

Defence Procurement Procedure (DPP) 2016 - New Report to be out in 2020

Defence Procurement Procedure DPP - 2016 has been steadily refined since 2002 through amendments in 2003, 2005, 2006, 2008, 2009 and 2011. The Ministry of Defence released the 9th version of the Defence Procurement Procedure DPP - 2016 on 28th March 2016. It coincided with the opening of DefExpo 2016 in Goa.

The article will help UPSC aspirants to know what is 'Defence Procurement Procedure' as the topic is important for the IAS Exam from the perspective of Mains General Studies II and General Studies III papers.

What is the Defence Procurement Procedure 2016?

The Defence Procurement Procedure mainly contains processes that need to be followed to streamline and simplify defence procurement procedures and ultimately achieve the objective of self-reliance in meeting all the security needs of the Indian Armed Forces by promoting indigenous design, development and manufacture of Defence weapon systems and, platforms in a time-bound manner without any delays.

First Chapter of Defence Procurement Procedure (DPP) - 2016

The major introduction was the inclusion of new procurement category: Buy (IDDM) i.e. Buy (Indian Designed, Developed and Manufactured). There are a total of six procurement categories as mentioned in the below-given table.

Procurement categories

Number	Category of Procurement
1.	Buy - Indian Designed, Developed and Manufactured (IDDM)
2.	Buy - (Indian)
3.	Buy and Make (Make Indian)
4.	Buy and Make

5. Buy (Global)

6. Make

Second Chapter of Defence Procurement Procedure (DPP) - 2016

It concentrates on the stages through which a procurement proposal must move from the stage of initiation until the award of contract. The acquisition cycle mentioned in DPP 2016 is made of 12 stages whereas in DPP 2013 it was 11 stages.

In terms of stages, the latest addition in DPP 2016 was the Request For Information (RFI) stage, which has been categorised as the first stage among the stages of procurement.

Third Chapter of Defence Procurement Procedure (DPP) - 2016

This chapter deals with the sixth category of procurement i.e. 'Make' projects. It encompasses indigenous design and development of prototypes of futuristic systems by Indian vendors in collaboration with foreign companies.

There are 2 categories of such projects:

1. Projects funded by Ministry of Defence (MoD)
2. Projects self-funded by developers.

In the 1st category, MoD will fund 90% of the project. It has increased by 10 % from 80 %. The remaining 10 % will be reimbursed if the RFP for the product is not issued within 2 years of successful development of the prototype. Even for the second category, i.e. projects undertaken by Indian Industry will also result in the entire cost of development being reimbursed by MoD if the RFP is not issued within 2 years of successful development of the prototype.

Fourth Chapter of Chapter of Defence Procurement Procedure (DPP) - 2016

It lays down procedures for Shipbuilding. However, a committee established in September 2019 has been mandated to bring about necessary amendments in this chapter.

Fifth Chapter of Chapter of Defence Procurement Procedure (DPP) - 2016

This chapter deals with the Fast Track Procedure, there aren't any significant changes in this chapter from the previous edition of DPP.

Defence Procurement Procedures for Categories under 'Buy' and 'Buy and Make' Schemes

The acquisition process for five categories of procurement under the 'Buy' and 'Buy and Make' schemes will involve the following 12 processes:

1. Request for Information (RFI)
2. Services Qualitative Requirement (SQR)
3. Acceptance of Necessity (AoN)
4. Solicitation of offers
5. Evaluation of Technical offers by the Technical Evaluation Committee (TEC)
6. Field Evaluation
7. Staff Evaluation
8. Oversight by the Technical Oversight Committee
9. Commercial Negotiations by Contract Negotiation Committee (CNC)
10. Approval of the Competent Financial Authority (CFA)
11. Award of contract/Supply Order (SO)
12. Contract Administration and Post-Contract Management

Problems and Steps were taken to address the Issues Plaguing Defence Procurement

Some of the positives that we can gather from the DPP 2016 to reduce inordinate delays in the acquisition of new assets can be seen below

1. In multi-vendor cases, the time frame for completing procurement activities has been reduced from 80 - 117 weeks to 70 - 94 weeks.
2. In single vendor cases, the timeframe for completing procurement activities has been reduced from 92 - 137 weeks to 82 - 114 weeks.
3. There was not much traction in the Make category, thus DPP 2016 carried out changes to give an impetus to it by reducing the risks associated with investments. The Make project was split into two Make I (Govt funded project) and Make-II (Industry funded project) with special focus on Micro, Small and Medium Enterprises (MSME). The government will fund 90 % of the projects and low-value projects have been reserved for MSME. Moreover, 100 % of the project will be funded by the Government if there is a delay in the release of RFP by 2 years.
4. Another significant change is moving beyond the 'L1' approach and allowing 'essential' as well as 'enhanced performance parameters.' The vendors who meet the enhanced performance parameters will provide additional credit score during the evaluation of product cost.
5. New DPP 2016 also ensures that the procurement process of assets is not delayed or cancelled due to single-vendor situations, which has been the norm earlier.

Reason for Formation of a New Committee in September 2019

Defence procurement is a highly complex process, which aims to meet numerous short term, medium-term and long term goals. However, since it handles highly dynamic situations there are bound to arise new challenges that need to be handled. Hence the below details will address the steps taken by the Government to improve on the DPP - 2016.

In the month of September 2019, the Government of India decided to set up a committee to review the Defence Procurement Procedure 2016 and Defence Procurement Manual 2009. The larger aim of setting up this committee is to ensure that there is a seamless flow of Asset Acquisition for all the wings of Indian Armed Forces to completely take care of Lifecycle Costs borne by Indian Armed Forces acquiring the required assets.

Members of the committee are made up of DG Director General (Acquisition) plus 11 members who are not below the rank of Joint Secretary or Major General. The committee will come up with fresh norms in a span of 6 months i.e by March 2020.

The mandate of the Committee

The committee has been mandated to bring about the changes in the DPP in the following areas:

- A chapter on Shipbuilding to meet the growing needs of the Indian Navy which aspires to become a Bluewater Navy to meet the growing challenges in the Indian Ocean
- Greater clarity on Air platforms that will be used by Indian Air Force, Army Aviation wing, Indian Navy
- A chapter on Information and Communications Technology
- Major focus area would be Military Modernisation
- To frame policies such that it facilitates greater participation of Indian Industry and develop a strong industrial base for defence manufacturing, and to quicken the pace of defence acquisition
- The revised DPP will aim to cement the foundations on policies for Procurement of Defence Equipment for the next 5 to 10 years

The above details would be of help to candidates preparing for UPSC 2020 exams from the perspective of mains examination. You can know more about the topics asked in the exam by visiting the [UPSC Syllabus](#) page.