SUPPLEMENT 2010

to

DEFENCE PROCUREMENT MANUAL 2009

(Revenue Procurement)

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE (FINANCE)

SUPPLEMENT 2010

to DPM-2009

(Revenue Procurement)

(Updated till 20th August 2010)

सत्यमेव जयते

रक्षा मंत्री
भारत

MINISTER OF DEFENCE
INDIA

FOREWORD

The Revenue Budget of the Defence Services and other Departments generally constitute about sixty per cent of the total Defence Budget with the non-salary segment itself being around forty per cent. A large proportion of this non-salary segment is spent on procurement of goods and services. It is, therefore, imperative that unambiguous rules and procedures are laid down for the regulation of such expenditure so as to ensure transparency, accountability and probity.

It was with this objective in view that the Defence Procurement Manual (DPM) was first promulgated in 2005 followed by revisions in 2006 and again in 2009. Since it is equally important that procedures do not hamper effective utilization of budgetary outlays, a system of continuous feedback from the users and fine-tuning of the provisions in the Manual are required to remove ambiguities in interpretation and removal of unintended bottlenecks. The supplement to DPM-2009, now being issued, is a step in this direction.

The clarifications and amendments contained in this supplement should strengthen and support the process of empowerment of Competent Financial Authorities (CFAs), set in motion by DPM-2009, to ensure effective utilization of budgetary allocations. The fact that this supplement is being issued indicates the responsiveness of Government to address the difficulties faced by users responsible for the procurement of goods and services for the Defence Services. The CFAs and Integrated Financial Advisers (IFAs) would need to interpret the provisions of the DPM constructively, keeping in view the objective of effective utilization of budgets to achieve desired goals without compromising on the canons of financial propriety. The procedures laid down in DPM-2009 and refined further in this Supplement should hopefully facilitate this process.

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PREFACE

1. The Defence Procurement Manual (DPM) 2009 was released in the last week of March 2009 and has been in force for almost an year since 1st June 2009. The Manual contains the rules and procedures to be adopted for procurement of Revenue stores and is uniformly applicable to all the goods and services procured by the Defence Services, Ministry of Defence and Inter Services Organisations out of the Revenue Budget to meet the Defence needs. It is heartening that the thoroughly revised procedure promulgated through DPM 2009 has generally been well received. The hallmark of DPM 2009 was the flexibility built into it with a view to ensuring expeditious processing of procurement proposals. While releasing DPM 2009, it was decided to refine its provisions in due course, based on the feedback received from the environment.

2. A number of issues came to the fore in the Workshops and Seminars conducted by various organizations after the release of DPM 2009. A number of references and suggestions were also received directly or through the Services Headquarters. This supplement seeks to address all these issues. The first section of the Supplement largely contains clarifications on various issues/doubts expressed with reference to the specific provisions of DPM 2009. While this section also briefly explains the reasons for amending some of the provisions, the corresponding amendments are contained in the second section of the Supplement. The salient changes are highlighted in bold text therein. The third section contains the decisions of the Government on the policy issues that arose from the feedback received from the environment.

3. Most importantly, the Supplement clarifies certain contentious issues, removes dissonance and seeks to address the concerns / problems posed by the Defence Services /organisations in implementing any of the specific provisions contained in DPM 2009. Some of the major highlights of the changes/clarifications being promulgated in the Supplement to DPM 2009 are as follows:-

(a) The question of categorization of purchase of equipment/stores of foreign origin from an indigenous supplier as a ‘foreign procurement’ or as an ‘indigenous procurement’, which has been debated for long, has been clarified and the criteria for distinguishing these given.

(a) Keeping in view the difficulties faced by defence units in distant locations and slow response of the DGS&D rate contract holding firms to their supply orders, a dispensation has been given for placing the orders directly on the local authorised suppliers/dealers of the firm provided authenticity of claim of the supplier of being an authorized agent /dealer has been established prior to placement of the order.
(b) Reduced time frame of less than one week for submission of bids by vendors, in case of emergent repairs on ships / aircraft and for equipment and weapon systems etc. to make them operational, has been allowed as provided in case of emergent purchases.

(c) The mandate of the Department of Official Language to include the provisions of Article 3(3) of the Official Language Act, 1963 in the DPM is being complied with by providing that all contracts, agreements and forms of tender etc. should be issued bilingually, in Hindi and English.

(d) It is being clarified that the format given for the Statement of Case (Appendix ‘B’) is indicative only and information be given as per the format to the extent feasible and also that while finalising the Standard Conditions of RFP only the relevant/required clauses from the format given at Appendix C, Part III may be incorporated in the RFP.

(e) The LD, Risk Purchase and Performance Bank Guarantee clauses are being further amplified to bring greater clarity.

(f) The Chapter on Bank Guarantees is being updated based on the latest provisions of UCPDC Rules prescribed by the International Chamber of Commerce, Paris which are being followed by SBI/Foreign Division for operation of documentary credits (LCs/ Foreign Bank Guarantees etc.).

(g) Manner in which apportionment of quantity will be effected, when it is found during processing of the tender that L1 firm does not have the capacity to supply the entire order quantity, has been amplified.

(h) In order to ensure optimum capacity utilisation of Defence PSUs /OFs where an item has been successfully developed by them for the Defence or ToT has been taken for the Department of Defence, it is being unambiguously provided that the said items would be specifically procured from the PSUs only and the CFAs will exercise their normal (OTE/LTE) powers for approving the procurements.

(i) Greater flexibility /clarity is being brought into several provisions e.g. extension of tender opening date, local purchase, chairing of PNC/CNC, furnishing of performance security, payments by LCs/ DBT, Transportation Clause on CIF/CIP terms, acceptance of foreign bank guarantees etc.

(j) Guidelines of CVC circulated after the issue of DPM 2009 are being included in the relevant Chapters.

4. It needs reiteration that the procedure laid down in the DPM is not an end in itself but a means to ensuring efficacious utilization of the non-salary segment of the revenue budget for the intended purposes. There is a need for adopting outcome-orientation in expenditure management. This calls for judicious but pragmatic interpretation of the provisions of the Manual. It has to be ensured that the procedure as laid down in the Manual does not become an impediment in exercise of the delegated financial powers at various levels.

5. It is but natural that some doubts may arise while implementing the provisions of the DPM or it may come to notice that a particular provision is not in conformity with provisions of some other manual of the Government. Paragraph 1.6.1 of DPM 2009 addresses this issue. It is provided therein that where such variance comes to notice or a doubt arises as to the interpretation of any provision of DPM 2009, the matter should be referred through proper channel to the designated officer/section in the Finance Division of the Ministry of Defence. As of now, Joint Secretary & Additional Financial Advisor (A) is the officer designated for this purpose. While the present Supplement takes into account all references received in any form, it is imperative that, in future, such references are made by way of a comprehensive brief after thorough examination of the issue at hand. The brief should contain a reference to the particular Chapter/Paragraph of the DPM, to which the issue relates, the specific problem/suggestion, brief particulars of the specific case in which the problem was encountered/which is the basis of the suggestion and the proposed remedy in specific and precise terms. The brief should be prepared carefully, citing reference of the relevant orders/instructions and keeping in view the Government Policy on the subject.

6. The aforesaid paragraph also provides that, if required, the instances of variance between the provisions of the DPM and other Government Manuals, or any doubts that are raised about various provisions of the DPM, would be placed before an Empowered Committee to be set up under Secretary (Defence Finance)/Financial Advisor (Defence Services) and that suggestions for

improvements/amendments may also be sent to JS & Addl FA (A). An Empowered Committee has been set up, which has indeed deliberated upon the clarifications/amendments and other policy issues contained in this supplement. The composition of this Committee, indicating the appointments of nodal members of the Services, is being formalised and given at the end of this Supplement for information.

7. There have been instances of procurement proposals getting stalled because at some stage during their processing they get linked with a larger policy issue. As mentioned in paragraph 1.5.1 of DPM 2009, the provisions contained therein are in conformity with other Government Rules and Manuals, as also instructions issued by the CVC, but still, if any instance of variation comes to notice, the matter should be referred to the Ministry of Defence immediately for clarification without holding up the on-going procurement, if the requirement is operationally urgent or delay is likely to have any adverse implications. The same logic needs to be extended to such situations also in which an on-going procurement proposal is found to entail some unforeseen policy implications. Paragraph 1.6.2 is being added to this Supplement to make the position clear in this regard.

8. The hallmark of DPM 2009 is the flexibility built into various provisions to cater for different situations. Paragraph 1.7.1 of DPM 2009 provides that there should normally be no occasion to deviate from the procedures as sufficient flexibility has been built into the provisions of the manual but, if such a need arises, the matter should be referred through the Principal Staff Officer concerned to the JS & Additional Financial Advisor for approval of Secretary (Defence Finance)/FA (DS) and Defence Secretary. There was a demand from the Services for empowering the CFAs, particularly in the Commands, to approve deviations, as it is not practical for them to approach the Ministry of Defence seeking relaxation in individual cases. After careful consideration, it was decided not to delegate powers for approving deviations from the laid down procedure, for two reasons. One reason is that with the kind of flexibility built into the DPM, there should indeed be no reason for deviating from the procedure. The second reason is that delegation of authority to approve deviations from procedures may result in a variety of diverse practices creeping into the system in respect of the same type of purchases, defeating the very purpose of having a standard manual.

9. The provisions of DPM 2009, as now amplified by this Supplement, should facilitate procurement of a wide variety of goods and services under different situations, both indigenously and ex-import. Nevertheless, suggestions for further improvement would be welcome and may be sent to JS & Addl FA (A), Ministry of Defence (Finance).

10. This Supplement is a result of the determination and dedication of a dedicated team of officers, comprising Shri Amit Cowshish, AS & Addl FA (A) and Dr. Anjula Naib, Consultant, assisted by Ms. Kiran Raju, Assistant Accounts Officer and Shri Avinash Uppal, Private Secretary.

(Nita Kapoor)
Secretary (Defence Finance)

New Delhi
Date: 27th August 2010

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SECTION-1

Clarifications/Recommendations on Queries & Suggestions received on DPM 2009

Clarifications/Recommendations on Queries and Suggestions

CHAPTERS OF DPM 2009

Chapter 1
Introduction

Ser No	Query/Suggestion	Clarification/Recommendations
1.	**Para 1.2 Applicability** Sub-para 1.2.3 **Applicability of DPM 2009 to Local Purchase (LP)** DPM provisions need not be applicable for LP items. **Justification**: As per Para 1.14 of DPM 2006 the provisions contained therein were not applicable for LP of items. However, the revised DPM 2009 applies to LP. This is a major deviation. LP requirements at units are of low value and immediate in nature. It is not feasible to apply all provisions of DPM 2009 to them. Hence, LP at units for all types of items including OCG, ATG, MTG, etc will virtually become impossible.	Requisite flexibility has been provided for Local Purchase (LP) by units / establishments to meet their urgent or normal requirements as per the delegated financial powers. Some of the relevant provisions are as follows: • It is not necessary for units to register firms for Local Purchase (Chapter 3). • Tenders may be called by use of Fax, e-tendering etc in emergent cases(Chapter 2). • Reduced Time Frame for submission of bids in urgent LP of supplies, provisions & medicines (Chapter 4). • Generally in LTE I to 3 weeks time is given to vendors but for perishable goods/ consumables shorter time frame is allowed (Chapter 4). • Single bid may be the preferred mode in LP (Chapter 4) • Various stages of approval may be combined and a simplified RFP issued (Chapter 5) • Only applicable clauses from Special Conditions of Contract to be taken (Chapter 5). • EMD / tender fee may not be taken if value is less than ₹ 2 lakhs (Chapter 4). • Supply order may generally be issued, which has a simpler format, instead of a formal contract agreement (Chapter 6). • Inspection note not required for items with ad hoc specifications, COTS items or where testing facility does not exist with AHSP/DGQA (Chapter 3). • Self Certification by the firm in case of above type of items and receipt inspection to be undertaken by BOO at user's end (Chapter 3). As such, units should have no difficulty in using the provisions of DPM for LP. **Nevertheless, in case any specific problem is still faced in LP the same can be referred for resolution.** The position is further clarified vide Serials 20, 23, 26 , 27 & 32 of Section-2.

Ser No	Query/Suggestion	Comments/Recommendations
2.	**Para 1.2 Applicability** Sub-para 1.2.3 **DPM Provisions Need Not Apply to LP of Items Upto ₹ 5.00 Lakhs**. DPM provisions were not applicable for LP of items at unit level as per Para 1.14 of DPM 2006. However, the revised DPM 2009 has included the same. This is a major deviation. LP requirements at unit level are of small value and immediate nature. It is not practically feasible to apply all provisions of DPM 2009. Hence, LP at units for all types of items including OCG, ATG, MTG etc will virtually become impossible. As such the following is suggested :- (i) A limit could be set at ₹ 5.00 Lakhs below which DPM – 09 provisions may not be applicable. or (ii) DPM -09 should be made applicable only for local contracts and not for routine purchase orders emanating from urgent requirements of the units with short gestation period of supply. or (iii) Appendix 'C' of DPM-09 (Draft RFP) should be modified to suit the requirements of units resorting to local purchases. The Empowered Committee may consider approving the suggestion as per Option-1 i.e setting a limit of ₹ 5.00 lakhs.	The issue regarding inclusion or otherwise of 'local purchase' within the scope of DPM was debated intensely by the DPM Review Committee and a decision taken to include the same after addressing all the concerns of the Services. The various provisions relating to LP were framed in consultation with the representatives of the Services (including IAF) and the issue brought before the Core Group chaired by the then Defence Secretary, for approval. The other question is what rules/ norms/ procedure would be applied if DPM 2009 is not applied in case of local purchases upto ₹ 5 lakhs. During the review exercise in 2008/09, examination of the extant SOPs / Internal instructions / Bulletins of the Services on LP had revealed that the procedures prescribed therein for units/field formations were, in fact, more stringent than those given in DPM 2009. The existing provisions of DPM allow adequate flexibility for undertaking LP of all types of goods / services as enumerated at Serial 1 above. The Government letter on exercise of delegated financial powers also provides that for purchases upto ₹ 5 lakhs and for purchase of DGS&D rate contracted items no TPC/PNC/CNC is required and these can be processed directly on the basis of quotations received, with or without concurrence of IFA as per delegation of financial powers. Further, a simplified RFP format can be used in case of LP by modifying Appendix "C". This is also being specifically clarified in Para 7.1 of DPM. The amendment at Serial 27 of Section-2 refers.

Ser No.	Query/Suggestion	Comments/Recommendations
3.	**Para 1.4 Definitions** Sub-para 1.4.6 **Authorisation of Staff Officer to sign on behalf of CFA.** It is suggested that the following lines of Rule 65(b) of FR Part-I should also be incorporated "it shall not be necessary for the officer possessing financial powers himself to sanction each item personally, this applies also in the case of special powers to "Sanction expenditure not precisely covered by rule". The suggestion has been given in terms of para 1.5.1 wherein instances of variance between provision of the DPM and other Government manuals comes to notice, the matter should immediately be referred to Ministry of Defence for clarification.	The issue is being addressed as a part of the review of the financial powers delegated to the Services. However, as regards the special powers to 'Sanction Expenditure not precisely covered by Rule' the personal sanction of the indicated CFAs requires to be specifically taken on file. The same applies in the case of Schedules of other special financial powers such as Army Commanders' Special Financial powers for procurements for CI Ops and those which are applicable on the occurrence of certain events /situations such as, war/hostilities/ special operations etc., where discretionary powers are required to be exercised by the high level CFAs themselves only.
4.	**Para 1.4 Definitions** Sub-para 1.4.10 **Inspection Methodology and Inspection Agency**. Details of inspection methodology and inspection agency must be given at AON stage and made available in the indent duly vetted by the concerned AHSP.	Sub-para 1.4.10 only contains the definition of the term "Inspecting Agency". The details of Inspection Methodology & Inspection Agency have to be given under Special Conditions of Contract in RFP (Part-IV) which has to be put up to the CFA along with the Statement of Case at AON stage, as provided in Chapter 5.
5.	**Para 1.5 Departmental Manuals and Instructions** Sub-para 1.5.1 **Conformity of the Manual with other Government Orders, etc.** It is stated in Para 1.5.1 that the provisions of the Manual are in conformity with GFRs, FRs (DSRs), as also other instructions issued by the Government and the Central Vigilance Commission from time to time. However, some provisions / modifications have been made in the text (perhaps to meet the requirements of the Defence Services) not specifically catered in the GFRs / Other Departmental manuals.	Chapter 6 of GFRs deals with the 'Procurement of Goods and Services'. Rule 135 thereof allows the procuring departments to lay down the detailed instructions for procurement of goods broadly in conformity with the general rules contained therein As such, the detailed provisions contained in DPM 2009 cater to the specific needs of the Defence Services/ other Defence organizations to run an efficient field force, in a wide variety of conditions/situations and locations, and to ensure procurement of goods and services in an efficacious and timely manner, without violating the spirit of the Rules /Regulations / instructions, which form the basis of this Manual. **This is now being specifically mentioned in Chapter 1 of DPM in order to provide greater transparency.** Serial 2 of Section-2 refers.

Ser No	Query/Suggestion	Comments/Recommendations
6.	**Para 1.5 Departmental Manuals and Instructions** Sub-para 1.5.2 **Variation between Internal Orders & DPM provisions**. It may be clarified whether the prevailing practice in IAF (to add fixed rate escalation 5%) need to followed or the instructions contained in DPM 2009 are to be followed.	As per Sub-para 1.5.2 of DPM 2009 all internal orders, instructions, including SOPs issued by various wings of MoD and Services, may be deemed to have been modified by the provisions of this manual. Hence the provisions of DPM 2009 should be followed and internal orders / instructions brought in line with the
7.	**Para 1.5 Departmental Manuals and Instructions** Sub-para 1.5.3 **Applicability of DPM to OFB/DRDO** As per para 1.5.3 of DPM 2009 the OFB and DRDO would take immediate steps to review their Manuals and make necessary amendments, if required, to ensure that the provisions of DPM, but no time frame has been given for amendments of the Manuals of OFB and DRDO.	A separate Purchase Manual is under finalisation both for the OFB and DRDO.
8.	**Para 1.6 Removal of doubts and modification** Sub-para 1.6.1 **Doubts and modifications**: The para gives the procedure to be followed if any instance of variance between the provisions of DPM and other Govt Manuals comes to notice or a doubt arises about the interpretation of any provision. It also provides that such references be placed before an Empowered Committee to be set up under the SDF / FA (DS). The composition of the Empowered Committee may be given.	The Empowered Committee has since been set up and the Sub-para is being modified to reflect this. The composition of the Empowered Committee with nodal members from the Services /CGDA / MoD /Coast Guard etc. **is being shown in DPM Form No 30 and an annotation to this effect being made in Sub-para 1.6.1.** This will facilitate forwarding of all references from a particular service to the nodal member of that Service. Serial 3 of Section-2 refers.

Ser No	Query/Suggestion	Comments/Recommendations
9.	**<u>Para 1.6 Removal of doubts and modification.</u>** There have been instances of procurement proposals getting stalled because at some stage during their processing they get linked with a larger policy issue or are found to entail some unforeseen policy implications. The action to be taken in such a situation needs to be clarified in the DPM so that the policy ramifications get examined, without impacting the on-going procurement, if the requirement is operationally urgent or delay is likely to have any adverse implications.	A **new Sub-para 1.6.2 is being added** under Para 1.6 clarifying that if, while processing a procurement, it is felt that the case may have a bearing on an existing policy or needs formulation of a new policy, the matter should be referred to the Empowered Committee through proper channel for necessary action. Similar action should be taken, if while processing a proposal, it is felt that it may result in introduction of a new practice, change in existing scales or a recurring demand. In the latter eventuality, the option of entering into a rate contract or referring the matter to the Service HQrs for central provisioning should be considered. The on-going proposal should not be stalled, but the CFA should ensure that a reference is made to the Empowered Committee before a similar proposal is projected on a second/ subsequent occasions. Serial 4 of Section-2 refers.

Chapter 2 Procurement – Objective and Policy		
Ser No	**Query/Suggestion**	**Comments/Recommendations**
10.	**Para 2.4 Types of Procurement** Sub-paras 2.4.4 & 2.4.5 **Clarification on Definition of 'foreign' and 'indigenous' procurement** Whether procurement of stores of foreign origin offering rates in Rupees (applying conversion factor of foreign exchange) with a condition to provide Custom Exemption Certificate, need to be categorized as procurement from indigenous or foreign source?	The issue regarding categorization of cases of purchase of equipment of foreign origin from an indigenous supplier as a 'foreign' or 'indigenous' procurement was discussed by the Empowered Committee. It emerged that a clarification had been issued recently on the subject by the CGDA's office [IFA Instruction No. 05 of 2010 dated 20-04-2010] based on provisions contained in the DGS&D Manual (Para 10.18.9) making a distinction between 'cases constituting sale in course of import' and 'cases not constituting sale in course of import' in the context of supply of equipment/goods of foreign origin by the indigenous vendors. These provisions of DGS&D Manual have themselves been adopted from the 'Sale of Goods Act'. **The Committee approved inclusion of the criteria to distinguish between indigenous procurement and foreign procurement** (in the context of purchase of equipment of foreign origin from Indian vendors) **as defined in the DGS&D Manual / Sale of Goods Act for distinguishing between "import sales" from "sales not in the course of import".** The clarifications are given at Serials 5 & 6 of Section-2.
11.	**Para 2.4 Types of Procurement** Sub-paras 2.4.6 & 2.4.7 **Central Procurement.** Is Central procurement a mandatory requirement in case of Annual Provisioning Review cases ? Is there any option before the CFA to resort to local purchase instead of Central Purchase (except in the situations mentioned in Para 2.4.7) and without Annual Provisioning Review?	Central Procurement is resorted to in provision review cases for scaled items as per current practice in order to get a better price on bulk orders. Local /Direct purchase can be resorted to, when such items are not forthcoming from the central procurement source, under Rule 147 of DSRs/ Financial Regulations.

Ser No	Query/Suggestion	Comments/Recommendations
12.	**Para 2.4 Types of Procurement** Sub-para 2.4.7 **Local procurement of centrally procured items**. Can a centrally procured item be procured locally by a formation or depot after obtaining NAC from the Central Procurement Agency?	DPM Sub-para 2.4.7 (a) provides for Local Purchase to meet short term, ad hoc or urgent requirements, when supplies do not become available through the central provisioning agency, and with due intimation to the latter for taking into account such purchases. **DPM does not prescribe obtaining of NAC from the Central procurement agency in such cases.** However, this aspect would also be governed by the internal guidelines/ administrative procedure prescribed by the Department concerned.
13.	**Para 2.4 Types of Procurement** Sub- para 2.4.8 (a), (b) **PAC certification for Defence PSU** Sub-para 2.4.8 (b) states that any item developed/ manufactured by DPSUs specifically for Defence Services or with ToT should only be procured from concerned DPSU. However, Sub-para 2.4.8 (c) states that cases falling under 'a' & 'b' including procurement against provision review for scaled items will not be treated as STE/ PAC. Hence, if spares are to be procured for say radar procured through BEL then the order needs to be done on LTE. **This is a contradiction**. If procurements through Defence PSU will not be treated as STE/PAC but have to be done through concerned Defence PSU only, then what mode of tendering will the case be termed as?	The interpretation is not correct. The DPM provides that purchase of provision review /scaled items from Defence PSUs will be done only from them and will not be processed as per single tender/ PAC procedures but as per the norms for LTE/OTE cases. This, *inter alia*, implies that the normal LTE/ OTE procurement powers of CFAs i.e. financial powers for other than PAC / STE cases, will be exercised. In the case of procurement of spares for radar procured through BEL, the RFP will be sent directly only to BEL as the sole source (i.e.LTE need not be resorted to) and the case will be processed for CFA approval as per delegation of financial powers for normal purchases.

Ser No	Query/Suggestion	Comments/Recommendations
14.	**Para 2.4 Types of Procurement** Sub-para 2.4.8 **Applicability of PAC Certificate to Procurements from Defence PSUs**. A clause may be added in Para 2.4.8 to clarify that Proprietary Article Certificate is not mandatory for procurements from Defence PSUs.	DPM 2009 provides that normally goods and services may be procured from the Defence PSUs by following the tendering procedure i.e OTE/LTE/ STE/PAC etc, as required. However, in those cases where the item has been developed /manufactured by a Defence PSU specifically for the Defence Services, with ToT or through design and development, it should be procured from the concerned Defence PSU only. Such cases will not be treated as STE/PAC procurements **nor is a PAC certificate required in such cases, even though the RFP will be issued only to the concerned Defence PSU, and CFA will be determined as per the delegation of financial powers applicable for LTE/OTE purchases.**
15.	**Para 2.4 Types of Procurement** Sub-para 2.4.8 (c) **Procurements from Government Undertakings.** Will the procurements from Government. Undertakings also be treated as Single Tender Enquiry or Proprietary Article Cases? Para 2.4.8 (c) is silent on this issue.	Procurements from Government Undertakings, other than Defence PSUs and OFs, will be processed as OTE/LTE/STE purchases as applicable to purchases from trade unless governed by some specific policy guidelines of the Government of India/ provisions given elsewhere in the DPM. e.g. Orders issued on purchase/price preference for Pharma CPSEs or other Sector Specific CPSEs etc. as mentioned in Sub-paras 2.5.3 and 2.5.5 of DPM 2009.
16.	**Para 2.4 Types of Procurement** Sub-para 2.4.9 **Applicability of Local Purchase provisions to 'goods' and 'services'**. The provision for purchase of goods and services up to the value of ₹ 15000/- only, without inviting quotation or bids is not in conformity with Rule 145 of GFR 2005 which only speaks about purchase of 'goods'.	It is well known that Chapter 6, GFR 2005 on Procurement of Goods and Services, mentions applicability of LPC provisions under the section titled "Procurement of Goods". However, a carefully considered decision has been taken by the DPM Review Committee to include both 'goods and services' within the scope of this provision in the DPM. The recommendation was approved by the Core Group set up under the Defence Secretary. This does not amount to an overstepping or contradiction of the GFRs. In fact, the GFR allows the procuring departments to lay down

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		the detailed instructions for procurement broadly in conformity with the rules contained in this Chapter. In the case of Defence Services, there is a constant and inescapable requirement to procure a wide variety of services, ranging from minor repairs, works, fabrication, polishing, binding, washing, tailoring & multifarious jobs like grass cutting, waste disposal, conservancy to run an efficient field force, in a wide variety of conditions. The provision enables them to meet these requirements speedily and **is an extension of GFR Rule 145 and not contrary to it.**
17.	**Para 2.4 Types of Procurement** Sub-paras 2.4.9 & 2.4.10 **Replacing the term 'Each Occasion' with 'Each Type of Item' in Para 2.4.9 & 2.4.10**. The clause 'each occasion' has been laid down as a criterion for determining the CFA. The term "each occasion" is vague and open to individual interpretation. It was recommended that more than one type of item may be purchased on each occasion/ each day. On multiple occasions where value of each item/quantities would remain less than the prescribed limit, whereas the total value of all the items purchased every day may be beyond the prescribed ceiling.	Paras 2.4.9 & 2.4.10 give the procedure to be adopted for making low value purchases (upto ₹ 15,000/- and upto ₹ 1 lakh on each occasion) and not the criteria for determination of CFA. The language in these paras is based on the GFRs and provides flexibility to the purchaser. It is clarified that "each occasion" refers to the order being placed for an item or group of similar types of items, as the case may be. For example, an order for stationary and consumables could include different varieties of papers, envelopes, pencils, rubbers, cello tape etc. Further, the financial ceiling should not be determined by clubbing all the items purchased each day unless the purchase is of similar nature of items, from the same grant for fulfilling the same/similar purpose. **The key words for interpretation of "each occasion" are "requirements known at a point of time in respect of an item or group of items for which the vendor source is the same."** The quantity and type of items required at a particular time are to be determined by the inputs available with the organization at that time. In any case, the issue concerns exercise of delegated financial powers and is being addressed as a part of the review of delegated financial powers.

Ser No	Query/Suggestion	Comments/Recommendations
18.	**Para 2.4 Types of Procurement** Sub-para 2.4.10 **Applicability of Local Purchase Committee provisions to 'goods' and 'services'.** Para 2.4.10 talks about purchase of goods whereas the LPC certificate says 'Goods & Services'. If so intended the word 'Services' may be inserted in the para.	It has been mentioned in Chapter 1, Sub-para 1.1.2 of DPM 2009, that the Manual contains the 'principles and procedures relating to procurement of goods and services for the Defence Services'. The same is reiterated in Sub-para 1.2.1. Accordingly, **wherever the term 'goods' appears in the DPM, it is interchangeable with the term 'services'**, unless it is specifically provided otherwise or repugnant to the context.
19.	**Para 2.4 Types of Procurement** Sub-para 2.4.10 **Expanding the Scope of Para 2.4.10 to Include Services**. Sub-para 2.4.10 only deals with purchase of goods. The para should also be applicable to purchase / hiring / outsourcing of Services.	It is clarified in the Introductory Chapter (Chapter 1) itself that the principles and procedures given in DPM 2009 relate to procurement of both goods and services. Specifically, **Sub-para 2.4.10 is equally applicable to both goods and services**, which is corroborated by the format of LPC certificate prescribed under the Sub-para which indicates 'goods / services' in line 3 thereof.
20.	**Para 2.4 Types of Procurement** Sub-para 2.4.10 **Removal of LPC limit**. Financial ceiling of ₹ 1 lakh for approval of purchases by Local Purchase Committee (LPC) needs to be removed since delegation of financial powers with or without consultation of IFA, vary from Schedule to Schedule for various functionaries. For example, financial powers of AOC under Schedule VIII is ₹ 1,20,000 (without consultation of IFA) and ₹ 5,00,000 (with consultation) which goes up to ₹ 25,00,000 in consultation with IFA when sanction is accorded by AOC-in-C Command. Procurement in all such cases needs to be done at unit level by the same Command LPC. Hence putting a ceiling of ₹ 1 Lakh creates ambiguity.	Delegation of financial powers to sanction purchases should not be confused with the purchase process, which allows the Local Purchase Committee procedure (i.e. without processing of tenders/quotations) for purchases up to ₹ one lakh. Sanction of the prescribed CFA is required, as per delegation of financial powers, in all the cases i.e. whether through LPC or as per normal tendering procedure. Purchases upto ₹ 1 lakh only may be done by the LPC set up in the unit/Command in terms of Rule 146 of GFRs 2005 and Para 2.4.10 of DPM with/without calling for bids. All purchases beyond this value have to be made by calling for tenders i.e. LTE, OTE, STE etc., depending on the value of the stores and/or urgency of the requirement. **The ceiling of ₹ 1 lakh on LPC purchases prescribed in the GFRs cannot be removed *suo moto*.**

Ser No	Query/Suggestion	Comments/Recommendations
21.	**Para 2.4 Types of Procurement** Sub-para 2.4.12 **Purchase of DGS&D Rate Contract items directly**. In terms of Sub-para 2.4.12 goods for which DGS&D has a Rate Contract can be purchased directly from the suppliers. Since the Rate contract is a legal agreement, the referral order should be appropriately issued in favour of the original rate contract holder firm and the payments against the supply order made only to that firm. Some of the purchasers are placing supply orders on the local dealers/sub vendors/ suppliers of the item. This may lead to procurement of spurious items and non-fulfillment of warranty/guarantee obligations. The Services however felt that the RC firm does not respond to small orders from remote locations and, therefore, the need to procure these from the local authorized dealers/ agents of the firm.	GFR 2005 allows placement of orders directly on the suppliers for DGS&D rate contracted goods, at the same price and terms and conditions. A similar provision has been made in DPM 2009 to enable the CFAs in the Commands/ field to procure these goods directly from the suppliers, thereby reducing the procurement time. As per the DPM definition of 'supplier' at Sub-para 1.4.21, the term includes the firm's agents / assigns /authorized dealers etc. and not merely the firm itself. However, the quality / propriety concerns expressed in this regard also need to be addressed. Accordingly, the issue was discussed in the Empowered Committee Meeting held on 4th May 2010 and the decision taken is being incorporated as an addendum at Serial 7 of Section- 2 of the Supplement.
22.	**Para 2.4 Types of Procurement** Sub-para 2.4.12 **Cost of Conduct of Testing by Purchaser to be Offset Against the Vendor (Sub-para 2.4.12**). Sub-para 2.4.12 deals with purchase of goods directly under DGS&D rate contracts. This para specifies that the purchaser is required to make his own arrangements for inspection/ testing. There thus existed a case for the buyer to seek a discount from the vendor for bearing the costs of inspection and / or testing.	The dealer cannot be asked for a discount for inspection testing which is not within his scope but, to be carried out as per the normal terms of contract by the DGS&D, on behalf of the Purchase Department in respect of goods purchased through them. Sub-para 2.4.12 is only an enabling provision for the purchaser to procure an item directly, in a shorter time frame, from the firm at the same price and terms and conditions as in the DGS&D rate contract, in which case the inspection /testing necessarily has to be done by the buyer instead of DGS&D and departmental charges do not become payable to DGS&D.

