

MoD (ACQ WG)**LIST OF GUIDELINES**

Ser No	Guidelines	MoD ID No	Issued by	Date of Issue
1.	Opportunities of Interaction with the Vendors prior to RFP	4(3)/D(Acq)/16 Pt.	Dir (Acq)	29 Aug 16
2.	Abolition of existing "Guidelines for Establishing Joint Venture (JV) Companies by Defence Public Sector Undertakings" notified on 17.02.2012	4(16)/D(Acq)/16	Dir (Acq)	30 Aug 16
3.	Procedure for Timely Return of IPBGs in Defence Capital Acquisition cases.	1(5)/D(Acq)/14-Vol.II	Dir (Acq)	31 Oct 16
4.	Guidelines of the Ministry of Defence for Penalties in Business Dealings with Entities	31013/1/2016-D(Vig) Vol.II	Dir (Vig)	29 Nov 16
5.	Adoption of Integrity Pact - Revised Standard Operating Procedure	015/VGL/091	CVC	13 Jan 17
6.	Guidelines regarding Payment of Customs Duty on Input Material due to Withdrawal of Exemptions from Payment of Basic Customs Duty in Capital Acquisition Cases	1(11)/D(Acq)/14	Dir (Acq)	23 Jan 17
7.	Green Channel Policy	43(5)/2015/D(QA)	DDP	24 Mar 17
8.	(a) Appointment of Independent Monitors (IMs) in MoD	1(11)/D(Acq)/16	Dir (Acq)	14 Jul 17
	(b) Procedure for overseeing implementation of Integrity Pact (PCIP) by Independent Monitors in MoD	31024/6/2017-D(Vig.)	D (Vig)	17 Aug 17
9.	Implementation of GST - Effect on Existing Contracts of Defence Services	30(10)/GS-II/2017	DFA (GS)	19 Jul 17
10.	Amendment to the Rule 152 of General Financial Rule, 2017-regarding Enlistment of Indian Agents	F.26/2/2016-PPD	Min of Fin	25 Jul 17
11.	Amendment to the Rule 170(i) of General Financial Rule, 2017 regarding Exemption to Startups for Submission of EMD	F.20/2/2014-PPD(Pt.)	Min of Fin	25 Jul 17
12.	Review of Force Majeure Clause (Art 24 of Standard Contract Document) as stipulated in DPP 2016	1(1)/D(Acq)/16-Vol.II	Dir (Acq)	06 Jun 18
13.	Public Procurement (Preference to Make in India) Order 2017-Notifying specified Capital Goods in furtherance of the Order	1(10)/D(Acq)/17(Pt)	Dir (Acq)	09 Jul 18
14.	(i) Clarification on Guidelines regarding payment of Custom Duty on inputs material due to withdrawal of exemption from payment of basic customs duty in capital acquisition cases issued vide MoD ID No. 1(11)/D(Acq)/14 dt 23.01.2017.	1(11)/D(Acq)/17	US (Acq)	18 Jul 18
	(ii) Guidelines regarding payment of Countervailing Duty (CVD) and Special Additional Duty (SAD) due to withdrawal of exemptions w.e.f 01.06.2015 on import of equipment and input material for defence purpose.			

**MINISTRY OF DEFENCE
(ACQUISITION WING SECRETARIAT)**

Subject: Opportunities of interaction with the vendors prior to RFP.

In several capital procurement cases, RFPs have had to be retracted as these were found to be based on unrealistic and/or stringent SQRs. In some cases, where RFPs have generated inadequate response or when only a single vendor has responded, a perception may arise that SQRs are tailor-made for equipment being offered by specific vendors.

2. At present, paras 5, 8 and 36 of Chapter II of DPP-2016 stipulate stages where vendor interaction is to be carried out prior to issue of RFP. This has been done to ensure that broad based and realistic SQRs are formulated to meet the essential operational requirements and to ensure competition and level playing field.

3. In line with the same objectives, it is now decided that SHQs should also conduct interaction with vendors at the draft RFP stage, so that in case changes in SQRs are felt necessary, approval of SEPC for the same may be obtained prior to fielding the case in the categorisation and AoN according Committees. It is stressed that the intention of the proposed interaction is to ensure that SQRs/RFPs are broadbased and realistic.

