>DPP 2016</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy (Indian-IDDM)</td>
<td>Min 40%</td>
<td>Min 50%</td>
</tr>
<tr>
<td>Buy (Indian)</td>
<td>Min 40%</td>
<td>Indigenous design - Min 40%, otherwise - Min 60%</td>
</tr>
<tr>
<td>Buy &amp; Make (Indian)</td>
<td>Min 50% of Make</td>
<td>Min 50% of Make</td>
</tr>
<tr>
<td>Buy &amp; Make</td>
<td>-</td>
<td>Buy &amp; Min 50% of Make</td>
</tr>
<tr>
<td>Buy (Global – Mfr in India)</td>
<td>-</td>
<td>Min 50%</td>
</tr>
<tr>
<td>Buy (Global)</td>
<td>-</td>
<td>Min 30% for Indian vendors</td>
</tr>
</tbody>
</table>

- Simple and practical IC Verification process instituted

support ‘Make in India’ initiative
Promoting use of indigenous military material and encouraging its development and production

RFI Stage – examine platforms and other equipment/systems with substantial material component.

Incentivise use of Indigenous raw material

facilitate greater participation of Indian Industry and develop robust defence industrial base
• Leverage highly developed indigenous software expertise.

• RFI – identify indigenous software for running applications.

• Analysis - base applications (Fire Control System, Radars, Communications, Encryption sub systems) on indigenous software in Buy (Indian – IDDM) & Buy (Indian) cases.

• If not mandatory, Enhanced Performance Parameters (EPP) for indigenous software defined with commensurate credit score in the SQRs.

support ‘Make in India’ initiative
MAKE & INNOVATIONS

- Make I (Government Funded upto 70%)
- Make II (Industry Funded) – to include suo-moto proposals
- Make III (Indigenously Manufactured) for import substitution
- Innovations to include iDEX & ‘Open Competition’ Approach
- Technology Development Fund (TDF) Schemes

support ‘Make in India’ initiative
INNOVATIONS FOR DEFENCE EXCELLENCE (iDEX)

- Ecosystem to foster innovation & technology development in Defence and Aerospace

- Engage Industries including MSMEs, start-ups, individual innovators, R&D institutes and academia

- Provide grants/funding & other support to carry out R&D which has good potential for future adoption for Indian defence needs.

*promote Indian Start-ups and R & D*
• Offset obligations - multiplier of 1.50 where MSMEs are IOPs

• Make Projects earmarked for MSMEs.

  ➢ Make I - prototype development phase < ₹10 Crores

  ➢ Make-II - prototype development phase < ₹3 Crores & procurement < ₹50 Cr based on delivery schedule

• RFP issued without stipulation of Financial Parameters, in cases upto 150 crores or 50 Crores/year based on delivery schedule

promote Indian Start-ups and R & D
SERVICES QUALITATIVE REQUIREMENTS (SQRs)

- Formulation Committee including representatives of trial agencies.
- Time frame for formulation laid down (six months from receipt of RFI response).
- Amendments to SQR permitted before issue of RFP.

remove procedural bottlenecks & hasten defence acquisitions
• Acceptance of Necessity (AoN).

- Single stage approval of AoN except DAC cases (> 500 crores)
- Time frame laid down for obtaining AoN (one year from receipt of RFI responses)

remove procedural bottlenecks & hasten defence acquisitions
SIMPLIFYING PROCEDURE

• Request For Proposal (RFP).


  ➢ Guidelines included to ensure correct formulation.

  ➢ Detailed Trial Methodology.

• Guidelines and flowcharts included to facilitate decision making by Users at various stages.

remove procedural bottlenecks & hasten defence acquisitions
SIMPLIFYING PROCEDURE

- **Repeat Order.**

  - Single stage accord of AoN by the according authority
  
  - No FET, limited validation if required

*remove procedural bottlenecks & hasten defence acquisitions*
 Trials with an objective to nurture competition, not as a process of elimination.

- User Trials by specialised agencies i.e. Trial Wings

- Document/certification over physical trials.

- More opportunities for in situ repairs/modifications during trials.