Ser No	Query/Suggestion	Comments/Recommendations
23.	**Para 2.4 Types of Procurement** Sub-para 2.4.13 **Non Application of Provisions of DPM-2009 to Purchases for Equipping Contingents for UN Missions**. The provisions of DPM may not be applicable to procurements for equipping Indian contingents for UN missions, as has been provided at Sub-para 2.4.13 in case of procurements under emergent powers of CFAs exercisable during war / hostilities / natural calamities etc.	The two types of purchases viz. emergent purchases during hostilities / war / natural calamities etc., (for which powers are exercisable by top level CFAs in the Services upon occurrence of certain contingencies) **and** purchases meant to equip Indian contingents for UN Missions, as part of the regular policy of the Government of India, cannot be treated at par. The DPM adequately provides for urgent LP of stores/items for equipping the UN contingents, including shorter time frames for tendering, evaluation of bids, direct purchase through rate contracts, self certification by manufacturers, inspection by BOO for common user/COTS items etc. Therefore, **usage of DPM 2009 will enable the respective purchase agencies to equip the contingents, whilst ensuring integrity of the procurement process**.
24.	**Para 2.5 Product Reservation, Purchase / Price Preference and other facilities** Sub- Paras 2.5.1 & Para 2.5.2 **Product Reservation - Relaxation to be Given Under Certain Conditions** (Sub-paras 2.5.1 & 2.5.2). Purchase of certain listed items has been made mandatory from KVIC, ACASH and MSMEs. It may not always be feasible for defence units located in remote areas and /or where KVIC etc have no outlets in the immediate vicinity to procure such items from them.	The existing provisions of the DPM are as per the applicable instructions of the Govt., whereby certain products are exclusively reserved for purchase from KVIC/ACASH/MSMEs etc. The issue was raised before the DPM Review Committee which recommended that the difficulties faced by the Services in this regard should be looked into. **The issue was discussed in the Empowered Committee Meeting held on 4th May 2010**. It transpired that the MoD has projected a case to the Ministry of Micro, Small & Medium Enterprises (MSMEs), the nodal ministry for dealing with the procurement preference policy for goods and services rendered by SSI units, highlighting that it is difficult to implement the product reservation policy and necessary dispensation may be given to the Armed Forces. A response from the Ministry of MSME is still awaited. **Accordingly, It was decided to maintain status quo till the policy is reviewed.** Serial 3 of Section-3 refers.

Ser No	Query/Suggestion	Comments/Recommendations
25.	**Para 2.5 Product Reservation, Purchase / Price Preference and other facilities** Sub-para 2.5.4 **Treating CSD at par with Kendriya Bhandar/ NCCF.** The Services highlighted the difficulties faced by units/establishments in purchasing their routine/ office/miscellaneous and contingent requirements from the market in remote locations. Accordingly it was suggested that the CSD should be treated at par with Kendriya Bhandar/ NCCF because – • It is a more authentic / credible organisation than Kendriya Bhandar/ NCCF • It is subjected to internal audit by CDA and statutory audit by C&AG of India • All products of CSD Inventory are subjected to detailed procedures with the consent of CDA • CSD network is widespread in the three services vis-à-vis NCCF/ Kendriya Bhandar.	It was decided to place the issue before the Empowered Committee in the Meeting held on 4th May 2010. It was appreciated that the CSD had been set up primarily as a welfare measure for Service personnel and Ex-servicemen and purchases from CSD were exempted from payment of taxes and levies imposed by the Central/State Government. The CSD facility cannot be extended to units/ establishments for departmental purchases, as this could mean loss of State revenues, a decision outside the purview of MoD. A specific dispensation would, therefore, have to be taken from DOP&T and Min of Finance. A system could perhaps be worked out whereby the State taxes could be deducted on CSD sales made to the Defence Units/ Establishments. The Committee recommended **that the issue may be separately referred to the Management of CSD for examination and their views/recommendations obtained on it, before taking up the case with MoD. In this connection** **As regards the DPM, It was decided to maintain status quo for the present.** **Serial 4 of Section-3 refers.** **Note:** The dispensation for local purchase of Stationery and other articles from Kendriya Bhandar, NCCF, etc. which was applicable only up to 31.3.2010 has been extended for a period of two years beyond 31.3.2010 i.e. upto 31.3.2012. Amendment is at Serial 8 of Section-2 Authority: Govt of India, Ministry of PPG & P, DOP & T O.M. No 14/1/2009 - welfare dated 16th March 2010.

Chapter 3
Sourcing and Quality

Ser No	Query/Suggestion	Comments/Recommendations
26.	**Para 3.2 Registration of Firms & Para 15.2 Principles and Policy** Sub-para 3.2.1 **Authorities Responsible for Registration of Vendors.** As per Para 3.2 & 3.2.2 of DPM 2006 AHSP / DGQA / DGAQA were responsible for indigenous vendor registration. However, as per DPM 2009, Para 3.2.2, the registration of vendors is to be done by central procurement agencies. Sub-para 3.2.2 **Responsibility for registration of firms for Design/Development Orders.** Clause 3.2.2 on registration of firms is not in sync with Chapter 15, Sub-paras 15.2.4, 15.2.1(i), 15.4.1 & 15.4.3 of Chapter 15. The latter clauses do not indicate that the responsibility for registering the indigenous vendors is vested with DGQA / DGAQA / AHSP.	Sub-para 3.2.1 of DPM 2009 talks about registration of firms by the central procurement agencies as per procedure contained in the Joint Services Guide on Assessment and Registration of Suppliers for Defence (JSG: 015:03:2007) published by the Directorate of Standardisation, Department of Defence Production. The document is available on DGQA website (www.dgqadefence.gov.in). This para was, in fact, introduced as per the text suggested by the DGQA reps during the review of DPM 2009. It additionally provides for registration to be undertaken by the Commands and lower levels in the Services using JSG as an enabling document to frame their guidelines. It was not the intention of DPM 2009 to delink the AHSP / DGQA / DGAQA from the vendor registration process. Accordingly, it is being added in Sub-para 3.2.1 that the DGQA /DGAQA / Other QA agencies may assist central procurement agencies at Service HQrs in registration of vendors, as per their request. Chapter 15 of DPM 2009 is applicable only to Design, Development and Fabrication Contracts. The registration of vendors in the latter case may be done by the agency processing the indigenous design/ development order *viz*. the nominated nodal agency of the Service / Department responsible for processing the design & development orders.

Ser No	Query/Suggestion	Comments/Recommendations
27.	**Para 3.2 Registration of Firms** Sub-paras 3.2.5 & 3.4.2 **Detailment of a Central Agency to Monitor Implementation of Provisions relating to Registration / De-registration of firms**. DPM -2009 mandates that registration as well as cancellation of registration by any one registering/ procuring agency shall be applicable to all others. However, there is no central agency detailed to maintain the requisite data base / monitor the same. As such it is for consideration that DGQA should continue to act as the nodal agency for this purpose. A systemized procedure may be introduced for showing the database of registered vendors between the three services, through uploading of respective websites. This administrative practice, if brought into existence through a policy letter, can save a lot of time spent in looking for credible vendors at the grass-root level. Further, the JSG 015:03:2007 on assessment and registration of suppliers presently deals only with registration of manufacturing firms. Therefore, common guidelines also need to be evolved for registration of suppliers and service providers. This responsibility could also be entrusted to the agency nominated for dealing with all policy matters. Further, the provision regarding ban on dealings with registered firms requires greater clarity. Accordingly, the desirability of nominating/ creating an agency for registration, sharing of information on registered firms and mandatory acceptability of registered suppliers and firms by all the Service/Deptts. has been recommended by the DPM Review Committee and the matter is under consideration.	The need for a central monitoring agency to maintain the database on registration /de-registration of firms is valid. It was brought out in the report of the DPM Review Committee that there is a need to revisit the entire issue of registration, de-registration, ban on dealings etc. contained in Chapter 3 and to issue comprehensive policy guidelines which should also address such issues as the distinction between indigenous and foreign suppliers/firms, distinction between agents of foreign firms. It was also suggested that the feasibility of making one organization, preferably DGQA, centrally responsible for handling all policy issues needs to be considered. The latter had agreed to act as the nodal agency for coordinating the policy, suggesting that all policy issues / amendments be considered by a Committee to be chaired by an ADG (Maj Gen eqvt) of DGQA with member reps of QA agencies, Service HQrs & Finance. As regards the data base of registered vendors the same can be maintained and updated by the Directorate of Standardisation, a tri-service organization under MoD. The issue was discussed in the Empowered Committee Meeting held on 4th May 2010. It was stated by the DGQA reps that the Department of Defence Production had issued orders dated 12th April 2010, whereby the DGQA has ceased to be responsible for capacity assessment and registration of suppliers for the Army. Therefore, they could not act as the nodal agency for the Services, as contemplated by the DPM Review Committee. As such, there is a need to identify an agency to take on this responsibility and address the common policy issues on the subject impacting the Services. Further, in view of DDP orders dated 12th Apr 10 various provisions of DPM (primarily Chapter 3) would need to be amended to delink DGQA from the process of registration /de-registration. Serial 5 of Section-3 & amendment at Serial 9 of Section -2 refer.

Ser No	Query/Suggestion	Comments/Recommendations
28.	**Para 3.5 Ban on dealings with a firm** Sub-para 3.5.1 **Ban on Dealings**. MoD/JS (C&W) have circulated CVC's instructions on dealing with references from other Ministries intending to impose a ban on dealing with firms, to be applicable to all Ministries. These stipulate that - "The banning of business dealings will be of two types, namely (i) banning confined to one Ministry; and (ii) banning to be implemented by all Ministries. In the second category, before any banning orders relating to other ministries are passed, the matter has to be placed before the Committee of Economic Secretaries and their approval obtained." As such, Departments under MoD will not take cognizance of any other order/letter received from another Ministry imposing ban on dealing which is confined to one Ministry. This may be included in the DPM.	The contents of CVC instructions (Extract of Para 31 of Chapter XIII of Vigilance Manual, Part I), circulated vide JS (C&W) & CVO note dated 11th May 2010 on dealing with references from other Ministries intending to impose a ban on dealings with firms, are being incorporated, along with MoD's directions on the manner of handling of such references when they are received in MoD, under Sub-para 3.5 of DPM. A new Sub-para 3.5.2. is being added accordingly. Serial 10 of Section-2 refers.
29.	**Para 3.5 Ban on dealings with a firm** Sub-para 3.5.1 **Imposition of Ban on Dealings.** No specific period has been indicated for imposing ban on business of firms which could imply a ban for ever. It needs to be clarified as to whether the ban should be indicated in terms of period or not.	Flexibility has been provided to the CFA in the DPM to decide the period of ban depending on the nature of each default or non-fulfillment of commitment.

Chapter 4 Tendering		
Ser No	**Query/Suggestion**	**Comments/Recommendations**
30.	**Para 4.2 Advertised Tender Enquiry / Open Tender Enquiry (ATE/OTE) and Para 4.3 Limited Tender Enquiry (LTE)** Sub-paras 4.2.9 & 4.3.5 **Registration of vendors in OTE/LTE** (1) OTE – Para 4.2.9 talks about submission of bids by unregistered firms, claiming compliance with the tech specifications contained in RFP in OTE. The Para is silent on single bid. It states that the commercial bid of technically compliant firms will only be opened after assessment of capability of the firm. In such a case does procurement go on without Registration/ verification of capacity of vendors? LTE - [envisage no registration/ capacity for single bid (he may not provide stores as he may not have capacity)] Therefore, is it true that on the one hand registration/capacity is mandatory for two bid tendering, but not required for single bid. Is this not contradictory principally. (2) In case registration/ verification of capacity is to be carried out for 5-10 firms in two bid system, is it possible to do so speedily since in a month we may have to carry out 30-40 verifications] (3) Is there a penalty for the defaulting vendor or can he keep bidding again next time, and we keep carrying out registration / capacity verification thus wasting time.	Since single bid is to be invited for stores of a simple and non-complex nature, COTS items, items with standard specifications, (ISI/BSIS etc) pre-verification of the capacity / capability / financial standing of the firm has not been made mandatory in case of unregistered firms who apply in response to OTE. Sub-para 4.2.9 lays down the procedure to be followed in the case of unregistered firms claiming compliance in two bid system. Such firms, if found technically compliant, by the TEC, may be considered only after assessment of the capability/capacity of the firm by the procuring/registering agency, which will be done prior to opening of the commercial bid. In single bid cases too the bids of unregistered firms may be considered only after verification of capacity and capability of the firm. (3) A ban on future dealings can be put on a defaulting firm and the firm can be deregistered.

Ser No	Query/Suggestion	Comments/Recommendations
31	**Para 4.3 Limited Tender Enquiry (LTE)** Sub-paras 4.3.1 and 4.3.2 **Tendering for Sensitive Goods / Services**. Sub-para 4.3.1 of DPM 2009 enjoins us to follow open tendering in case of all purchases valuing more than ₹ 25 lakhs. The Army has reservations on allowing unregistered vendors to participate in case of certain tasks /stores requiring security sensitive considerations e.g. hiring of CHT for movement of troops, VVIP movements, transportation of sensitive Defence Stores. Presently only registered vendors are allowed to participate, which is essential on account of access which the vendors gain to sensitive Defence HQrs/ installations.	Sub-para 4.3.2 provides for adoption of LTE mode of tendering even where the estimated value of the procurement is above ₹ 25 lakhs in cases where it will not be in public interest to resort to ATE/OTE or if the nature of the item is such that pre-verification of the competence of the firms and their registration is essential. Accordingly, the requirement for CHT for sensitive areas or for procurement of other security sensitive goods/ services may be processed under the above provisions of DPM 2009, duly recording the reasons for not resorting to OTE even though the contract value exceeds ₹ 25 lakhs.
32.	**Para 4.3 Limited Tender Enquiry (LTE)** Sub-para 4.3.4 **Reduced Time Frames for Submission of Bids for Perishable Stores and Operational Repairs**. The DPM allows a reduced time frame for submission of bids in the case of emergent local purchase of supplies, provisions and medicines (Sub-para 4.2.8) and for perishable goods and consumables (Sub-para 4.3.4). However, there was no mention of the requirement for reduced time frames for submission of bids to execute operational repairs on ships, wherein the time window available could be as low as two days. There is need **to include such a provision for "emergent repairs on ships" under reduced time frame of less than one week".**	The suggestion to allow reduced time frame of less than one week for submission of bids in case of "emergent repairs on ships" in order to execute operational repairs, has been accepted and a provision is being made accompany in Sub-para 4.3.4. However, **the extended provision will cover all types of emergent repairs to meet operational/ technical requirements and not merely repairs on ships. Addendum at Serial 11 of Section-2 of Supplement refers**

Ser No	Query/Suggestion	Comments/Recommendations
33.	**Para 4.3 Limited Tender Enquiry (LTE)** Sub-para 4.3.4 **Time for submission of Bids.** One to three weeks time has to be given for submission of bids in LTE. Is the time allowed to be based on the nature and category of each item?	In DPM 06, a general provision existed for allowing sufficient time in LTE cases [Para 4.3 (iii) refers]. DPM 2009 stipulates a range of one to three weeks for submission of bids in case of LTE, depending upon the nature of items to be procured and urgency of requirement. Further, the manual allows an even shorter time frame than above for perishable goods and consumables.
34.	**Para 4.5 Procurement on the basis of the Proprietary Article Certificate(PAC)** Sub-para 4.5.1 **Award of PAC Status**. PAC can be issued for standardization & compatibility of spare parts with existing sets of equipment, goods & services have to be obtained from a particular source. Unlike in DPM 06, services have been included, which service does it mean? Does it mean AMC?	'Service' is a wider term and includes all services like AMC, TOT, Training, Engineering Support, etc.
35.	**Para 4.5 Procurement on the basis of Proprietary Article Certificate (PAC)** Sub-para 4.5.1 **Validity Period of PAC.** As per Sub-para 4.5.1 PAC will be valid for 2 years and as per para 15.10.3 PSU will be treated at par with PAC firms as such there is no validity of PAC for PSUs.	The interpretation is correct as regards procurement of items which have been specifically developed by Defence PSUs for the Defence Forces or for which ToT has been taken. **No PAC Certificate is required in such cases and, therefore, the question of validity period does not arise.** RFP will be issued directly to the PSU in case of developmental contracts covered under Sub-para 15.10.3. However, PAC Certificate will be applicable to PSUs, other than Defence PSUs, if proprietary purchases are made from them and also for Defence PSUs in case of tenders for items which have not been specifically developed by the latter for the Forces or for which ToT is not taken.

Ser No	Query/Suggestion	Comments/Recommendations
36.	**Para 4.5 Procurement on the basis of the Proprietary Article Certificate (PAC)** Sub-para 4.5.4 **Involvement of IFA in award of PAC**. Concurrence of Integrated Finance should not be required for grant of PAC. Grant of PAC is purely a function of the competent specialist officer and the CFA, depending upon the type and nature of complexity of the item in which Integrated Finance has no role to play. Hence sub- para 4.5.4 (iv) needs to be deleted. The integrated Finance needs to only vet the procurements proposals on PAC basis without becoming an immediate authority for granting the PAC, else the procurement proposal will get unnecessary delayed due to individual perceptions and personalities, thereby defeating the very purpose of DPM-2009.	Since PAC purchase bestows monopoly and eliminates competition, abundant caution needs to be exercised before grant of such certification. Stringency of specifications and other related constraints may also lead to a PAC situation. These aspects need to be addressed at the AON / 'tendering' stage rather than at 'procurement' stage. Concurrence of IFA is, therefore, necessary at the time of grant of PAC in case the delegated financial powers of the CFA are exercisable with the financial concurrence. **GFR Rule 154 too provides for concurrence of the finance wing to the proposal in the PAC format.** However, it is being specifically allowed that for PAC purchases under delegated financial powers of CFAs exercisable without concurrence of integrated finance, concurrence of IFA is not necessary in individual cases provided the Proprietary status of the firm for that item had been established at the appropriate level previously with the concurrence of IFA. The PAC certificate should be given at the level of PSO/ APSO / DG / ADG (equivalent) at Service HQ and by the C-in-C / Corps or Area Commander and Heads of Establishment / Formations or Units not below the rank of Brigadier equivalent in the Command HQrs and below. The format of the PAC is being annotated accordingly. Serial 12 of Section-2 refers.

Ser No	Query/Suggestion	Comments/Recommendations
37.	**Para 4.6 Single and Two Bid Systems** Sub-para 4.6.2 **Waiver of Technical Evaluation of Firms Whose Products Have Been Tested & Approved During the Last Three Years** An amendment was sought to Para 4.6.2 (Two Bid System) to grant waiver of technical inspection/evaluation of firms who have been past suppliers of the same item to Defence Establishments for the last three years from the date of opening of technical bids.	Sub-para 4.6.2 of DPM does not speak about technical inspection of firms. Inspection / verification of capacity and technical capability of the firms is to be verified only when the firm is not registered. Past successful suppliers should be encouraged to get registered with the Department. **As regards technical evaluation of bids of past suppliers, this is mandatory for all the firms participating in a specific tender and technical compliance cannot be assumed nor waived based on past performance / delivery.** The compliances must be as per the quantities, technical specifications and terms and conditions given in the RFP floated and all bidders must be evaluated at par for the prospective contract to be concluded (which may/may not be exactly the same as the previous contract).
38.	**Para 4.7 Cost of Tender and Bid Security/Earnest Money Deposit** Sub-para 4.7.1 **Cost of Tender Documents.** Since the IFA has no role in the finalization of drawings and specifications it would be better if the cost of these items was assessed by the designing agency/ AHSP/DGQA. As such, the existing provisions of DPM, with reference to working out the cost of drawings / specifications to be attached with the Tender Documents, may be amended to exclude consultation with IFA.	The existing provision mentions that the cost of drawings will be extra. It further states that – **'**This **may be** decided in consultation with integrated finance at the time of issuing the RFP**.'** The words 'may be' provide the flexibility to the purchaser to consult the IFA, if desired, but does not bind him to do so.

Ser No	Query/Suggestion	Comments/Recommendations
39.	**Para 4.7 Cost of Tender and Bid Security/Earnest Money Deposit** Sub-para 4.7.7 **Exemption from EMD** It is mentioned that bid security is not required from tenderers registered with the Central Purchase Organisations (e. g. DGS&D), NSIC, or any Department of MoD or MoD itself. **Kindly clarify whether the EMD is not desired from firms just registered for any item with MoD, NSIC etc. or the tenderers should be registered with such Departments for the tendered item.**	It is clarified that EMD is not required from firms which are registered with the Central Purchase Organisation, DGS&D, NSIC, and Departments/ Ministries of Government of India **for the same item / range of products, goods or services** for which the tenders have been issued. This aspect is clarified in Sub-para 3.2.5 which deals with inter-services and inter-departmental acceptability of registration. It is now **being added in Sub-para 4.7.7** and in the RFP Format, on Pg 171, that bid security will not be asked from firms which are registered with the CPOs/NSIC etc. **"for the same item / range of products, goods or services for which the tenders have been issued." Amendment at Serial 13 of Section-2 of the Supplement refers.**
40.	**Para 4.7 Cost of Tender and Bid Security** Sub-paras 4.7.8 and 4.20.1 **Withdrawal of Bids**. There is a slight contradiction between the contents of Sub-paras 4.7.8 and 4.20.1 ((g) in that the former para enjoins forfeiture of bid security if the bidder withdraws his bid within the validity period of his tender, whereas the latter para mandates forfeiture of bid security only if the bid is withdrawn in the interval between the deadline for submission of bids and expiration of the period of bid validity specified i.e if the bid is withdrawn / modified prior to the deadline prescribed for submission of bids, bid security will not be forfeited. Expiration of the period of bid validity specified i.e if the bid is withdrawn/ modified prior to the deadline prescribed for submission of bids, bid security will not be forfeited.	The provisions of Sub-para 4.20.1 (g) are in consonance with the provisions of DGS&D Manual which allows withdrawal or modification of bids under certain circumstances prior to the mandated date of submission of bids. Provisions of Sub-para 4.7.8 are at variance. **Accordingly, Sub-para 4.7.8 is proposed to be amended to prescribe forfeiture of bid security in case of withdrawal/abrogation or amendment of the bid "during the period between the deadline for submission of bids and expiry of the bid validity period." Amendment is at Serial 14 of Section-2 of the Supplement.**

Ser No	Query/Suggestion	Comments/Recommendations
41.	**Para 4.8 Tendering Process** Sub-para 4.8.2 **Need to Remove the Clause Pertaining to Vetting of RFP by IFA.** Vetting of the RFP by the IFA may not be made mandatory, as was the position in DPM – 2006, since such additional vetting adds to time delays without corresponding value additions. Since the contents/clauses of the RFP have a financial implication and the vendors take them into account while converting the contents/ clauses of a RFP into their technical and commercial bids, the need for IFA to vet the RFP was established However, the number of times the file is required to go to the IFA needs to be reduced. It is, therefore, **proposed that the number of phases/stages of contract formulation may be merged.**	(a) As per Sub-para 4.8.2 of DPM 2009 RFP is to be vetted by integrated finance in those cases where the financial powers of CFA are exercisable with their concurrence. (b) Since the RFP contains all the detailed terms and conditions of contract, including the quantities, payment terms and all commercial clauses, it needs to be vetted by the IFA prior to its issue. (c) DPM – 2006 also provided for vetting of RFP by IFA at Para 2.14 of Chapter 2 **and** in Appendices 'A' & 'B' which indicate the time frame for various activities in the procurement process. (d) DPM 2009 provides dispensation from IFA vetting in respect of RFPs for procurements where CFA's financial powers are exercisable without concurrence of IFA. **Sub-para 5.5.1 also allows combining of various stages of vetting /approval and simultaneous examination of various phases of a proposal by IFA, where required**, in order to compress the processing time.

Ser No	Query/Suggestion	Comments/Recommendations
42.	**Para 4.8 Tendering Process** Sub-para 4.8.4 **Format of RFP: Inclusion of SCoC** The Standard Conditions for Contracts (SCoC) concluded by the MoD (Revised in 1989) be included as Para 15 of Part I of RFP at page 171 of DPM – 2009.	It is mentioned in the Report of the DPM Review Committee, approved by the RM, that there is a need to prepare a separate document containing the Standard Conditions of Contracts which would be distinct from the Special Conditions of Contracts, The former would be called "Standard Conditions for Contracts concluded by the MoD" and could be attached with the tender documents. **Action Point**: It is recommended that this document should be prepared after gaining some experience with DPM 2009 but, in any case, before the next revision of the DPM.
43.	**Para 4.10 Amendment to the RFP and Extension of Tender Opening Date** **Withdrawal of Bids on Extension of Tender Opening Date**. What should be done when tender opening is not possible on the due date and if, before the extended Tender Opening Date, firms request for return of their bids on the ground that their money in the form of EMD is blocked. DGS&D manual provides for return of such bids.	A similar (new) provision, as in the DGS&D Manual, is being included on the subject under Para 4.10 of DPM after Sub-para 4.10.3. Serial 16 of Section-2 refers.
44.	**Para 4.10 Amendment to the RFP and Extension of Tender Opening Date** Sub-para 4.10.2 **Extension of Tender Opening.** Extension of Tender opening date is a minor issue and can be handled at the level of CFA. The necessity of involving the next higher CFA for further extension is not understood. Also, in case of ACSFP, there is no higher CFA. Therefore consideration of extension in tender opening date should also be left to the CFA.	Postponement of tender opening is not a minor issue. In fact, it is serious enough to attract the guidelines of the CVC. For this reason provisions of Para 7.9 put caution on unrestricted extension of tender opening date. This point is dealt with comprehensively in the next serial.

Ser No	Query/Suggestion	Comments/Recommendations
45.	**Para 4.10 Amendment to the RFP and Extension of Tender Opening Date** Sub-para 4.10.2 **Amendment Pertaining to Extension of Tender Opening Date** Rather than seeking the concurrence of IFA and higher CFA for the first and second extensions respectively, the CFA should be authorized to extend the date of Tender Opening without consultation of IFA /higher CFA in order to avoid time delays.	The provisions of this clause have been framed with due deliberation taking into account the CVC guidelines, which prescribe complete transparency and fairness in the tendering procedure. Change in the tender opening date may be required due to change in specifications, request of vendors or other valid reasons. The CVC prescribes wide publicity / publishing in newspapers / ITJ / notifying the change sufficiently in advance of the new date to give equal opportunity to all the bidders and maintain sanctity of the bidding process. Concurrence of IFA is prescribed to such changes in case the CFA's powers are exercisable with financial concurrence and such extension does not exceed the total delivery period envisaged in the RFP. The approval of the next higher CFA/administrative authority is mandated, as a measure of abundant caution for extensions exceeding the total delivery period, for some exceptional reason.
46.	**Para 4.10 Amendment to the RFP and Extension of Tender Opening Date** Sub-para 4.10.2 **Extension of Tender Opening Date.** In a large no. of foreign (Russian) contracts, the latter are asking for extension of tender opening date and there was not much option for the CFA/IFA but to allow the same. Accordingly, CFA must be trusted and allowed to extend the tender opening date without the need to consult IFA, in routine cases	In view of difficulties brought out by the Services, **this Sub-para is being amended to allow extension of tender opening date by CFA without consultation of IFA upto a maximum period of two months,** even when CFA's procurement powers are exercisable with IFA's concurrence, at the request of the vendors, provided there is no change in SQRs/QRs or any of the terms and conditions of contract requiring any amendment of the RFP. It is also being providing that beyond two months, approval of the CFA/ next higher authority in the administrative channel may be taken.The amendment at Serial 15 of Section-2 refers.

Ser No	Query/Suggestion	Comments/Recommendations
47.	**Para 4.11 Tender Opening** Sub-para 4.11.1(a) **Association of representative of Finance with opening of tenders.** Sub-para 9.18.1 of DPM 2006 mentioned that the finance rep need not be involved in tender opening and the provision was also there in the draft of Chapter 4 of DPM 2009 circulated in Feb 2009 but appears to have been omitted in the final print. The same may be added in Sub-para 4.11.1 (a) to remove any ambiguity in this regard.	DPM 2009 does not prescribe nor disallow association of the finance member in tender opening. However, in order to provide greater clarity it is now being specifically **added** in Sub-para 4.11.1 (a) **that the representative of integrated finance need not be a member of the tender opening committee, unless the CFA specifically wants to associate him.** Clarification is at Serial 17 of Section-2.
48.	**Para 4.11 Tender Opening** Sub-para 4.11.2 **Opening of Tenders under Two Bid systems**. Sub-para 4.11.2 states that Commercial bids of the tenderers not complying with the QRs should be returned to the tenderers in sealed envelops in unopened condition. What is the time frame allowed for returning the bids? What are the legal implications if the bids are not returned or lost in transit?	No time frame needs to be mentioned for returning the unopened bids as this is only an internal procedural matter to help dispose of the accumulation of invalid un-opened commercial bids and avoid clutter. There is no legal implication of not returning the bids/their getting lost in transit since there is no agreement with the vendor on this count.
49.	**Para 4.11 Tender Opening** Sub-para 4.11.2 **Opening / Return of Bids**. In case a firm requests for **return of their technical bid** documents after they have been disqualified by the TEC as being non compliant or are not awarded the contract can the same be returned to them?	Sub-para 4.11.2 provides that the commercial bids of the tenderers, which have not been opened because they were not found to comply with the QRs will be returned to the vendors in sealed and unopened condition. This is in order to lend greater transparency to the procurement decision in terms of CVC guidelines. There is no provision for return of the technical bids to the vendors (whether found compliant or non-compliant by TEC) once they are opened. These should be maintained as part of the documentation for processing and award of tenders and not returned to the vendors. Similarly, the commercial bids of vendors who are technically compliant but do not qualify for award of the tender on the basis of CST should be retained along with the papers relating to award of the contract. Addendum at Serial 18 of Section-2 refers.

Ser No	Query/Suggestion	Comments/Recommendations
50.	**Para 4.11 Tender Opening** Sub-paras 4.11.1, 4.11.2 & 4.13.1 **Vetting of CST**. The CST needs to be vetted by the IFA as to its correctness where financial powers are to be exercised with concurrence of IFA. It is not clear if a check is to be exercised during vetting of CST while there is no participation of IFA rep at the tender opening stage as envisaged in Sub-para 4.11.1	IFA (or his representative) is to be associated with the tender evaluation process and not at the tender opening stage when the bids are merely read out in the presence of vendors' representatives. CST vetting is a part of tender evaluation. **Non-participation of IFA at the tender opening stage does not come in the way of vetting of CST, which has to be done by the IFA as a part of tender evaluation.** However, DPM-2009 does not bar the IFA or his representative from being present during opening of tenders, if it is desired by the CFA to include IFA's representative in the tender opening board.
51.	**Para 4.12 Evaluation of Technical Bids** Sub-para 4.12.3 **Association of Integrated Finance with TEC.** As per Sub-para 4.12.3 of DPM 09, it has been mentioned that finance rep need not be associated with the TEC, whereas at Para 4.12.8 it has been stated that the CFA may, if considered necessary evolve a system of associated IFA. This will only create confusion	While Sub-para 4.12.3 contains the general rule, Sub-para 4.12.8 gives the CFA the flexibility to obtain the opinion of the IFA, when he so desires, on techno-commercial aspects of the bid, forming part of the technical bid, which may have financial implications or in case of a doubt and to ensure the interest of the State.
52.	**Para 4.12 Evaluation of Technical Bids** Sub- Para 4.12.8 **Association of IFA in Technical Evaluation**. The para provides that Integrated Finance need not be associated with the tender evaluation stage, but CFA may evolve a system of associating IFA in examination of TEC report in regard to compliance with commercial terms. Since commercial offers of only such tenders qualified technically, as certified by the TEC, will be opened and the commercial aspects are scrutinized by the TPC/CNC, it is not clear as to how IFA's association is required in scrutiny of TEC Report. This aspect needs elucidation.	Sub-para 4.12.8 does not state that IFA should not be associated at "tender evaluation stage". Instead, it states that IFA need not be associated with the '**technical evaluation'**. However, the CFA may associate him with reference to examination of TEC report to check all the compliances with the Commercial clauses mentioned in Part-III and Part-IV of RFP and technical issues mentioned in Part-II of RFP having financial implications. This means that IFA could look at aspects like submission of EMD, warranty/guarantee terms, PBG etc. and other technical issues having financial implications.

