

**MINISTRY OF DEFENCE**  
**(ACQUISITION WING (SECTT))**

**DEFENCE PROCUREMENT PROCEDURE - 2008 (AMENDMENT- 2009)**

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- (a) Introduction of new category for acquisition - "Buy & Make (Indian)".
- (b) Sharing of information with Indian Industry.
- (c) Enhancing role of Independent Monitors.
- (d) Removal of ambiguity regarding EMD in signing the Integrity Pact.
- (e) Formulation of SQRs including issue of Request for Information (RFI).
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2. The amendments to DPP-2008 are being issued in the form of Defence Procurement Procedure - 2008 (Amendment - 2009), details of which are given in the Annexure enclosed. These amendments are incorporated to the existing DPP-2008 in relevant pages/paragraphs as mentioned and will take effect from 01 Nov 2009.

3. This issues with the approval of Raksha Mantri.

(Raj Kumar Gathawal)  
Deputy Secretary (Acquisition)  
Tele : 23792865

To

**CISC**

**Vice Chief of the Army Staff**

**Vice Chief of the Naval Staff**

**Vice Chief of the Air Staff**

**Copy for information to: PS to RM, PS to RRM, SO to Defence Secretary, PPS to Secretary (DP), SO to SA to RM, PPS to Secy (Def/Fin), PPS to DG(Acq), PPS to Advisor to RM, PPS to Additional Secretary (DP), PPS to Additional Secretary (M), PPS to FA (Acq) & AS, CGDA, Principal IFA, All Joint Secretaries / Additional FAs / Finance Managers / Technical Managers /DGWE /DGCG/ACAS(Plan) /ACNC(P&P)/ Directors/ Deputy Secys**

M of D.I.D No 4(4O)/D(Acq)/09 dated 29/10/2009

**Copy also to:**

**Director (NIC), MoD, Room No 305-B, Sena Bhawan - With the request to place the above instructions on the website of MoD immediately.**

## **DEFENCE PROCUREMENT PROCEDURE -2008 (AMENDMENT - 2009)**

### **Annexure**

(Refers to Para 2 of MoD ID No  
4(40)/D (Acq)/09 dated 29/10/2009)

### **Existing Para 4 of Chapter I of DPP-2008 to be replaced by a new Para 4 as follows:-**

4. Capital Acquisitions are categorized as under: -
- (a) **Acquisitions Covered under the 'Buy' Decision.** Buy would mean an outright purchase of equipment. Based on the source of procurement, this category would be classified as 'Buy (Indian)' and 'Buy (Global)'. 'Indian' would mean Indian vendors only and 'Global' would mean foreign as well as Indian vendors. 'Buy Indian' must have minimum 30 % indigenous content if the systems are being integrated by an Indian vendor.
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14. The SQRs would be drafted by the user directorate at SHQ. In order to make broad based SQR, required inputs will be obtained by issue of RFIs on MoD website by SHQ / and by corresponding with maximum manufacturers. Additional inputs should be obtained from defence attaches, internet and defence journals/magazines/exhibitions, previously contracted cases in such category. The inputs so obtained should result in the form of a compliance table of SQRs vis a vis technical parameters of equipments available in world market, in as much detail as feasible. Draft SQR would be circulated by SHQ to all concerned for obtaining their views / comments including other possible user directorates, maintenance directorate, HQ IDS, DRDO, Department of Defence Production (DDP), Director General of Quality Assurance (DGQA) / Director General of Aeronautical Quality Assurance (DGAQA), Directorate of Standardisation, Technical Managers and any other necessary department. These agencies will also be represented on the Staff Equipment Policy Committee (SEPC) for approving the SQRs. Records in respect of Qualitative Requirements (QRs) will be maintained by the User Service(s). In cases where commonality of equipment exists and standardisation of QRs is merited, it would be the responsibility of HQ IDS to constitute a Joint Staff Equipment Policy Committee, with representative of all members as above, from the three Services, in order to formulate Joint Service Qualitative Requirements (JSQRs) for such equipment. The QRs shall be prescribed in clear-cut terms and they should not be vague or ambiguous. Prior to according approval to the SQRs, the SEPC should assess that it would result in a multi vendor situation. If a single vendor situation is likely then the reasons