4. This has the approval of Raksha Mantri.


(Praveen Kumar)
Director(Acq)
Telefax: 23792865

FA(Acq) & AS	DCIDS(PP&FD)	DCOAS(P&S)	DCAS
ACNS(P&P)	DDG(P&P)		
JS&AM(LS)	JS&AM(MS)	JS&AM(Air)	
FM(LS)	FM(MS)	FM(Air)	
TM(LS)	TM(MS)	TM(Air)	

MoD ID No. 4(3)/D(Acq)/16 Pt. dated 29.08.2016

Copy to:-

- (i) PS to RM
- (ii) SO to Defence Secretary
- (iii) PPS to Secretary (DP)
- (iv) PPS to Secretary (R&D)
- (v) PPS to Secretary (Def Fin)
- (vi) PS to DG (Acq)

Ministry of Defence
[Acquisition Wing Secretariat]

Subject: Abolition of existing "Guidelines for establishing Joint Venture (JV) Companies by Defence Public Sector Undertakings" notified on 17.02.2012.

Ref: DDP ID No.MoD/18(4)/GC/2014/Dir(P&C)/149 dated 23.08.2016.

Please find enclosed herewith the above referred DDP ID on the captioned subject for kind information.

Encl: As above.


(Praveen Kumar)
Director (Acq)
Telefax: 2379 2865

FA(Acq) & AS

JS&AM(LS)

JS&AM(MS)

JS&AM(Air)

FM(LS)

FM(MS)

FM(Air)

TM(LS)

TM(MS)

TM(Air)

MoD ID No.4(16)/D(Acq)/16 dated 30.08.2016



No MOD/18(4)/GC/2014/Dir (P&C)/149

Government of India
Ministry of Defence
Department of Defence Production

Room No. 132-C, South Block

New Delhi-11

Dated: 23 Aug 2016

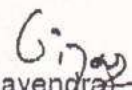
OFFICE MEMORANDUM

Subject: Abolition of existing "Guidelines for establishing Joint Venture (JV) Companies by Defence Public Sector Undertakings" notified on 17-02-2012

In view of the fact that the guidelines issued from time to time by the Department of Public Enterprises (DPE) and Ministry of Finance (MoF) are already in force and uniformly applicable to all Central Public Sector Enterprises (CPSEs) on Joint Venture (JV) formations; it is felt that there is no need for separate set of guidelines for JV formations in respect to Defence Public Sector Undertakings (DPSUs). Accordingly the Government have now decided to abolish the "Guidelines for establishing Joint Venture (JV) Companies by Defence Public Sector Undertakings" notified vide O.M. No. MoD/18(4)/GC/2011/Dir (P&C) dated 17 Feb 2012.

2. The abolition shall come into force with immediate effect and guidelines issued by the Department of Public Enterprises (DPE) and Ministry of Finance (MOF) from time to time including guidelines for Joint Ventures in Infrastructure Sectors issued vide MoF's O.M. No. 24(24)/PF.II/2009 dated 21 Jul 2009 shall govern all the future Joint Venture formations by Defence Public Sector Undertaking (DPSUs).

3. The "Guidelines for establishing Joint Venture companies by Defence Public sector undertakings" notified vide O.M. Nos. MoD/18(4)/GC/2011/Dir (P&C) dated 17 Feb 2012 are accordingly withdrawn forthwith.


(Vijayendra)
Joint Secretary (NS)
Tel: 2301 1219
Fax: 2301 8538

To: CMDs of all DPSUs

Copy for kind information to:
As per Distribution List overleaf

IMMEDIATE

MINISTRY OF DEFENCE
[Acquisition Wing Secretariat]

Subject: Procedure for Timely return of IPBGs in Defence Capital Acquisition cases.

DPP-2016 envisages signing of an Integrity Pact (IP) in the prescribed format between Government Department and the bidders for all procurement schemes over ₹20 Crores. Bidders in such cases are required to submit IPBGs along with Commercial & Technical proposals to the TMs. The IPBGs are subsequently forwarded to Acquisition Managers along with the commercial offers for retention as per para 50 of Chapter II of DPP 2016. The IPBGs are further held in the custody of Acquisition Managers.

2. IPBGs are required to be returned to the vendors on expiry of their Commercial offers; when fresh IPBG is submitted in a case; on withdrawal of RFPs; on rejection of vendors at different stages of procurement or when a vendor unilaterally withdraws from the procurement process. It is desirable that IPBGs are returned without delay if these are no longer required.