Ser No	Query/Suggestion	Comments/Recommendations
53.	**Paras 4.12 and 4.21** Sub-paras 4.12.11, 4.12.6(d) & 4.21.1 (h **Obtaining a Revised Commercial Bid**. Can a revised commercial bid be obtained in a two-bid system? The provisions at Sub-para 4.12.11 appear to be in contravention to Sub-paras 4.12.6(d) & 4.21.1(h). and need to be clarified.	Revised Commercial bids can be invited only when it becomes necessary to do so for reasons given in Para 4.12.11. The various provisions quoted are clarified below: **Para 4.12.6 (d)** provides that no loading/ unloading of price be permitted during TEC discussions, which implies that no price related discussions should be done with the vendors at this stage. **Para 4.12.11** allows obtaining of revised commercial bids in case of two bid tenders where it may not be practically possible to give all possible details in the technical specifications, which may require elaboration /clarification during the technical discussions. As these aspects may not have been specified in the RFP and may have financial implications, they may necessitate submission of revised commercial bids after the discussions. **Para 4.21.1 (h)** speaks about the need to firm up technical specifications in a pre-bid conference in a two bid tender for complex equipment in order to obviate the need to invite fresh commercial bids after opening of technical bids. It further states that no **'fresh commercial bids'** should be invited after opening of technical bids. In order to remove any unintended ambiguity, Sub- para 4.21.1 (h) is being amended as follows:- **"It would not be desirable to obtain fresh/ revised commercial bids after opening of technical bids except under circumstances as given in Sub-para 4.12.11 and these will be sought as per prescribed procedure, giving equal opportunity to all technically acceptable vendors in this regard". Amendment at Serial 19 of Section-2 refers.**

Ser No	Query/Suggestion	Comments/Recommendations
54.	**Paras 4.13 Evaluation of Commercial Bids & Para 13.3** Sub-paras 4.13.3, 13.3.6 & 13.3.7 **Necessity for Negotiations in STE/PAC.** Is it mandatory to conduct negotiations in STE/ PAC cases? The opening words of Sub-para 4.13.3 of DPM 09 state "it is not mandatory to hold commercial negotiations in each case, particularly in open and limited tender cases suggests that negotiations are not mandatory in STE/PAC cases also if the price is found to be close to benchmarked price determined prior to opening of commercial negotiations are invariably conducted in case of single tender situations including PAC cases" which shows the mandatory nature of negotiations in STE/ PAC cases. The correct position needs to be clarified. Sometimes the STE/PAC firms refuse to come for negotiations, stating that there is no scope for reduction of the price quoted by them. What should be done in such cases if negotiations are considered mandatory in such cases?	STE/PAC cases need cautious handling as these eliminate competition and carry an inherent potential for high pricing due to lack of competition. It is for this reason that negotiations have been prescribed in PAC/STE cases, particularly if the price is considered high with reference to the assessed reasonable price. In case the STE/PAC firm refuses to come for negotiation but the price quoted is reasonably close to the assessed price/benchmark, determined prior to opening of the commercial bid, the fact may be recorded and the case processed for obtaining the approval of the CFA. However, if the price quoted is considered high, the purchaser may re-tender (to alternative vendor) in STE or go in for OTE to explore the possibility of alternative sources from the market, after negotiating the price for supply of bare minimal quantity, if any, urgently required to meet any operational commitment. In case of PAC items the scope, if any, for broad basing the specifications prior to re-tendering may be considered.
55.	**Para 4.13 Evaluation of Commercial Bids** Sub-para 4.13.3 **Chairing of CNC**. 1.Kindly elaborate on the last line "….., unless the negotiation is carried out by the Committee CFA itself" Sub-para 4.13.5 2. DPM suggests that the CNC Chairman should be an officer one rank below that of CFA. Is there any specific reason for this?	1. In some Services/Organizations financial powers to approve certain purchases (*e. g.* Navy) stand delegated to the Logistics Committees which are headed by the CFA. These also carry out the evaluation / deliberations for deciding L-1 and conduct the negotiations (act as CNCs) where required. 2. Yes, this is to ensure requisite checks and balances at two levels of control i.e. by CNC (as recommendatory body) and by the CFA (as approving / sanctioning authority).

Ser No	Query/Suggestion	Comments/Recommendations
56.	**Para 4.13 Evaluation of Commercial Bids** Sub-para 4.13.4 **Association of CFA with CNC** 1. Can the CFA be a member of the CNC? 2. Can CFA be the Chairman of the CNC if he decides so?	CFA cannot be a member of the CNC, as he has to approve the recommendations of the CNC as the superior sanctioning authority. As regards chairing of CNC, while there is no bar to the CFA himself chairing the CNC, it should, however, be done only in very exceptional situations when there is no alternative. Otherwise, normally, the CNC/PNC should be chaired by an officer one rank below that of the CFA in order to ensure objectivity, so that the CFA (approving authority) and Chairman of the CNC (recommendatory body) are different. In case approval of the purchase is by a Committee CFA (as in the Navy) the CNC would be chaired by the CFA.
57.	**Para 4.13 Evaluation of Commercial Bids** Sub-para 4.13.5 **Chairman of CNC**. The existing provisions of DPM – 2009 stipulate that CNC may be headed by an officer one rank junior to the CFA. It should be clarified whether CFA could authorize an officer lower by two ranks to Chair the CNC owing to the non availability of an officer one rank below him.	Existing Sub-para 4.13.5 states that CNC **may** be headed by an officer one rank below that of CFA, thereby allowing flexibility when it becomes administratively necessary to make a deviation. There would be no bar to authorizing an officer two ranks below the CFA to chair a CNC, in case of non availability of an officer one rank below him to chair the CNC. Further, the CFA should ensure that the officer is of sufficient rank and seniority to head the Committee, keeping in view the other members of the CNC.
58.	**Para 4.13 Evaluation of Commercial Bids** Sub-para 4.13.5 **Chairman of CNC.** CNC can be headed by an officer one rank below that of the CFA. When RM or Def Secy is the CFA, CNC may be headed by a Joint Secy in MoD. The following points may be clarified 1. Can CFA chair a CNC 2. Can a Brig chair a CNC when a Lt Gen is a CFA? e.g. can CNC be chaired by Brig Adm, who is two ranks lower than the Corps Commander, if the latter is the CFA?	The point is similar to the one at serial 51. above. Response to the specific queries is as follows – (a) As a norm the CFA and Chairman of the CNC should not be the same, to lend objectivity to the procurement process. (b) As per Sub-para 4.13.5 "*the CNC **may** be headed by an officer one rank below that of the CFA"*. It is clarified that, if required, the CFA can nominate an officer two levels below him to chair the CNC as necessary flexibility is provided in the para**.** Also refer to the clarification given in the preceding serial.

Ser No	Query/Suggestion	Comments/Recommendations
59.	**Para 4.16 Re-tendering** Sub-para 4.16.3 **Withdrawal of Bid by L-1.** Para 4.16.3 provides that "in case the lowest tenderer withdraws his offer, retendering should be resorted to as per instructions issued by CVC." Often, the vendor does not withdraw his offer but simply does not respond after opening of tenders. Re-tendering has a time dimension, risk of rates Government of India up and objections from other vendors having disclosed their prices. In such cases the L-2 bidder may be given an opportunity to match L-1 rate and if he refuses the opportunity can be given to L3, L4 etc. If anyone accepts the L1 rate, public interest is protected by getting the best rate without compromising or delaying the purchase.	The suggestion is contrary to the CVC guidelines and, therefore, any deviation would only be possible with the consent of CVC. There is also the possibility of L2 and others not being able to match L1 rates if he has withdrawn due to unviable rates. **The issue was discussed by the Empowered Committee,** where it was mentioned by the participating officers of the Services that such instances were quite infrequent / few. It was, therefore, decided that the facts did not justify taking up a case with CVC for any change in policy. **Decision of the Empowered Committee is recorded at Serial 6 of Section-3 of the Supplement.**
60.	**Para 4.16 Re-tendering** Sub-paras 4.16.3 & 7.15.1 **Placement of Order for Minimum Essential Quantity in case of Re-tendering.** Sub-para 4.16.3 states that **-** "(i) if the requirement is urgent/ inescapable, procurement of bare minimum quantity can be done from L-1 bidder through negotiations." It is suggested that the RFP should indicate the minimum quantity requirement apart from the total quantity required so that contractual complications later can be avoided as it is possible that L-1 for minimum quantity could be different from L-1 for entire quantity. (ii) where it is decided in advance to have more than one source the ratio of splitting would be indicated in the RFP. In the context of apportionment of quantity, the Supreme Court had decided that apportionment between firms should be based on capacity and past delivery of the firms. This aspect would need to be suitably factored in.	**This provision is based on CVC Circular No.4/3/07 dated 3rd March 2007 on the subject of tendering/re-tendering.** The above guidelines cover the unforeseen situations where a decision is taken to go for re-tendering due to the unreasonableness of the rates quoted by the vendors, but the requirements are urgent and a re-tender for the entire requirement would delay the availability of the item, thereby jeopardizing the essential operations, maintenance and safety. The CVC clarifies that negotiations would be permitted with L1 bidder for the supply of a bare minimum quantity in such cases. The balance quantity should, however, be procured expeditiously through re-tendering. Accordingly, DPM too provides that negotiation may be done with L-I for procuring the bare minimal quantity to meet the emergent requirement and the balance be re-tendered. Apportionment of quantity is neither intended/ allowed nor effected under this clause. The provisions relating to apportionment of quantity are contained in Chapter 7, Sub-para 7.15.1, which provides both for situations where apportionment is pre-decided and to be disclosed in the RFP and cases where during processing of the tender it is found that L-1 capacity is limited and, therefore, the final order has got to be apportioned. The clause is being amplified.

Ser No	Query/Suggestion	Comments/Recommendations
61.	**Para 4.19 Procedure to be Followed for Procurement of Stores Involving Validation/ Testing** Sub-para 4.19.9 **Validity of the Offer** (i) Since it has not been specified whether the period of 18 months provided in Para 4.19.9 is applicable irrespective of single bid/two-bid system, it is not clear how the validity of commercial offer will be determined in different bid systems. (ii) Is the period of validity of bids to be taken as 18 months or 90/120 days of submission of the bid?	All the provisions under Para 4.19, including Sub-para 4.19.9 (Page 40–42 of DPM 2009) are only applicable to **procurement of stores requiring validation/ trials / testing when newer variants or upgraded /refurbished/ re-equipped / modified equipment are to be purchased in replacement of existing items**. In such cases the bids would generally be invited in two parts and the commercial bids opened only after acceptance of successful validation testing of these items. A longer period of validity of commercial bid is allowed for completing the technical evaluation after completion of such validation / tests / trials to ensure that the price bid remains valid till the time the order is placed. (ii) Provisions of Sub-para 4.20.1 are of general applicability in cases other than those mentioned above.

Ser No	Query/Suggestion	Comments/Recommendations
62.	**Para 4.20 Instruction to Bidders** Sub-para 4.20.1 (e) **Period of Validity of Bid**. The minimum period of validity of an offer (bid) should be 90 days and the upper limit need not be specified. The upper limit should be decided on a case to case basis depending upon the type of stores, time, trend of price in the market etc. Although the issue has merit, no bid / offer can be accorded "open validity" in view of the financial implications for the vendor. As such, it is suggested that the validity period of a contract, along with justification, be included as a separate paragraph in the format for RFP at Appx 'C' to DPM 2009. Since the RFP is vetted by IFA, the financial impact / viability of the validity period of the bid could also be adequately assessed.	Sub-para 4.20.1 (e) indicates the period for which a bid should normally remain valid as a general guideline. However. In case a longer bid validity period is required, for justifiable reason, the same may be specified in the RFP. In fact, in Sub-para 4.19.9 relating to procurement of stores requiring trials/ evaluation/testing etc. as part of the technical evaluation process, the DPM specifically allows a longer bid validity period of upto 18 months. However, it may be appreciated that in general a longer bid validity period may have additional cost implications depending upon the nature of the items, inflationary trends and duration for which the vendors are required to maintain the quoted price. The validity period has to be indicated as a separate para in the RFP, as per specific requirement. **The format of the RFP already provides for it.** It would not be necessary to prescribe any minimum or maximum period of validity but give the firm date / period upto which the bid should remain valid from the date of submission of the bids. The firm can always be requested to extend the validity period, in an unforeseen eventuality, if acceptable to them. The financial impact / viability of the validity period is an imponderable which cannot be assessed by the IFA.

Ser No	Query/Suggestion	Comments/Recommendations
63.	**Para 4.20 Instruction to Bidders** Sub-para 4.20.1 (f) **Late Bids.** The CFA may be empowered to accept late bids if he is convinced that there was no opportunity for the late bidder to know the contents of the bids of other competitors. This would ensure that the objective of generating fair competition is not overlooked mechanically on technical grounds and that late bid could be considered after placing on record the reasons for the same. Further, late bids should be retained and opened to know the market trend, as this would provide additional information to the CFA to further enhance the efficiency of the system.	The suggestion to empower the CFA to accept late bids is not considered feasible as it would be extremely difficult to determine the exact time of receipt of the bid. This could also lead to manipulation. In any case, there is no reason why the vendors should not submit their bid in time. The existing provision in DPM 2009 is in consonance with Rule 153, GFR 2005, which provides that late bids will not be considered. In order to provide greater transparency in tendering, it has been further provided in the DPM that late bids will be returned unopened to the concerned bidders. In any exceptional case, if a need is still felt, to consider a late bid for justifiable reason, this could be done by treating it as a deviation and obtaining the approval of the competent authority, as per the procedure laid down in Sub-para 1.7.1 of DPM 2009.
64.	**Para 4.21 Instruction to the Purchase Officers** Sub-para 4.21.1 (h) **Pre-bid conference.** This clause states that a pre-bid conference should be held in a two bid tender to firm up the technical specifications and no fresh commercial bid should be invited after opening of the technical bid. What should be done in case of a revised bid which may be required after normalizing commercial terms?	Sub-para 4.21.1 (h) is being modified, to state that generally it is not desirable to call for fresh commercial bids after opening of the technical bids. However, if it becomes necessary in terms of Sub-para 4.12.11, fresh commercial bids may be called in case of two part bids in respect of all the technically acceptable offers as per laid down procedure. The point is similar to the one at Serial 53 above. **Normalization of Commercial terms must be done prior to floating of RFP.**

Chapter 5
Approval Process and Conclusion of Contract

Ser No	Query/Suggestion	Comments/Recommendations
65.	**Para 5.2 Processing of Procurement Proposals** Sub-para 5.2.1 **Submission of Statement of Case (SoC) for cases upto ₹ one lakh.** It may be clarified whether a Statement of Case is required for purchases upto ₹ 1.00 lakhs.	Purchases upto ₹ 1 lakh are to be made as per procedure given in Sub-paras 2.4.9 to 2.4.11 of DPM 2009. In such cases a simplified SoC can be used, indicating the essential details of the purchase, while seeking CFA approval.
66.	**Para 5.2 Processing of Procurement Proposals** Sub-para 5.2.1 **Format and Scope of Statement of Case (SoC) Required to Support the Proposals**. • Please clarify whether SoC is mandatory in respect of provisioning review cases also? S of C should not be mandatory for the following categories :- (i) Scaled items. (ii) Local Purchase (especially spares) below ₹ 2.00 lakhs. • There is also a need to review the format and applicability of the increased / exhaustive format for the S of C introduced in DPM – 2009. • Is a SOC required to be initiated for cases of ARD also?	Sub-para 5.2.1 clearly states that all procurement proposals should be initiated in the form of a SOC. Further, provisioning review is also one of the circumstances listed at Sub-para 5.1.1(a), on which purchases for the Defence Services are based. This is presently being done by some purchase departments in the form of a 'Noting' on the file, whereas DPM prescribes an SoC for the same purpose. The format of SoC given in Appendix 'B' is only indicative, as mentioned in the Note below the Appendix. Information may be given to the extent available Sub-para 5.2.1 also states that the format given may be used, **with suitable changes as required**. Thus a simple and standardized SoC can be framed (in consultation with the respective IFAs) and used in case of scaled items. However, the SoC format in Appendix 'B' can be utilized as a checklist to ensure that no essential aspect is left out in case of such purchases. In the case of small value local procurements of stores/services, particularly for COTS items, items with standard / ad hoc specifications, a simplified SoC can be prepared, containing all essential details which are relevant for taking the purchase decision. A simple SoC may be prepared for ARD also.

Ser No	Query/Suggestion	Comments/Recommendations
67.	**Para 5.2 Processing of Procurement Proposals** Sub-para 5.2.1 **Preparation of Statement of Case(SoC).** It has been proposed that SoC should not be mandatory in all cases, particularly in Local Purchase, as it invariably creates an unwanted burden on the users and delays the procurement process unnecessarily. The required details are provided in the attached LP proforma or procurement indents. Hence, preparation of SoC involves a duplication of the process. It should not be applied in Local Purchase (especially repairs / spares).	It is now being clarified in Sub-para 5.2.1 that the format of SoC at Appendix 'B' is indicative only and information may be provided to the extent feasible and additional information may be provided, where required. Further, a **simplified SoC may be prepared in case of small value local procurements of stores/services valuing upto ₹ 5 lakhs, particularly for COTS items, items with standard / ad hoc specifications etc. However, it should contain all essential details which are relevant for taking the purchase decision."** Serial 20 of Section-2 refers.
68.	**Para 5.2 Processing of Procurement Proposals** Sub-para 5.2.1 & Appendix B **Details to be given in SoC.** SoC must also provide additional information with reference to requirement of essential/optional spares, requirement of work services and the agency that is to undertake the same, and training requirement, if any, with number of persons who would need training.	The format of SoC at Appendix 'B'- Para 10, prescribes that the Draft RFP & Special conditions applicable to the Contract are to be enclosed with the SoC. Since Part-II and Part-IV of RFP contain provisions relating to spares/ work services and training, the requirement may not be duplicated in the SoC. However, any additional information can be included in it, on as required basis The format of SoC given in the DPM is, in any case, only indicative and not exhaustive.
69.	**Para 5.2 Processing of Procurement Proposals** Sub-para 5.2.4 & 5.2.5 **Placing of Supply Order during VOA**. As per the present system, the Vote On Account (VOA) funds get exhausted in May and BE allotment takes another 2 months i.e it comes by July. Therefore two months of procurement period are lost. The Supply Order may be allowed to be placed based on the budgetary confirmation given by MoD in terms of Provisional BE, to cover the period between VOA allotment & BE allotment so as to ensure funds are booked in a FY. IFA should allow, placing of SO of amount not	A clarification has been issued in 2004, by the then Secretary (Defence/Finance) vide MoD (Fin) ID No. 11(3)B-1/2004 dated 23.8.2004, to the effect that there should be no hesitation in commencing action on works/schemes included in the annual plans for which provision is included in the Defence Services Estimates. **These do not come within the purview of the term "New Service" on which no expenditure is to be incurred until the Demands for Grant for the whole year are voted** which includes items like

Ser No	Query/Suggestion	Comments/Recommendations
	exceeding the provisional BE allotment as in any case the Parliament is not likely to reduce the BE allotment.	**formation of a new Company, undertaking or a new scheme, details of which are presented to the Parliament for approval. In the case of Defence Services, details of works/schemes are neither reported to the Parliament in the Budget documents nor are any separate approval taken. As such,** there would be no bar to placement of a Supply order during VOA period, pending passing of the full BE allotment, since there is a reasonable assurance of its being passed**.**
70.	**Para 5.2 Processing of Procurement Proposals** Sub-paras 5.2.7 & 5.2.8 **Ex post Facto Financial concurrence**: (a) An ex-post facto concurrence of IFA of the CFA who has approved a proposal will be treated as ex-post facto concurrence, which is not permitted under the delegation of financial power rules. However, the IFA of the higher CFA can give ex-post facto concurrence and ex-post facto sanction can be issued for regularization of the expenditure. In case a particular proposal is referred to the higher CFA for ex-post facto sanction, the IFA of the higher CFA would give concurrence. Will it not be treated as ex-post facto concurrence? (b) An item or service has been obtained from a Government Department like the printing press based on an assessed cost in consultation with IFA. However, the bill received from the said Government Dept is of higher value. Will it require an ex-post facto sanction for the said enhanced expenditure or the Revised Sanction of the same CFA for enhanced cost would be adequate, if the enhanced cost of item also falls under the delegated financial powers of the same CFA.	(a) A case where sanction of appropriate CFA was obtained but concurrence of the IFA not taken (though required as per delegation of financial powers) will be treated as one of breach of rules, for which regularization sanction would be required from the next higher CFA with concurrence of his corresponding IFA, in terms of Sub-para 5.2.7 of DPM. The regularization sanction would not amount to an ex-post facto concurrence since the concurrence in such case would be to regularize the breach of rules and rectify any procedural gaps that may have led to the lapse. (b) In case the bill presented by a Government Department/contractor is higher than the amount for which sanction of the CFA in consultation with IFA was originally obtained, a revised sanction for the enhanced value, if payable as per terms and conditions of the contract, would have to be obtained from the CFA (in consultation with the IFA) under whose powers the revised amount falls. The CFA for the enhanced cost would be the same if the revised contract value falls within his powers. It would not be treated as a case of ex-post facto sanction.

Ser No	Query/Suggestion	Comments/Recommendations
71.	**Para 5.2 Processing of Procurement Proposals** Sub-para 5.2.9 **Overruling advice of IFA**. The CFA can overrule the IFA under intimation to the next higher CFA as well as the IFA giving reasons for overruling the financial advice. In such cases, it would be open to the IFA to take up the matter with the higher IFA and CFA to drop it. Can CFA go ahead with the procurement action after overruling the advice of IFA and intimating to the next CFA and IFA, or should he wait for a reasonable time for the response from higher CFA and IFA. If he has to wait, what will be the period of reasonable time?	The clause has to be executed in conjunction with the guidelines for delegation of financial powers. The CFA can decide to go ahead with the procurement unless cautioned otherwise by the next higher CFA. No time frame needs to be fixed to qualify as 'reasonable time'. This has to be decided individually depending on the proximity of the CFAs/other factors, keeping in view the facts and circumstances of each case.
72.	**Para 5.3 Acceptance of Necessity-** Sub-para 5.3.3 **AON in r/o Items for Proof Activity**. The requirement of DGQA to procure NIV/NS equipment/stores for proof activity is not mentioned under AON for non-scaled & NIV items and may be catered.	A sentence is being added at the end of Sub-para 5.3.3 to the effect that **"the quantity of equipment stores required by DGQA for proof activity will be included additionally for procurement."** Serial 23 of Section-2 refers.
73.	**Para 5.3 Acceptance of Necessity** Sub-para 5.3.4 **Details given in Annual Procurement Plan**. Annual Procurement Plan approved by the CFA & vetted by the IFA for scaled items/ NIV items, only indicates "Nomenclature" for each type of item of a Unit/Establishment. AON concurrence at this stage even for "item" itself is not feasible without appreciating the requirements based on various facts available on file.	The APP/PPP has to contain key details of the proposed procurements, including tentative quantities and cash outgo expected during the FY. A format for this needs to be prepared and finalized in consultation with MoD (Fin). The CFA approval accorded to the Plan with the concurrence of IFA/Integrated Finance would constitute AON for the constituent schemes/ items. However, detailed quantity vetting by the IFA would still be required when the specific cases are put up for obtaining sanction of the CFA, as per delegation of financial powers.

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74.	**Para 5.3 Acceptance of Necessity-** Sub-para 5.3.4 The DPM should clearly bring out that Integrated Finance can raise observations on technical specifications included in RFP wherever IFAs observations pertain to transparency, competition, fairness and elimination of arbitrariness in the procurement process.	IFA should generally not raise observations on the technical specifications given in the RFP, except as regards any general observation regarding the need for broad basing of QRs to encourage competitive bidding without dilution of functional requirements or where the QRs have a clearly demonstrable effect on transparency, fair play and elimination of arbitrariness in the procurement process. IFA can, in any case, raise observations on aspects like quantities projected, mode of tendering, identification of vendors, techno-commercial and commercial terms and conditions given in RFP, compliance with Government manuals / instructions and prescribed norms etc., while vetting RFP for purchases under powers being exercised in consultation with IFA, which should take care of concerns regarding transparency, competition, fairness and absence of arbitrariness.
75.	**Para 5.3 Acceptance of Necessity-** Sub-para 5.3.4 **Preparation of Annual Procurement Plan** Is preparation of an Annual Procurement Plan (APP) mandatory for all Purchase Departments /Directorates /Authorities engaged in procurement?	APP is presently not mandatory but desirable, as it facilitates planned procurements and obviates the need to seek necessity angle acceptance piecemeal for each case at the procurement stage. It also enables prioritization of cases within the budgetary outlays and has all the benefits inherent in a “planned” rather than an “unplanned” procurement. It also provides a tool for monitoring and control.
76.	**Para 5.3 Acceptance of Necessity-** Sub-para 5.3.4 **Acceptance of Necessity in Respect of Items Included in Annual Procurement Plan.** It has been mentioned in Sub-para 5.3.4 of DPM (APP) that some Service HQrs / Command HQrs and other establishments prepare an annual procurement plan. Where such a plan, irrespective of its nomenclature, is being prepared with the concurrence of the Integrated Finance, necessity would be deemed to have been accepted in	No separate AON is required for items which are included in the approved APP, where such a plan is drawn with the concurrence of the integrated finance. Thus APP/PPP will have to be vetted by the IFA to qualify for AON in respect of items included therein. Thereafter, necessity would be deemed as having been accepted in respect of each of the items included in the plan.

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	respect of each item included in the plan. **Would no separate AON be necessary where such a plan, irrespective of its nomenclature, is included in the annual procurement plan?** In such cases, however, Integrated Finance should be consulted for vetting of quantity, mode of tendering, identification of vendors in case of LTE/STE/PAC and vetting of draft RFP, where financial powers are to be exercised with the concurrence of Integrated finance**.** However, the detailed methodology to be followed in preparation of annual procurement plans for revenue procurement has not been found specified therein.	However, AON accorded as above is only for the items/goods/services included in the APP and not for the quantities required. CFA approval/ sanction would still have to be obtained for each item (along with SoC, RFP etc) as per procedure laid down in Chapter-5. The format at Appendix 'B' would be required at the time of CFA approval for procurement and not at the stage of APP approval. **Action Recommended** The Services need to evolve the format and methodology for preparation and vetting of the APPs in consultation with the IFA concerned and the CGDA. A standardized procedure would have to be put in place with the approval of the Empowered Committee/Secretary (Defence Finance).
77.	**Para 5.3 Acceptance of Necessity** Sub-para 5.3.4 **Observations in respect of items included in the approved Procurement Plans.** It has also been mentioned in the proviso below Sub- para 5.3.4 that if in any such case (i.e. after vetting/ approval of APP) Integrated Finance wishes to make any observation regarding necessity, it may be done with the specific approval of the IFA concerned. The wording of the sentence does not appear to be correct. In our opinion, the word 'IFA' mentioned should be CFA. This may also be looked into and modified.	The text of para 5.3.4 has been worded correctly and implies that in case the Integrated Finance Division wishes to raise an observation on any item which has been previously included in the approved APP, they can do so only after the IFA has himself personally approved raising of such an observation. Further, the proposal would not be shelved for this reason unless the procuring agency considers it desirable to resolve the issue prior to proceeding further. If it is decided to proceed further, then the observations would be brought to the notice of the CFA at the time of seeking approval.

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78.	**Para 5.3 Acceptance of Necessity**: Sub-para 5.3.4 **Clarification on Acceptance of Necessity in respect of Items Included in Annual Procurement Plans.** It was proposed that in case the AAP, vetted by the IFA, is approved by the CFA then there should be no need for seeking AON for individual items that are included in the APP. There was also a need to lay down the guidelines for vetting of the APP by IFA.	The interpretation that if the APP/PPP has been prepared with the concurrence of the Integrated. Finance, necessity would be deemed to have been accepted in respect of each item given in the plan and no separate AON by the CFA would be necessary for such items is correct. However, the guidelines for preparation of the APP/PPP would have to be initially framed by the Services in consultation with Integrated Finance and the CGDA, and subsequently the same would serve as a checklist for vetting of APP by the Integrated Finance. Further, it would be necessary to consult the IFA again on aspects like quantity vetting, mode of tendering, vendor identification, vetting of draft RFP where procurement powers are being exercised with the concurrence of IFA at the time of seeking CFA Sanction.
79.	**Para 5.4 Quantity Vetting** Sub-para 5.4.1 **Placement of Indent on OFB**. The OFB has expressed difficulty in accepting orders below their calculated Economic Order Quantity (EOQ). Accordingly, it is recommended that the DPM be amended (in continuation of Sub-para 5.4.1) to permit modification of the indented quantity to EOQ, declared by OFB in consultation with the indenting agencies. The same is justified as OFB is a Government agency and drawal of raw materials for EOQ is in the overall interest of the State. Further, most of the items indented by the Army are required year after year and the excess quantity indented/produced during one year can be offset against the future years' requirement. Alternatively, refusal of the indent by the OFB will have an adverse impact on equipment availability.	The issue was discussed in the Empowered Committee Meeting held on 4th May 2010. In view of the ramifications which involve the production planning process / schedules of OFB, problems of indenting for excess quantities and their subsequent storage, constraints of shelf life of items produced and stocked against likely future indents etc. it was felt that the issue needs to be examined in its totality by the Department of Defence Production (DDP), rather than being considered/decided by the Empowered Committee. As such, it was recommended that Service HQs should approach the MoD/DDP separately for resolving the problem, so that the issue could be addressed comprehensively. Serial 8 of Section 3 refers.

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80.	**Para 5.5 Seeking Approval of the CFA** Sub-para 5.5.1 **Applicability of DPM 2009 to Local Purchase (LP).** LP requirements at unit level are of small value and immediate nature. It is not practically feasible to apply all provisions of DPM 2009. Hence, LP at units for all types of items including OCG, ATG, MTG etc will virtually become impossible.	It is being added at the end of the existing Sub-para 5.5.1 that **various stages of processing may generally be combined in case of local purchase.** The addendum is at Serial 23 of Section-2.
81.	**Para 5.5 Seeking Approval of the CFA** Sub-para 5.5.2 **Format of Sanction Letter.** The format of Sanction Letter given in Appendix 'K' provides that the balance of funds available at the time of issue of the sanction should be indicated. This may not be feasible since it may not be possible for all supply orders to materialize. Possibility of some of the proposals not materializing in the same FY also cannot be ruled out, if the sanction letter was issued in the last quarter. Thus, fund position shown in the sanction letter will not be a correct reflection of status. Accordingly, the sanction letter need not contain the quantum of funds.	The format given in Appendix 'K' for issuing sanctions is indicative only. The mandatory items of a sanction letter are stated in Sub-para 5.5.2 of DPM. The position brought out is justified and balance fund position need not be shown in the sanction letter. Further, some of the items at other serials are not applicable in all cases and some other details which are required in a sanction are not mentioned in the format. As such a Revised Appendix 'K' is being given in supersession of the existing 'Format' at Appendix 'K' to DPM. Serial 24 of Section-2 and Annexure II thereto refer.
82.	**Para 5.7 Responsibility of the CFA** Sub-paras 5.7.1 and 13.3.2 **Clarification on Sub-paras 5.7.1 and 13.3.2 (c) (All inclusive Cost Versus the Basic Cost after Offloading of Taxes**). There is an ambiguity between the provisions of Para 5.7.1 and 13.3.2 relating to computation of all inclusive cost and the basic cost after offloading of taxes for purposes of comparison of bids which needed clarification.	Sub-para 5.7.1 clarifies the general methodology for price comparison, applicable when competition is among the indigenous vendors. The provision in Sub-para 13.3.2 (c) is only applicable when cost- comparison is being done between bids of indigenous and foreign suppliers in order to provide a level playing field to both. Loading of local/state taxes and duties on the basic price in case of indigenous vendors would provide an edge to the foreign vendors. Therefore, the basic cost taken in case of the foreign supplier is the CIF cost quoted by the vendor which is compared with the basic cost after offloading of local taxes/ duties of the indigenous firms.

