

Ministry of Defence  
D (Vigilance)  
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Subject: Guidelines of the Ministry of Defence for Penalties in Business Dealings with Entities.

Please find enclosed the guidelines of Ministry of Defence for penalties in business dealings with entities applicable for both Capital and Revenue Procurement of Goods and Services, duly approved in the meeting of DAC held on 7.11.2016, for compliance.

Encl.: As above.

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SA to RM                      Secretary (DP)                      Secretary (Defence Finance)  
VCOAS                      VCNS                      VCAS                      DG (Coast Guard)                      CISC  
DG (Acquisition)                      AS (R)                      AS (P)                      JS &AM (LS)                      JS&AM (MS)  
JS&AM (Air)                      JS (Army)                      JS (Air)                      JS (E/CAO)&CVO  
MoD ID No.31013/1/2016-D (Vig) Vol.II dated 21.11.2016

Copy to:

PS to RM

PS to RRM

SO to Defence Secretary

Copy also to: NIC with the request to upload the guidelines on the website of this Ministry.

## GUIDELINES OF THE MINISTRY OF DEFENCE FOR PENALTIES IN BUSINESS DEALINGS WITH ENTITIES

### (A) Introduction

A.1 It is imperative that the highest standards of propriety be maintained throughout the process of procurement of defence equipment.

A.2 The procurement process needs to proceed without loss of credibility and therefore, there is a need to put in place appropriate measures to deal with acts of impropriety.

A.3 The following paragraphs lay down the policy and guidelines for Levy of Financial Penalties and/ or Suspension/Banning of business dealings with entities seeking to enter into contract with/having entered into a contract for the procurement of goods and services by the Ministry of Defence.

A.4 In applying the measures provided for under the guidelines, the concerned authorities shall be guided by the need to ensure probity, transparency, propriety and compliance in the defence procurement process. Equally, the concerned authorities shall also ensure fairness, impartiality, rigour and correctness in dealing with entities, keeping in view the overall security interests of the country.

### (B) General

B.1 Ministry of Defence will include Department of Defence, Department of Defence Production, Department of Defence Research & Development, HQ IDS, Armed Forces Headquarters and their attached/subordinate offices.

B.2 "Entities" will include companies, trusts, societies, as well as individuals and their associations with whom the Ministry of Defence has entered into, or intends to enter into, or could enter into contracts or agreements.

B.3 All firms/companies which come within the sphere of effective influence of the entities shall be treated as its allied firms. In determining this, the following factors may be taken into consideration:-

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21/11/2016

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