3. In view of the above, the following mechanism is prescribed to ensure that IPBGs are returned promptly to the vendor(s) in capital acquisition cases:-

(a) **Pre CNC Stage:** In case of MoD power cases where RFP is retracted after submission of the bids or a vendor is rejected at the TEC/Trial/Staff Evaluation stage, TMs must inform JS&AMs of the same within three working days of the receipt of the TEC/Trials/Staff Evaluation Report. These IPBGs will be returned by the AM to the TM for onward return to the concerned/unsuccessful vendors within three working days. Similar action would be taken by the competent authority in SHQ for return of IPBG in cases that fall within their delegated powers.


(b) **CNC Stage and Beyond:** Where IPBGs become due for return in cases at CNC stage and beyond, these shall be returned to the unsuccessful bidders by the concerned JS&AM for cases within the MoD powers within three working days of the IPBG becoming due for return. The competent authority in SHQ would take similar action for cases falling within their delegated powers.

cont'd...

(c) In case a vendor unilaterally decides to withdraw from the procurement scheme at any stage or has been declared non-compliant and if he wishes to withdraw his IPBG, the IPBG shall be returned to him within three working days from the date on which the vendor furnishes the requisite undertaking to the Buyer or within three working days from the date on which it was declared non-compliant by the Buyer. The IPBG shall be returned by the respective AM to TM for cases at pre CNC stage and directly to vendor by AM in cases at CNC stage and beyond. Similar action will be taken by the competent officer in SHQ for cases falling under delegated powers.

4. For cases falling under MoD powers, AMs and TMs will closely monitor the return of IPBGs, when due. For cases falling within the powers of SHQ, suitable arrangements for monitoring of timely return of IPBGs may be put in place.

5. This issues with the approval of DG(Acq).


(Praveen Kumar)
Director (Acquisition)
Telefax. : 2379 2865

DCOAS(P&S) DCIDS(PP&FD) ACAS(Plans) ACNS(P&P) DDG(P&P)

JS&AM(LS) JS&AM(MS) JS&AM(Air)

TM(LS) TM(MS) TM(Air)

MoD ID No.1(5)/D(Acq)/14-Vol.II dated 31.10.2016

Copy to:

- (i) SO to Defence Secretary
- (ii) PS to RM
- (iii) PS to DG(Acq)

Ministry of Defence
D (Vigilance)

Subject: Guidelines of the Ministry of Defence for Penalties in Business Dealings with Entities.

Please find enclosed the guidelines of Ministry of Defence for penalties in business dealings with entities applicable for both Capital and Revenue Procurement of Goods and Services, duly approved in the meeting of DAC held on 7.11.2016, for compliance.

Encl.: As above.

(Atul Kumar Singh)
Director (Vigilance)
Tele No.: 23012304

SA to RM Secretary (DP) Secretary (Defence Finance)
VCOAS VCNS VCAS DG (Coast Guard) CISC
DG (Acquisition) AS (R) AS (P) JS &AM (LS) JS&AM (MS)
JS&AM (Air) JS (Army) JS (Air) JS (E/CAO)&CVO

MoD ID No.31013/1/2016-D (Vig) Vol.II dated 29.11.2016

Copy to:

PS to RM

PS to RRM

SO to Defence Secretary

Copy also to: NIC with the request to upload the guidelines on the website of this Ministry.

GUIDELINES OF THE MINISTRY OF DEFENCE FOR PENALTIES IN BUSINESS DEALINGS WITH ENTITIES

(A) Introduction

A.1 It is imperative that the highest standards of propriety be maintained throughout the process of procurement of defence equipment.

A.2 The procurement process needs to proceed without loss of credibility and therefore, there is a need to put in place appropriate measures to deal with acts of impropriety.

A.3 The following paragraphs lay down the policy and guidelines for Levy of Financial Penalties and/ or Suspension/Banning of business dealings with entities seeking to enter into contract with/having entered into a contract for the procurement of goods and services by the Ministry of Defence.

A.4 In applying the measures provided for under the guidelines, the concerned authorities shall be guided by the need to ensure probity, transparency, propriety and compliance in the defence procurement process. Equally, the concerned authorities shall also ensure fairness, impartiality, rigour and correctness in dealing with entities, keeping in view the overall security interests of the country.