*remove procedural bottlenecks & hasten defence acquisitions*
QUALITY ASSURANCE ASPECTS

- QA Plan (to include rejection criteria & sample size) as part of RFP.

- Draft Acceptance Test Procedure submitted by all vendors, finalised in DGQA Evaluation.

- No overlap of evaluation in Pre Dispatch Inspection (PDI) & Joint Receipt Inspection (JRI).

- Third Party Inspection permitted for acceptance.

*remove procedural bottlenecks & hasten defence acquisitions*
• **Long Term Product Support.** *Mandatory for 3-5 yrs post warranty*

- Engineering Support Plan (ESP)
- Annual Maintenance Contract (AMC)
- Comprehensive Maintenance Contract (CMC)
- Life Cycle Support Contract (LCSC)
- Performance Based Logistics (PBL)

*optimise life cycle support for equipment*
Option to ‘Buy’ & ‘Make’, offset huge initial capital outlays with periodical rental payments

- Lease(Indian) & Lease(Global), preferred in cases:-
  - Procurement not feasible due to time
  - Asset needed for specific time or under utilised if procured
  - Smaller numbers needed – administrative & maintenance infrastructure expenditure high
  - Service life lease rental better than acquisition cost
  - Operational necessity

Examine & incorporate new concepts to save on overall cost
PRICE VARIATION CLAUSE

- Practical price fixation in projects with long delivery periods
- Cases $\geq 1000$ crores & time period of deliverables $\geq 60$ mths

Industry friendly initiatives
MANUFACTURING HUB IN INDIA

BUY (GLOBAL – MANUFACTURE IN INDIA)
An outright purchase of equipment from foreign vendors as approved by the AoN according authority, in quantities as considered necessary, with a minimum of 50% Indigenous Content (IC) on cost basis of the total contract value which can be achieved in the manufacturing of either the entire equipment or spares/assemblies/sub-assemblies/Maintenance, Repair and Overhaul (MRO) facility for the entire life cycle support of the equipment, through its subsidiary in India. Acquisition under this category can also be carried out without any initial procurement of equipment in FF state.

| Prioritisation of Categories | • Buy (Indian-IDDM)  
|                             | • Buy (Indian)       
|                             | • Buy & Make (Indian) 
|                             | • Buy & Make         
|                             | • Buy (Global – Manufacture in India) 
|                             | • Buy (Global)       |
• Information and Communication Technology (ICT). Policy & procedures for procurement & management of integrated projects.

• Post Contract Management (PCM).

- Capital procurement entails different contracting agency & contract operating agency
- Ensure smooth transition from pre to post contract.

*new attributes in the defence procurement*
COMMERCIAL TERMS

- L1 determined after including all taxes and duties
- INCOTERMS mandatory as Delivery Duty Paid (DDP) for all procurement cases
- Bank Guarantees (BGs) based on Contract Value less taxes and duties
- Multiple BGs permitted, from all Public Sector Banks and Private Banks authorised for Government transactions
- Performance cum Warranty BGs – 5% of contract value

Industry friendly initiatives
OFFSET GUIDELINES

- Preference to complete defence products over components.

- Multiplier:-
  - For products/systems (x 1.0)
  - For Components reduced to (x 0.5)
  - For MSMEs (x 1.5)

- Investments incentivised through higher multipliers:-
  - In Defence Manufacturing (x 1.5)
  - In Defence Industrial Corridors (x 2.0)
  - For ToT to Indian Enterprises (x 2.0)
  - For ToT to OFB/DPSUs (x 3.0)
  - Higher Multiplier for Critical Technology (x 4.0)

facilitate greater participation of Indian Industry and develop robust defence industrial base
OFFSET GUIDELINES

- Discharge through entities other than vendor/ Tier-I sub-vendor for investments/ToT on case to case basis.

- Flexibility to provide details of products and Indian Offset Partners(IOPs) at later stage even after signing of contract.

- To bring greater transparency and accountability, post contract activities are envisaged online through offset portal.

- Real-time disposal of offset discharge claims.

- Timelines for disposal of offset claims/disputes.

facilitate greater participation of Indian Industry and develop robust defence industrial base