Chapter 6 Contract		
Ser No	**Query/Suggestion**	**Comments/Recommendations**
83.	**Para 6.2 Elementary Legal Practices** **Usage of both Hindi & English Languages**. Article 3(3) of the Official Language Act, 1963 inter alia provides that both Hindi and English Language shall be used for "contracts and agreements executed, and licenses and permits, notices and forms of tender issued by or on behalf of the Central Government or any Ministry, Department or office thereof ….". The Min of Defence must incorporate the above provisions of Article 3 (3) of the Official Language Act in the Defence Procurement Manual.	**A new Sub-para is being added in Chapter 6,** under Para 6.2 of DPM 2009 incorporating the contents of Article 3 (3) of the Official Language Act, 196**3** to comply with the advice given by the Department of Official Language **that all contracts and agreements executed, and licenses and permits, notices and forms of tender issued by or on behalf of the Central Government should be issued bilingually, in Hindi and English.** Serial 25 of Section-2 refers.
84.	**Para 6.10 Placement of Supply Order/Signing of Contract.** Kindly clarify when to conclude a contract & when to issue supply order (any financial ceiling etc.)	Purchase/Supply orders are generally placed in single bid cases, local purchase of commercially off the shelf items, items with standard specifications, purchases against rate contracts etc. **In order to provide greater clarity to the subject this aspect is being amplified in** Chapter-6 of DPM 2009, based on provisions of Rule 204 of GFRs 2005 and current practice. The addendum is given in Serial 26 of Section-2.
85.	**Para 6.11 Changes in the Terms of / Amendment to a Concluded Contract** Sub-para 6.11.7 **Consultation with IFA for Extension of Delivery Period** Para 6.11.7 of DPM mandates that all delivery period extensions (with or without LD) should be in consultation with the IFA. In order to avoid delays, only those cases which involve a waiver / variation from the LD clause should be processed through the IFA.	Delivery period is the essence of the contract, being an essential part of the terms and conditions. It is for this reason that a penalty / LD clause needs to be provided in contracts. Extension of delivery period recognizes the delay in performance of the contract. It may also result in certain consequential losses which need to be taken into account while granting such extension with or without levy of LD. Either way, it has financial implications and, therefore, the concurrence of IFA has been mandated in cases where the powers of CFA are exercisable in consultation with IFA. This does not, *ipso facto*, imply delay.

Chapter 7
Conditions of Contract

Ser No	Query/Suggestion	Comments/Recommendations
86.	**Para 7.1 Conditions of Contract** Sub-para 7.1.2 **Applicability to Local Purchase (LP)**: It may be clarified whether the Draft RFP Format at Appendix 'C' of DPM -09 may be modified to suit the requirements of units resorting to local purchase.	It is now being specifically provided in Sub-para 7.2.1 that **a simplified RFP format can be used in case of Local Purchase by units, by suitably modifying Appendix 'C**'. Serial 27 of Section-2 refers.
87.	**Para 7.2** Sub-para 7.2.1 **Applicability of Conditions of Contract.** The format of the RFP given in Appendix 'C' contains the Standard Conditions of Contract at Part III and the Special Conditions of Contract in Part IV .Para 7.1.4 of DPM states that the Spl conditions of contract contained in Part IV of Appendix 'C' are optional in that they can be considered for inclusion or otherwise on a case to case basis. Para 7.2.1 stipulates that while the Special Conditions of Contract may be mentioned in the RFP and subsequently in the contract, as applicable in a particular case, all the standard terms and conditions should invariably be mentioned in the RFP and in the contract. It is suggested that flexibility may also be provided to the CFA/Purchase Department to pick up only the pertinent standard conditions of contract from the clauses given in Part III of the RFP (Appendix 'C') since this gives the common format for indigenous and foreign procurements and many of the terms may/ may not be applicable to them. Further, some. alternative optional clauses shown in Part III are mutually exclusive and only one can be included.	The position brought out is appreciated. Accordingly, Para 7.2.1 is being amended to provide flexibility to include only the applicable clauses from Appendix 'C' Part III–Standard Conditions of Contract in the RFP/Contract, to the extent feasible in a specific case / type of procurement. Serial 28 of Section-2 refers.

Ser No	Query/Suggestion	Comments/Recommendations
88.	**Para 7.3 Effective Date of Contract** Sub-para 7.3.1 **Effective Date of Contract**. As per the RFP format given in Para 2, Part III, Appendix 'C' of DPM, the contract shall come into effect on the date of signatures of both the parties on the contract (effective date). However, Sub-para 6.13.1 of Chapter 6 and Sub-para 7.3.1 of Chapter 7 allow flexibility by providing that "unless otherwise mutually agreed to and clearly indicated/provided in the contract". Sub-para 7.3.1 also indicates various alternatives that may optionally be agreed to. The RFP may therefore be modified to allow this flexibility.	It is being amplified in Para 2 of Appendix 'C' Part - III (Page 175) of the RFP and also in the Format of Contract **that "normally the contract shall come into effect on the date of signatures of both the parties on the contract except when some other effective date is mutually agreed to and specifically indicated / provided in the contract".** Further, in Sub-para 7.3.1 the word *"However" is* also being deleted from line 4, as it is irrelevant here. Serial 29 of Section-2 refers.
89.	**Para 7.3 Effective Date of Contract** Sub-para 7.3.1 (d) **Submission of End User Certificate**. The sub-clause speaks about submission of the end user certificate by the 'supplier' whereas the former is issued by the purchaser. Accordingly the word 'supplier' may be replaced by 'purchaser'.	The word **'supplier' is being replaced by 'purchaser'** in Sub-para 7.3.1 (d) since the 'end user certificate' has to be given by the customer. Serial 30 of Section-2 refers.
90.	**Para 7.4 Payment of Advance** Sub-para 7.4.2 **Amendment to the Provisions**. Presently not more than 15% of the contract value or the amount payable for six months in case of maintenance contracts can be paid as advance to the vendor. However, in case of Annual Maintenance Contracts (AMCs) some vendors insist on 100% advance payments. Hence, 100% advance payments be permitted.	The request of the supplier to make a higher advance payment than that allowed in Sub-para 7.4.2 of DPM 2009, if contemplated for acceptance, requires the approval of the Defence Secretary and of Secretary (Defence Finance) in terms of Sub-para 7.4.3 of DPM 2009. This should be sought only in exceptional circumstances.

Ser No	Query/Suggestion	Comments/Recommendations
91.	**Para 7.4 Payment of Advance** Sub-para 7.4.2 **Quantum of Advance Payment.** GFR Rule 159(1) prescribes that advance payment should not exceed the following limits: (i) Thirty percent of the contract value to private firms, (ii) Forty percent of the contract value to a State or Central Government. agency or a PSU; or (iii) In case of maintenance contract, the amount should not exceed the amount payable for six months under the contract. The DPM prescribes that advance payment should not exceed fifteen percent of the contract value or the amount payable for six month in case of maintenance contracts. Why has a lower ceiling for payment of advance been fixed in case of Defence contracts than that given in GFRs? Since there is a variation in the quantum of advance payment allowed in DPM 2009 and and that permissible under GFR Rule 159(1) which manual is to be followed?	The limit for advance payment has been deliberately restricted to 15% of the contract value in DPM 2009, keeping in view the fact that advances in case of Defence contracts are not 'interest bearing' whereas the general government guidelines and CVC guidelines provide for interest bearing advances only to be given. Accordingly, it was consciously decided to retain the existing ceiling for advance at 15% of the contract value both for private firms and the PSUs. Cases beyond this limit require the approval of the Secretary of the concerned Department of MoD and FA(DS)/ SDF. The ceilng for advance payment given in DPM 2009 has to be followed by all Defence purchasers.
92.	**Para 7.6 Exchange Rate Variation (ERV)** **Applicability of ERV** Is Exchange rate variation available for firms other than Defence PSUs?	ERV clause is not applicable to any contract other than those with Defence PSUs in case there is some import content and delivery exceeds more than one year.

Ser No	Query/Suggestion	Comments/Recommendations
93.	**Para 7.7 Performance Security Deposit** Sub-para 7.7.1 **Amount of Performance Security.** (a) The percentage of PBG to be furnished by the Supplier as per the provisions of DPM 2009 is at the rate of 10% of the contract value. The amount of PBG to be furnished by the vendor, it is felt, is very high in a high valued contract, where the validity of warranty period of the equipments sometime is upto 3 years. In such a situation, the amount of PBG furnished by the Supplier gets blocked till expiry of warranty period. It is, therefore, suggested that the percentage of PBG to be furnished may be reduced to 5% as provided in DPM 2006 or a slab system depending on the amount of the contract value may be introduced. (b) PBG may not be taken in small value purchases upto ₹ 5 lakhs	Para 7.7 reads that "**Preferably** PBG should be 10% but does not preclude a lower per centage of PBG in a specific case, as considered appropriate. The maximum ceiling on PBG was raised from 5% to 10% in order to ensure that an adequate amount is held by the Department towards compensation in case of non performance of the contract /equipment. The bank guarantee format ensures that money of the vendor is not blocked since the money is not held in physical form by the purchaser, but a guarantee is given by the bank that in the event of the goods not being supplied according to the contractual obligations the bank will pay, merely on demand and without demur, any amount upto a maximum of the value indicated in the PBG, to the Government. It is now being provided (in terms of GFRs) that the PBG is payable at the rate of 5%-10% of the contract value. **It will be taken from all the vendors/suppliers irrespective of the registration status of the bidders in case of Contracts / Supply Orders valuing over ₹ 2 lakhs.** Some dispensation is also being allowed for Defence PSUs where an indemnity bond may be accepted in lieu of PBG. Serial 32 of Section-2 refers.
94.	**Para 7.7 Performance Security Deposit** Sub-paras 7.7.1 and 9.7.15 **Mandatory nature of PBG.** In case of Para 7.7.1, which deals with conditions governing indigenous procurements, PBG seems to be mandatory or say not optional whereas in case of Sub-para 9.7.15, relating to foreign procurements, PBG seems to be optional. Please clarify.	Performance Security should generally be taken from the successful bidders in both indigenous and foreign procurements, especially in high value cases and long term contracts. The deposit is meant to compensate the purchaser for any loss suffered due to failure of the contractor to fulfill his contractual obligations. However, the clause has not been made mandatory in case of indigenous / foreign purchases due to the wide diversity in value and nature of the goods being procured by the Services CFAs in different environment and from varied sources of procurement, involving both Government and non-Government agencies.

Ser No	Query/Suggestion	Comments/Recommendations
95.	**Para 7.7 : Performance Security Deposit** Sub-para 7.7.1 **Introduction of Warranty Bank Guarantee (WBG) on the Expiry of Performance Bank Guarantee (PBG)** It was brought out that the PBG expires on the delivery of stores and thus there was a need to introduce WBG to take care of the warranty compliance by the vendor.	**The concern of the Services is already addressed in the DPM.** Performance Security Deposit is generally taken in the form of a Performance Bank Guarantee from the successful bidder on placement of the contract. It is stipulated in Sub-para 7.7.1 of DPM 2009 that **this should remain valid for a period of sixty days beyond the successful completion of all obligations under the contract, including warranty, and not merely upto delivery of stores.** Thus the PBG furnished towards security deposit for due performance of the contract upto completion of supplies, continues to be held as a Warranty Bank Guarantee during the warranty period. This obviates the need to obtain a fresh WBG from the supplier on commencement of the warranty period, with corresponding return of the earlier one given as Security Deposit. Accordingly, the PBG already acts as and may be relabeled as Performance/Warranty Bank Guarantee as the same is furnished by the supplier in terms of Sub-para 7.7.1 of DPM to cover due performance of the contract not only upto completion of supplies but also upto 60 days beyond the warranty period (completion of all contractual obligations). This aspect is clarified in the revised Sub-para 7.7.1 at Serial 31 of Section-2.
96.	**Para 7.8 Payment** Sub- para 7.8.1 **Release of Payment** Payment terms presently do not specify the period within which the vendor can be assured of the release of his payments after submission of necessary documents.	Several provisions have been incorporated in Chapter 7, under Para 7.8, which will facilitate early payment, such as e-payments, copy of model mandate form (at DPM Form-11), list of documents to be submitted to audit authorities along with advance copy of the SO/Contract and list of documents to be furnished to Paying Authority along with the bill (Sub-para 7.8.4). Payment action should normally be initiated by the purchaser as soon as the stipulated delivery conditions for the requisite goods/service have been complied by the supplier.

Ser No	Query/Suggestion	Comments/Recommendations
97.	**Para 7.8 Payment** Sub- para 7.8.1 **Quantum of LD**. In order to ensure implementation of the 10% LD clause, the payment terms (95 : 05) given vide Sub-para 7.8.1 be amended to read 90:10 (on dispatch : final clearance)	Sub-para 7.8.1 provides that **normally** 95% payment is released **against provisional receipt of the item/s at the consignee's premises and 5% after due receipt inspection. (It does not state that 95% payment be made on dispatch and 5% on final clearance).** The clause also does not block operation of LD clause, which is applicable at a rate of 0.5% per week of the value of delayed stores subject **to maximum of 10 % value of the delayed supplies**. The latter would generally be less than 10% of the total contract value or in case of a single item, no payment would accrue to the firm till the item is delivered. LD can also be deducted from the performance security which is preferably to be 10% of contract value and not necessarily from the outstanding payments. Lastly, payment terms other than those mentioned above can also be agreed to by the CFA in specific cases depending upon the nature of the contract, the dispatch and delivery terms and other factors as mentioned in Sub-para 7.8.1.
98.	**Para 7.9 Delivery** Sub- para 7.9.3 **Connotation of 're-fixing'** The term re-fixing the delivery date has been used in the above mentioned para. There is ambiguity in the word re-fixing which appears to be different from the extension of delivery period. This ambiguity needs to be removed.	Re-fixation of DP is different from extension of delivery and delivery date can be re-fixed only in the circumstances mentioned below (as per para 12.11 of DGS&D manual), *viz*., (a) Where manufacture is dependent on approval of advance samples and delay occurs in approving the samples even though submitted in time. (b) Extension is granted due to omission on the part of the purchaser to enforce delivery date within the stipulated time. (c) Where the entire production is controlled by the Government. Necessary clarification is being included in DPM 2009. Serial 34 of Section -2 refers.

Ser No	Query/Suggestion	Comments/Recommendations
99.	**Para 7.9 Delivery** Sub- para 7.9.5 **Extension of Delivery Period**. The maximum period of extension of delivery period that can be granted by the CFA should be such that the total period (original delivery period plus the extension) does not exceed twice the original delivery period. Extensions beyond this period require the sanction of the Ministry of Defence, which implies time delays. It is proposed that the provision be modified to enable the next higher CFA to allow such extensions rather than all cases being forwarded to MoD.	It was decided by the Core Group set up under the Defence Secretary to consider some key issues related to DPM and it was decided that extension beyond twice the original DP should require the sanction of MoD. However, taking into account the delay aspect, **Sub-para 7.9.5 is being amended to allow the next higher CFA/Administrative authority in the Services to approve extension of delivery date beyond twice the original delivery period** (instead of existing stipulation for seeking approval of MoD). Serial 33 of Section-2 refers.
100.	**Para 7.9 Delivery** Sub- para 7.9.5 **Extension of DP in Contracts on PSUs.** Maximum period of extension of DP stipulated in the DPM may not be applicable against service contracts especially against PSUs wherein Cat 'D's have been loaded but the same has not been repaired.	The dispensation sought in respect of service contracts placed on Defence PSUs will get addressed by the relaxation being provided in serial above.
101.	**Para 7.10 Liquidated Damages (LD)** Sub-para 7.10.2 **LD for Delayed Services**. The quantum of LD has been laid down as equivalent to 0.5% of the **prices of any stores** which the contractor has failed to deliver within the DP, for each week or part thereof, subject to maximum 10% of value of undelivered goods. **A provision also requires to be made explicitly for LD to be levied in case of undelivered / delayed services**. It is proposed that the quantum of LD in the latter case should be "a sum equivalent to 0.5% of the cost of equipment/main assembly to be repaired" and not the price of the item/ spare part to be fitted for making the equipment/main assembly operational, since in many cases the cost of item/ spare part could either be very negligible or it may not even be required for making the machine functional/ operational.	The LD provision applies to supply of both stores and services as stated in Sub-para 7.10.2. Subsequently, wherever the word "stores" appears in the para, it is interchangeable with the word "service" if the contract is for a service. Further, levy of LD has to be related to the value of the contract (whether for stores / services) and not to the price of spare parts to be fitted nor the main equipment/assembly being repaired, which may be several times the value of the 'service" being rendered. It may also be difficult to determine the price/ cost of the equipment/main assembly, with reference to which LD is to be calculated. **As such, in a repair/service contract LD would be levied on each week of delay in completion of service / repairs (i.e. delay in job completion) and not on value of spares fitted / not fitted nor on the cost of the equipment being repaired.**

Ser No	Query/Suggestion	Comments/Recommendations
102.	**Para 7.10 Liquidated Damages (LD)** Sub-para 7.10.2 **Modification of LD Provisions.** The sentence "The total damage shall not exceed value of 10% of the undelivered goods" may be replaced by "The total damages shall not exceed value of 10% of the undelivered goods within original DP stipulated in the SO/Contract".	Sub-paras 7.10.2 and 7.10.3 are being reviewed in conjunction with the LD clause given at para 8 of Part III of RFP (Standard Conditions Of Contract). The text is being re-drafted to read as follows: *"***The total LD will not exceed 10% of the total value of goods / services delayed beyond the original date of delivery/completion of supplies/service indicated in the contract/ supply order."** Serials 35 & 36 of Section-2 refer.
103.	**Para 7.10 Liquidated Damages (LD)** Sub-para 7.10.2 **Quantum of LD.** It needs to be confirmed if the rate of LD to be levied is 1% per week in place of 0.5% per week because maximum limit has increased from 5% to 10%. Further the quantum of LD is to be recovered at .5% of the price of any stores. The term "Prices of any stores" need to be elaborated duly clarifying whether the LD to be charged for basic price of the item or total price of the item including all statutory levies.	The percentage of LD to be levied per week remains at 0.5% per week of value of delayed goods/services but the maximum ceiling for LD has been raised to 10% of the value of the delayed goods/services so that LD would go on increasing progressively for delay upto 20 weeks and reach a ceiling of 10% thereafter. Such an increase was made at the behest of the Services to put caution on the defaulting firms in case of prolonged delays in supply of goods/services. The 10% limit is also in consonance with the Min. of Finance Manual on Policies and Procedures for Purchase of Goods.
104.	**Para 7.13 Option Clause and Repeat Order Clause** Sub-para 7.13.1 & 7.13.2 **Provisions Relating to Repeat Order and Option Clause**. A suitable amendment to para 7.13 of DPM 2009 be issued so that altogether Repeat Order and / or Option Clause can be exercised up to 100% of the original order quantity.	Both repeat order and option clause have financial implications as the vendor has to keep his rates constant for the additional quantities during the period of supply and/or six months thereafter without any certainty about the clause being invoked. He will necessarily build in the cost in his original order and the State stands to lose if, in fact, the clause is later not required to be used. The pros and cons of increasing the option/repeat quantity to 100% of the original order quantity, as well as of extending the validity of repeat order clause from 6 months to one year, were considered by the Core Group set up in the MoD under the then Defence Secretary. The existing provision is based on the conscious decision taken by the Core Group.

Ser No	Query/Suggestion	Comments/Recommendations
105.	**Para 7.13 Option Clause and Repeat Order Clause** Sub-para 7.13.1 & 7.13.5 **Amendment of Repeat Order Clause.** As per Sub-para 7.13.1 "Repeat Orders and/ or Option clause may be exercised more than once, provided altogether these orders do not exceed 50% of the original orders quantity." In Para 7.13.5 under 'Conditions governing Repeat Order' it is stated that "the repeat order is to be placed within six months from the date of completion of the supply against the previous order and it should be placed "only once". The dichotomy needs to be clarified.	Sub-para 7.13.5 of DPM is being modified as per provision at Sub-para 7.13.1 **and the words "and it should be placed only once" are being deleted.** Serial 37 of Section-2 refers.
106.	**Para 7.13 Option Clause and Repeat Order Clause** Sub-para 7.13.5 **Terms of Repeat Order**. As per the corresponding para in DPM 06 [5.11 (e)] willingness of the firm to hold the same price and other terms and conditions was a pre-condition to place repeat order but the relevant para in DPM 09 does not contain such a provision. Therefore, it becomes a binding clause on the tenderer once the provision is incorporated in the RFP. As however, the matter is not free from doubt, the intention needs to be examined.	As per DPM Sub-para 7.13.1, repeat order and option clause should not be included routinely in the RFP as these have an impact on price. Either or both of these may be provided in exceptional circumstances when the quantum of stores/spares/work required in a particular contract is indeterminable *e.g*. as in the case of repair or overhaul of engines etc. Once a contract has been concluded/supply order placed, containing the stipulation of repeat order and/or option clause, the willingness of the contractor to supply the additional (50 %) quantity at the same price and on the same terms and conditions during the operation of the contract, is implicit in the agreement/acceptance. The clauses can be invoked, once included in the contract, to meet any additional requirements arising during the period of validity, provided there is no downward trend in the prices.

Ser No	Query/Suggestion	Comments/Recommendations
107.	**Para 7.15 Apportionment of Quantity** Sub-para 7.15.1 **Quoting of Identical Rates by Vendors.** (i) In case where identical rates are quoted by more than one vendor which also happens to be the lowest rate (L-1), whether apportionment of quantity is permissible in such cases. (ii) Whether in such cases the invitation offer can be given to such vendors on the analogy of conclusion of ASC Contracts for fresh supplies. (iii) Even after invitation offer, if the rates are still identical then what should be the next course of action?	When identical rates are quoted by more than one vendor, the first step is to look for any indication of a cartel formation. Apportionment of quantity should be resorted to when it is anticipated that one vendor may not be able to supply the entire quantity required, in which case the ratio of splitting will be pre-disclosed in the RFP. On the other hand, when during processing it is found that L-1 vendor cannot supply the full quantity, the order may be distributed among L-2, L-3 etc. at the L-1 rate in a fair, transparent and equitable manner. It is for the CNC to decide the L-1 vendor taking into account the price, taxes and duties, freight and all other commercial terms and conditions of contract and compliances with the RFP. In cases other than those mentioned above, the decision would have to be taken by the CNC after ruling out cartel formation and taking into account the reasonableness of the quoted price.
108.	**Para 7.15 Apportionment of Quantity** Sub-para 7.15.1 **Apportionment of quantity.** It is not clear whether the balance quantity, after fully loading L-1, would be equally distributed amongst all prospective bidders, at L1 rate or L2, L3…. would be fully loaded in that order at L1 rate before moving to the next higher bidder (at L1 rate only).	CVC guidelines prescribe that if during the processing of an order it is found that L-1 alone is not capable of supplying the entire quantity to be ordered and there was no prior decision to split the order, then the balance quantity should be distributed among the other bidders in a manner that is fair, transparent and equitable. The issue was **discussed with the CVC officials and accordingly a clarification is being added in Chapter 7, Sub-para 7.15.1 that if L-1 is found to be not capable of supplying the total requirement,** the entire balance quantity will be offered to the L- 2 for supply at L-1 rate and if the latter is unable to meet the requirement or the rate is not acceptable to him, then the offer for balance quantity will be made to L-3, L-4 etc. in that sequential order before moving to the next higher bidder, to supply at L-1 rate. Serial 38 of Section-2 refers.

Ser No	Query/Suggestion	Comments/Recommendations
109.	**Para 7.15 Apportionment of Quantity** Sub-para 7.15.1 **Apportionment of Quantity**. Is it necessary to indicate in the RFP that, the order may be placed on L2 & L3 and so on at the L1 rate if L1 is unable to supply the entire Qty. Will it not encourage cartel formation?	Apportionment of quantity must be indicated in the RFP when it is already known in advance that no single vendor would be able to meet the entire order or when it is pre-decided to have more than one source of supply, due to vital or critical nature of the item. Indicating this aspect in the RFP lends transparency to the procurement process. In fact, if it is apprehended that one firm will not be able to deliver the entire quantity, the CVC insists on pre-disclosing the ratio of supply in the tender itself. [CVC guidelines dated 3rd Mar 2007 refer].
110.	**Para 7.15 Apportionment of Quantity** Sub-para 7.15.1 **Apportionment of Quantity when L-2 and L-3 are not willing to match L-1 offer**. As per this para, when the L1 tenderer does not have the capacity to supply the entire quantity, order for the balance quantity can be placed on L2, L3 and so on at the L1 rate provided the L1 rate is acceptable to them. The situation If L2, L3 etc are not willing to supply the balance quantity at L1 rate, has not been provided for. In actual practice there are occasions when L2, L3 etc are not willing to match the L1 offer and the procurement is urgent due to criticality of the item and re-tendering is ruled out vide Para 4.16 of DPM. Alternatively, approaching MoD for seeking approval in such cases may be time consuming and the validity of the offer may be limited. The L1 may be an unregistered manufacturer capable of supplying a part of the requirement at lower rate due to its small size, incurring less overhead expenses, or wishing to gain entry to Defence procurement area. But other registered vendors, including PSUs, may not be able to match the offer of L1, rather they may find it difficult to match the L1 rate if the gap is too wide. The DPM should be specific on the further course of action to be taken in the situation when L2, L3 etc do not accept L1 rate.	As at present, if L-2, L-3 and L-4 do not agree to L-1 rate, the only option available is to retender for the balance quantity. * The issue raised has been discussed with the CVC and the clarification obtained will be circulated separately.

Ser No	Query/Suggestion	Comments/Recommendations
111.	**Para 7.15 Apportionment of Quantity** Sub-para 7.15.1 **Binding L-2, L-3 to supply at L-1 rates.** As per this para RFP should contain a provision that order may be placed on L2, L3 and so on for the balance qty at L1 rate "provided this is acceptable to them". this provision is loosely worded and does not bind the firms i.e. L2, L3 etc to supply the item at L1 rate. It is for examination whether to modify this provision so as to bind the firms. Incidentally, similar provisions in Para 5.10 of DPM 06 that "order can be placed on L2, L3 for balance qty at L1 rate" do not appear to be binding on the tenderer when incorporated in the RFP.	There is no legal manner in which one can bind a firm to supply an item at a rate which has not been quoted / accepted by him. A provision to this effect would not be legally binding as free consent of both the parties entering into an agreement, is elementary to a contract.

Chapter 8 Rate Contract		
Ser No	**Query/Suggestion**	**Comments/Recommendations**
112.	**Para 8.4 Determination of the Competent Financial Authority to approve Rate Contract** Sub-para 8.4.1 **Determination of CFA in Rate Contract**. As per Schedule XI (A) of GoI MoD letter No Air HQ/95378/1/Fin P/2431/US(RC)/Air-II/06 dated 14 Jul 06 all contracts relating to procurements & services viz hiring, repair, outsourcing, supply of labour etc can be sanctioned by AOC/Stn Cdr of the unit, for full value of contract without any financial limits. The provisions regarding exercise of financial powers as enumerated in Sub-para 8.4.1 of DPM-09 are restrictive and contradictory to GoI MoD letter dt 14 Jul 2006. As such Sub-para 8.4.1 of DPM – 2009 may be amended to make it in consonance with the provisions of Sch XI (A) of GoI, MoD letter dated 14 Jul 2006. Accordingly , the requirement of financial sanction of the CFA (under whose financial power the expenditure on each procurement /service falls) in every case, once the annual contract for supply / service has been concluded in terms of Chapter 8 of DPM-2009 and sanctioned in terms of GoI MoD letter dated 14 July 2006, should be dispensed with.	There is no connection or contradiction between the letter on delegation of financial powers for IAF and the criteria for determination of CFA for conclusion of rate contracts given in DPM 2009. **In case the Government Letter on delegation of financial powers gives full powers** to an authority to enter into rate contracts for the particular type of goods, **there would be no need to determine the CFA based on anticipated annual procurement of the store/services** unless there exists a lower CFA who can sanction rate contracts for a lower fixed value of annual drawal. However, schedule XI (A) of GOI, MoD letter quoted in respect of the Air Force is itself being reviewed and rationalised so that the ambiguity/contradiction, if any, may be removed. Once the rate contract has been concluded for an item/service, specific sanction of the appropriate CFA would still be required for placing the supply orders indicating the quantity of procurement proposed to be made under the rate concluded, since the RC agreement does not indicate or give any assurance of the quantity that would be subsequently purchased under the RC (as mentioned in Chapter 8 of DPM 2009). The quantity will be firmed up/vetted at the time of placement of the Supply Orders against the rate contract, based on the annual provision review/ annual procurement plan/indents raised etc. emergent requirements etc.

Ser No	Query/Suggestion	Comments/Recommendations
113	**Para 8.5 Process of Concluding Rate Contracts** Sub-para 8.5.2 **Selection of Firms.** In Sub-para 8.5.2 the second line reads as follows- "In respect of new items being bought on Rate Contract for the first time, RC can be awarded to unregistered firms also on the basis of ***favourable technical capacity and financial capabilities."*** The last portion of this line needs correction.	The line is being recast to indicate that ***"***RC can be awarded to unregistered firms also on the basis of **favourable technical capability, capacity and financial status."** Serial 39 of Section-2 refers
114.	**Para 8.7 Special Conditions Applicable for Rate Contract** Sub-para 8.7.1 **EMD in case of Rate Contracts (RCs).** The non applicability of EMD Clause to RCs as per Special Conditions under Sub-para 8.7.1 has resulted in a very large number of firms of dubious standing applying against tenders for drugs and consumables. In a few cases verification of the documents supplied by them has revealed that fake documents were being submitted by the firms. As such a dispensation may be given to permit earnest money deposit in RCs to preclude frivolous tendering.	As per Sub-para 8.5.2, Rate Contracts should normally be concluded with registered firms, and, therefore, EMD is not applicable. However, in case of new items being placed on RC for the first time or in case of medical stores, where DGQA is not undertaking registration of firms, unregistered firms can be considered. Accordingly, Sub-para 8.7.1(ii) is being amended to provide that EMD would be applicable in case of unregistered firms to discourage frivolous tendering by unregistered vendors. The EMD would be stated as a fixed amount arrived at on the basis of the anticipated value of the annual drawal applicable only to bids received from unregistered vendors. Under Sub-para 8.7.1, the existing clause (ii) is being reworded as follows- "**Earnest Money Deposit (EMD) is not applicable in case of registered firms but will apply in case of bids from unregistered firms."** Serial 40 of Section-2 refers.
115.	**RCs for Items for UN Missions** The Departmental Rate Contracts concluded for items required for troops proceeding on UN Missions need to be governed by the relevant terms and conditions as contained in the DG S&D Manual 2001.	The procurements for troops proceeding on UN Missions abroad need to be made as per provisions of DPM 2009. No specific advantage would accrue by following the provisions of the DGS&D manual in lieu.

Chapter 9
Procurement of Goods and Services from Foreign Countries

Ser No	Query/Suggestion	Comments/Recommendations
116.	**Para 9.5 Mode of Tendering** Sub-para 9.5.3 **Number of Vendors for LTE**. Sub-para 9.5.3 states that LTE be sent to not less than 6 firms whereas Para 4.3.1 says LTE should be sent to more than 3 firms.	Sub-para 9.5.3 is applicable in case of global tenders whereas Sub-para 4.3.1 applies to indigenous tenders. The attempt is to generate a wider response in case of global tender, once we have gone for it, and to obtain more competitive offers. Further, the number of firms within the country for the item may be limited and prescribing a larger number may prove counter productive. However, there is no bar on sending LTE to as many firms as possible even in case of indigenous purchases, for more competitive bidding.
117.	**Para 9.7 Request for Proposals (RFP)** Sub-paras 7.7.1 and 9.7.15 **Mandatory nature of PBG.** (a) In case of Sub-para 7.7.1 for indigenous firms, PBG (performance security) seems to be mandatory or say not optional, whereas in case of Para 9.7.15 dealing with foreign procurements, PBG seems to be optional. Please clarify. (b) Performance security may not be mandatory in case of small value procurements of goods/services as many of the local supplier, particularly in small stations are not willing to pay performance security deposit, particularly for off the shelf / common user items or branded commercial products which are to be accepted on the manufacturer's guarantee.. Accordingly, a financial ceiling may be fixed below which performance security may not be taken in case of indigenous suppliers, as allowed in case of EMD.	(a)(i) As per the GFR 2005, performance security is to be obtained from **every** successful bidder irrespective of his registration status. Further, this should be for an amount of 5% to 10% of the contract value. As such, the clause needs to be included, in case of all purchases from indigenous vendors. (ii) **As regards foreign contracts, DPM 2006 provided the flexibility that 'whenever considered appropriate in import cases, especially of high value contracts with long gestation period, performance security is to be taken'. The same provision has been retained in DPM 2009 since many of the foreign vendors/ State agencies, in any case, do not agree to furnish a performance security.** (iii) The performance security clause is contained in Part IV of the RFP, which contains optional clauses to cover all eventualities but in specific cases only the relevant clauses are to be chosen by the Purchaser from this Part . (b) Flexibility is being built into the provisions of the DPM to include/not include the PBG clause in purchases upto ₹ 2 lakhs, on as required basis. **An amendment to this effect is being made. Serial 32 of Section-2 refers.**

Ser No	Query/Suggestion	Comments/Recommendations
118.	**Para 9.7 Request for Proposals (RFP)** Sub-para 9.7.6 **Amendment to Para 9.7.6 Pertaining to Inspection Clause.** Sub-para 9.7.6 may be suitably amended so that it would not be mandatory to mention the exact composition, duration and number of inspections eg Pre dispatch inspection/joint receipt inspection etc., since it is not possible to lay down these specifications without consultation with DGQA etc. Such details should be only mentioned broadly at the RFP stage.	The language of the existing clause has been framed after detailed deliberations by the DPM Review Committee. It is provided that the **broad scope of such inspections**, **which is of vital importance in a foreign contract, should be defined in the RFP** so that its basic elements do not require to be deliberated upon / negotiated at a later date, entailing additional financial implications. If required, the QA agency could be consulted prior to floating of RFP regarding the details, as these have cost implications that the vendors need to take into account while quoting.
119.	**Para 9.7 Request for Proposals (RFP)** Sub-para 9.7.10 **Amendment to Para 9.7.10: Mode and Terms of Delivery and Transportation**. FCA is not mentioned in Sub-para 9.7.10, whilst practically all revenue contracts, barring a few, in case of foreign procurements, are on FCA terms of delivery. It was suggested by the representatives of CGDA, that the para may be amended to incorporate the term 'FCA'.	The term 'FCA' is already included in the Transportation Clause at Para 19 (c) of the RFP format given in Appendix 'C' of DPM as one of the optional modes for dispatch of stores. Further, i**n Part II of the format of Contract /RFP, the same is mentioned as one of the permissible INCO terms. The term is also being mentioned in Sub-para 9.7.10, as suggested**. Further, as per the general policy of the Government of India, promulgated by the Ministry of Shipping in 1996 and 1998, all import contracts have to be concluded on FOB/FCA basis and shipping arrangements are centralized with the Chartering Wing of the Ministry of Shipping. For any departure from the above policy, prior approval of that Ministry is required. The policy provides for waivers where it is not possible to follow it. Shipment of general liner cargo is not restricted to Indian flag vessels and it is shipped by any vessels belonging to the Conference member lines which are operating from various sectors. **Para 9.7.10 is being re-phrased to bring out the instructions of the Ministry of Shipping. The provision of Para 19 .a. of Part IV of the RFP format is also being amended in consonance with the policy guidelines of the Government.** Serial 41 of Section-2 refers.