(B) General

B.1 Ministry of Defence will include Department of Defence, Department of Defence Production, Department of Defence Research & Development, HQ IDS, Armed Forces Headquarters and their attached/subordinate offices.

B.2 "Entities" will include companies, trusts, societies, as well as individuals and their associations with whom the Ministry of Defence has entered into, or intends to enter into, or could enter into contracts or agreements.

B.3 All firms/companies which come within the sphere of effective influence of the entities shall be treated as its allied firms. In determining this, the following factors may be taken into consideration:-

- (i) Whether the management is common or the majority interest in the management is held by the partners or directors of the entities.
- (ii) Majority shares are owned by the entity, their directors/shareholders and by virtue of this it has a controlling voice.

B.4 Effect of actions, viz., levy of financial penalties and/or suspension/banning of business dealings with an entity in accordance with these guidelines may, with the approval of the competent authority also apply when an entity participates in the procurement process as member of consortium.

B.5 The competent authority for the purpose of these guidelines will be Raksha Mantri.

B.6 The Competent Authority may constitute Committees as necessary, to examine and make recommendations on any matter provided for under the guidelines.

(C) Causes for Suspension and Banning of Business Dealings with Entities

C.1 The competent authority may levy financial penalties and/or suspend/ban business dealings with an entity for one or more of the grounds listed below:-

- a) Violation of Pre-Contract Integrity Pact (PCIP) (where such PCIPs are entered into between the Ministry of Defence and an entity).
- b) Resort to corrupt practices, unfair means and illegal activities during any stage of bid/contract to secure a contract, even in cases where PCIP is not mandated.
- c) Violation of Standard Clause in the contract of agents/agency commissions.
- d) If national security considerations so warrant.
- e) Non-performance or under performance under the terms and conditions of contract(s) or agreements(s) not covered in grounds listed in (a) to (c) above in accordance with provisions in contract or agreement.

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- f) Any other ground for which the competent authority may determine that suspension or banning of business dealings with an entity shall be in the public interest.

(D) Suspension

D.1 Suspension of business dealing with an entity may be ordered by the competent authority pending a full proceeding into allegations or facts related to any grounds enumerated in paragraph C.1 (a) to (f) above.

D.2 The competent authority may suspend business dealings with an entity when it refers any complaint against the entity to CBI or any investigating agency or when intimation is received regarding initiation of criminal investigation or enquiry against any entity.

D.3 An order of suspension of business dealings with an entity will be issued for such period as the competent authority may deem fit. The period of suspension shall not ordinarily exceed one year. A review of the Order of suspension of business dealings with an entity shall be undertaken within six months of the issue of such an Order and before expiry of the period specified therein. The suspension of an entity may be extended beyond the period of one year, on the order of the Competent Authority for subsequent periods of six months each. The total period of suspension of business dealings with an entity shall not exceed the maximum period of banning of business dealings with an entity for the same cause of action.

(E) Effect of Suspension of Business Dealings with an Entity

E.1 An order of suspension of business dealings with an entity shall result in immediate ineligibility of the entity from participating in future bids. No RFP will be issued to such an entity.

E.2 Any on-going procurement process, where L1 determination has not yet been done, will be progressed after excluding the bid involving an entity with which business dealings are suspended. In case there are only two bidders, one being the entity with which business dealings are suspended, the procurement will be progressed as per extant provisions of DPP after excluding such an entity.

E.3 Any on-going procurement process where the lowest bid involves the entity with which business dealings are suspended by order of

competent authority, will be held in abeyance till decision of revocation of such order or banning of business dealings with the entity or till expiry of the validity of the existing bid, whichever is earlier. Extension of the validity of the bid involving such entity will not be permitted. On expiry of the bid validity, the procurement process will be terminated and fresh procurement process, if required, may be initiated. In cases of operational urgency, the procurement process may be foreclosed prior to the expiry of the bid validity and a fresh process initiated, excluding the entity with which business dealings are suspended.

E.4 Order of suspension of business dealings with an entity may be extended to its allied firms by specific order of the competent authority.

(F) Banning of Business Dealings with an Entity/Debarment of an Entity

F.1 Banning of business dealings with an entity may be ordered by the competent authority on acceptance of misconduct related to any of the grounds enumerated in paragraph C.1 (a) to (f) above by the entity or establishment of such misconduct by a competent court/ tribunal/ authority.

