

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

UNSTARRED QUESTION NO:1863
ANSWERED ON:04.08.2005
MANUAL ON PROCUREMENT
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Will the Minister of DEFENCE be pleased to state:

- (a) whether in the backdrop of recent controversies over the defence procurement, the Ministry of Defence has come out with a procurement manual with the aim of promoting greater transparency in defence acquisition;
- (b) if so, the details thereof;
- (c) whether recommendations made by Kelkar Committee have been incorporated in this manual; and
- (d) if so, the steps taken or being taken by the Government to ensure that manual is followed in letter and spirit?

Answer

MINISTER OF DEFENCE (SHRI PRANAB MUKHERJEE)

(a) & (b): The Ministry of Defence has formulated Defence Procurement Manual (DPM) 2005 and Defence Procurement Procedure (DPP) 2005 to further streamline the procurement of revenue & capital stores respectively with the aim of promoting greater transparency in defence acquisition. The DPM 2005 inter alia provides for:-

- (i) Detailed Request for Proposals, both for indigenous and foreign procurement, enumerating the criteria to be used for short-listing and award of contract;
- (ii) Uniformity in interpretation of various contracting clauses and issues;
- (iii) Suggested time frame for each stage and process of procurement so as to cut down delays and bring in accountability;
- (iv) Guidelines for assessing Reasonability of Prices;
- (v) Summary of Central Vigilance Commission guidelines and Banking instruments.

The DPP 2005 inter alia provides for:-

- (a) Making Qualitative Requirements more broad based so as to avoid single vendor situations.
- (b) Open tendering for commercially off-the-shelf (COTS) items.
- (c) Direct Offsets and Integrity Pact as part of the Request for Proposal (RFP) for purchases over Rs. 300 crore.

(d) Standard Contract terms upfront as part of the RFP.

(e) Joint Services Qualitative Requirements for equipment common to the three Services.

(f) More objective evaluation criteria in line with the suggestion of the Ministry of Finance by incorporating Discounted Cash Flow and Exchange Rate Variation techniques.

(g) Incorporation of appropriate guidelines of CVC and inputs from C&AG in the new procedure.

(h) Broad timeframe for completion of different procurement activities.

(c) & (d): The Kelkar Committee submitted Part-I of its report on 5th April 2005. Suitable recommendations would be incorporated in the Defence Procurement Procedure 2005 for the Capital acquisitions.