Ser No	Query/Suggestion	Comments/Recommendations
120.	**Para 9.7 Request for Proposals (RFP)** Sub-paras 9.7.15 and 9.7.24 **Amendment to Para 9.7.15 and 9.7.24 (Risk and Expense Clause)** Sub-paras 9.7.15 and 9.7.24 may be amended so that the Risk and Expense Clause is excluded and not made applicable to foreign vendors, since it is not practical to execute Risk and Expense purchase in the case of foreign procurements.	There does not appear to be enough justification to altogether dispense with the use of 'Risk and Expense clause' in all foreign contracts. At present, it is permitted for use in exceptional circumstances. Adequate caution in this regard has already been provided in Sub-para 9.7.24 of DPM 2009 which states as follows. "In case of foreign contracts, risk and expense clause is generally not applicable, though there could be some exceptions. If, in exceptional circumstances, it is decided to include this clause in the RFP, provisions of para 7.14 of this Manual may be kept in view". Further, keeping in mind the difficulties faced in invoking the Risk & Expense clause in foreign contracts, Sub-paras 7.14.3 and 9.7.15 also enumerate other remedies available to the purchaser in the absence of this clause.

Chapter 10 Standard Conditions of Contract - Foreign Procurement		
Ser No	**Query/Suggestion**	**Comments/Recommendations**
121.	**Para 10.3 Terms of Payment** Sub-para 10.3.1 **Payment by LCs/Direct Bank Transfer** The Para provides that payment against a contract the value of which does not exceed USD one hundred thousand should be made by Direct Bank Transfer mode. A large number of foreign vendors insist on payment by way of LC. Accordingly, payment by way of DBT should not be shown as mandatory in case of import of DPM.	It is being provided in the DPM that payments upto USD one hundred thousand 'should preferably' be made by DBT. This change will allow necessary flexibility to cover those few cases where the foreign vendor insists on payment through LC only. Serial 43 of Section-2 refers.

Chapter 11 Repair Contracts with Foreign and Indigenous Firms		
Ser No	**Query/Suggestion**	**Comments/Recommendations**
122.	**Linkage of Chapter 11 with Chapter 14** Repair contracts with Foreign and Indigenous firms are generally formulated and processed in the same way as contracts for procurement of stores. It is submitted that a new Chapter for offloading the repairs and refit has been introduced in DPM 2009 at Chapter 14 and the RFP format has also been given (Appendix 'G', page 289) It is proposed that Chapter 11 be linked with Chapter 14 for undertaking repairs of equipment of Indian or foreign origin, being more relevant.	The suggestion has been noted. These Chapters can be linked together when DPM 2009 is reviewed next time.

Chapter 12
Banking Instruments

Ser No	Query/Suggestion	Comments/Recommendations
123.	**Para 12.1 General** Sub-para 12.1.2 **Banking Instruments in International Trade**. The Uniform Customs and Practices for Documentary Credit (UCP) are a set of internationally recognized Definitions & rules for interpretation of documentary credits issued by the International Chamber of Commerce, Paris. ICC Publication No 600 has been in operation from Jan 2007. The publication covers all aspects of international trade payments against documentary proofs e.g. Letters of Credit, advance/performance bank guarantees etc. The same may be mentioned in DPM.	A reference is being included in Sub-para 12.1.2. of the UCP 600 issued by the ICC which are the internationally recognized set of rules being followed in international trade payment, as mentioned in the previous column. Serial 44 of Section-2 refers.
124.	**Para 12.2 Letter Of Credit (LC) and the reasons for using them** Sub-para 12.2.1 **Opening of Letters of Credit**. 'Syndicate Bank' may be added to the names of Public Sector Banks specified in Para 12.2.1 of DPM through whom LCs can be opened at present.	In Para 12.2.1 **'Syndicate Bank'** is being **added** to the list of Public Sector Banks through whom LC can be presently opened**.** Serial 45 of Section-2 refers.
125.	**12.3 Forms of Letter of Credit** Sub-paras 12.3.1 &12.3.2 **Forms of Letters of Credit (LsC)** The Sub-para enumerates the basic forms of LC, which includes 'revocable letter of credit'. The SBI officials clarified during the training program held in Feb 2010 that the rules incorporated in UCP 600 issued by the RBI do not provide for 'Revocable letter of Credit' and that all letters of credit are irrevocable, even if there is no indication to that effect (Article 3 of UCPDC 600).	Sub-para 12.3.2 which relates to 'revocable letter of credit' is being amended and the following line is being substituted in place of the existing last line of this Sub-para: **"The UCPDC 600 prescribes that all letters of credit are irrevocable, even if there is no indication to that effect."** Serial 46 of Section-2 refers. Authority: Reference Handbook on 'Import Related Issues' for MoD compiled by SBI, Main Branch, New Delhi

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126.	**Para 12.3 Forms of Letter of Credit** Sub-para 12.3.6 **Divisible and non – divisible LCs**. It was clarified by the SBI officials that a divisible LC can be opened when the goods are expected to arrive in lots and partial payments are to be given for each consignment.	It is now being **added in Sub-para 12.3.6** that **divisible Letters of Credit can be opened when more than one beneficiary is allowed or the goods are expected to arrive in lots and partial payments are to be made for each consignment**. Serial 47 of Section-2 refers.
127.	**Para 12.10 Performance Bank Guarantee (PBG)** **Verification / Acceptance of Bank Guarantees.** A number of instances have come to the notice of CVC where forged/ fake bank guarantees have been submitted by the contractors / suppliers and organizations concerned have made no effective attempt to verify their authenticity at the time of submission. The Canara Bank has issued elaborate guidelines on the subject which would be helpful to organizations in eliminating the possibility of accepting forged guarantees. All organizations should evolve the procedure for acceptance of BGs which are compatible with the RBI guidelines. Certain steps to be ensured immediately are spelt out by the CVC.	The suggestions contained in CVC OM NO.01/01/08 dated 31 Dec 2008, circulated vide DG Acq ID Note No. PC to F.4 (500)/ D(Acq)/08 dated 25/06/2009 recommending the immediate steps to be taken to ensure the genuineness / authenticity of bank guarantees when submitted by the contractors / suppliers, are being included as a new Sub-para after Sub-para12.10.2 Serial 48 of Section-2 refers.
128.	**Para 12.12 Confirmation of various types of Guarantees** Sub-para 12.12.1 **Performance Bank Guarantee from Foreign Vendors.** A case for processing of DBT payment was returned by the PCDA for meeting the requirement of confirmation of a bank guarantee submitted by the foreign vendors. On receipt of the bank guarantee, the advice of the SBI, Parliament Street was taken and it was intimated that the financials of the foreign bank were found satisfactory and the guarantee is acceptable by them. As per Para 4 of Form DPM-14, in case the BG is from a bank of international repute and the country rating is satisfactory, SBI will advise	The confirmation of a bank guarantee, furnished by a foreign vendor, is advised by SBI only if the bank guarantee is not from a bank of international repute and / or the SBI advises so, for other valid reasons, that a confirmation from a local bank is required. The guidelines in this regard are given in Form DPM-14 at Para 4 (Pg 374). This is also in conformity with provisions of Sub-Para 12.12.1 of Chapter 12.

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	MoD to accept the BG without the need for confirmation of the BG by an Indian bank. However, the format of RFP at Part IV , Para 1 (b), page 184 provides for confirmation of the bank guarantee by a Public Sector Bank or Private Sector Bank and does not mention that such confirmation is not necessary in case of bank of international repute with satisfactory country rating as advised by the SBI, Foreign Exchange Division.	The position is also confirmed in the Reference Handbook prepared by the SBI, Main Branch, New Delhi for the Officers & Staff of MoD, which states that "Guarantees should be of an international bank of repute/or confirmed by reputed Indian bank". Accordingly, the first sentence in Para 1(b), Part IV of the draft RFP format at Appendices 'C'(Pg 184) 'D' (Pg 225) and 'E' (Pg 262) are being recast to state that the **"seller will be required to furnish a performance guarantee by way of a Bank Guarantee from the Seller's Bank through a bank of international repute (as per advise received from SBI) or to be confirmed by an Indian public sector bank or a private sector bank duly authorized by RBI to undertake government transactions ……."** Serial 63 of Section-2 refers.

Chapter 13 Evaluation of Quotations and Price Reasonability		
Ser No	**Query/Suggestion**	**Comments/Recommendations**
129.	**Para 13.3 Evaluation of Quote** Sub-para 13.3.2 **Comparison of Bids of Foreign & Indigenous Vendors**. In a competition among foreign and indigenous suppliers, the basic cost quoted by the foreign supplier should be the basis for comparison with the basic cost offered by the indigenous supplier after offloading excise duty, central sales tax/Vat and other local taxes and levies in case of the latter. The word supplier should be amended as 'manufacturer' since ED is applicable in case of manufacture only. Indian suppliers are taking undue advantage of getting their Sales tax/vat off loaded. Since all taxes and duties are to be taken into account even those where exemption certificates are to be issued.	The intention here is that while comparing indigenous and foreign bids the elements of excise duty, CST/VAT etc. as applicable to indigenous vendors would be off-loaded while comparing the bids. The word 'supplier' used in the clause is a broad term and, *inter alia,* includes manufacturers of goods.
130.	**Para 13.3 Evaluation of Quote** Sub-paras 5.7.1 and 13.3.2 **Clarification on Sub-paras 5.7.1 and 13.3.2 (c) (All inclusive Cost Versus the Basic Cost after Offloading of Taxes**). There is an ambiguity between the provisions of Sub-paras 5.7.1 and 13.3.2 relating to computation of all inclusive cost and the basic cost after offloading of taxes which needs clarification.	Sub--para 5.7.1 clarifies the price comparison methodology applicable when competition is among the indigenous vendors. The provision in Sub-Para 13.3.2 (c) is specifically applicable only when cost comparison is being done between indigenous and foreign suppliers in order to provide a level playing field to both. Loading of local/state taxes and duties on the basic price in case of indigenous vendor would provide an edge to the foreign vendors. The basic cost taken in case of the foreign supplier is the all inclusive CIF cost quoted by the vendor which is compared with the basic cost after offloading of local taxes/duties of the indigenous firms.

Ser No	Query/Suggestion	Comments/Recommendations
131.	**Para 13.3 Evaluation of Quote** Sub-para 13.3.6 **Requirement of CNC in procurements from PSUs at approved rates** In the situation where procurement of stores from PSUs are at the approved FPQ/price list/ Norms, whether there is any necessity for establishing a CNC for negotiation.	PNC/CNC is set up for comparison of quotes in case of competitive tendering. CNC will be held. However, there would be no necessity of establishing a CNC for negotiation with PSUs in cases where the purchases are at the FPQ/price list/ norms approved by MoD/DDP&S.
132.	**Para 13.3 Evaluation of Quote** Sub-para 13.3.6 **Negotiations and Benchmarking**. The second last line in Sub-para 13.3.6 needs to be reworded to provide greater clarity.	The second last line of Sub-para 13.3.6 is being recast as follows - "**In case negotiations with the L1 bidder are considered necessary, these may be undertaken by the TPC/PNC/CNC with the approval of the CFA and integrated finance.**" Serial 49 of Section-2 refers.
133.	**Para 13.3 Evaluation of Quote** Sub-para 13.3.6 **Negotiation in STE/PAC cases** On occasions the STE/PAC firms refuse to come for negotiations saying the price quoted by them have no scope for reduction. What should be done in such cases in case negotiations are considered mandatory in such cases?	A decision should be taken keeping in mind the urgency of the requirement and the reasonableness of the quoted price.
134.	**Para 13.3 Evaluation of Quote** Sub-para 13.3.7 **Bench Marking.** It needs to be clarified whether the Bench mark price indicates the maximum reasonable price that would be considered as acceptable or the range (+/- 5% or 10%) within which the quoted price would be considered as acceptable.	The Benchmark price is an estimated price and is not to be taken as a rigid cut-off price while deciding the reasonableness of the quoted price. It will be used as a basis /yardstick for comparison with the quoted price. No percentage deviation from the benchmark price can be prescribed as a thumb-rule and the decision would have to be taken by the CNC on a case-to-case basis for justifiable reasons, depending on the accuracy with which the benchmark price could be assessed, nature of the item, volatility of prices and the urgency for meeting the requirement". The clarification is issued vide Serial 50 of Section-2 refers.

Ser No	Query/Suggestion	Comments/Recommendations
135.	**Para 13.3 Evaluation of Quote** Sub-para 13.3.6 **Negotiation in STE/PAC cases** (a) Is it mandatory to conduct negotiations in STE/PAC cases? The opening words of Sub-para 4.13.3 of DPM 09 state "it is not mandatory to hold commercial negotiations in each case, particularly in open and limited tender cases" suggests that negotiations are not mandatory in STE/PAC cases also, if the price is found to be close to benchmarked price determined prior to opening of commercial bid. In fact this position was specifically mentioned in Sub-para 13.5.1 of DPM 2006. However, Sub-para 4.13.3 of DPM 09 also mentions "Commercial negotiations are invariably conducted in case of single tender situations including PAC cases" which shows the mandatory nature of negotiations in STE/ PAC cases. The correct position needs to be clarified. (b) It is not clear whether Working out estimated reasonable rate/ benchmark is mandatory in all cases of STE/PAC/ LTE/ OTE c) If yes, whether benchmarking of price should be done before opening of commercial offers or whether it can be done even after opening of commercial offer and before scheduled negotiations take place? The phrase 'before scheduled negotiations' in Sub-Para 13.5.1 of DPM 2009 could also mean 'after opening of commercial quotes but before actual negotiations' take place. In fact the sentence in para 4.13.3 "*if such an assessment had been carried out prior to opening of the commercial bids*" suggests that benchmarking of price before opening of commercial offers is not mandatory.	(a) Negotiations should be conducted in STE/PAC cases and also in LTE/ negotiated tenders when the sources of supply are limited or when the price quoted is considered high with reference to the assessed reasonable price. (b) It is necessary to work out the estimated reasonable rate in all cases irrespective of the nature of tendering. Reasonable price /benchmark price can be assessed at any time including the stage when the CFA approval is taken but, in any case, prior to the opening of the commercial bids to ensure complete objectivity and fairness (c) **Benchmarking of price should be done before opening of the commercial bids and prior to negotiations since the decision to negotiate or not itself depends upon such an assessment.** Detailed guidelines for determining reasonableness of price are contained in Chapter 13 of DPM 2009. There is no provision for exemption from benchmarking. Data should be collected from trade journals/ internet / technical literature / industry sources on products performing similar functions or using similar components / materials /technology etc. to arrive at an assessed reasonable price.

Ser No	Query/Suggestion	Comments/Recommendations
	(d) In certain cases benchmarking of price may not even be feasible (as was noticed in certain cases of Navy). as the product being acquired is being procured for the first time (Not stocked before), or LPP is not available or certain spare parts are constituent part of a larger assembly or equipment system etc and it is not even possible to determine the POEV. Can the benchmarking be exempted in such cases?	(d) There is no exemption from benchmarking/ assessment of reasonable price.
136.	**Para 13.3 Evaluation of Quote** Sub-para 13.3.7 **Estimation of reasonable rate / bench marking in STE/PAC/LTE/OTE.** It is not clear whether working out the estimated reasonable rate or benchmark is mandatory in all cases of STE/PAC/ LTE /OTE. If yes, then should benchmarking of price be done before opening of commercial offers or it can be done even after opening of commercial offers and before scheduled negotiations take place? The phrase 'before scheduled negotiations' in Sub-para 13.5.1 of DPM could also mean 'after opening of commercial quotes but before actual negotiations' take place. In fact the sentence in Sub-para 4.13.3 "if such an assessment had been carried out prior to opening of commercial bids' suggests that benchmarking of price before opening of commercial offers is not mandatory. Many a time CNCs take and confirm the POEV price as the benchmark price without going into the determination of reasonable price all over again. In fact now with the format of statement of case (SOC) prescribed at Appx 'B' specifically laying down factors to analyse the reasonableness of cost, should the benchmarking be done immediately before or after the opening of commercial offers?	Reasonable rate/benchmark of price needs to be worked out prior to opening of the commercial bids in all types of tendering, **but mandatorily in LTE where there is restricted competition and in STE & PAC cases,** in order to ensure reasonableness of quoted rates. Sub-para 4.13.3 of DPM 2009 refers in this connection. Detailed guidelines for determining reasonableness of price are contained in **Chapter 13** of DPM 2009. **Benchmarking / assessment of reasonable price ought to be done prior to opening of the commercial bids to ensure complete objectivity and transparency of this process**. Further, the benchmark price is an approximation and should not be treated as a rigid cut-off price. Quotations which are close to the benchmark. price, i.e slightly more or less would be treated as reasonable.

Ser No	Query/Suggestion	Comments/Recommendations
137.	**Para 13.6 Adoption of Discounted Cash Flow Technique (DCF)** Sub-para 13.6.2 & 13.6.6 **Net Present Value Analysis.** The Net Present Value (NPV) is a variant of the Discounted Cash Flow (DCF) method, which is to be used for evaluation of tenders. As per para 13.6.6 DCF can be used to facilitate determination of L_1. Depending on the Cash outgo spread over a number of years, L1 can be determined based on NPV. Can the same criteria be applied for determination of CFA?	The CFA has to be determined with reference to the total anticipated value of the contract (expected cash outgo during various FYs). **NPV method is not prescribed for determination of CFA, but for comparative financial evaluation of bids involving future cash flows in long term contracts**.
138.	**Para 13.13 Evaluation of Quote: Price comparison in CAMC cases** Sub-para 13.13.1 Since equipment other than medical equipment are having provision of 5 years CAMC, it is not clear whether in those cases also the CAMC charges have to be taken for determining the L-1 or not.	CAMC charges will be loaded on to the price for determining L-1 if so intended and previously stipulated in the evaluation criteria given in the RFP for the procurement. Para 2 of the Price Bid format given at Part V of RFP provides for submission of the details.
139.	**General Point** **Amount of Escalation.** How much escalation can be considered per annum when LPP is available for the last three years for arriving at benchmarking.	Escalation factor will differ from item to item and depend on various published price indices of materials/labour/commodities etc. No fixed ceiling can be stipulated in this regard.

Chapter 14

Offloading of Partial/ Complete Refits/Repairs of Ships/ Submarines/Crafts/ Assets to Indian PSU/Private Shipyards/Trade

Ser No	Query/Suggestion	Comments/Recommendations
140.	**Applicability of Chapter 14 - Offloading of Partial / Complete Refits/ Repairs of Ships / Submarines /Crafts / Assets to Indian PSUs /Private Shipyards/ Trade** It is for consideration that Chapter 14 was intended and is applicable only for Indian PSUs / Private Shipyards/ Trade. The same is explicitly reflected in the title of Chapter 14 itself. Whilst the comments indicated seem to suggest the same, in a recent case of offloading a submarine to a foreign shipyard, MoD (Fin) had not agreed to provisions of Chapter 11 and insisted that the RFP and SCOC be drafted based on provisions of Chapter 14. However, if offloading of refits/ repairs of Ships / submarines to foreign shipyards is to be as per Chapter 11, then this Chapter has to be suitably modified to cater to refits/ repairs of ships/ submarines owing to peculiarities enunciated in preamble of Chapter 14.	The provisions of this Chapter are applicable **only in case of Offloading of Refits /Repairs to Indigenous Shipyards as is clear from the title of the Chapter.** As regards Repairs from foreign shipyards a specific procedure is yet to be evolved and the provisions of Chapter 11 would apply till a separate procedure is put in place which takes into account the peculiarities involved in repairs/refits by foreign shipyards. Action recommended Naval HQ should formulate the draft procedure applicable in case of repairs/refits offloaded to foreign shipyards, which would be considered by the MoD Finance/ Empowered Committee for inclusion in the DPM. **A clarification to this effect is being given in Chapter 14**. Serial 53 of Section-2 refers.
141.	**Para 14.4 Offloading of Partial / Complete Refits/ Repairs of Ships / Submarines** Sub-paras 14.4.5 & 14.4.6 **Vetting of RFP by Integrated Finance in Cases included in Approved Offloading Plan for Repairs/ Refits**. It appears from a reading of Para 14.4 of DPM 09 relating to Offloading of complete Repairs/Refits of ships/ submarines that once the consolidated AON for all the cases in the Offloading Plan has been accorded by the Competent CFA, in consultation with the respective IFA, in terms of Sub-para 14.4.1 to 14.4.5, the RFP for the individual firmed up work packages would be issued, as and when due, by CFA or the respective service repair agency	It is clarified that there is no dispensation from vetting of the individual draft RFP by the IFA, prior to according of approval by CFA in respect of each case which is sanctioned under the delegated financial powers of the appropriate CFA, exercisable with financial concurrence. The AON is only an in-principle acceptance of the need for the work package/services and contains only the indicative costs and standard terms and conditions. Both are bound to vary, along with the scope of work, when the individual work package is firmed up, entailing financial implications. Accordingly, it is being explicitly

Ser No	Query/Suggestion	Comments/Recommendations
	authorized by the CFA without the need to get it vetted by the IFA .Only in case of any deviation from the standard RFP or upward revision of estimated cost, the case would be referred for vetting of draft RFP and CFA approval where required as per delegated powers.	clarified in Sub-para 14.4.6 that the draft RFP finalised for the individual items included in the offloading plan, should be vetted by the integrated finance in those cases where financial powers are to be exercised with their concurrence, prior to seeking CFA's approval. Serial 51 of Section-2 refers.
142.	**General Point** **Applicability of Chapter 14**. Is the Chapter on Ship Repair/Refits applicable to Foreign Vendors also . If not, then what would be the procedure for offloading repairs and refits of ships/ submarines/craft to foreign vendors. to foreign vendors.	Chapter 14 has been drafted presently for Offloading of Repairs/Refits to Indian PSUs/ Private Shipyards/Trade. In case of repairs/ refits off-loaded to foreign vendors the extant Government instructions should be followed. The provisions of Chapter 11, which deals with repair contracts with foreign and Indian firms would apply till a special chapter on Repair/Refits through Foreign Shipyards is drafted.
143.	**Paras 14.7, 14.10 and Appx 'G'** **'Growth of Work' and Criterion for Determination of L-1.** (a) The DPM prescribes different criteria for determination of L-1 while evaluating the bids received in repairs/refits proposals. In the case of the Navy, the cost of refit, services and the budgetary cost of spares is to be taken into account for determining L-1 [Para 14.10 (a)refers]. In case of Coast Guard, since mandatory spares are not a part of the Refit Package, the cost of Refit inclusive of services is considered for cost comparison [Para 14.10 (b) refers]. Is there a move to rationalize and put common criteria in place for both the Services. (b) Subsequently, DGICG requested the Empowered Committee on DPM to review the decision to adoption of the same criteria as being followed by the Navy, in view of the distinctive requirements of the Coast Guard vis-à-vis the Navy. It was clarified that Naval Ships largely rely on Naval Dockyards whilst ICG has to rely to a large extent on the small-scale private refitting yards since they have no infrastructure of their own.	(a) The issue regarding evolving common criteria for the Navy and the Indian Coast Guard (ICG) was examined in the Ministry of Defence by a Committee set up under JS & Addl FA (R). The Committee examined the provisions for 'growth of work' in repair/refit contracts and criterion for determination of L1 laid down in Para 14.7 and 14.10 of DPM 2009 and worked out a uniform procedure applicable to both the Navy and the Coast Guards. The Committee recommended that the Coast Guard follow the same procedure as being followed by the Navy, which was considered as more streamlined and in consonance with the extant GFR 2005. With the approval of the RM, the implementation of the revised procedure was to be effective from 01 Apr 2010 and the DPM to be amended accordingly. (b) Based on the submission made by DGICG the Empowered Committee recommended that the case be submitted to the MoD for a review and the proposed amendment to DPM would be held in abeyance.

Ser No	Query/Suggestion	Comments/Recommendations
	The public sector yards are pre-occupied and largely engaged in construction related activities and not in ship repair. On the other hand, the private shipyards registered with Coast Guard have conveyed their inability to accept the turnkey responsibility of the refits, in view of their limited resources, and are not ready to take on responsibility for supply of spares which have a long lead time, as the same is not financially viable for them.	**Note**: It has since been decided with the approval of the RM that status quo will be maintained as regards the distinctive procedures being presently followed by the Navy and the Coast Guard, in terms of the provisions of Chapter 14 of DPM 2009. Necessary modification is being made in Sub-para 14.7.1 of Chapter 14 to reflect this aspect. Serial 52 of Section-2 refers.
144.	**Appendices 'G' & 'H': Pre-Contract Integrity Pact in Repair/ Refit Cases.** (a) There is a need to include the pre integrity pact clause in Appendix 'H' of DPM 2009 read along with Para 3 (c) Encl III of Appendix "G' as a Standard Condition of Contract in Repair /Refit contracts. (b) There is also a need to consider providing for a different type of pre-integrity pact for STE cases. Analysis of integrity pacts the world over and studies by Transparency International suggest that integrity pacts are relevant in OTE/ LTE cases. The text of the integrity pact in DPP as well as DPM specifically refers to 'bidders'. (c) In order to make integrity pact applicable to STE, certain changes need to be made in the text of the clause since, by implication of Rule 157 of GFR 2005, there is no EMD in STE situation. Thus, the format of integrity pact requiring EMD for five years in the context of STE is redundant. Even if a separate security deposit is indicated in the integrity pact instead of EMD, it serves no purpose other than increase the cost of procurement. As such, it is proposed that in STE cases the text related to EMD in integrity pact may be substituted by the PBG.	(a) The pre-integrity clause is being included in Appendix 'H' [as per Part III, Appendix 'C'] as an additional Article in the Standard Terms and Conditions for repair /refit cases exceeding ₹ 100 crores. Serial 70 of Section-2 refers. (b) Pre Integrity Pact is applicable in STE cases also where the value of the tender is more than ₹ 100 Crs. This is based on the fact that STE is resorted to meet urgent/emergent requirements by calling for a quotation from a single firm in a multi vendor situation. Thus, it has the potential for misuse, since competitive bidding is cut out on grounds of urgency or operational/ technical necessity. Such pacts have been signed in several cases of the Navy in the recent past and requisite amount of Security deposit/PBG taken. (c) The text of DPM already provides for utilising EMD / Security Deposit (Performance Security) towards Pre-Contract Integrity Pact. The latter of the two options can be taken in STE cases.

Chapter 15
Design, Development and Fabrication Contracts

145.	**Para 15.1 Introduction** Sub-para 15.1.2 **Decision for Indigenous Development.** The Chapter only speaks about design and development orders to be placed on the Industry/OFB/Defence PSUs etc. but **does not mention design and development orders to be placed on in-service agencies under the MoD / Services** e.g. DRDO, WESEE, Army Base Workshops, BRDs etc. who also undertake design/ development/ research projects. What procedure needs to be followed in such cases?	The procedure in such cases will be similar to that prescribed for processing of orders with the OFB. In such cases a direct work order/indent will be placed on the development agency /workshop which has been identified for the stated purpose, with the approval of the CFA empowered in this regard. The order will not be processed as an STE/PAC case and the normal OTE/LTE powers will be utilised for placing the order. The terms and conditions and modality of payment, if any, can be worked out between the indentor and the concerned development agency/government department in consultation with the CGDA. The clarification is at Serial 54 of Section-2.
146.	**Para 15.2 Principles and Policy** Sub-para 15.2.2 **Processing of Development Orders.** It is suggested that in Sub-para 15.2.2 in clause (b) **"Generation of paper particulars/ drawings"** the following may be added – **"as per available stock sample"**	The addition of the suggested phrase to the existing text **is accepted for inclusion**. Serial 55 of Section-2 refers.
147.	**Para 15.3 Paper Particulars and Design Aspects** **New Provision**. The **following new provision may be added** in this para - "15.3.3. In case the material specifications are not clear, the Professional/Technical Directorate may be approached to provide equivalent material specifications or lab testing got done at NABL Accredited /Government Approved Laboratories. Further, in case of non-availability of requisite paper particulars required during RFP stage, the task of generation thereof may be outsourced on competitive basis with the approval of the CFA as per delegation of financial powers."	The new Sub-para, as suggested, is being included in this Chapter in order to facilitate design and development effort. Serial 56 of Section-2 refers.

Ser No	Query/Suggestion	Comments/Recommendations
148.	**Para 15.10 Development of Second / New Sources** Sub-para 15.10.3 **Items Developed by Defence PSUs/OFB.** (a) Sub-para 15.10.3 states that the cases in which DPSUs have developed an item for DoD or have taken ToT would be treated at par with proprietary firms. In such cases the item will have to be purchased under delegated financial powers for PAC procurements which are much lower than the financial powers for procurement under OTE. However, para 2.4.8(c) states that such procurements will not be treated as STE/ PAC procurements. This needs to be rationalized/clarified? Further, will the delegated financial powers of CFAs for PAC purchases be exercised for such procurement. (b) What mechanism would ensure that the item has been developed/ manufactured for Defence services only? (c) Will other Govt. undertakings be treated at par with Def PSUs as DPM 2009 is silent on procurement from other Govt. undertakings	(a) The provision at Sub-para 2.4.8 is in terms of a conscious decision taken to ensure maximum capacity utilization of Defence PSUs /OFs, which have been set up primarily to meet the requirements of the Defence Services. As such, **Sub-para 15.10.3 is being amended in consonance with Para 2.4.8 by providing that procurements from Defence PSUs would be processed as per powers for normal (OTE/LTE) purchases** (and not for PAC purchases). No PAC Certificate would be required. Serial 57 of Section-2 refers. (b) **A certificate to the effect that the item has been developed by the Defence PSU specifically at the request of a Defence Service / Department or to meet the requirements of the Defence Forces would be required from the Purchase Department** in the Statement of Case submitted for CFA approval. **An endorsement in this regard would also be made in the sanction letter**. **This aspect is being added at Serial 58 in Section-2 of the Supplement.** (c) Certain dispensations have been given in DPM only for Defence PSUs and OFs which would not apply to other Government Undertakings, unless specifically indicated. **Note:** This point is also clarified at serial 15 of this Section.
149.	**Para 15.12 Post Contract Management** Sub-para15.12.2 **Responsibility for Technical Matters.** The responsibility in technical matters relating to development rests with the Head of the Service/ Establishment / Directorate of Indigenisation/ Laboratory/ Workshop / Depot / Institution concerned. It is suggested that in this Sub-para the words 'Directorate of Indigenisation' may be deleted and replaced by 'Professional and Technical Directorates'.	The words 'Directorate of Indigenisation' are not to be deleted as certain Technical Directorates in SHQs have been designated as such. The suggestion is being accepted to the extent of inclusion of 'Professional or Technical Directorate' as an optional authority on whom the responsibility for technical matters relating to development may devolve. The amendment is at Serial 59 of Section-2.