F.2 Banning of business dealings with an entity may be ordered by the competent authority on receipt of information regarding filing of charge-sheet in the court of law by CBI or any other investigating agency.

F.3 The order of banning of business dealings with an entity will be issued for such specified period as the competent authority may deem fit. For the grounds listed in paragraph C.1 (a) to (d) above, the period of banning of business dealings with an entity shall not be less than five years. For the grounds listed in paragraph C.1 (e) and (f) above, banning of business dealings may be resorted to if, in the view of the competent authority, the grounds for action are such that continuation of business dealings with the entity would be detrimental to public interest. In such cases, the period of banning of business dealings with an entity shall not ordinarily exceed three years. The period of Banning of business dealings with an entity in both the categories will be inclusive of period of suspension of business dealings with an entity, if any, for the same cause of action. In exceptional cases and those involving national security considerations the competent authority may order a longer period of banning of business dealings with an Entity, as deemed appropriate.

(G) Effect of Banning of Business Dealings with an Entity/Debarment of an Entity

G.1 An order of banning of business dealings with an entity shall result in immediate ineligibility of the entity, from participating in future bids for a specified period with effect from the date of such order. No RFP will be issued to such an entity.

G.2 Any on-going procurement process where L1 determination has not yet been done will be progressed after excluding the bid involving entity with which the business dealings are banned. In case there are only two bidders, one being the entity with which business dealings are banned, the procurement will be progressed as per extant provisions of DPP after excluding such an entity.

G.3 Any on-going procurement process where the lowest bidder involves an entity with which business dealings are banned, will be terminated and fresh procurement process, if required, may be initiated.

G.4 Orders of banning of business dealings with an entity may be extended to its allied firms by specific order of the competent authority.

(H) Employees / Agents of an Entity

H.1 Any employee or agent of an entity, who is convicted for any act of impropriety, will not be allowed to engage in any bid process in any capacity with the Ministry of Defence, any time in the future.

H.2 Any employee or agent of an entity with which business dealings are suspended or banned and who is involved in a case of alleged impropriety for which investigation or judicial proceedings is in progress, will not be allowed to engage in any bid process in any capacity with the Ministry of Defence even after the expiry of the period of suspension / banning of business dealings with the entity.

(I) Miscellaneous

I.1 The entity with which business dealings are suspended or banned, may with the approval of competent authority, participate in the future RFPs for spares, upgrades, maintenance etc. for the equipment/weapon systems supplied earlier by it, if the equipment which is the object of the Contract is a proprietary item and there are no available alternate sources of supply

1.2 In cases wherein Transfer of Technology (ToT)/Licensed production has been taken in the past for manufacturing of equipment/weapon systems in India from the entity with which business dealings are suspended or banned, may with the approval of the competent authority, participate in the future RFPs related to components/ rotables/ additional items of such equipment/ weapon systems for which the TOT/ Licensed production has been taken.

1.3 Any contract(s) related to the procurement process(es) in connection with which business dealings with an entity have been suspended will be held in abeyance. Any contract(s) related to the procurement process(es) in connection with which business dealings with an entity have been banned, shall be cancelled. However, other contracts involving such entity shall continue unless a decision to the contrary is taken by the competent authority, on a case by case basis.

1.4 If it becomes necessary on grounds of national security and operational preparedness / export obligations, to deal with an entity with which business dealings have been suspended or banned, in a procurement process and which is the only source that can supply/manufacture an equipment/weapon systems, the Competent Authority will be approached for approval of issuance of RFP or conclusion of contract with such an entity. Certificates (as provided in **Annexure-1**) signed by the Vice Chief of the service concerned / CISC / Additional Secretary (Defence Production) will be placed before the Competent Authority. SHQ / Department of Defence Production may propose special conditions to conclude a contract with such an entity.

1.5 The entity with which business dealings have been suspended or banned will not be permitted to transact contracts or agreements under a different name or division either through a transfer of assets of such an entity to another legal entity or otherwise.

1.6 An updated list of entities with which business dealings have been suspended or banned by the competent authority and/or against which financial penalties have been imposed shall be maintained on the official website of the Ministry of Defence.

(J) Application

J.1 These guidelines shall come into force with immediate effect.

