

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

STARRED QUESTION NO:315

ANSWERED ON:17.08.2006

DIRECTIVES OF CVC ON DEFENCE DEALS

Rao Shri Sambasiva Rayapati;Vallabbhaneni Shri Balashowry

Will the Minister of DEFENCE be pleased to state:

- (a) whether the Central Vigilance Commission (CVC) has issued any directives on defence deals;
- (b) if so, the details thereof;
- (c) whether the directives of the CVC on defence deals are being followed scrupulously;
- (d) if not, the reasons therefor; and
- (e) the steps taken by the Government to follow the directives in letter and spirit?

Answer

MINISTER OF DEFENCE (SHRI PRANAB MUKHERJEE)

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO. 315 FOR ANSWER ON 17.8.2006.

The Central Vigilance Commission (CVC) has been giving advice from time to time in individual cases as well as suggestions on making the procurement system of Ministry of Defence more transparent and efficient. Ministry of Defence have formulated the Defence Procurement Procedure (DPP) for capital acquisitions and Defence Procurement Manual (DPM) for revenue stores for which suggestions of CVC have been taken into consideration. Some of the important provisions in DPP include:-

- (i) Making Qualitative Requirements more broad based;
- (ii) The Standard contract terms are included in the Request for Proposal. This includes provision regarding penalty for use of undue influence by the seller and prohibit engagement of any agent or payment of agency commission by the seller;
- (iii) Offers to be solicited from Original Equipment Manufacturers (OEM)/authorized vendors/Government sponsored export agencies;
- (iv) Advances are paid to suppliers against Bank Guarantees confirmed by select Indian Banks. Performance Bonds/Warranty Bonds are also taken after similar confirmation.

Some of the important provisions in DPM include:

- (i) Transparent Request for Proposals, both for indigenous and foreign procurement with clear prequalification, short-listing and award criteria;
- (ii) Standard contract conditions as part of Request for Proposal;
- (iii) Uniformity in interpretation of various contracting clauses and issues;
- (iv) Clear time frame for each stage and process of procurement so as to cut down the delays and bring in accountability;
- (v) General guidelines for benchmarking with a view to assessing reasonability of prices;
- (vi) Summary of CVC guidelines and Banking instruments like Letter of Credit;
- (vii) Rate contract for items required on a recurring basis with clearly approved specifications with a view to availing of economy of scale;
- (viii) No deviation/dilution of Qualitative Requirement After Issue of Request for Proposal;

(ix) Encouraging e-payments and avoidance of negotiation in multi vendor situation.

As regards the individual cases, the Commission tenders advice as to whether the circumstances of the case warrant initiation of disciplinary proceedings against the delinquent officials. In major disciplinary cases, the Commission tenders 2nd stage advice which is examined in the Ministry in consultation with concerned organizations and UPSC, wherever necessary and, thereafter, decision is taken on merits of each case.