APPENDICES/ FORMS /GENERAL ISSUES

APPENDICES & FORMS		
Ser No	**Query/Suggestion**	**Comments/Recommendations**
150.	**APPENDIX 'C', REQUEST FOR PROPOSAL FORMAT** In the first line of RFP Format on Page 168, the words "Part III" need to be replaced by "Part II"	The typographical error in Line I is being corrected accordingly. Serial 60 of Section-2 refers.
151.	**Appendix 'C', 'D' & 'E': Part IV Special Conditions of Contract** **Usage of word 'Xerox'.** M/s Modi Xerox Ltd. have represented that the term 'xerox' is their trade mark. Thus usage of this term amounts to infringement of their rights. As such, they have asked for its deletion from all manuals /guidelines issued by MoD.	The term has been used in DPM 2009 at some places in the Draft RFP format given in Part IV -Special Conditions of Contract, as a synonym for the word 'photocopy'**. This term, wherever it occurs in DPM 2009** (Pages 185 to 265), is being **replaced by the term 'photocopy'.** Amendment at Serial 64 of Section-2 refers.
152.	**Part IV of Appendix 'C' Para 11(4)** **Risk and Expense Purchase Clause**. The principle of Risk and Expense purchase is explained in Para 7.14 of Chapter 7 which brings out that: *"Whenever risk purchase is resorted to, the supplier is liable to pay the additional amount spent by the Government, if any, in procuring the said contracted goods/ services through a fresh contract, i.e. the defaulting supplier has to bear the excess cost incurred as compared with the amount contracted with him."* The text of Para 11(4) under Part IV of Appx 'C' seems to indicate that such recoveries shall not exceed ----% of the value of the contract". This may be amended to read "Entire excess amount spent towards such procurement will be recovered."	The wording of Para 11 (4) of Part IV of Appendix 'C' (Pg 191) of DPM 2009 appears to have caused some doubt. It is, therefore, being re-framed to provide explicitly that the defaulting firm will be liable to bear the entire excess cost incurred, whether by way of purchase or manufacture or procurement through any alternative source of the same or similar stores / balance of stores not delivered / remaining to be delivered under the contract. Amendment at Serial 68 of Section-2 refers.

Ser No	Query/Suggestion	Comments/Recommendations
153.	**Appendix C, Part IV (Pg 188-189)** **Appendix D, Part IV (Pg 229- 230)** **Appendix E, Part IV (Pg 266)** **Para 9. Fall Clause.** The text of Sub-paras (a), (b) and (c) of the "Fall Clause" given under Para 9 of the Special Conditions of RFP/Supply Order/Contract needs to be re- worded to provide better applicability / clarity.	Necessary amendments are being carried out in the text of relevant Sub-paras of Para 9 - Fall Clause contained in Part IV of the quoted Appendices. Amendments at Serials 65 and 66 of Section-2 refer.
154.	**Part IV of Appendix 'C' Para 19(a)** **Amendment to Para 19 (a) of Part IV of Appx 'C' (CIF / CIP terms of Transportation).** The existing clause on '**Transportation**' mandates that goods / stores be shipped by Indian vessels only. It was proposed that the clause be amended to read "Goods should be shipped preferably by Indian Vessels. However, where delay is not acceptable or on routes where Indian vessels do not ply, the goods could be shipped either by Land/Sea/ Air". In the Sub Committee discussions, it emerged that insistence on Indian vessels for items of general nature could delay receipt / transportation as the former do not ply on all conceivable routes around the globe. Since timely transportation is of the essence of a contract, seeking clearance from "Min of Shipping" in case of CIF/CIP terms, where transportation is the responsibility of the supplier may not be insisted upon. Thus the provision needs to be modified.	The MoF manual clarifies that since in CIF Contracts the responsibility for making shipping arrangements is that of the foreign supplier a stipulation only needs to be put for shipping of goods by Indian flag vessels/Conference Lines Vessels and no further restrictions be placed. Accordingly in the RFP, Supply Order & Contract Formats given in Appendices 'C', 'D' and 'E' respectively existing Para 19 a. CIF/CIP is being amended to provide that "**stores/goods should preferably be shipped by Indian flag vessels or by vessels belonging to the Conference Lines in which India is a member country. However, if an Indian flag vessel or vessels of the Conference Lines are scheduled to arrive at the specified port of loading later than 15 days of readiness of goods for shipment or in case the port is on a route where Indian vessels /Conference Lines vessels do not ply, the seller may arrange for shipment of the cargo by an alternative carrier with the prior written permission of the buyer."** Serial 67 of Section-2 refers.

Ser No	Query/Suggestion	Comments/Recommendations
155.	**Form DPM-12 'Letter of Credit Format'** There are a number of typographical errors/ ambiguities in the format of LC under the serial titled as – "Documents Required (46A):"	The errors/omissions are being corrected / amplified to provide greater clarity on the documents required to be submitted along with the invoice for LC payments. Serial 72 of Section-2 refers.
156.	**Appendix 'A', Form DPM- 24** **Review of TEC Format**. The main objective of the TEC is to prepare the matrix highlighting the technical parameters of the bids, duly compared with the parameters mentioned in the tender document/RFP. The offers which conform to the essential parameters should be technically acceptable. The TEC format at Form DPM-24 needs further elaboration and should provide for both tangible and intangible parameters, where required, as per the RFP.	The suggestion to have a detailed matrix for the TEC, highlighting the essential technical parameters required (both tangible and intangible) as per RFP and those complied by the bidders, has been accepted and it is being provided that the same would form a part of the tender documents issued to the vendors. The modified 'TEC Format' is being enclosed at Annexure III to Section-2 of the Supplement to replace existing 'Form DPM–24'. Serial 73 of Section-2 refers.
157.	**Appendix 'C' & 'G'** **Format of RFP for Repairs**. The format promulgated vide Appendices 'C' and 'G' do not cover routine repairs / maintenance under 'Minor Works' undertaken during ops cycle. It is recommended that the existing system (LTE/ STE) be continued and the requirement of RFP in such cases be waived off.	The DPM provisions do not specifically cater for routine repair/maintenance works done through outsourcing, for which the general procedure as prescribed in the applicable Works Manuals can be followed. A simplified RFP can be issued in such cases, giving the essential details.

GENERAL ISSUES

Ser No	Query/Suggestion	Comments/Recommendations
158.	**General Point** **Capital Procurement**: The cost - life criteria as defined in MoD (Fin) ID No. 11/4/87/B.1 dated 11.03.03 and No. 11/9/B-I dated 4.12.03 for determining whether an item is capital or revenue in nature is only applicable in the case of procurement of goods. What cost criteria will be adopted for procurement of services to fall under capital procurement?	No cost criteria is prescribed for procurement of services, which are generally catered from the Revenue budget. However, in the case of turnkey projects/schemes involving both stores/ equipment and works services components, e.g. Modernisation of Army Base Workshops, the total value of the goods and services within the scope of the project will be taken into account for determining whether it is a Capital Project or Revenue Project. In such cases the first requirement would be to assess whether the expenditure is leading to the creation of tangible assets of a permanent nature. Once this has been established, the total cost of the project will be taken into account for determining whether the project/scheme will be classified as capital or revenue based on the cost/life criteria laid down by MoD.
159.	**General Point** **Cases falling within Powers of Higher CFA.** After opening of the technical bids and price bids of the qualified vendors, if it is revealed that the case is to be submitted to the next higher CFA, located away from the originator of the indent, the local IFA should provide concurrence after due verification. Once the local IFA of the originator of the indent has concurred, the case should be directly put up to next higher CFA for his approval rather than circulating the case once again to another IFA of the higher CFA.	The higher CFA must accord approval only with the concurrence of his/her IFA and not that of the local/ lower IFA of the originator of the indent. In fact, the concurrence of the local IFA of originator is not required in such cases. A clarification in this regard has already been issued by the CGDA's Office.

Ser No	Query/Suggestion	Comments/Recommendations
160.	**General Point** **Need to Replace the Word 'Concurrence' by the Word 'Consultation'.** The DPM 2009 has frequently used the word "concurrence" of IFA/Integrated finance whereas MoD letters dealing with delegated financial powers clearly lay the mandate of the IFA as "consultation" and not concurrence. Hence, it is necessary that suitable amendment is carried out in the DPM 2009 to replace the word 'concurrence' with the word 'consultation'.	The two terms have been used largely synonymously in the DPM. In those cases where only vetting of certain documents (RFP, Terms and conditions of Contract, checking of procedural aspects to see if norms of financial propriety are being followed etc.) is intended, the term 'consultation' can be used but whenever a sanction is required for a specific commitment to incur expenditure from public funds, the term 'concurrence' expresses the formal agreement of the integrated finance to do so, after checking propriety of the expenditure on all counts, as mentioned in the FRs. **Chapter III, Rule 55 of FRs (DSR) Part I, Vol I clearly stipulates** that every sanction for fresh expenditure and every order having a financial bearing, whether issued by MoD or the Service HQrs/ISOs etc., **shall receive the concurrence of the FA DS** or an officer having the power to act for him, unless otherwise provided in the Regulations. In any case, no tangible change will result from usage of the term 'consultation' instead of 'concurrence', particularly in relation to processing and issue of sanction letters under the delegated financial powers for procurement, in view of the following:- (a) There will be no impact on the processing of the purchase decision. (b) Every sanction has to be formally concurred in and the u.o. /Diary no. given by the integrated finance. Further, the CFA can anyways over-rule the advice of the IFA, as per the rules governing delegation of financial powers for reasons to be recorded.

Ser No	Query/Suggestion	Comments/Recommendations
161.	**General Point** **Enhancing the Scope of Procurement to Cover Outsourcing**. The DPM is now applicable to the procurement of goods as well as services. Though the procedures for procuring goods had been covered in adequate details, the same could not be said for the procurement / hiring /outsourcing of services to include repairs, secretarial duties, security etc. There is thus a need to include an additional Chapter in the DPM-2009 to lay down the procedures for procurement / hiring / outsourcing of Services.	The suggestion to include an additional Chapter on outsourcing of services is valid. An enabling provision on procurement of services has been made in Sub-para 5.1.2 of DPM-09. However, detailed procedural guidelines need to be framed. This issue was also highlighted in the recommendations of the DPM Review Committee and DERC, wherein it was also advised that the recommendations of the Committee set up under SS(J) on 'Outsourcing in the Defence Sector' need to be implemented urgently. A note in this regard was sent to the Department of Defence for further necessary action on 20th May, 2009. A copy of the Report submitted by the Committee set up under SS(J) was circulated by MoD to all the stake holders, namely the three Services, Deptt of Defence Production and the Unions. The Report has been approved by the RM and forwarded, along with a suggested SOP, by MoD/Dir (Q) on 1st Dec 2009 for further implementation by the Services / Department of Defence Production. Directions have been issued to formulate the guidelines for outsourcing in consultation with the CGDA and MoD (Fin), in conformity with provisions of GFRs, DPM and guidelines of MoF. **Action Recommended** The issue was also considered by the Empowered Committee in its meeting on 4th May 2010 and it was decided to nominate HQ IDS to formulate the joint SOP/guidelines on the subject in a time bound manner and refer the draft to the CGDA within a month so that a common procedure for outsourcing of services could be finalized expeditiously for the Defence Services. This could subsequently be incorporated in the DPM. Serial 10 of Section-3 refers.

Ser No	Query/Suggestion	Comments/Recommendations
162.	**General Point** **Handling Cases when Similar Rates are Quoted by Both L1 and L2 Vendors**. What needs to be done in a situation where two vendors both quote the same price which is also the lowest price, is not covered in DPM – 2009 and needs to be clarified?	DPM 2009 lays down the general procurement procedures and norms to be followed but does not specifically cover each and every contingency for which a decision needs to be taken within the framework provided. In case of two vendors quoting the lowest rate, determination of L-1 would be done based on the extent of conformance with the parameters (QRs and terms and conditions) stipulated in the RFP, including all the commercial terms and conditions of contract and the reputation and past performance of the firms. If both the firms still remain equal, after such an evaluation, the possibility of cartel formation would also have to be investigated. A final view would emerge depending upon the precise details of the case and the urgency of the requirement for which no fixed prescription can be given in the manual.
163.	**General Point** **Contracts for Hiring of Labour**. IFAs generally insist upon hiring of casual labour through labour contractors. What is the course of action/ methodology to be adopted while framing RFP in case of contract for hiring of casual labour in the following situation- a) The quotations/price bids being received are less than the cost worked out as per official minimum wage rate to be paid to casual labour b) RFP clearly spells out the number of days and number of men required for the task which if multiplied by minimum wage rate prescribed by local authorities, gives the minimum bid amount as per the law of the land. c) The bids received are less than the minimum amount payable by the contractor to the labour, which is prima facie evidence of exploitation of labour and violates labour laws.	It must be clarified in the RFP that wages to the workforce would have to be paid as per minimum wage norms prescribed by the local/ State/Central Government. It should also have a provision for termination of contract if at any stage the Contractor is found to break the norms.

Ser No	Query/Suggestion	Comments/Recommendations
164.	**General Point** **Need for Reducing Paper Work and Time Overruns as Mandated by the Procedures of DPM – 2009**. The introduction of new formats and the requirement for an elaborate S of C led to avoidable paperwork and time overruns since the numbers of times a file is required to be vetted by the IFA has also been increased.	This point has already been examined in Chapter 5 at Serial Nos 65 to 67 above.
165.	**General Point** **Levy of Custom Duty on Defence Imports (Medical Equipment)** **(a)** **Exemption**. Defence goods/ equipments when imported are exempted from custom duty. If so; are the medical equipments purchased for the use of Defence/ troops exempted from custom duty? **(b)** **LPP**: Usually the LPP of an equipment is available just for the lower model. Is this to be treated as a basis for guidance or not entertained at all? **(c)** **Package Procurement**. In medical procurement there are firms who volunteer to install the machine free of cost provided you buy the consumables from them as equipment specific PAC. Can the whole thing be put in the LTI/ATI for procurement as a package?	(a) Specific approval of the Department of Customs needs to be taken by DGAFMS for exemption of custom duty in respect of medical equipment being imported for the Armed Forces Hospitals/Medical Centers providing medical cover to service officers/troops. The list of such equipment would need to be forwarded for their consideration by the DGAFMS. (b) LPP of lower model of equipment may be used for guidance to arrive at the reasonableness of price if the LPP of the present model is not available. (c) The whole order may be processed as a composite package including the installation of the machine along with allied consumables and spares etc. Provisions of Para 13.3.1 may be followed for comparison of bids and the evaluation criteria clearly indicated in the RFP in such cases.

SECTION-2

Amendments, Additions & Modifications to DPM 2009

Amendments /Additions/Modifications to DPM 2009

Chapter 1 Introduction		
Ser No	**Existing Para of DPM**	**Amendment / Addition /Deletion**
1.	**Under Para 1.2 Applicability** **FOR** "1.2.1 This Manual contains principles and procedure relating to procurement of goods and services for the Defence Services, Organizations and Establishments, laid down in terms of Rule 135 of the General Financial Rules, 2005 and shall come into force **with effect from 1st of April 2009"**.	**READ** "1.2.1 This Manual contains principles and procedure relating to procurement of goods and services for the Defence Services, Organizations and Establishments, laid down in terms of Rule 135 of the General Financial Rules, 2005 and shall come into force **with effect from 1st of June 2009"**.
2.	**Under Para 1.5 Departmental Manuals and Instructions** **FOR** **"**1.5.1 **Conformity of the Manual with other Government Orders, etc:** The provisions contained in this Manual are in conformity with other Government manuals like the General Financial Rules, Financial Regulations (Defence Services Regulations), as also other instructions issued by the Government and the Central Vigilance Commission from time to time. If any instance of variance between the provisions of this Manual and other Government Manuals comes to notice, the matter should immediately be referred to the Ministry of Defence for clarification. In such cases, however, the on-going procurement need not be stopped pending resolution of the issue, if the requirement is operationally urgent or delay is likely to have any adverse implication."	**READ** **"1.5.1 Conformity of the Manual with other Government Orders, etc:** The provisions contained in this Manual are in conformity with General Financial Rules, Financial Regulations (Defence Services Regulations), as also other instructions issued by the Government and the Central Vigilance Commission from time to time, **though some changes have been made to meet the specific requirement of Defence Services and other Defence organizations under Ministry of Defence, without violating the spirit of the Rules / Regulations / instructions, which form the basis of this Manual.** If any instance of variance between the provisions of this Manual and other Government **Rules, Regulations, instructions, etc.,** comes to notice, the matter should immediately be referred to the Ministry of Defence for clarification. In such cases, however, the on-going procurement need not be stopped pending resolution of the issue, if the requirement is operationally urgent or delay is likely to have any adverse implication."

Ser No	Existing Para of DPM	Amendment / Addition /Deletion
3.	**Under Para 1.6 Removal of doubts and modification** **FOR** **"1.6.1 Doubts and modifications:** Where any instance of variance between the provisions of this Manual and other Government Manuals comes to notice or a doubt arises as to the interpretation of any provision of this Manual, the matter should be referred through proper channel to the designated officer/section in the Finance Division of the Ministry of Defence. Pending further instructions, JS & Additional Financial Advisor (A) will be the designated officer for this purpose. If, required, such references would be placed before an empowered committee to be set up under Secretary (Defence Finance)/ Financial Advisor (Defence Services). The Chairman of the Committee may set up sub-committee(s). Suggestions for improvements / amendments, if any, may also be sent to JS & Addl FA (A)".	**READ** **"1.6.1 Doubts and modifications:** Where any instance of variance between the provisions of this Manual and other Government **Rules, Regulations, instructions, etc.,** comes to notice or a doubt arises as to the interpretation of any provision of this Manual, the matter should be referred through proper channel to the designated officer/section in the Finance Division of the Ministry of Defence. Pending further instructions, JS & Additional Financial Advisor (A) will be the designated officer for this purpose. If required, such references would be placed before **the Empowered Committee set up under Secretary (Defence Finance). The composition of the Committee is at Form DPM-30 (new) at Annexure I to this Section.** The Chairman of the Committee may set up a Sub-committee(s)/. Suggestions for improvements / amendments, if any, may also be sent to AS & Addl FA (A)".
4.	**Under Para 1.6 Removal of doubts and modification**	**ADD** the following NEW Sub-para, 1.6.2 **after** Sub-para 1.6.1 – "1.6.2 **Proposals entailing policy implications or new practice involving recurring procurement**: If, while processing a procurement proposal, it is found that the case may have a bearing on an existing policy or needs formulation of a new policy, the matter should be taken up with the Empowered Committee through the proper channel for necessary action. Similar action should be taken, if while processing a proposal, it is felt that it may result in introduction of a new practice, change in existing scales or result in recurring demand. If the demand is likely to be of recurring nature, the option of entering into a rate contract or referring the matter to the Service HQrs for central provisioning should be considered. The on-going proposal should not be stalled, but, the CFA should ensure that a reference is made to the Empowered Committee before a similar proposal is initiated on a second/ subsequent occasions. IFAs may also report such cases to the CGDA".

Chapter-2
Procurement – Objective and Policy

5.	**Para 2.4 Types of Procurement** Sub-Para 2.4.4 **Indigenous Procurement:** Procurement from indigenous sources is called indigenous procurement. It is the policy of the Government to encourage indigenization, particularly in the field of defence to achieve self-reliance. Hence, indigenous firms should be given all support to produce and supply quality goods conforming to specifications. Proper loading criteria for all taxes, duties and other expenses involved in procurement of an item need to be applied to provide level playing field to the indigenous manufacturers. Payments against indigenous procurement are made in rupee terms.	**ADD** the following at the end of existing Sub-para 2.4.4. **"....Procurement of goods of foreign origin from indigenous firms/suppliers will not be treated as import in the following cases –** **(a) Sale of imported goods which are supplied from the already existing stock of supplier.** **(b) Import of raw materials and components which have been utilized by the suppliers in assembling or manufacturing the goods ordered for sale where price of such raw materials, components and accessories have not been shown separately.** **(c) Sale of imported goods which have been further processed in India before supply to the consignee.** **(d) Sale of goods which are to be imported against firm's own 'Stock and Sale' licence for supply to various customers.** **(e) Sale of goods that may have moved from foreign country to India as a result of the Indian Supplier purchasing the goods from the foreign supplier, i.e.** **(i) the movement of goods has been occasioned by the contract for purchase which the Indian supplier entered with the foreign seller.** **(ii) there is no privity of contract between the Government Department and the foreign seller.** **(iii) the foreign seller has not entered into the contract by himself or through the agencies of the Indian supplier."**

Ser No	Existing Para of DPM	Amendment / Addition /Deletion
6.	**Para 2.4 Types of Procurement** Sub-Para 2.4.5 **Foreign Procurement (Import):** For such defence equipments and assets, which are of foreign origin, items required to maintain and operate these equipments may also need to be procured from suppliers abroad. The procedure for such procurement is laid down in Chapters 9 and 10 of this Manual. -	**ADD** the following at the end of Sub-para 2.4.5 "…….**Procurement of goods of foreign origin from indigenous firms/suppliers will be treated as import purchases in the following cases –** **(a) Where the movement of goods from the foreign country to India is occasioned directly as a result of the sale.** **(b) Where there is a privity of contract between the foreign supplier and the Defence Department / purchaser.** **(c) Where the Indian Supplier acts as the agent of the foreign manufacturer in the agreement of the sale."**
7.	**Para 2.4 Types of Procurement** Sub-Para **2.4.12 Purchase of goods directly under Rate Contract: Goods for which Director General of Supply & Disposal (DGS&D) has rate contracts can be procured directly from the suppliers**. While resorting to such procurement it should be ensured that the prices to be paid for the goods do not exceed those stipulated in the rate contract and the other salient terms and conditions of the purchase are in line with those specified in the rate contract. The Purchaser should also make its own arrangement for inspection and testing of such goods, where required. In the case of drugs, consumables, FOL, hygiene chemicals, etc. the inspection may be done by DGQA/NABL but any costs incurred thereon should be borne by the Suppliers. Payment in such cases would be made by the concerned Principal Controllers / Controllers of Defence Accounts, their subordinate offices or other paying authorities as per the existing arrangement. Wherever Senior Accounts Officers/Imprest Holders are authorized, payment may be made by them. The format for placing Supply Order on Rate contracts is given at Appendix F.	**ADD** the following, after the first sentence of the Sub-para- "…….**Apart from the original Rate Contract holding firm, the term 'supplier' includes the authorized dealers / distributors / agents of the RC holding firm, provided the latter has pre-disclosed the names of these agents / authorized dealers at various locations or the local stockist/authorized dealers can substantiate their claim by producing a certificate from the RC holding firm to the effect that they are the firm's authorized stockist/ distributor/ agent /dealer or can show an agency agreement between the supplier and the RC firm as proof thereof. The purchase must be accompanied by a proper manufacturer certification..."**

Ser No	Existing Para of DPM	Amendment / Addition /Deletion
8.	**Para 2.5 Product Reservation, Purchase/Price Preference and other facilities** Sub-para 2.5.4 **Local Purchase of Stationery and other articles from Kendriya Bhandar, NCCF, etc.:**	Under Sub-para 2.5.4 and Para 3 of Form DPM-3 **SUBSTITUTE** clause (d) as follows- **FOR** "(d) The above dispensation shall be applicable only up to 31.3.2010." **READ** "(d) The above dispensation shall be applicable **for a period of two years beyond 31.3.2010 i.e. upto 31.3.2012**."

Chapter 3 Sourcing and Quality		
Ser No	**Existing Para of DPM**	**Amendment / Addition /Deletion**
9.	**Para 3.2 Registration of Firms** Sub-para "3.2.6 **Registration of Suppliers and Service providers:** The Joint Services Guide on Assessment and registration of Suppliers for Defence (JSG: 015: 03:2007) is applicable mainly to registration of manufacturing firms as suppliers. The guidelines and procedures laid down therein may, however, also be applied, *mutatis mutandis*, by the Registering Agencies to other suppliers and service providers till such time as a separate procedure is laid down *by DGQA."*	At the end of Sub-para 3.2.6. **DELETE** the words "by DGQA" and **ADD** "**The DGQA /DGAQA / Other QA agencies may assist central procurement agencies at Service HQrs in registration of vendors, as per their request."**
10.	**Para 3.5 Ban on dealings with a firm** Sub-para 3.5.1 **Ban on dealings**: When the misconduct of a firm or its continued poor performance justifies imposition of ban on business relations with the firm, this action should be taken by the appropriate authority after due consideration of all factors and circumstances of the case and after giving due notice. -	**ADD** a NEW sub–para after Sub-para 3.5.1 as follows: "3.5.2 **Ban on Dealings by Other Ministries/ Departments: The banning of business dealings will be of two types, namely (i) banning confined to one Ministry; and (ii) banning to be implemented by all Ministries. In the second category of cases before any banning orders relating to other Ministries are passed, the matter is required to be placed before the Committee of Economic Secretaries and their approval obtained. As such, any reference received from any other Ministry/Department needs to be forwarded to MoD/D (Vigilance) section for dissemination in case approval of the Committee of Economic Secretaries has been taken. The departments/organisations under Ministry of Defence will not take cognizance of any other order/letter received from another Ministry imposing ban on dealing which is confined to one Ministry."**

Chapter 4 Tendering		
Ser No	**Existing Para of DPM**	**Amendment / Addition /Deletion**
11.	**Para 4.3 Limited Tender Enquiry (LTE)** Sub-para 4.3.4 **Time to be given for submission of bids**: Sufficient time, normally ranging from one to three weeks, should be allowed for submission of bids in Limited Tender Enquiries. For perishable goods or consumables a reduced time frame may be followed.	**ADD** the following sentence at the end of the existing Sub-para - "…… **A reduced time frame of less than one week may also be given for submission of bids in case of emergent repairs of equipment, plant and machinery, ships, aircraft etc. to make them operational / functional."**
12.	**Para 4.5 Procurement on the basis of the Proprietary Article Certificate (PAC)** Sub-para 4.5.4 **FOR** **"**4.5.4 The PAC Certificate should be as per the following format."	**READ** "4.5.4 **Concurrence of IFA is, necessary at the time of grant of PAC in case the delegated financial powers of CFA are exercisable in consultation with Integrated Finance. For PAC purchases under delegated financial powers of CFAs exercisable without consultation of integrated finance, concurrence of IFA is not necessary in individual procurement cases, provided the Proprietary certification of the firm for that item has been established by the Service/Department previously at the appropriate level. The PAC certificate should be given at the level of PSO/ APSO / DG / ADG (equivalent) at Service HQ and by the C-in-C / Corps Commander/Area Commander and Heads of Establishment / Formations or Units not below the rank of Brigadier / Commodore /Air Commodore in the Command HQrs and below.** The PAC Certificate should be as per the following format –"
13.	**Para 4.7 Cost of Tender and Bid Security/ Earnest Money Deposit** **FOR** "4.7.7 **Exemption from submission of Bid Security**: Bid security is not required to be obtained from those firms who are registered with the Central Purchase Organization (e.g. DGS&D), National Small Industries Corporation (NSIC) or concerned Departments or Ministries of the Government of India. Bid security need not be asked for if the value of the tender is ₹ two lakhs or less."	**READ** "4.7.7 **Exemption from submission of Bid Security**: Bid security is not required to be obtained from those firms who are registered with the Central Purchase Organization (e.g. DGS&D), National Small Industries Corporation (NSIC) or concerned Departments or Ministries of the Government of India **for the same item / range of products, goods or services for which the tenders have been issued.** Bid security need not be asked for if the value of the tender is ₹ 2 lakhs or less."

Ser No	Existing Para/Reference	Amendment / Addition /Deletion
14.	**Para 4.7 Cost of Tender and Bid Security / Earnest Money Deposit** **FOR** **"4.7.8 Forfeiture of the Bid Security**: The bid security/earnest money will be liable to be forfeited if the bidder withdraws or amends, impairs or derogates from the tender in any respect *within the validity period of his tender.* No separate order is required for forfeiture of Bid Security which follows on default and should be credited at once to the Government Account."	**READ** **"4.7.8 Forfeiture of the Bid Security**: The bid security/earnest money will be liable to be forfeited if the bidder withdraws or amends, impairs or derogates from the tender in any respect **during the period between the deadline for submission of bids and expiry of the bid validity period.".** No separate order is required for forfeiture of Bid Security which follows on default and should be credited at once to the Government Account."
15.	**Para 4.10 Amendment to the RFP and Extension of Tender Opening Date** **FOR** **"4.10.2 Extension of Tender Opening Date**: Even in those cases where extension of tender opening date does not become necessary because of the amendment to the RFP, the Competent Financial Authority, with the concurrence of integrated finance, where required as per delegation of financial powders, may extend the date of opening of the tender as specified in the RFP but such extension should not exceed the total delivery period envisaged in the RFP….."	**READ** "**4.10.2 Extension of Tender Opening Date**: **In those cases where extension of tender opening date does not become necessary because of amendment of the RFP (due to change of QRs/SQRs or terms and conditions of contract) but on request of the vendors, extension upto a maximum period of two months may be accorded by the CFA without consultation of IFA, even where CFA's procurement powers are exercisable with financial concurrence.** For any extension beyond this period, the Competent Financial Authority, with the concurrence of integrated finance, where required as per delegation of financial powers, may extend the date of opening of the tender specified in the RFP but such extension should not exceed the total delivery period envisaged in the RFP….."
16.	**Para 4.10 Amendment to the RFP and Extension of Tender Opening Date** Sub-para 4.10.3 **Extension of Tender Opening Date After Due Date of Opening**: In exceptional circumstances, date of opening of the tender may be extended within a reasonable period after the due date of the opening of tenders for reasons to be recorded in writing, with the approval of the higher CFA and in consultation with the IFA, where financial powers are to be exercised with the concurrence of integrated finance.	**ADD** the following NEW Sub-para, under Para 4.10 after Sub-para 4.10.3- **"4.10.4 Withdrawal of bids: In case a firm requests for withdrawal/return of his bid before the due date of tender opening, when such date has been extended by the purchaser, the bid may be returned to the concerned firm as the documents may be accompanied by EMD."**

Ser No	Existing Para of DPM	Amendment / Addition /Deletion
17.	**Para 4.11 Tender Opening** Sub-para 4.11.1 **Opening of tenders under single bid system:** The following procedure should be followed for opening of tenders: (a) All the tenders received on time should be opened in the presence of authorized representatives of the tenderers at the prescribed time, date and place by the official/ Tender Opening Committee, to be nominated by the CFA in advance. The authorized representatives, who intend to attend the tender opening, would be required to bring with them letters of authority from the tenderers concerned.	**ADD** the following sentence in sub clause (a) of the Sub-para, between the first and second sentence – "(a) ……..**The representative of integrated finance need not be a member of the tender opening committee, unless the CFA specifically desires to associate such a representative**. ……"
18.	**Para 4.11 Tender Opening** Sub-para 4.11.2 **Opening of tenders under two bid system:** The procedure laid down in the preceding paragraph should be followed *mutatis mutandis* under two bid system also but only the technical bids should be opened in the first instance. Commercial bids of only QR-compliant tenderers should be opened only after evaluation of the technical bids and approval of the TEC report by the CFA. The commercial bids of other tenderers, who are not found to comply with the QRs as above, will be returned to the tenderers, in sealed and unopened condition as received.	**ADD** the following NEW Sub-para under Para 4.11 after Sub-para 4.11.2 "4.11.3 **Return of Technical Bids Technical bids will not be returned to the vendors once they are opened, whether the bids are found to be compliant or non-compliant by TEC. These will be maintained as part of the file documentation for processing and award of the tender. Similarly, the commercial bids of vendors who are technically compliant but are not successful in getting the contract will be retained along with the papers/file relating to award of the contract."**
19.	**Para 4.21 Instruction to the Purchase Officers** Sub-para 4.21.1 (h) **Pre-bid Conference**: To obviate the possibility of the RFP fetching no response, resulting in a single vendor situation or resulting in generation of limited competition, technical specifications should be firmed up in a pre-bid conference in two-bid tender, particularly where the goods/services to be procured are not available commercially off-the-shelf or are of complex and highly technical nature. *No fresh commercial bids should be invited after opening of technical bids.*	**DELETE** the last sentence of clause (h) under the Sub-para 4.21.1 and substitute as follows- "……**Generally fresh /revised commercial bids should not be invited after opening of technical bids, except under circumstances as given in Sub-para 4.12.11 and these will be obtained as per prescribed procedure, giving equal opportunity to all technically acceptable vendors in this regard."**