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18. In order to seek Acceptance of Necessity, the Service Headquarters would prepare a Statement of Case as per format at **Appendix 'A'** to the DPP -2008. Four copies of the Statement of Case would be prepared, justifying the procurement proposal. One copy each would be forwarded to DDP, DRDO, MoD (Fin) and Administrative Branch of MoD. The Statement of Case would include the total quantities required, the break up based on five years plans and the quantity that is required to be procured in next two years. The quantity vetting would be recommended by the Administrative Branch in consultation with MoD (Fin). The quantities duly vetted along with other comments on the proposal would be sent back to the SHQ by DoD and MoD (Fin). DRDO and DDP will also forward their comments to Service HQ, who would then compile all the comments and give their final views. The Statement of Case along with all the comments would then be forwarded to HQ IDS which would examine aspects of interoperability and commonality of equipment for the three Services. The Statement of Case would then be placed for consideration of the Categorisation Committee. The Categorisation Committee will also invite the representative of Industry Associations/ representatives nominated by Industry Associations, where ever participation by Indian industry is probable. The representatives so invited would give presentation and clarifications, as required by the Categorisation Committee. The representatives would however not be present in the internal discussions and during the decision making stage of Categorisation Committee meeting. The Categorization Committee,

after taking into account all inputs, will approve cases of the three Services under the delegated powers to the three Services upto Rs. 50 crs and recommend cases beyond Rs. 50 crs and upto Rs 100 crs to DPB and beyond Rs. 100 crs to DAC for final approval. For cases under the delegated financial power for capital expenditure to three Services, guidelines given vide MoD ID No 470/Dir(Acq)/07 dated 12 Sep 2007 including gist of references and two MoD (Fin) letters indicated therein as at **Appendix A1** would be followed. In respect of cases of Coast Guard the Categorisation Committee will approve cases up to Rs. 10 crs and submit cases beyond Rs. 10 crs for final approval by DAC/DPB. All other provisions as per MoD ID No. 470/Dir(Acq)/07 dated 12 Sep 2007 would also be applicable to the Indian Coast Guard. In order to ensure that this process is completed in a time bound manner, each case would be processed by DRDO/DDP/MoD/ MoD (Fin) within four weeks of receipt, so that the proposals can be considered by the Categorisation Committee within a 4 to 6 week cycle.

#### **A New Para 25a to be Added to Chapter I of DPP-2008**

##### **25a. 'Buy and Make (Indian)'.**

- (i) In cases categorized as 'Buy and Make (Indian)', RFP will be issued to only Indian vendors, who are assessed to have requisite technical and financial capabilities to undertake such projects.
- (ii) For selection of such cases, SHQ will prepare a Capability Definition Document which outlines the requirement in operational terms and briefly describes the present capabilities determined on the basis of the existing equipment, manpower etc. This document should also indicate long term requirement in terms of numbers, time schedule, immediate fund availability and the critical technologies to be absorbed by Indian partner. The critical technologies will be identified in consultation with DRDO.
- (iii) Capability Definition Document will be examined by the SCAPCHC before identification of the project under 'Buy and Make (Indian)' category. DAC will decide selection of a project under 'Buy and Make (Indian)' on the recommendation of the SCAPCHC.

(iv) The Capability Definition Document would be floated to Indian firms who are known to have requisite technical and financial capabilities to undertake such projects. These Indian firms will be short-listed on the basis of the responses to RFI and through interaction with representatives of Industry Association by SHQ through HQ IDS.

(v) The Indian firms would be required to give a Detailed Project Proposal which will outline the roadmap for development and production of the item either by themselves or with the help of any production arrangement with foreign manufacturer. The production arrangement must be clearly spelt out giving details of the workshare, TOT in range and depth of the technology, and any other detail considered important/relevant. The Indian partner should absorb the critical technologies, 50% of which will be in category I and II as given at Para 1 (k) (i) and (ii) of **Appendix L** to Schedule I of DPP-2008.

(vi) The Detailed Project Proposal will be appraised by a Project Appraisal Committee (PAC) constituted by the Acquisition Wing and those found acceptable will be short listed by the Committee. The PAC will verify the credentials of the foreign partner while confirming acceptability of the JV / production partner(s). The Committee will also firm up technical requirements for inclusion in the RFP. The PAC will be headed by an officer nominated by DDP with members from DRDO, SHQ and MoD (Fin). The PAC report will be approved by DG (Acq), on recommendations of Technical Manager. The PAC Report, duly approved by DG (Acq), will be forwarded to SHQ. Thereafter, SHQ will prepare and process the RFP for issue by the Acquisition Wing. From this stage onwards the procedure described for 'Buy and Make' category will apply.

