



Defence Procurements

Introduction

1. Defence Acquisition is a complex decision making process that needs to balance the competing requirements of expeditious procurement, development of indigenous defence sector and conformity to the highest standards of transparency, probity and public accountability.
2. Defence procurements are carried out through Capital as well as Revenue route. The Capital procurement is governed by Defence Procurement Procedure (DPP)-2013 which covers acquisition of new equipment aimed at modernisation of armed forces whereas Defence Procurement Manual (DPM) deals with procurements under revenue head and deals with procedures for revenue procurement and provision of all other goods, services and support activities intended to maintain the operational effectiveness of our armed forces. DPP-2013 and DPM-2009 can be referred at <http://www.mod.nic.in/writereaddata/DPP2013.pdf> and <http://www.mod.nic.in/writereaddata/DPM2009.pdf> respectively.

An overview of Defence Procurement Procedure -2013

3. **Main Contents:** DPP-2013 comprises of five chapters. Chapter I deals with Procurement procedure for 'Buy', 'Buy & Make' and 'Buy & Make(Indian)' categories, Chapter II deals with procurement procedure for 'Make' category, Chapter III deals with Defence ship building, Chapter IV deals with Fast track procedure and the Chapter V deals with Standard Contract Document.
4. **Main categories of procurement:** There are five main categories under which all capital acquisitions are done:
 - (i) Buy (Indian) means outright purchase of equipment and it is applicable to Indian vendors only and requires with minimum 30% indigenous content on cost basis.
 - (ii) 'Buy & Make (Indian)' means purchase from an Indian vendor only and followed by licensed production in country. It requires minimum 50% indigenous content on cost basis.



- (iii) 'Make' (Indian) is applicable to Indian vendors only for design, development and indigenous production of high technology complex systems with minimum 30% indigenous content on cost basis in the prototype.
- (iv) 'Buy& Make' means purchase from a foreign vendor followed by licensed production /indigenous production in country through Indian production agency.
- (v) 'Buy (Global)' is applicable for Indian and foreign vendors both and means outright purchase of equipment.

5. **Acquisition Process:**

The acquisition process is a chain of successive activities which are based on Annual Acquisition Plans(AAP) a subset of LTIPP and summarised as given below:-

- i. Issue of Request for Information (RFI) by concerned SHQ on MoD website. RFI gives early warning to vendors for various government clearances if required and also seeks their input on costing of the proposal, Transfer of Technology (ToT), key technologies and suggestions on alternatives.
- ii. (b) Preparation of Services Qualitative Requirements (SQRs) for the equipment/weapon system by SHQs, clearly bringing out the user's requirements in a comprehensive manner. SQRs are realistic and refer to technologies generally available in indigenous/world market.



- iii. Processing of Statement of Case(SoC) of the proposal for Acceptance of Necessity(AON) by concerned SHQ through Service Capital Acquisition Procurement Categorisation Committees(SCAPCC) which recommends it to Service Capital Acquisition Procurement Higher Categorisation Committees(SCAPCHC) for cases up to Rs 150 crore , Defence Procurement Board(DPB) for cases upto Rs 300 cr and Defence Acquisition Council(DAC) for cases beyond Rs 300 crore. The categorisation committees consist of representatives from various stakeholders including Indian industry where required and follow preferred order of categorisation. Industry representatives are present during initial discussions and presentations on proposals in SCAPCC but they do not participate during the decision making process.AoN is valid for one year for all cases other than 'Make' category, Chapter II of DPP, where it is valid for two years.
- iv. Issue of Request for proposal (RFP) for solicitation of single stage –two bid system ie technical and commercial offers.
- v. Evaluation of Technical offers is carried out by Technical Evaluation Committee (TEC) and if at TEC stage only one vendor is found complying to all SQR parameters then RFP would be retracted and acquisition scheme is reviewed. Technical oversight committees (TOCs) are detailed for selected proposals over Rs 300 Cr or for cases as recommended by DPB for overseeing the TEC process.
- vi. Field Evaluation Trials(FET) of the equipment/weapon system are carried out by user service based on trial methodology given in RFP.FET/NCNC trials is not applicable for Ships, Submarines, Yard craft, Tugs etc., covered under Chapter III of DPP.
- vii. Field evaluation trials are followed by Staff Evaluation by concerned SHQ to analyse the demonstrated performance vis -a -vis the SQRs.
- viii. On acceptance of Staff evaluation report the process of contract negotiation will commence for which Contract Negotiation Committee(CNC) is detailed, which preparesComparative Statement of Tenders (CST) and determine the lowest acceptable offer(L1 vendor).



- ix. On approval of CNC report by CFA, contract is awarded to the L1 vendor.
- x. The administration and management of the contract is done by concerned SHQs. Acquisition Wing is responsible for monitoring /review of the contract.

6. **Amendments over previous version of DPP:** DPP-2013 introduced in May 2013,has following major amendments over its 2011 version:-

- i. Introduction of order of preference in categorisation process to give higher preference to Indian vendors over foreign vendors ie (1) “Buy (Indian)”; (2) “Buy & Make (Indian)”; (3) “Make”; (4) “Buy & Make with ToT”; and (5) “Buy (Global)”. Any proposal to select a particular category must now state reasons for excluding the higher preferred category/ categories.
- ii. Public Version of Long Term Integrated Perspective Plan (LTIPP)ie Technology Perspective and Capability Roadmap (TPCR) will be shared with the Indian industry to keep it abreast with the scheme of requirement of defence equipment and weapon systems by our armed forces for next 15 years.
- iii. ‘Buy & Make (Indian)’ category of acquisition has been further simplified to make it more attractive for Indian industry.
- iv. A clear definition of ‘Indigenous Content’ has been provided to bring more clarity and to enhance indigenization of defence products so that reliable supply chains are developed for meeting urgent needs of our Armed Forces.
- v. Approval for all deviations to provisions of Defence Procurement Procedure will henceforth be sought from the Defence Acquisition Council instead of the Defence Minister.
- vi. Incorporation of new offset guidelines promulgated in Aug 2012.
- vii. Revision of chapter on shipbuilding and revised performa for RFP for such cases.