Chapter 5
Approval Process and Conclusion of Contract

Ser No	Existing Para of DPM	Amendment / Addition /Deletion
20.	**Para 5.2 Processing of Procurement Proposals** Sub- para 5.2.1 **Processing of proposals for CFA's approval**: All procurement proposals should be initiated in the form of a statement of case (SOC), which should clearly bring out all aspects of the proposal, including the justification/reason for procurement, quantity, cost, likely sources of supply, mode of tendering, etc. The format of SoC given in Appendix 'B' may be used for this purpose, with suitable changes as required. It needs to be kept in view that expeditious processing of the proposal depends on the comprehensibility and quality of the SoC. Draft NIT/RFP should also be submitted along with the SOC for approval of the CFA in consultation with integrated finance, where required.	**ADD the following lines at the end of Sub-para 5.2.1** "……The format of SOC at Appendix 'B' is indicative only and information may be provided to the extent feasible. Additional information may be provided, if required. **A simplified SOC may be prepared in case of small value local procurements of stores/services valuing upto ₹ 5 lakhs, particularly for COTS items, items with standard / ad hoc specifications etc. However, it should contain all essential details which are relevant for taking the purchase decision."**
21.	**Para 5.2 Processing of Procurement Proposals** Sub-para 5.2.5 **Processing of proposals without linking them with availability of funds:** Subject to the general rule that purchase proposals should be processed with due regard to availability of funds, a procurement proposal may be processed without linking it with actual availability of funds, if it is certified by the budget holder that there is reasonable certainty of funds becoming available by the time the proposal reaches the final stage of contracting/ placing of supply order. In such cases, however, availability of funds would be determined after taking into account cash outgo on account of the committed liabilities.	**ADD the following at the end of existing Sub-para 5.2.5 -** **"…….In the case of stores having a long lead time, a purchase proposal may be processed without linking it with actual availability of funds and the supply order/ contract placed in the last quarter of the Financial Year (FY) (January to March) when the delivery will take place in the ensuing FY/s and there is a reasonable assurance of availability of funds in the budget of that/those year/s, taking into account the anticipated cash outgo against the contractual /committed liabilities for the FY/s. However payments against the Supply Orders will only be made after confirmation of availability of funds in the FY in which it becomes due."**

Ser No	Existing Para of DPM	Amendment / Addition /Deletion
22.	**Para 5.3 Acceptance of Necessity** Sub-para 5.3.3 **Acceptance of necessity in respect of non-scaled and NIV items:** Acceptance of necessity in respect of non-scaled and NIV items would depend entirely on the justification provided for their procurement. It must be ensured that procurement of such items does not introduce a new practice and does not have the effect of changing the existing scales or policy.	**ADD** the following line at the end of existing Sub-para 5.3.3 **"…….However the quantity of stores/ equipment required by the DGQA for proof activity will be included for procurement."**
23.	**Para 5.5 Seeking Approval of the CFA** Sub-para 5.5.1 **Combining various stages of processing**: It is not necessary that a proposal should be processed sequentially for AON, Quantity Vetting, financial concurrence, etc. A proposal, when initiated, should be complete in all respects so that all the aspects relating to AON, quantity vetting, costing, vetting of NIT/ RFP, etc., could be examined simultaneously by the IFA.	**ADD the following at the end of existing Sub-para 5.5.1** "…… **Various stages of processing may generally be combined in case of local purchase."**
24.	**Para 5.5 Seeking Approval of the CFA** Sub-para 5.5.2 **CFA's Sanction**: A sanction is a written authority from the CFA authorizing the expenditure. A sanction invariably indicates the reference to the authority under which expenditure is being sanctioned, the financial implication, the item for which the expenditure is approved and the budget code head. Whenever the final expenditure exceeds the sanctioned amount, revised financial sanction of the CFA, in whose delegated powers the total expenditure would fall, is required to be obtained. *The format for Sanction letter is given in Appendix 'K'.*	**DELETE the last line of Sub-para 5.5.2 and SUBSTITUTE as follows**:- **"……An indicative list of details to be provided in the sanction letter for procurement of goods/services is given in the Revised Appendix 'K' at Annexure-II to this Section of the Supplement."**

Chapter 6
Contract

Ser No	Existing Para of DPM	Amendment / Addition /Deletion
25.	**Para 6.2 Elementary Legal Practices**	**UNDER PARA 6.2 ADD** NEW Sub-para **6.2.5** after existing Sub-para 6.2.4 as follows- "6.2.5 **All contracts and agreements executed, and licenses and permits, notices and forms of tender issued by or on behalf of the Central Government should be issued bilingually, in Hindi and English in terms of Article 3 (3) of the Official Language Act, 1963**."
26.	**Para 6.10 Types of Contract and General Principles for Contracting**	**ADD** a NEW Sub-para 6.10.3 after Sub-para 6.10.2 as follows- "6.10.3 **Placement of Supply Order/Signing of Contract**: The decision to issue a supply order or sign a formal contract will be taken on the basis of the following broad guidelines:- (a) Purchase/Supply orders containing basic terms and conditions may be issued in the case of purchases upto ₹ one lakh. (b) Purchase/Supply orders may generally be placed for purchases valuing between ₹ one to ₹ 10 lakhs in single bid cases, local purchase of commercially off the shelf items, items with standard specifications, etc. (c) In case of orders for purchases valued between ₹ one lakh to ₹ 10 lakhs, issue of the purchase order and the letter of acceptance thereof, will result in a binding contract where the tender documents include the General Conditions of Contract, Special Conditions of Contract and detailed scope of work. (d) A contract document should generally be executed for purchases valuing above ₹ 10 lakhs. (e) However Purchase/Supply orders should be placed in all cases when the purchase is made against Rate Contracts / Price Agreements centrally concluded by the DGS&D/Central Procurement Authorities /Departmental authorities who are empowered to do so. (f) A Contract document should invariably be executed in respect of all turnkey projects or agreements for maintenance of equipment and provision of services."

Chapter 7
Conditions of Contract

Ser No	Existing Para of DPM	Amendment / Addition /Deletion
27.	**Para 7.1 Conditions of Contract** Sub-para 7.1.2 **Standard Conditions of Contract**	**ADD** the following at the end of existing Sub-para 7.1.2:- **"……. A simplified RFP form can be used in case of Local Purchase by suitably modifying Appendix 'C' (Parts III &IV)."**
28.	**Para 7.2 Applicability of Conditions of Contract** Sub-para 7.2.1 **Applicability of all terms and conditions**: The formats of the RFP and the contract agreement contain all the standard and special conditions of contract. *While the special conditions may be mentioned in the RFP and subsequently in the contract, as applicable in a particular case, all the standard terms and conditions should invariably be mentioned in the RFP and the contract.* Minor changes in the text would be permissible, as long as such changes do not materially alter the context or import of the relevant article. CFAs would be competent to take a decision in this regard in consultation with Integrated Finance, wherever such consultation is required for sanctioning the proposal. Legal opinion may be sought, if considered necessary, before making any such alteration. However, wherever standard text of a particular clause, such as the clauses on Arbitration, Force Majeure, etc., are provided for in this Manual, the text of such clauses should not be altered without seeking legal opinion.	**DELETE** the second line in Sub-para 7.2.1 and SUBSTITUTE as follows – "……. **The clauses given in the Standard Terms and Conditions and Special Terms and Conditions of RFP, as applicable in a particular contract, may be included in the RFP and subsequently in the Contract. Generally all applicable clauses will be included from Appendix 'C' Part III –Standard Conditions of Contract in the RFP/Contract, to the extent considered feasible in a specific case / type of procurement, while there will be a greater flexibility in selection of the clauses from Part IV-Special Conditions of Contract.** ……"
29.	**Under Para 7.3 Effective Date of Contract** **FOR** **"7.3.1 Effective Date:** The effective date of commencement of contract should be invariably indicated in each contract as per agreed terms and conditions. Normally, the date of signing of the contract is the effective date of contract as given in Para 2, Part III, *Appendix 'C'. However*, except when specifically provided otherwise in the contract. Where specifically agreed to by the parties to the contract, effective date may be the date on which any or the last of the following conditions, as applicable, is complied with:"	**READ** **"7.3.1 Effective Date:** The effective date of commencement of contract should be invariably indicated in each contract as per agreed terms and conditions. **Normally, the date of signing of the contract is the effective date of contract as given in Para 2, Part III, Appendix 'C', except when specifically provided otherwise in the contract.** Where specifically agreed to by the parties to the contract, effective date may be the date on which any or the last of the following conditions, as applicable, is complied with:"

Ser No	Existing Para of DPM	Amendment / Addition /Deletion
30.	**Under Sub-para 7.3.1 in sub clause (d)** **FOR** "(d) Date of Issue of the End User Certificate. (The *supplier* should normally provide the End User Certificate within 30 days of the signing of the contract.)"	**READ** "(d) Date of Issue of the End User Certificate. (The **purchaser** should normally provide the End User Certificate within 30 days of the signing of the contract.)"
31.	**Under Para 7.7 Performance Security Deposit** **FOR** **"7.7.1 Performance Security**: **Performance** Security deposit payable to the Purchaser is furnished by the Supplier in the form of a Performance Bank Guarantee (PBG) issued by a public sector bank or a private sector bank authorized to conduct government business, in the prescribed format within thirty days from the date of contract. At present, ICICI Bank Ltd., Axis Bank Ltd. and HDFC Bank Ltd. are the three private sector banks authorized to carry out government transactions. The performance security deposit is meant to compensate the Purchaser for any loss suffered due to failure of the supplier to complete his obligations as per the contract. Preferably, performance security is payable by the supplier at the rate of 10% of the contract value. PBG should remain valid for a period of sixty days beyond the date of completion of contractual obligations, including warranty. The BG is returned to the supplier on successful completion of all his obligations under the contract. In case the execution of the contract is delayed beyond the contracted period and the purchaser grants extension of delivery period, with or without LD, the supplier must get the BG revalidated, if not already valid. The format of the PBG is given in Form DPM-15. "	**READ** **"7.7.1 Performance Security / Warranty Bank Guarantee : Performance security is payable by the supplier at the rate of 5%-10% of the contract value and is to be taken** from every successful bidder **irrespective of the registration status of the firm.** Performance Security deposit payable to the Purchaser is furnished by the Supplier in the form of a Performance Bank Guarantee (PBG) issued by a public sector bank or a private sector bank authorized to conduct government business, in the prescribed format within thirty days from the date of contract. At present, ICICI Bank Ltd., Axis Bank Ltd. and HDFC Bank Ltd. are the three private sector banks authorized to carry out government transactions. The performance security deposit is meant to compensate the Purchaser for any loss suffered due to failure of the supplier to complete his obligations as per the contract. The **PBG/WBG** will remain valid throughout the duration of the contract **upto completion of supplies and continue thereafter as a Warranty Bank Guarantee upto** sixty days beyond the date of completion of all contractual obligations, including warranty. **This obviates the need to obtain a fresh Warranty Bank Guarantee from the supplier on commencement of the warranty period, with corresponding return of the Performance Guarantee**. In case the execution of the contract is delayed beyond the contracted period and the purchaser grants extension of delivery period, with or without LD, the supplier must get the BG revalidated, if not already valid. The format of PBG cum WBG is given in Form DPM-15."

Ser No	Existing Para of DPM	Amendment / Addition /Deletion
32.	**Under Para 7.7 Performance Security Deposit** After Sub-para 7.7.1	**ADD** NEW Sub-para 7.7.2 as follows- "7.7.2 PBG may not be taken in case of small value purchases upto ₹ 2 lakhs, particularly for off the shelf / common user items or branded commercial products which are to be accepted on the manufacturer's guarantee. In the case of Defence PSUs/ OFs, an Indemnity bond may be accepted in lieu of PBG, as per current practice. As regards non-Defence PSUs/other Govt undertakings a decision may be taken on case to case basis."
33.	**Para 7.9 Delivery** Sub-para 7.9.5 **Maximum Period of Extension**: The maximum period of extension of delivery that can be granted by the CFA under delegated powers should be such that the total period - the original delivery period plus the extension – does not exceed twice the original delivery period. *Extensions beyond this period would require sanction of the Ministry of Defence.*	**DELETE the last line of Sub-para 7.9.5 and SUBSTITUTE as follows-** *"…….***Extensions beyond this period would require the sanction of the next higher Service/Administrative authority/ CFA in the chain of Command** ".
34.	**Para 7.9 Delivery** After Sub-para 7.9.5	**ADD** NEW Sub-para 7.9.6 as follows- 7.9.6 **Refixation of Delivery Period**: The delivery period can be re-fixed only in the circumstances mentioned below – (a) Where manufacture is dependent on approval of advance samples and delay occurs in approving the samples even though submitted in time. (b) Extension is granted due to omission on the part of the purchaser to enforce delivery date within the stipulated time. (c) Where the entire production is controlled by the Government.
35.	**Para 7.10 Liquidated Damages (LD)** Sub-para 7.10.2 **Quantum of LD:** As a general rule, if the contractor fails to deliver the stores/service or any installment thereof within the DP or at any time repudiates the contract before expiry of such period, the CFA, without prejudice to the right of the purchaser to any other remedy for breach of contract, may recover from the contractor a sum equivalent to 0.5% of the prices of any stores which the contractor has failed to deliver within the period agreed for delivery in the contract, for each week or part thereof during which the delivery of such stores may be in arrears, where delivery thereof is accepted after expiry of the aforesaid period. *The total damages shall not exceed value of 10% of undelivered goods.* The LD cannot exceed the amount stipulated in the contract. =	**Recast the 2nd sentence of the Sub-para as follows-** **FOR** "…..The total damage shall not exceed value of 10% of the undelivered goods. ……. " **READ** "……**The total LD will not exceed 10% of the total value of goods / services delayed beyond the original date of delivery / completion of supplies / service as indicated in the contract/ supply order**……. "

Ser No	Existing Para of DPM	Amendment / Addition /Deletion
36.	**Para 7.10 Liquidated Damages (LD)** Sub-para 7.10.3 **Guidelines for levying of LD**: The following guidelines would be followed while taking decision for imposition of LD-	In the Table under Sub-para 7.10.3 on 'Quantum of LD to be levied in various circumstances', **in Col 3** (Quantum of LD) against Serials 1 and 2 - **FOR** **"**…..subject to the LD not exceeding 10% of the value of the contract" **READ** "…subject to the LD not exceeding 10% of the **total value of goods / services delayed beyond the original date of delivery / completion of supplies / service as indicated in the contract/ supply order**.**"**
37.	**Para 7.13 Option Clause and Repeat Order Clause** Sub-para **7.13.5 Conditions Governing Repeat Order** **FOR** "(g) The repeat order is to be placed within six months from the date of completion of the supply against the previous order *and it should be placed only once*."	Under Sub-para 7.13.5 Replace existing Sub-Clauses (g) as follows – **READ** "(g) The repeat order is to be placed within six months from the date of completion of the supply against the original order."
38.	**Para 7.15 Apportionment of Quantity** Sub-para 7.15.1 **Apportionment of Quantity:** In global and limited tender enquiry cases, if there is an apprehension that the L_1 may not have the capacity to supply the entire requisite quantity, it should be mentioned in the RFP that the order may be placed on L_2, L_3 and so on for the balance quantity at L_1 rates, provided this is acceptable to them**.** *Even if there was no prior decision to split the quantities and it is discovered that the quantity to be ordered is far more than what L_1 alone can supply, the order may be distributed as above among L_2, L_3, etc. at the L_1 rate.* Where it is decided in advance to have more than one source of supply (due to vital or critical nature of the item) the ratio of splitting should be indicated in the RFP.	In Sub-para 7.15.1 **FOR** "……Even if there was no prior decision to split the quantities and it is discovered that the quantity to be ordered is far more than what L_1 alone can supply, the order may be distributed as above among L_2, L_3, etc. at the L_1 rate……." **READ** "…..Even if there was no prior decision to split the quantities and it is discovered that the quantity to be ordered is far more than what L_1 alone can supply, **the balance quantity will be offered to the L 2 for supply at L 1 rate and if the latter is unable to meet the requirement or the rate is not acceptable to him, then the offer will be made to L-3, L-4 etc. in that sequential order before moving to the next higher bidder to supply the remaining quantity at L1 rate**."

Chapter 8 Rate Contract		
Ser No	**Existing Para of DPM**	**Amendment / Addition /Deletion**
39.	**Para 8.5 Process of Concluding Rate Contracts** Sub-para 8.5.2 Rate Contracts should be normally concluded only with the registered firms based on their capacity assessment by the designated Registering/Inspecting Agency. *In respect of new items being bought on Rate Contract for the first time, RC can be awarded to unregistered firms also on the basis of favourable technical capacity and financial capabilities.* Past performance of a firm will be a major consideration while awarding a Rate Contract. The following aspects should normally be kept in mind.	In Sub-para 8.5.2, second sentence:- **FOR** "……In respect of new items being bought on Rate Contract for the first time, RC can be awarded to unregistered firms also on the basis of ***favourable technical capacity and financial capabilities***. ……." **READ** "In respect of new items being bought on Rate Contract for the first time, RC can be awarded to unregistered firms also on the basis of **favourable technical capability, capacity and financial status."**
40.	**Para 8.7 Special Conditions Applicable for Rate Contract,** Sub-para 8.7.1 **Special Conditions**: Some conditions of rate contract differ from the usual conditions applicable for other contracts. Some such important special conditions of rate contract are as follows: i) Earnest Money Deposit (EMD) is not applicable.	In Sub- para 8.7.1 (i) – **FOR** "i) Earnest Money Deposit (EMD) is not applicable." **READ** "i) Earnest Money Deposit (EMD) is not applicable **in case of registered firms but will apply in case of bids from unregistered firms**."

Chapter 9
Procurement of Goods and Services from Foreign Countries

Ser No	Existing Para of DPM	Amendment / Addition /Deletion
41.	**Para 9.7 Request for Proposals (RFP)** In Sub-para **9.7.10: Mode and Terms of Delivery and Transportation**. **FOR** "9.7.10 The mode of delivery could be either on CIF, CIP or FOB basis but it should be decided before floating the RFP and clearly indicated therein. The mode of transportation should also be invariably indicated."	**READ** "9.7.10 The mode of delivery could be either on **FCA**, FOB, CIF or CIP basis but it should be decided before floating the RFP and clearly indicated therein. The mode of transportation should also be invariably indicated. **Further, before processing any case for procurement of goods on FOB / FAS / CIF/ CIP basis, the contemporary government instructions in this regard issued by Min of Shipping, Road Transport and Highways should be checked for further necessary action."**
42.	**Para 9.10 PAC Tendering** Sub-para 9.10.2 **Procurements governed by General Contracts**: In case of procurements under long term General/ Umbrella contracts / Main agreements between the Government of India and the Government of the country concerned, *provisions of the such contracts/agreements* will prevail in respect of the format of the RFP, quotations, general terms and conditions, time of submission of quotations, LD Clause, etc.	In the first sentence of Sub- para 9.10.2, **FOR** "…..provisions of *the such* contracts / agreements…." **READ** "….provisions of **such** contracts / agreements…"

	Chapter 10 Standard Conditions of Contract - Foreign Procurement	
43.	**Para 10.3 Terms of Payment** The last line of Sub-para 10.3.1 reads as follows- Sub-para 10.3.1 **Letters of Credit and Direct Bank Transfer:** "…….Payment against a contract, the value of which does not exceed USD one hundred thousand should be made by Direct Bank Transfer."	**In Sub-para 10.3.1** **FOR** **"…….Payment against a contract, the value of which does not exceed USD one hundred thousand should be made by Direct Bank Transfer."** **READ** **"…….Payment against a contract, the value of which does not exceed USD one hundred thousand should preferably be made by Direct Bank Transfer unless insisted otherwise by the foreign vendor."**

Chapter 12
Banking Instruments

Ser No	Existing	Amendment/Modification /Addition
44.	**Para 12.1 General** Sub-para 12.1.2 **Uniform Customs and Practices for Documentary Credits**: Importer should follow normal banking procedures and adhere to the provisions of Uniform Customs and Practices for Documentary Credits (UCPDC) while opening Letters of Credit for import into India.	**At the end of para 12.1.2 ADD the following -** **"The Rules contained in UCPDC, UCP 600 issued by the International Chamber of Commerce, Paris relating to international trade payments against documentary proofs e,g, Letters of Credit, advance / performance bank guarantees etc, will be followed."**
45.	**In Para 12.2 Letter Of Credit (LC) and the reasons for using them,** Sub-para 12.2.1, second sentence 12.2.1 …….. While an LC can be established in any of the 27 Public Sector banks besides SBI, it has been decided after careful consideration that *for the present LCs may be opened only through the State Bank of India, Bank of Baroda and Canara Bank*....."	In the second sentence of Sub-para 12.2.1- **FOR** **"…..**for the present LCs may be opened only through the State Bank of India, Bank of Baroda and Canara Bank**…."** **READ** "…..for the present LCs may be opened only through the State Bank of India, Bank of Baroda, **Syndicate Bank** and Canara Bank….."
46.	**Para 12.3 Forms of Letter of Credit** Sub-para 12.3.2 **Revocable Letter Of Credit:** **FOR** "……If the letter of credit is silent as to whether it is revocable or irrevocable, the credit is deemed to be irrevocable."	**READ** **"…….The UCPDC 600 now prescribes that all letters of credit are irrevocable, even if there is no indication to that effect (Article 3 of UCPDC 600 refers)."**
47.	**Under Para 12.3 Forms of Letter of Credit** Sub-para 12.3.6 **FOR** "12.3.6 **Divisible and non-divisible LCs**: The above mentioned Letters of Credit could be divisible or non-divisible. Divisible Letters of Credit could be opened when more than one beneficiary is allowed and payment has to be made as per the consignment."	**READ** "12.3.6 **Divisible and non-divisible LCs**: The above mentioned Letters of Credit could be divisible or non-divisible. Divisible Letters of Credit can be opened when more than one beneficiary is allowed **or the goods are expected to arrive in lots and partial payments are to be given for each consignment."**

48.	**Para 12.10 Performance Bank Guarantee (PBG)**	**ADD** a NEW Sub-para after Sub-para 12.10.2 as follows- "**12.10.3 Immediate steps should be taken to verify the genuineness / authenticity of the Bank Guarantees which are submitted by the contractors / suppliers, by approaching the issuing bank and receiving a direct confirmation from the bank in this regard.** **The following steps should be taken by each organization to ensure that BGs are genuine and encashable –** **(a) The prescribed format in which BGs are to be accepted should be enclosed with the tender document and it should be verified verbatim on receipt with the original document.** **(b) Contractors/suppliers be told that BGs to be submitted by them should be sent to the organization directly by the issuing bank by Registered Post (A.D.)** **(c) In exceptional cases, when BGs are received through the vendors/ suppliers etc., the issuing bank should be requested to immediately send an unstamped duplicate copy of the Guarantee by Regd. Post (A.D) directly to the purchaser with a covering letter to compare with the original BGs and confirm that it is in order.** **(d) As a measure of abundant caution, all BGs should be independently verified by the organizations.** **(e) In each office an officer should be specifically designated with the responsibility for verification, timely renewal and timely encashment of BGs."**

Chapter 13
Evaluation of Quotations and Price Reasonability

Ser No	Existing Para of DPM	Amendment / Addition /Deletion
49.	**Para 13.3 Evaluation of Quote** Sub-para 13.3.6 **Negotiations and Benchmarking**. "…….In each case the CNC/PNC should record its recommendations regarding the reasonableness of the price offered by the L_1 bidder and the need for negotiation or otherwise with detailed justification. *Based on the recommendation of TPC/CNC/PNC, negotiation may be undertaken in consultation with the Integrated Finance and approval of the CFA……"*	In Sub-para 13.3.6 **FOR** "……..Based on the recommendation of TPC/ CNC/PNC, negotiation may be undertaken in consultation with the Integrated Finance and approval of the CFA……" **READ** **"In case negotiations with the L1 bidder are considered necessary, these may be undertaken by the TPC/PNC/CNC with the approval of the CFA and concurrence of integrated finance as per delegation of financial powers."**
50.	**Para 13.3 Evaluation of Quote** Sub-para 13.3.7 **Bench Marking:** Before scheduled negotiation, (wherever considered necessary), it would be advisable to work out the estimated reasonable rate or the benchmark, to judge acceptability of the L_1 offer based on available information. The approach to be adopted for assessing reasonability in different contingencies is given below.	**ADD** NEW Sub-para 13.3.8 AFTER Sub-para 13.3.7 as follows- **"13.3.8 Evaluation against Bench-Mark. The Benchmark price is an estimated price and will not be taken as a cut-off price in deciding the reasonableness of the quoted price. It will be used as a basis /yardstick for comparison with the quoted price. Further, no percentage deviation from the benchmark price can be prescribed as a thumb-rule and the decision would have to be taken by the CNC on a case to case basis for justifiable reasons, depending on the accuracy with which the benchmark price could be assessed, nature of the item, volatility of prices and the urgency for meeting the requirement."**

CHAPTER 14

Offloading of Partial/ Complete Refits/Repairs of Ships/ Submarines/Crafts/ Assets to Indian PSU/Private Shipyards/Trade

Ser No	Existing	Amendment/Modification /Addition
51.	**Para 14.4 Offloading of Partial / Complete Refits / Repairs of Ships / Submarines** Sub-para 14.4.6 *After the accord of AON, the RFP for individual cases, with firmed up work package, would be issued by the respective Service Repair Agencies, as and when due.* The Scope of Work (SOW) would be enclosed with the RFP. The RFP would be issued by the CFA or by the agency (which may be NDs/NSRYs in the case of Navy) and(BMUs/Station HQs /DHQs / RHQs in the case of Coast Guard) duly authorised in writing by the CFA.	In Sub-para 14.4.6– **FOR** "14.4.6 After the accord of AON, the RFP for individual cases, with firmed up work package, would be issued by the respective Service Repair Agencies, as and when due. The Scope of Work (SOW) would be. ....." **READ** "14.4.6 After the accord of AON, the RFP for individual cases, with firmed up work package, would be issued by the respective Service Repair Agencies, as and when due **with the approval of the CFA and concurrence of IFA, as per delegation of financial powers**. The Scope of Work (SOW) would be....."
52.	**Para 14.7 Characteristic Features of Refits/Repair** Sub-para 14.7.1 **Growth of Work.** ..... **FOR** **"Note**: In case of Coast Guard, the present practice is to allow a component up to 15% of Contract Value towards Growth of Work and up to 20% of Contract Value towards Non-available Spares. This practice may continue for the present."	**READ** **"Note: In case of the Coast Guard, the present practice of allowing a component of upto 15% of the Contract Value towards Growth of Work and up to 20% of the Contract Value towards non-available spares will continue to be followed".**

53.	**<u>Chapter 14</u>** **<u>Offloading of Partial / Complete Refits/ Repairs of Ships / Submarines /Crafts / Assets to Indian PSUs /Private Shipyards/ Trade.</u>**	**<u>ADD</u>** NEW Para 14.15 **after** Para 14.14 "14.15 **<u>Applicability of Provisions</u>**. The provisions of this Chapter are applicable **only in the case of Offloading of Refits /Repairs to Indigenous Shipyards as is clear from the title of the Chapter.** As regards Repairs from foreign shipyards a specific procedure is yet to be evolved and the provisions of Chapter 11 would apply till a separate procedure is put in place which takes into account the peculiarities involved in repairs/refits by foreign shipyards. Naval HQ should formulate the draft procedure applicable in case of repairs/ refits offloaded to foreign shipyards, which would be considered by the MoD Finance/Empowered Committee for inclusion in the DPM."

Chapter 15

Design, Development and Fabrication Contracts

Ser No	Existing	Amendment/Modification /Addition
54.	**Para 15.1 Introduction** Sub-para "15.1.2 ……If it is not feasible to work out a package but the item is still required to be indigenised for strategic reasons, the requirement may be projected to the Department of Defence Production and Supplies for development by the OFB / Defence PSUs etc., where feasible."	**ADD** the following at the end of Sub-para 15.1.2 – **"…….When design and development orders are placed on in-service agencies under the MoD /Services e.g. DRDO, WESEE, Army Base Workshops, BRDs etc., who undertake design/ development and value engineering projects, the procedure will be similar to that prescribed for processing of orders with the OFB. In such cases a direct work order/indent will be placed on the development agency/ workshop which has been identified for the stated purpose, with the approval of the CFA. The order will be processed under the normal OTE/LTE powers of CFAs."**
55.	**Para 15.2 Principles and Policy** Sub-para 15.2.2 **Processing of Development Orders.** Some of the important steps involved in the processing of development contracts are as follows :- (a) Identification / Selection of stores / items for indigenous development. (b) Generation of the Paper Particulars / drawings.	In Sub-para 15.2.2(b**)** **FOR** "(b) Generation of paper particulars/ drawings" **READ** "(b) Generation of paper particulars/ drawings **as per available stock samples"**
56.	**Para 15.3 Paper Particulars and Design Aspects** **AFTER** Sub-para 15.3.2	**ADD** the following NEW Sub-para - **"15.3.3. Offloading of Design Work. In case the material specifications are not clear, the Professional/Technical Directorate may be approached to provide equivalent material specifications or lab testing got done at NABL Accredited /Govt Approved Laboratories. Further, in case of non-availability of requisite paper particulars required during RFP stage, the task of generation thereof may be outsourced on competitive basis with the approval of the CFA as per delegation of financial powers."**

Ser No	Existing Para of DPM	Amendment / Addition /Deletion
57.	**Para 15.10 Development of Second / New Sources** Sub-para 15.10.3 **Items Developed by Defence PSUs / OFB**. The cases in which DRDO/ Defence PSUs/OFB /RURs have successfully developed an item for the Deptt of Defence or have taken Transfer of Technology (ToT) for Department of Defence would not be taken as single vendor cases and only a commercial RFP should be issued to them directly. Instead, they would be treated at par with the proprietary firms for any subsequent procurement, except that no PAC certificate is required. *Further, the delegated financial powers of CFAs for PAC purchases will be exercised for such procurements.* It will, however, be checked prior to placing of orders that the technology absorption levels agreed to while concluding the ToT contract have been achieved.	In Sub-para 15.10.3, third sentence – **FOR** "Further, the delegated financial powers of CFAs for PAC purchases will be exercised for such procurements" **READ** **"The case will be processed for CFA approval as per delegation of financial powers for LTE / OTE procurements."**
58.	**Under Para 15.10 Development of Second/New Sources**	**ADD** the following NEW Sub-para, after Sub-para 15.10.3 **"15.10.4 Certification of Development. A Certificate/confirmation that the item has been developed by the Defence PSU specifically at the request of the Defence Services / Department or to meet the requirements of the Defence Forces will be rendered by the Purchase Organisation in the Statement of Case submitted for obtaining CFA approval. An endorsement in this regard would also be given in the sanction letter for the procurement."**
59.	**Para 15.12 Post Contract Management** Sub-para 15.12.2 **Responsibility for Technical Matters**. The responsibility in technical matters relating to the development shall rest with the Head of the Service/ Establishment / Directorate of Indigenisation / Laboratory/ Workshop / Depot / Institution concerned.	In Sub-para 15.12.2 **FOR** "Head of the Service/ Establishment / Directorate of Indigenisation/ Laboratory/ Workshop / Depot / Institution concerned." **READ** "Head of the Service/ Establishment / Directorate of Indigenisation/ **Professional or Technical Directorate**/ Laboratory/ Workshop / Depot / Institution concerned."

APPENDICES

Ser No	Existing Para of DPM	Amendment / Addition /Deletion
60.	**APPENDIX 'C', REQUEST FOR PROPOSAL FORMAT** (Particulars of the Buyer issuing the RFP) **Invitation of Bids for Supply of ……** **(Title of Request for Proposal)** **Request for Proposal (RFP) No _ Dated ___** 1. Bids in sealed cover are invited for supply of items listed in *Part III* of this RFP. Please superscribe the above mentioned Title, RFP number and date of opening of the Bids on the sealed cover to avoid the Bid being declared invalid.	**The following typographical errors may be corrected –** In line 1 of RFP Format on Page 168, **FOR** "Bids in sealed cover are invited for supply of items listed in *Part III* of this RFP….." **READ** "Bids in sealed cover are invited for supply of items listed in **Part II** of this RFP……"
61.	**APPENDIX 'C', REQUEST FOR PROPOSAL FORMAT** **Part I -General Information** (Para 14 on Pg No 171) **"14. Earnest Money Deposit: –** Bidders are required to submit Earnest Money Deposit (EMD) for amount of ____ along with their bids. The EMD may be submitted in the form of an Account Payee Demand Draft, Fixed Deposit Receipt, Banker's Cheque or Bank Guarantee from any of the public sector banks or a private sector bank authorized to conduct government business as per *Form DPM-16* (Available in MoD website and can be provided on request)……".. "……EMD is not required to be submitted by those Bidders who are registered with the Central Purchase Organization (e.g. DGS&D), National Small Industries Corporation (NSIC) or any Department of MoD or MoD itself."	Under **Para 14**. **Earnest Money Deposit** **On Page 171** (a) **FOR** "…. from any of the public sector banks or a private sector bank authorized to conduct government business as per *Form DPM-16***. ……..**" **READ** "…. from any of the public sector banks or a private sector bank authorized to conduct government business as per **Form DPM-13. ……**" (b) **FOR** "……EMD is not required to be submitted by those Bidders who are registered with the Central Purchase Organization……" **READ** "……EMD is not required to be submitted by those Bidders who are registered **for the same item/range of products/goods or services** with the Central Purchase Organization……"
62.	**Appendices 'C' & 'E' –Part III, Para 2** (Pg 175 & Pg 225) **FOR** **"2. Effective Date of the Contract**: The contract shall come into effect on the date of signatures of both the parties on the contract (Effective Date) and shall remain valid until the completion of the obligations of the parties under the contract. The deliveries and supplies and performance of the services shall commence from the effective date of the contract."	**READ** "**2. Effective Date of the Contract**: **Normally** the contract shall come into effect on the date of signatures of both the parties on the contract **except when some other effective date is mutually agreed to and specifically indicated / provided in the contract.** The deliveries and supplies and performance of the services shall commence from the effective date of the contract."