27/12/16 *****

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सत्यमेव जयते



Telegraphic Address :
SATARKTA: New Delhi

E-Mail Address
cenvigil@nic.in

Website
www.cvc.nic.in

EPABX
24600200

फैक्स / Fax : 24651186

केन्द्रीय सतर्कता आयोग
CENTRAL VIGILANCE COMMISSION

सतर्कता भवन, जी.पी.ओ. कॉम्प्लेक्स,
ब्लॉक-ए, आई.एन.ए., नई दिल्ली-110023
Satarkta Bhawan, G.P.O. Complex,
Block A, INA, New Delhi-110023

सं./No. 015/VGL/091

दिनांक / Dated. 13.01.2017

Circular No. 02/01/2017

Subject:- Adoption of Integrity Pact – Revised Standard Operating Procedure -
regarding.

The Commission has reviewed the Standard Operating Procedure for adoption of Integrity Pact issued vide Circular No. 10/5/09 dated 18.5.2009 and has formulated a revised Standard Operating Procedure (SOP) for adoption of Integrity Pact in Government Departments / Organisations. A copy of the same is enclosed for information and necessary action.

(J. Vinod Kumar)
Director

1. All Secretaries of Ministries/Departments.
2. All CMDs/Heads of CPSUs/Public Sector Banks/Organisations.
3. All CVOs of Ministries/Departments/ CPSUs/Public Sector Banks/Organisations.

Subject:- Adoption of Integrity Pact – Standard Operating Procedure – regarding.

1.0 Background

1.1 In order to ensure transparency, equity and competitiveness in public procurement, the Commission has been recommending the concept of Integrity Pact (IP) for adoption and implementation by Government organizations.

1.2 CVC through its office orders No. 41/12/07 dated 04.12.2007 and 43/12/07 dated 28.12.2007 as well as Circulars No. 18/05/08 dated 19.05.2008 and Circular No. 24/08/08 dated 05.08.2008 recommended adoption of Integrity Pact to all the organizations and provided basic guidelines for its implementation in respect of major procurements in Government Organisations. A Standard Operating Procedure (SOP) was issued by the Commission vide order No. 10/5/09 dated 18.05.2009. The Commission issued clarifications regarding the appointment, tenure and eligibility criteria of IEMs vide Circular dated 11.8.2009 and 19.4.2010. The review system for IEMs was modified vide circular dated 13.8.2010 and clarification regarding tenure of IEMs was issued by the Commission vide its circular dated 23.7.2012.

1.3 Deptt. of Expenditure vide OM dt. 19.7.2011, issued guidelines to all Ministries/ Departments/Organizations including their attached/subordinate offices and autonomous bodies for implementation of IP. Also, vide OM dated 20.7.2011 Deptt. of Expenditure requested Department of Public Enterprises for directions to Central Public Sector Enterprises for use of IP.

1.4 Further, in view of the increasing procurement activities of Public Sector Banks (PSBs), Insurance Companies (ICs) and Financial Institutions (FIs), the Commission vide Circular No. 02/02/2015 dated 25.02.2015 advised that all PSBs, PSICs and FIs shall also adopt and implement the Integrity Pact.

2.0 Integrity Pact

2.1 The Pact essentially envisages an agreement between the prospective vendors/bidders and the buyer, committing the persons/officials of both sides, not to resort to any corrupt practices in any aspect/stage of the contract. Only those vendors/bidders, who commit themselves to such a Pact with the buyer, would be considered competent to participate in the bidding process. In other words, entering into this Pact would be a preliminary qualification. The essential ingredients of the Pact include:

- Promise on the part of the principal not to seek or accept any benefit, which is not legally available;
- Principal to treat all bidders with equity and reason;
- Promise on the part of bidders not to offer any benefit to the employees of the Principal not available legally;
- Bidders not to enter into any undisclosed agreement or understanding with other bidders with respect to prices, specifications, certifications, subsidiary contracts, etc.

- Bidders not to pass any information provided by Principal as part of business relationship to others and not to commit any offence under PC/ IPC Act;
- Foreign bidders to disclose the name and address of agents and representatives in India and Indian Bidders to disclose their foreign principals or associates;
- Bidders to disclose the payments to be made by them to agents / brokers or any other intermediary;
- Bidders to disclose any transgressions with any other company that may impinge on the anti corruption principle.

