

Analysis

Chapter IIIA

**PROCEDURE FOR ACQUISITION OF SYSTEMS DESIGNED AND DEVELOPED BY
DRDO / DPSU / OFB**

New or Revised Salient Features

Significance of Validity for AoN

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Chapter II – “Buy” & “Buy and Make” Categories

- AoN for categories under ‘Buy’ and ‘Buy and Make’ schemes will be valid for six months.
- AoN will be valid for one year in case of ‘Buy and Make (Indian)’ category and all Turnkey projects.
- AoN would lapse for all cases where the RFP is not issued within the original validity period of AoN. In such cases, the SHQ would need to either seek re-validation of AoN or a fresh AoN with due justification for not processing the case in time.

Chapter II – “Buy” & “Buy and Make” Categories

- For cases where the original RFP has been issued within the original validity period of AoN and later retracted for any reason, the AoN would continue to remain valid, as long as the original decision and categorisation remain unchanged, provided the subsequent RFP is issued within a time period not exceeding the original validity period of the AoN, from the date of retraction of original RFP.

Chapter III – Make & Innovation Categories

- In case of 'Make-I' category, the AoN will be valid for **one year** from the date of accord of AoN, whereas for **Make-II/III** categories, the AoN will be valid for **six months** from the date of accord of AoN.
- In case **where EoI is not issued** within the stipulated period, SHQ would have to move a case for revalidation of AoN with due justification .
- For cases **where the original EoI has been issued within the stipulated period and later retracted** for any reason, the **AoN would continue to remain valid, as long as the original decision and categorisation (sub-category) remain unchanged and the subsequent EoI is issued within six months from the date of retraction of original EoI.**

Chapter III – Make & Innovation Categories

- AoN for iDEX cases will be valid for **six months**. For cases where RFP is not issued within six months from accord of AON, SHQ will revalidate the AoN with due justification, as per the prescribed procedure
- “Open Competition” - The AoN will be valid for **six months** from the date of accord of AoN. In case where RFP is not issued within the stipulated period, SHQ will seek revalidation of AoN with due justification for not processing the case on time.
- “Technology Development Fund” - The AoN will be valid for **six months** from the date of accord of AoN. In case where RFP is not issued within the stipulated period, SHQ will seek revalidation of AoN with due justification for not processing the case in time.

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- ❖ Appreciate that **EOI for “Make”** categories and **RFP for “Innovation”** categories do not mean contract for production. These are only for selecting DAs for development of prototype.
- ❖ A commercial Request For Proposal (RFP) for ‘Buy (Indian – IDDM) or Buy (Indian) phase will be issued to all successful DA(s) for submission of their commercial offer **prior to commencement of User trials.**



This leaves room for uncertainty in the period of trials post completion of prototype development. It becomes an open ended activity.

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- ❖ **For Make-I Projects**, post development of prototype, the PSQRs will be converted to SQRs. Thereafter, a commercial Request for Proposal (RFP) for procurement of MOQ listed in the AoN under 'Buy (Indian-IDDM) category, will be issued to all Development Agencies for submission of their commercial offer prior to commencement of User Trials.
- ❖ In case for reasons beyond control of the SHQ, if **no Commercial RFP** for the equipment is issued **within two years from the date of successful completion of prototype development**, the DA(s) will be entitled for reimbursement of remaining cost of the prototype development cost. Where DAs had borne the entire cost of prototype development, the entire cost will be reimbursed within a period of twelve months.

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- ❖ For Make- II & Make-III projects, a commercial Request for Proposal (RFP) for 'Buy (Indian-IDDM) phase, duly vetted by Acquisition Wing (for non-delegated cases)/concerned SHQ (for delegated cases), will be issued to all Development Agencies for submission of their commercial offer prior to commencement of User trials.
- ❖ For iDeX and TDF projects - A commercial Request for Proposal (RFP) for 'Buy (Indian-IDDM) phase, will be issued to all Development Agencies (iDEX Winners who have successfully developed the prototypes) for submission of their commercial offer prior to commencement of User trials.
- ❖ For “Open Competition” projects - A commercial Request for Proposal (RFP) for 'Buy (Indian-IDDM) phase will be issued to all Development Agencies for submission of their commercial offer prior to commencement of Phase II/ Phase III (Demonstration Phase)

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Stated Objective

- To enable acquisition and induction of equipment/ system developed by DRDO/DPSU/OFB into the Services.
- Translate the existing indigenous technological capability into systems,
- Implement 'Make in India' with indigenous technology through Indian industry.

(In DPP 2016, Design and Development cases undertaken by DRDO/DPSUs/OFB were covered by the provisions of paragraph 72 of Chapter II.)

Procurement Functions

- a) Initiation of D&D case by SHQs.
- b) Accord of Acceptance of Necessity (AoN).
- c) Issue of Project Sanction Letter.
- d) Design and Development. {Internal procedures of organisations}
 - (i) Identification of Development cum Production Partner (s) by DRDO /DPSU / OFB.
 - (ii) Detailed Design Review (DDR).
 - (iii) Issue of Trial Directive by SHQ.
 - (iv) Critical Design Review (CDR) by DRDO/DPSU/OFB
 - (v) Realisation of prototype.
 - (vi) Development trials, with assistance of Users(SHQ).

