



सत्यमेव जयते

MINISTRY OF DEFENCE

REVISION OF
DEFENCE PROCUREMENT PROCEDURE

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**

REVIEW COMMITTEE

- **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)

| Category | DPP 2016 | Proposed |
|------------------------------|--------------------|---|
| •Buy (Indian-IDDM) | Min 40% | Min 50% |
| •Buy (Indian) | Min 40% | Indigenous design - Min 40%, otherwise - Min 60% |
| •Buy & Make (Indian) | Min 50% of Make | Min 50% of Make |
| •Buy & Make | - | Buy & Min 50% of Make |
| •Buy (Global – Mfr in India) | - | Min 50% |
| •Buy (Global) | - | Min 30% for Indian vendors |

- Simple and practical IC Verification process instituted

support 'Make in India' initiative

INDIGENOUS RAW MATERIAL

- 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

INDIGENOUS SOFTWARE

- 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

IMPETUS TO MSMEs

- **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.
- Parameters - 'Operational', 'Technical' & 'Maintainability & Ergonomic'.
- 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*

SIMPLIFYING PROCEDURE

- 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).
 - RFP & Standard Contract Document aligned.
 - 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*

CONDUCT OF FIELD EVALUATION TRIALS

- 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

- 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

LEASING

- 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 ≥ 1000 crores & time period of deliverables ≥ 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-IDDMM)
- Buy (Indian)
- Buy & Make (Indian)
- Buy & Make
- Buy (Global – Manufacture in India)**
- Buy (Global)

NEW CHAPTERS

- 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



सत्यमेव जयते

JAI HIND