

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

UNSTARRED QUESTION NO:59
ANSWERED ON:05.08.2013
DEFENCE PROCUREMENT PROCEDURE
Majhi Shri Pradeep Kumar

Will the Minister of DEFENCE be pleased to state:

- (a) whether the Government has released the Defence Procurement Procedure (DPP)-2013 in the recent past;
- (b) if so, the details thereof including the salient features of the DPP-2013;
- (c) whether the Government has made any changes in the new procedure; and
- (d) if so, the extent to which it is likely to provide the much needed thrust of the Indian Defence Industry to meet the defence requirements of the country?

Answer

MINISTER OF DEFENCE (SHRI A.K. ANTONY)

- (a) Yes, Madam. The Defence Procurement Procedure-2013 has been promulgated w.e.f. 1st June, 2013.
- (b) & (c): A statement is enclosed.
- (d) Given its promulgation w.e.f. 1st June 2013, it will be too early to assess the extent of its impact, nevertheless the changes brought in are expected to promote indigenization significantly.

STATEMENT REFERRED IN THE REPLY GIVEN IN PARTS (b) & (c) OF LOK SABHA UNSTARRED QUESTION NO. 59 FOR ANSWER ON 5.8.2013

The salient features of DPP-2013 including some of the procedural changes introduced are as follows:

- (i) Preferred order of categorization 'Buy (Indian)', 'Buy & Make (Indian)', 'Make (Indian)', 'Buy & Make', 'Buy (Global)' introduced. Detailed reasons for not considering higher preferred categories are to be recorded. This is the most important change for Indian Defence Industry, which has been given the right of first choice.
- (ii) 'Buy & Make (Indian)' procedure has been considerably simplified. Short listing of vendors will be done by Service hqrs. in consultation with Department of Defence Production and DRDO. "Project Appraisal Committee" for short-listing of vendors has been dispensed with as this was seen to be taking very long time. Detailed Project Proposal including Technology absorption and Indigenisation Plan would therefore be required to be submitted in response to Request for Proposal (RFP). Comprehensive consultation with industry will be possible before issue of RFP as Acceptance of Necessity (AoN) would be valid for 02 years.
- (iii) In 'Buy (Global)' cases, vendor can also provide Maintenance Transfer of Technology (MToT) to Indian private industry. This permits the Indian Private Industry to receive MToT from Indian Vendors in the 'Buy (Global)' cases.
- (iv) Validity of AoN for cases under this category has been maintained at two years. Together with rationalized norms and graded pace for meeting indigenous content, the above provision would enable to process large number of case under this category.
- (v) Services Qualitative Requirements (SQRs) are to be finalized prior to accord of AoN. Validity of AoN has been reduced from two years to one year. This will reduce processing time.
- (vi) Financial powers of Service Chiefs / DG (Coast Guard) have been enhanced from `50 crore to `150 crore. Powers of the DPB also enhanced up to `300 crore. This will reduce the processing time.
- (vii) Indigenous content 30% for 'Buy (Indian)' and 50% for 'Buy & Make (Indian)' categories has been clearly defined.
- (viii) A method of assessment of indigenous content, based on self-certification by vendors has been clearly indicated at Appendix-F to Chapter 1.
- (ix) Indigenous content requirements will now extend all the way to the lowest tier of the sub-vendor. Hence, import content in the products supplied by the sub-vendors will not qualify towards indigenous content.

(x) A provision for audit by Ministry of Defence or its nominated agency has been made, if found necessary.

(xi) There would be penalties for not achieving the stipulated indigenous content levels at each given stage with a scope to make up for the deficiency at a later stage.

(xii) Indigenous content percentage is also achieved in the basic equipment, manufacturers recommended spares, special tools and test equipments.

(xiii) In 'Buy (Indian)' cases product offered at trial stage must also have minimum 30% indigenous content. However, no minimum indigenous content requirement is stipulated for the 'Buy (Portion)' in 'Buy and Make (Indian)' cases. This will encourage genuine indigenization and will provide more time for Indian vendors to absorb ToT and set up manufacturing facility while concurrently meeting service requirement.

(xiv) Minimum 30% indigenous content in first basic equipment made / assembled in India and subsequent deliveries thereof with a flexibility to achieve overall 50% indigenous content over the total deliveries. As such, Industry can now achieve overall 50% indigenous content of the total contract value in a graded pace of their choosing.

(xv) Request for extension of bid submission date must be submitted, with due justification, at least two weeks before the bid submission. This will encourage timely submission of bids and discourage last minute requests for extension.

(xvi) Commercial clauses have been updated and rationalized to create a level playing field.

(xvii) Bid evaluation criterion have been made more elaborate to reduce subjectivity.

(xviii) Uniform delivery terms in multi vendor 'Buy (Global)' cases i.e. CIP for foreign bidders and Department of Defence Production (DDP) for Indian bidders has been introduced.