Procurement Functions

- e) Freezing of PSQRs (conversion of PSQRs into SQRs).
- f) Issue of Commercial Request for Proposal (RFP) to Development cum Production Partner (s) – DcPP(s)/ Production Agency (ies)- PA(s) of DRDO / DPSU/OFB.
- g) Field Evaluation Trials (FET).
- h) Staff Evaluation.
- i) Commercial negotiations by Contract Negotiation Committee (CNC).
- j) Approval of the Competent Financial Authority (CFA).
- k) Award of contract/ Supply Order (SO).
- l) Contract Administration and Post-Contract Management.

Notable Features

- All design and development projects of DRDO / DPSU / OFB, other than those which may be undertaken by them as Technology Demonstrators or Basic / fundamental research or as internal, independent R&D, will be initiated by the Services themselves.

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Notable Features

- AoN will clearly indicate: -
 - i. Recommended level of Indigenous Content.
 - ii. Minimum Order Quantity (MOQ) which can be exclusively committed for the identified project, post the successful development of prototype. **In case, SHQs have opted for multi-stage PSQRs, SoC shall separately list out MOQ for each stage.**
 - iii. Envisaged 'Development Time-lines' for prototype.
 - iv. Estimated development cost of project.
 - v. Acceptability of multiple (DcPP(s)/ PA(s) and division of ordered quantity among successful DcPP(s)/ PA(s), where applicable.

(Para 12 - Validity of AoN for D&D projects by DRDO/DPSU/OFB will be six months from the date of approval of SQRs (post freezing of PSQRs after successful developmental trials.)

Notable Features

- Validity of AoN for D&D projects by DRDO/DPSU/OFB will be six months from the date of approval of SQRs (post freezing of PSQRs after successful developmental trials) by relevant SEPC i.e. Commercial RFP would have to be issued by SHQ to DcPP of DRDO or DPSU/OFB within six months of approval of GSQR by SEPC.

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Notable Features

- The procedure is similar to “Make” for industry given in Chapter-III.
- The main difference is that Design & Development activity including selection of Development cum Production Partner or Production Agency, post issue of project sanction, is undertaken through internal procedures of the development agency, in this case DRDO or DPSU or OFB.
- Normally, DRDO would nominate DcPP(s) ; but in case of DPSU/OFB the entire D&D and subsequent production may be undertaken by themselves.
- In exceptional cases DPSU/OFB may nominate a DcPP/PA from Indian industry.

Notable Features

- Project timelines and MOQ is known at development stage.
 - ✓ Therefore, Development cum Production Partners or Production Agencies have a clear idea about the volume / timetable of future business.
- The procedure stipulates that RFP be issued to DcPPs & PAs.
 - ✓ DcPP(s)/ PA(s) identified by DRDO shall not be considered as Single vendor case.
 - ✓ Similarly, if the D&D is by DPSU/OFB without any DcPP ,it would not be treated as SVC.

Notable Features

- ✓ DRDO shall identify DcPP(s) during the initial stages of development as per DRDO procedures.
- ✓ The number of DcPP(S) selected will be based on the quantities required, response of the vendors, complexities of the technology, risk mitigation, expertise available within the Indian industry etc. But effort should be to have at least two DcPP(s).
- ✓ If two DcPPs are not available DRDO may justify the same to AoN according authority when AoN is sought.
- ✓ In case of D & D by DPSU/OFB there may not be any DcPP.
- ✓ In case there is a DcPP ,provisions as applicable to DRDO will apply.

Notable Features

- ✓ In certain cases, where the quantities are limited and production by industry is not feasible, production can be undertaken by DRDO/DPSU/OFB with approval of AoN according authority.
- ✓ DRDO will however identify a suitable maintenance agency as per its internal procedures to provide life cycle support for the equipment.
- ✓ DPSU/OFB may provide the product support without involving any private industry.

Notable Features

- ✓ The DcPP(s) shall be **involved during the development cycle** of the project in order to enable absorption of technology.
- ✓ Infrastructure required for production should be established by the DcPP(s).

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Notable Features

- Projects will be monitored and managed by a **Joint Project Management Team**, headed by two-star rank officer of the User Service, with members from all other stakeholder organisations.

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Notable Features

- ✓ Trial Directive will be issued by SHQ after completion of the project Detailed Design Review (DDR) for Developmental trials based on PSQRs.
- ✓ Aspects of QA, Environmental tests, EMI/EMC checks and maintainability would also be addressed in the trial directive.
- ✓ DRDO/DPSU/OFB and SHQ shall jointly agree to the parameters which will be evaluated during the development trials.
- ✓ A certificate of conformance (CoC) will be issued by DRDO/DPSU/OFB to certify that these parameters need not be re-evaluated during FET.

Cases for ex-Post-Facto AoN

- ❖ For on-going cases, where the development had commenced prior to accord of AoN, ex-post facto approval may be accorded by the DAC.
- ❖ In case where the PA(s) are being **nominated** by the DRDO post development of prototype, the commercial RFP would be issued to the PA(s) **nominated** by DRDO/DPSU/OFB.

Enabling provisions for private industry. Because in the past, projects have been stuck because DRDO / DPSUs or OFB had not obtained AONs for the projects.

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