Ser No	Existing	Amendment/Modification /Addition
63.	**In Part IV of Appendices 'C', 'D' and 'E', on Pages 184, 225 & 262 respectively** **Para 1 Performance Guarantee** **FOR** **"b. In case of Foreign Seller:** The Seller will be required to furnish a Performance Guarantee by way of a Bank Guarantee from Seller's Bank through an internationally recognised first class Bank in favour of the Government of India, Ministry of Defence to be confirmed by public sector bank or a private sector bank authorized to conduct government business (ICICI Bank Ltd., Axis Bank Ltd or HDFC Bank Ltd.) *equal to 10(five percent)* of the total value of this contract i.e. for US $ ……."	In **Appendices 'C', 'D' and 'E'**, **Part IV - Special Conditions** at Para 1 (b) of the RFP/ Supply Order/Contract formats (On Pages 184, 225 & 262). **READ** **"b. In case of Foreign Seller:** The seller will be required to furnish a performance guarantee by way of a Bank Guarantee from the Seller's Bank through a bank of international repute (as per advise received from SBI, Foreign Division Branch regarding acceptability of the bank guarantee) in favour of the Govt of India/ Ministry of Defence. **In case the advice of SBI is that the guarantee is not from a bank of international repute with satisfactory country rating and/or a confirmation of a reputed Indian bank is required to be obtained, then the guarantee will be got confirmed*** "by an Indian public sector bank or a private sector bank duly authorized by RBI to conduct government business (ICICI Bank Ltd., Axis Bank Ltd or HDFC Bank Ltd.)" **equal to five/ten percent** of the total value of this contract i.e for US $....." *[This would entail additional bank charges to be paid towards confirmation of the bank guarantee].
64.	**APPENDIX 'C', 'D' and 'E' PART IV Special Conditions of RFP/Supply Order/Contract respectively** (Pages 185 to 265 of existing DPM) **Para 5. Payment Terms for Indigenous Sellers** **Clause a.** **Para 8. Paying Authority**: **Clause(xv)**	**In Appx 'C', 'D' & 'E'** **(a) In Para 5 a.** (On Pages 185, 226 & 263 respectively)**-** **FOR** "a. 95% Payment against Inspection note, Proof of despatch, duly supported by Xerox copy of the Bank Guarantee and against Consignee's provisional receipt....." **READ** "a. 95% Payment against Inspection note, Proof of despatch, duly supported by **photocopy** of the Bank Guarantee and against Consignee's provisional receipt." **(b) In Para 8 (xv)** (On Pages 187, 228 & 265) **FOR** "(xv) Xerox copy of PBG." **READ** **"(xv) Photocopy** of PBG."

Ser No	Existing	Amendment/Modification /Addition
65	**Appendices 'C', 'D' and 'E': In Part IV Special Conditions of RFP/Supply Order/Contract** (Pages 188, 229 & 266 respectively) **Para 9 Fall Clause** a. The price charged for the stores supplied under the contract by the Contractor shall in no event exceed the lowest prices at which *the contractor sells or offer to sell stores of identical description to any persons/Organisation including the purchaser or any department of the Central government or any Department of state government or any statutory undertaking the central or state government as the case may be during the period till performance* of all supply Orders placed during the currency of the rate contract is completed.	**In Para 9 a.** **FOR** "a. ..... the contractor sells or *offer* to sell stores of identical description to any persons/ Organisation including the purchaser or any department of the Central government or any Department of state government or any statutory undertaking the central or state government as the case may be during the period till performance of all supply Orders placed during the currency of the rate contract is completed. " **READ** "a. .....the contractor sells the stores or **offers** to sell stores of identical description to any persons/Organisation**s** including the purchaser or any department of the Central government or any Department of **the S**tate government or any statutory undertaking **of** the **C**entral or **S**tate government, as the case may be, during the period **or** till **the** performance of all **S**upply Orders placed during the currency of the rate contract is completed."
66.	**Appendices 'C', 'D' and 'E':** **In Part IV Special Conditions of RFP/ Supply Order/Contract**) **Under Para 9. Fall Clause.** **"(b)** If at any time, during the said period the contractor reduces the sale price, sells or offer to sell such stores to any person/organisation including the purchaser or any Deptt, of central Govt. or any Department of the State Government or any Statutory undertaking of the Central or state Government as the case may be at a price lower than the price chargeable under the contract, **the shall forthwith notify such reduction or sale or offer of sale to the Director general of Supplies & Disposals** and the price payable under the contract for the stores of such reduction of sale or offer of the sale shall stand correspondingly reduced. The above stipulation will, however, not apply to:-. i. Exports by the Seller ii. Sale of goods as original equipment at price lower than *lower than* the prices charged for normal replacement.	**In Part IV of quoted Appendices 'C', 'D' and 'E'** **Under Para 9. Fall Clause:** (a) **In Para 9 (b)** (Pages 188, 229 & 266) **FOR** "the shall forthwith notify such reduction or sale or offer of sale to the Director general of Supplies & Disposals and ...." **READ** " **he** shall forthwith notify such reduction or sale or offer of sale to the **Purchase / Contracting Authority and ...."** (b) **In Para 9 (b) sub clause ii** (Pages 189, 230 & 266)- **FOR** "ii. Sale of goods as original equipment at price lower than *lower than* the prices charged for normal replacement." **READ** "ii. Sale of goods as original equipment at a price lower than the prices charged for normal replacement."

Ser No	Existing	Amendment/Modification /Addition
	iii. Sale of goods such as drugs which have expiry dates. iv. Sale of goods at lower price on or after the date of completion of sale /placement of the order of goods .....” “(c) …… except for quantity of stores categories under sub-clauses (a), (b) and (c) of Sub-para (ii) above details of which are given below -”.	(c) **In the last sentence of Para 9 (c)** - **FOR** “…….except for quantity of stores categories under sub-clauses (a),(b) and (c) of Sub-para (ii) above details of which are given below - .....”. **READ** “…….except for quantity of stores/ categories under sub-clauses **(i), (ii), (iii) and (iv) of Sub-para (b)** above, details of which are given below -”.
67.	**Appendices ‘C’, ‘D’ and ‘E’: In Part IV** **Para 19 (a) Transportation:** (Pages 193, 233 & 269) a. **CIF/CIP –** The stores shall be delivered CIF/ CIP _____(Port of destination). Seller will bear the costs and freight necessary to bring the goods to the port of destination. The Seller also has to procure marine insurance against the Buyer’s risk of loss of or damage to goods during the carriage. The Seller will contract for insurance and pay the insurance premium. Seller is also required to clear the goods for export. **The stores shall be delivered to the Buyer by Indian ships only.** The date of issue of the Bill of Lading shall be considered as the date of delivery. No part shipment of goods would be permitted. Trans-shipment of goods would not be permitted. In case it becomes inevitable to do so, the Seller shall not arrange part-shipments and/or transshipment without the express/prior written consent of the Buyer. *The goods should be shipped by Indian vessels only.....”*	**In Para 19 (a) Transportation**, **In the fifth sentence**- (a) **FOR** “…….The stores shall be delivered to the Buyer by Indian ships only …….”. **READ** “…….**The Stores should be shipped preferably by Indian flag vessels or by vessels belonging to the Conference lines in which India is a member country. However, if an Indian flag vessel or vessel of Conference Lines is scheduled to arrive at the specified port of loading later than 15 days of readiness or on routes where Indian vessels /Conference Lines vessels do not ply etc. the seller may arrange for shipment of the cargo by alternative carrier with the prior written permission of the buyer**……..”. (b) **DELETE** the following line in existing text- *“The goods should be shipped by Indian vessels only.”*

Ser No	Existing	Amendment/Modification /Addition
68.	**APPENDIX 'C', PART IV** **Para 11 (4)** on Page 191 **and Para 11 d.** on Pages 231 and 268 of 'Format of Supply Order' and 'Format of Contract' respectively **11. Risk & Expense clause –** **d.** Any excess of the purchase price, cost of manufacturer, or value of any stores procured from any other supplier as the case may be, over the contract price appropriate to such default or balance shall be recoverable from the SELLER. *Such recoveries shall not exceed ____% of the value of the contract."*	Under the Risk and Expense Clause in **Para 11 (4) of Appendix C, Part IV-Special Conditions of Contract (Page 191)** and in **Para 11 (d)** of the Supply Order format on Page 231 and the Contract Format on Page 268 - **DELETE** the last line of the existing text – *"…….Such recoveries shall not exceed ____% of the value of the contract."*
69.	**APPENDICES 'C', 'D' & 'E': In Part III,** Para 14 (b) (iv) Sales Tax/VAT At Serial, 1, in the 2nd sentence – **For** "..... no liability of Sales tax will *be developed* upon the Buyer."	At para 14 (b) (iv) Serial 1, in the 2nd sentence on Pages 181, 224 & 261 – **SUBSTITUTE** "....no liability of sales tax will **devolve** upon the Buyer."
70.	**APPENDIX 'H': STANDARD CONDITIONS OF CONTRACT FOR PARTIAL REFIT/ REPAIRS OF SHIPS/SUBMARINES / MARINE AND SERVICE ASSETS.** (Pages 299-315)	**ADD** as NEW ARTICLE in Appendix 'H' after existing Article 22 (a) **ADD** on Page 300 under the **'Table of Contents' after Article 22-** **"ARTICLE 22 A - Pre-Integrity Pact Clause"** (b) **ADD** the following NEW Article on Page 313 under '**Standard Conditions of Contract for Partial / Complete Refit /Repairs…." after** Article 22- **"ARTICLE 22 A - Pre-Integrity Pact Clause** [As per Part III, Appendix 'C'] in the Standard Terms and Conditions for repair /refit cases exceeding ₹ 100 crores."
71.	**Appendix 'K'** **'Format for Issuing Sanctions'** GIVEN ON PAGE 328 of 'Appendices' to DPM 2009	**REPLACE** existing **Appendix 'K'** of DPM 2009 with the '**Revised Appendix K**' at Annexure II to this Section of the Supplement.

DPM FORMS

Ser No	Existing	Amendment/Modification /Addition
72.	**Form DPM-12** **'Letter of Credit Format'** GIVEN on Page 371 of 'Forms' annexed to DPM 2009 **Entry 15 of the Form** "Documents Required (46A): + Signed commercial invoice in six copies. + Two copies of original clean on board bills of lading made out to order and endorsed in blank, showing applicant as notify party and marked : Freight payable at destination. + Packing list in six copies. + Certificate *or* origin issued by *a chamber of commerce*. + Lot acceptance certificate signed by the seller's and the Buyer's quality assurance representatives or alternatively the seller's quality assurance representative and armscor or the directorate product system support *of the south African national defence force*."	**Against/ Under item 'Documents Required (46A):'** Substitute existing entries under this item as follows- **(a) FOR** "+ Signed commercial invoice in six copies." **READ** "+ Signed commercial invoice in six copies **clearly mentioning the milestone number against which the payment is being claimed**." **(b) FOR** "+ Certificate *or* origin issued by a chamber of commerce." **READ** "+ Certificate **of** origin issued by the Chamber of Commerce **of Seller's Country**". **(c) FOR** "+ Lot acceptance certificate signed by the seller's and the Buyer's quality assurance representatives or alternatively the seller's quality assurance representative and *armscor or the directorate product system support of the south African national defence force*." **READ** "+ Lot acceptance certificate signed by the Seller's and the Buyer's quality assurance representatives or alternatively the Seller's quality assurance representative and representative of the directorate product system support **team of the Buyer**."
73.	**FORM DPM – 24** **Format for TEC Report** GIVEN ON PAGE 392 of DPM 2009	**REPLACE** existing 'Form DPM-24' with '**Revised Form DPM–24'** at Annexure III to this Section of the Supplement.

Annexure I

Form DPM-30

Composition of the Empowered Committee to deal with the Policy Issues and Amendments/ Modifications to the Defence Procurement Manual – 2009

Designations

1.	Secretary (Defence / Finance)	-	Chairperson
2.	Addl. Secy., MoD	-	Member
3.	JS & Addl. FA concerned with DPM	-	Member
4.	ADG (Procurement)/ IHQ of MoD (Army) assisted by Dir OS (PP&C)	-	Member
5.	Asstt. Controller of Logistics (ACOL)/ IHQ of MoD (Navy)	-	Member
6.	ACAS (Procurement)/ IHQ of MoD (Air)	-	Member
7.	ACIDS (FP)/ HQ IDS	-	Member
8.	DDG (CG)/ CGHQ	-	Member
9.	Jt. CGDA (IFA)/ CGDA	-	Member
10.	Director/ MoD (Fin)	-	Member Secretary

Notes-

1. Officers may be invited /co-opted by the Committee from other Organizations, including DDP, OFB, DRDO, DGQA, DGAFMS etc. on as-required basis.

2. The Committee may also appoint Sub-Committee(s) to go into specific issues, if considered necessary.

3. The Committee may also meet *suo moto* to take stock of implementation of DPM-2009 or any other related issue.

4. The members nominated from the Services /Coast Guard etc. will act as the nodal members for consolidating and coordinating all the issues raised by any directorate /establishment /entity belonging to the respective Service.

Annexure II

REVISED APPENDIX 'K'

INDICATIVE LIST OF DETAILS TO BE PROVIDED IN A PROCUREMENT SANCTION

Subject of Sanction (Procurement of _____)

1. Broad purpose of the expenditure sanction.
2. Name of the item/items and name of the vendor/supplier/undertaking etc.
3. Quantum of item/items or scope of services being sanctioned and the relevant financial year/s.
4. Value of sanction-both per unit cost and total cost (indicating the taxes and duties whether inclusive or exclusive. Where it is exclusive of the taxes, it should be indicated whether taxes are payable in addition, and if so, which taxes and duties are payable).
5. Reference of Government Authority/Letter and Schedule / Sub-Schedule of delegation of financial powers under which the sanction/ approval is being accorded.
6. Whether being issued under powers to be exercised without concurrence or with concurrence of IFA.
7. Name of the paying agency.
8. Budget Major Head, Minor Head, Sub Head, Detailed head and Code Head under which the expenditure will be booked. (as mentioned in the Defence Services Classification Hand Book, as amended).
9. Approval of CFA give vide Note Number_____ dated_____ in File number_____ (In case communication of sanction is being signed on behalf of CFA by a Staff Officer).
10. UO Number allotted by the integrated finance (when the CFA's delegated powers are being exercised with financial concurrence).
11. Communication of Sanction: Whether being signed by the CFA or staff officer authorized by CFA to sign financial documents on his behalf and authority/ letter number and date of such authorization.
12. If the sanction is issued overruling the advice of the IFA, a copy of the order recorded by the CFA in writing, containing a gist of the objection of CDA/IFA and reasons for overruling the advice will be attached.

CFA
or
Duly Authorized Staff Officer

Other details :
File/Serial No. of Sanction…… Date of issue ……

Annexure III

REVISED FORM DPM- 24

TEC FORMAT

(a) Clear Cut Parameters/ QRs (as per relevant para/s of RFP)

S. No.	Vendor/ Sample	Essential QRs (Serially listed)	Acceptable Range	Sample Reading	Within Range (Yes/No)	Technically Acceptable	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

(b) Intangible Factors (if any)

Intangible Factors * (as indicated in RFP)						
S. No.	Vendor / Sample	Feel (Fit/ Unfit)	Look (Fit/ Unfit)	Warmth (Fit/ Unfit)	Others	Final Analysis (Qualified/ Non-Qualified)
(1)	(2)	(3)	(4)	(5)	(6)	(7)

* Intangible Factors will change based on the nature of items.

[Note: TEC Format to form a part of the tender documents to provide for transparent technical evaluation criterion]

Annexure IV

Index to DPM-2009

SECTION-3

Decisions of the Empowered Committee on Policy Issues

[Meeting held on 4th May 2010]

Decisions of the Empowered Committee on Policy Issues

Chapter-2
Procurement – Objective and Policy

Ser No	Query/Suggestion	Recommendations/Decision
1.	**Para 2.4 Types of Procurement** Sub-paras 2.4.4 & 2.4.5 **Clarification on Definition of 'foreign' and 'indigenous' procurement** The issue as to what kind of entities will qualify as 'indigenous suppliers' and as 'foreign suppliers' in the context of procurement of imported goods had been raised in the DPM Review Committee 2006 and needs examination. The services sought a clarification whether the cases where equipment was imported by Indian sellers after payment of all duties on imports and thereafter offered for sale to the Defence Purchasers against payment in Indian rupees should be classified as 'indigenous' or 'foreign' procurement and also whether such firms could be registered as Indian vendors.	**Deliberation** The issue regarding processing of cases of purchase of equipment / spares of foreign origin from an indigenous supplier on the revenue side as a 'foreign' or 'indigenous' procurement was discussed by the Empowered Committee. It was brought out that a clarification had been issued recently on the subject by the CGDA's office [IFA Instruction No.05 of 2010 dt 20-04-2010] based on provisions contained in the DGS&D Manual (Para 10.18.9) making a distinction between 'cases constituting sale in the course of import' and 'cases not constituting sale in the course of import' in the context of supply of equipment/goods of foreign origin by the indigenous vendors. These provisions of DGS&D Manual have themselves been adopted from the 'Sale of Goods Act, 1930'. **Decision** The **Committee accepted inclusion of the criteria to distinguish between indigenous procurement and foreign procurement** (in the context of purchase of equipment of foreign origin from Indian vendors) **as defined in the DGS&D Manual / Sale of Goods Act for distinguishing between "import purchases" and "purchases not in the course of import." The principle has been incorporated vide serials 5 & 6 of Section-2.**
2.	**Para 2.4 Types of Procurement** Sub-para 2.4.12 **Purchase of DGS&D Rate Contract items directly**. GFR 2005 allows placement of direct orders on the suppliers for DGS&D rate contracted goods at the same price and terms and conditions. A similar provision has been made in DPM 2009. Some defence purchasers, particularly in the field, place supply orders on the _ authorized dealers /sub vendors / agents of the RC Holders. The view of integrated finance was that the **term** 'supplier' **refers to the original** RC holding firm only. The Services stated that	**Deliberation** While appreciating the difficulty faced by the CFAs, the Committee expressed concern that the local suppliers / dealers may not be reliable/authorized agents / dealers of the rate contract (RC) holding firm which may result in procurement of spurious/fake goods and non-fulfillment of warranty / guarantee obligations. The authenticity of the claim of a supplier of being an authorized agent /dealer of the RC holder firm must, therefore, be established before an order is placed on the supplier.

Ser No	Query/Suggestion	Recommendations/Decision
	the RC firm with whom DGS&D concludes a contract, often do not respond to small orders from purchasers in distant locations, leading to delay in supply of goods, thereby defeating the purpose of placing direct orders. As such, CFAs in the Commands/ field may be allowed to procure these goods directly from the local suppliers / dealers/agents of the firm thereby reducing the procurement time and also ensuring prompt after sales service/ product support from the local authorized dealers /agents of the firm. Further, in many DGS&D RCs, transportation cost is extra which entails an additional burden on the buyer.	**Decision** Keeping in view the problems highlighted, **it was decided that if the RC holding firm had pre-disclosed the names of his agents / authorized dealers in various locations or where the local suppliers/dealers were able to produce a certificate from the RC holding firm to the effect that they are the firm's authorized agents/dealers or can show an agency agreement between them and the RC firm, the supply orders may be placed on them,** on the same terms and conditions as given in the DGS&D RC. It was decided to clarify the above in the DPM. Necessary provision in this regard is at Serial 7 of Section-2.
3.	**Para 2.5 Product Reservation, Purchase / Price Preference and other facilities** Sub-para 2.5.1 & 2.5.2 **Product Reservation - Relaxation to be Given Under Certain Conditions**. Purchase of certain listed items has been made mandatory from KVIC, ACASH and MSMEs. It may not always be feasible for defence units located in remote areas and /or where KVIC etc have no outlets in the immediate vicinity to procure such items from them. In view of the difficulties faced, the Services wanted a dispensation from application of the product reservation policy in case of defence purchasers.	**Deliberation** It was noted that in response to a reference received from the Ministry of Micro, Small & Medium Enterprises (MSMEs), the nodal ministry for dealing with the procurement preference policy for goods and services rendered by MSEs, the Ministry of Defence had communicated that it was not possible to implement the proposed product preference policy in the Defence Services due to the spread of the Units/Establishments all over the country and the need to maintain uniform specifications and bulk supply for the Defence users which is difficult to achieve due to limited capacity of the MSMEs. However, a response from the Ministry of MSMEs is still awaited. **Decision** **It was decided to maintain status quo till the policy is reviewed**. **However, the Administrative Wing of the Ministry of Defence, concerned with the subject, MoD/D (Coord) would pursue the matter with the Ministry of MSMEs.**

Ser No	Query/Suggestion	Recommendations/Decision
4.	**Para 2.5 Product Reservation, Purchase / Price Preference and other facilities** Sub-para 2.5.4 **Treating CSD at par with Kendriya Bhandar/ NCCF.** The Services highlighted the difficulties faced by units/establishments in purchasing their routine/ office requirements in remote locations and proposed that CSD should be treated at par with Kendriya Bhandar/ NCCFfor such purchases because - • It is a more authentic / credible org than Kendriya Bhandar/ NCCF • It is subjected to internal audit by CDA and statutory audit by Comptroller & Auditor General of India • All products of CSD Inventory are subjected to detailed procedures with the consent of CDA • CSD network is widespread in the three services vis-à-vis NCCF/ Kendriya Bhandar.	**Deliberation** A case was taken up with the DOP&T a few years back suggesting that CSD be treated at par with Kendriya Bhandar/ NCCF for purchase of stationery /consumables and other miscellaneous items of ACG by the Defence units. No response had so far been received from them. It was appreciated that the CSD had been set up primarily as a welfare measure for the Service personnel and Ex-servicemen and the purchases were exempt from taxes and levies imposed by the Central/State Government. Therefore, it is not possible to extend this benefit / facility suo moto to units /establishments for making departmental purchases, as it could mean loss of revenue to the States and would, therefore, not find favour with the Central/State Governments, unless a system could be devised for deduction of the Central/ State taxes / VAT etc. on sales made by the CSD to the Defence units / establishments. **Decision** **It was decided that the issue be taken up separately by the administrative wing concerned with the subject in MoD, initially with the Management of CSD and the latter's views / recommendations obtained before the matter is decided by the MoD, in consultation with MoF. As regards the DPM, It was decided to maintain status quo for the present.**

Chapter-3
Sourcing and Quality

Ser No	Query/Suggestion	Recommendations/Decision
5.	**Para 3.2 Registration of Firms** Sub-paras 3.2.5 & 3.4.2 **Detailment of a Central Agency to Monitor Implementation of the Provision of Para 3.2.5 and 3.4.2 on Registration / De-registration of firms**. DPM -2009 mandates that registration as well as cancellation of registration by any one registering/ procuring agency shall be applicable to all others. However, there is no central agency detailed to maintain the requisite data base / monitor the same. As such it is for consideration that DGQA should continue to act as the nodal agency for this purpose. A systemized procedure may be introduced for showing the database of registered vendors between the three services, through uploading of respective websites. This administrative practice, if brought into existence through a policy letter, can save a lot of time spent in looking for credible vendors at the grass-root level.	**Deliberation** The need for a Central Monitoring Agency to maintain the data base on registration/deregistration of firms, issue of comprehensive policy guidelines, examining policy issues/amendments to the guidelines on registration and sharing of information between the Services, had been stressed by the DPM Review Committee. DGQA was identified as the agency to be made centrally responsible for this purpose and had accepted the responsibility when approached in November/December 2009. They had also suggested setting up of a Committee for this purpose. However, the MoD/Department of Defence Production have issued orders dated 12th April 2010 whereby the DGQA have ceased to be responsible for capacity assessment and registration of suppliers for the Army. As there is now no identifiable nodal agency to take on the responsibility and address the common policy issues on the subject impacting the Army, the matter requires immediate attention. **Decision** The Services were asked **to revert to the Empowered Committee with a suggestion whereby one Service/nodal agency may take on the responsibility for coordinating the policy and facilitate sharing of information on an inter-services basis**. Further, in view of MoD/DDP orders dated 12th April 2010, **various provisions of DPM (primarily Chapter 3) may need to be amended to delink DGQA from the process of registration /de-registration of vendors and issue of policy guidelines on the subject**.

Chapter-4 Tendering		
Ser No	**Query/Suggestion**	**Recommendations/Decision**
6.	**Para 4.16 Re-tendering** Sub-para 4.16.3 **Withdrawal of Bid by L-1.** Para 4.16.3 provides that "in case the lowest tenderer withdraws his offer, retendering should be resorted to as per instructions issued by CVC." Often, the vendor does not withdraw his offer but simply does not respond after opening of tenders. Re-tendering has a time dimension, risk of rates going up and objections from other vendors having disclosed their prices. In such cases the L-2 bidder may be given an opportunity to match L-1 rate and if he refuses the opportunity can be given to L3, L4 etc. If anyone accepts the L1 rate, public interest is protected by getting the best rate without compromising or delaying the purchase.	**Deliberation** The suggestion is contrary to the CVC guidelines and therefore any deviation would only be possible with the consent of the CVC. There is also the possibility of L2 and others not being able to match L1 rates if he has withdrawn due to unviable rates. The Services were asked about the frequency of occurrence of this problem, since the proposal was in contravention of the existing CVC guidelines. It was mentioned by the participating members of the Services, that such instances were quite infrequent / few. **Decision** It was decided that **the facts did not justify taking up a case with the CVC for any change in policy.**

Chapter-5

Approval Process and Conclusion Of Contract

Ser No	Query/Suggestion	Recommendations/Decision
7.	**Para 5.2 Processing of Procurement Proposals** Sub- Para 5.2.5 **Processing of Proposal without linking with Availability of Funds**. Para 5.2.5 provides that a purchase proposal may be processed without linking it with actual availability of funds, if it is certified by the budget holder that there is a reasonable certainty of funds becoming available by the time the proposal reaches the final stage of contracting/ placing of SO. A further amplification is required for stores having a long lead time	**Deliberation** The problem highlighted in respect of stores having a long lead time for materialization was appreciated. **Decision** It was **decided to provide an appropriate clarification in the DPM that in the case of stores having a long lead time, the purchase proposal may be processed without linking it with the actual availability of funds and the supply order / contract placed in the last quarter of a FY** (January to March) for orders which will materialize in the ensuing FY/s, when there is a reasonable assurance of availability of funds, taking into account the contracted liability on cash outgo basis in the budget of the ensuing FY/s. The amendment is at Serial 21 of Section-2.
8.	**Para 5.4 Quantity Vetting** Sub-para 5.4.1 **Placement of Indent on OFB**. The OFB has expressed difficulty in accepting orders below their calculated Economic Order Quantity (EOQ). Accordingly, it is recommended that the DPM be amended (in continuation of Para 5.4.1) to permit modification of the indented quantity to EOQ, declared by OFB in consultation with the indenting agencies. The same is justified as OFB is a govt agency and drawal of raw materials for EOQ is in the overall interest of the State. Further, most of the items indented by the Army are required year after year and the excess qty indented/produced during one year can be offset against the future years' requirement. Alternatively, refusal of the indent by the OFB will have an adverse impact on equipment availability.	**Deliberation** In view of the manifold ramifications which involve the production planning process / schedules of OFB, problems of indenting for excess quantities and their subsequent storage, constraints of shelf life of items produced and stocked against likely future indents etc. the issue needs to be examined in its totality by the Department of Defence Production (DDP), rather than being considered/decided by the Empowered Committee. **Decision** It was decided that **Service HQs should approach the MoD/DDP separately for resolving the problem, so that the issue could be addressed comprehensively,** to appropriately balance the requirements of the Services with the production / economic concerns of OFB. After the issue is settled in consultation with the DDP, necessary provisions can be incorporated in the DPM with specific reference to the indents to be placed by the Services on OFB.

Chapter-14

Offloading of Partial/ Complete Refits/Repairs of Ships/ Submarines / Crafts/ Assets to Indian PSU/Private Ship Yards/Trade

Ser No	Query/Suggestion	Recommendations/Decision
9.	**Para 14.7 Characteristic Features of Refits/Repair** Sub-paras 14.7.1, Para 14.10 and Para 13 of Appendix 'G' A Committee was set up under Addl. FA(R) to rationalize the diverse procedures being followed by the Indian Navy and the Indian Coast Guard for determination of L-1 while off-loading refit of ships and to arrive at a common procedure to be incorporated in the DPM. The Committee recommended that the Coast Guard should follow the same procedure as the Indian Navy and the approval of R.M. was obtained. The DDG, Coast Guard brought out that this decision required reconsideration in view of the distinctive requirements of the Coast Guard vis-à-vis the Navy. It was clarified that Naval Ships largely rely on Naval Dockyards whilst ICG has to rely to a large extent on the small-scale private refitting yards since they have no infrastructure of their own. The public sector yards are pre-occupied and largely engaged in construction related activities and not in ship repair. On the other hand, the private shipyards registered with Coast Guard have conveyed their inability to accept the turnkey responsibility of the refits, in view of their limited resources, and are not ready to take on responsibility for supply of spares which have a long lead time, as the same is not financially viable for them.	**Deliberation** The Committee observed that while the Coast Guard was a party to the recommendation of the Committee set up under JS & Addl FA (R), to evolve the common norms for offloading of repairs/refits by the Navy and Coast Guard, they had expressed their reservations during the deliberations to adopt the procedure being followed by the Indian Navy. The Coast Guard highlighted the organizational differences with the Navy as well as the fact that they rely largely on the small-scale private refitting yards with little infrastructure of their own, who have conveyed their inability to accept the turnkey responsibility for the refits. **Decision** **It was decided that DGICG may project the case to the DoD for reconsideration of the decision to have a common procedure for determination of L1 and provision of spares for the Coast Guard and the Indian Navy.** Pending reconsideration of the issue, the amendments proposed to Chapter 14 of the DPM [in the light of recommendations of the Committee headed by Addl FA (R)] were decided to be held in abeyance. **Note**: It has **since been decided** with the approval of the Raksha Mantri **that status quo will be maintained as regards the distinctive procedures being presently followed by the Navy and the Coast Guard, in terms of the provisions of Chapter 14 of DPM 2009**. Necessary modification has been made in Sub-para 14.7.1 of Chapter 14 to reflect this aspect. Serial 52 of Section-2 refers.

General Point Outsourcing of Services		
Ser No	**Query/Suggestion**	**Recommendations/Decision**
10.	**General Point** **Enhancing the Scope of Procurement to Cover Outsourcing**. The DPM is now applicable to the procurement of goods as well as services. Though the procedures for procuring goods had been covered in adequate details, the same could not be said for the procurement / hiring /outsourcing of services to include repairs, secretarial duties, security etc. There is thus a need to include an additional chapter in the DPM-2009 to lay down the procedures for procurement / hiring / outsourcing of Services.	**Deliberation** The DPM Review Committee had highlighted the need to include an additional Chapter in DPM-2009 on outsourcing of Services. A Committee had been set up under SS(J) to study "Outsourcing in the Defence Sector". The Report of the Committee, after approval by the R.M., has been circulated by the Ministry of Defence to all the stake holders vide Ministry of Defence I.D. No.10 (4) / 07-D (Move) dated 1st December 2009, along with a suggested SOP, for further necessary action. As per the recommendations, the guidelines for outsourcing need to be formulated on a tri-service basis in consultation with CGDA and vetted by MoD (Finance) before issue. **Decision** The Empowered Committee decided to nominate HQ **IDS to formulate the joint SOP/guidelines on the subject in a time bound manner and refer the draft to the CGDA within a month** so that a common procedure for outsourcing of services could be finalized expeditiously for the Defence Services. The desirability of issuing such guidelines in the form of a formal Government letter would also need to be considered by the MoD.