(vii) In cases involving large quantities and where multiple technological solutions are acceptable, on approval of DAC/DPB, an option may be provided for procurement from more than one vendor on the condition that other vendors accept the price and terms & conditions quoted by the L1 vendor.

(viii) Defence Production Board will monitor the implementation of projects taken up under this category. A multi-disciplinary Project Monitoring Team (PMT) will also be

constituted by the Defence Production Board for each project to regularly monitor the implementation including aspects such as absorption of Transfer of Technology (ToT) by the firm, work-share and indigenous content as per the agreed plan.

**Existing Para 3(g) of Appendix A to Chapter I of DPP-2008 to be replaced by a new Para 3(g) as follows:-**

3(g). Details of GSQR/JSQR. (In case GSQR/JSQR is not formalized, major essential capabilities required and whether a development program has been initiated with DRDO/Industry and its current status). A copy of the GSQR

(i) In all cases essential capability and corresponding minimum verifiable functional characteristics in a tabulated form be provided.

(ii) For all repeat order cases of equipment already inducted into service, are there any changes in SQR, modifications of minor nature or upgrades of assemblies/sub assemblies involved? Would this need a commercial RFP with validation of modifications/ upgrades, or issuing of a fresh techno-commercial RFP on a multi vendor basis?

(iii) In all cases details of essential verifiable functional characteristics vis-à-vis technical parameter of the equipment available in the world market, in as much details as possible in a tabulated form be provided.

**Existing Para 16a of Schedule I to Chapter I of DPP-2008 to be replaced by a new Para 16a as follows:-**

16a. An Integrity Pact would be signed between MoD and the bidders for schemes exceeding Rs 100 Crs, irrespective of the value of the commercial bids submitted by bidders. In the subject RFP, the vendor is required to sign and submit pre-contract Integrity Pact (IP) given at **Annexure I to Appendix H** and shall also deposit Rs\_\_\_\_\_ Crores as Earnest Money Deposit (EMD) through any of the instruments mentioned therein. This would be

submitted in a separate envelope clearly marked as 'IP and EMD' at the time of submission of technical and commercial offers.

**The Existing Para 12 of Annexure I to Appendix H to Schedule I of DPP-2008 to be Replaced by a New Para 12 as follows:-**

12.1 The Buyer has appointed Independent Monitors for this Pact in consultation with the Central Vigilance Commission (Names and Addresses of the Monitors to be given in RFP).

12.2 As soon as the Integrity Pact is signed, the buyer shall provide a copy thereof, along with a brief background of the case to the Independent Monitors.

12.3 The bidder(s), if they deem it necessary, may furnish any information as relevant to their bid to the Independent Monitors.

12.4 If any complaint with regard to violation of the IP is received by the buyer in a procurement case, the buyer shall refer the complaint to the Independent Monitors for their comments / enquiry.

12.5 If the Independent Monitors need to peruse the relevant records of the buyer in connection with the complaint sent to them by the buyer, the buyer shall make arrangement for such perusal of records by the Independent Monitors.

12.6 The report of enquiry, if any, made by the Independent Monitors shall be submitted to the head of the Acquisition Wing of the Ministry of Defence, Government of India for a final and appropriate decision in the matter keeping in view the provision of this pact.

**Existing Para 1.3 of Appendix D to Chapter I of DPP-2008 to be replaced by a new Para 1.3 as follows:-**

1.3 The DAC may, after due deliberation, also prescribe varying offset percentages above 30% or waive off the requirement for offset obligations in very special cases. Such directions may be made applicable for different classes of cases or for individual cases depending upon the factors involved such as type of acquisition, strategic importance of the acquisition or technology, enhanced ability of Indian defence industry to absorb the offset, export potential generated, etc. However, offsets will not be applicable in 'Option Clause' cases, where the same was not envisaged in the original contract.

**Existing Para 6.3 of Appendix D to Chapter I of DPP-2008 to be replaced by a new Para 6.3 as follows:-**

6.3 The vendor will be free to select the Indian offset partner for implementing the offset requirement. After the offset contract is signed changes will not be permitted in respect of offset components or value. In exceptional cases MoD may permit change in offset partner, on being convinced that the change is desirable to enable the vendor to fulfill offset obligations.

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