2.2 Integrity Pact, in respect of a particular contract, shall be operative from the date IP is signed by both the parties till the final completion of the contract. Any violation of the same would entail disqualification of the bidders and exclusion from future business dealings.

3.0 **Implementation procedure**

- 3.1 As stated in Department of Expenditure's O.M. dated 20.7.2011, Ministries/Departments may, in consultation with the respective Financial Adviser and with the approval of the Minister-in-charge, decide on and lay down the nature of procurements/contracts and the threshold value above which the Integrity Pact would be used in respect of procurement transactions/contracts concluded by them or their attached/sub-ordinate offices.
- 3.2 The above provision is also applied for procurements made by autonomous bodies for which also the concerned administrative ministry / department may lay down the nature of procurements/contracts and the threshold value above which the Integrity Pact would be used.
- 3.3 The provision for the Integrity Pact is to be included in all Requests for Proposal/Tender documents issued in future in respect of the procurements/contracts that meet the criteria decided in terms of para 3.1 and 3.2 above.
- 3.4 Tenders should specify that IEMs have been appointed by the Commission. In all tenders, particulars of all IEMs should be mentioned instead of nominating a single IEM in the tender as far as possible.
- 3.5 The Purchase / procurement wing of the organization would be the focal point for the implementation of IP.
- 3.6 The Vigilance Department would be responsible for review, enforcement, and reporting on all related vigilance issues.
- 3.7 It has to be ensured, through an appropriate provision in the contract, that IP is deemed as part of the contract so that the parties concerned are bound by its provisions.

- 3.8 IP would be implemented through a panel of Independent External Monitors (IEMs), appointed by the organization. The IEM would review independently and objectively, whether and to what extent parties have complied with their obligations under the Pact.
- 3.9 Periodical Vendors' meets, as a familiarization and confidence building measure, would be desirable for a wider and realistic compliance of the principles of IP.
- 3.10 A clause should be included in the IP that a person signing IP shall not approach the Courts while representing the matters to IEMs and he / she will await their decision in the matter.
- 3.11 In case of sub-contracting, the Principal contractor shall take the responsibility of the adoption of IP by the sub-contractor.
- 3.12 Information relating to procurements/contracts covered under IP and its progress/status would need to be shared with the IEMs on monthly basis.
- 3.13 The final responsibility for implementation of IP vests with the CMD/CEO of the organization.

4.0 Role and Duties of IEMs

- 4.1 The IEMs would have access to all contract documents, whenever required.
- 4.2 It would be desirable to have structured meetings of the IEMs with the Chief Executive of the Organisation on a quarterly basis including an annual meeting to discuss / review the information on tenders awarded during the previous quarter. Additional sittings, however, can be held as per requirement.
- 4.3 The IEMs would examine all complaints received by them and give their recommendations/views to the Chief Executive of the organization, at the earliest. They may also send their report directly to the CVO and the Commission, in case of suspicion of serious irregularities requiring legal/administrative action. IEMs are expected to tender their advice on the complaints within 10 days as far as possible.
- 4.4 For ensuring the desired transparency and objectivity in dealing with the complaints arising out of any tendering process, the matter should be examined by the full panel of IEMs jointly as far as possible, who would look into the records, conduct an investigation, and submit their joint recommendations to the Management.
- 4.5 IEM should examine the process integrity, they are not expected to concern themselves with fixing of responsibility of officers. Complaints alleging malafide on the part of any officer of the organization should be looked into by the CVO of the concerned organisation.

- 4.6 The role of IEMs is advisory, would not be legally binding and it is restricted to resolving issues raised by an intending bidder regarding any aspect of the tender which allegedly restricts competition or bias towards some bidders. At the same time, it must be understood that IEMs are not consultants to the Management. Their role is independent in nature and the advice once tendered would not be subject to review at the request of the organization.
- 4.7 Issues like warranty / guarantee etc. should be outside the purview of IEMs.
- 4.8 All IEMs should sign non-disclosure agreements with the organization in which they are appointed. They would also be required to sign a declaration of absence of conflict of interest.
- 4.9 A person acting as an IEM shall not be debarred from taking up other assignments such as consultancy with other organizations or agencies subject to his declaring that his / here additional assignment does not involve any conflict of interest with existing assignment. In case of any conflict of interest arising at a later date from an entity wherein he is or has been a consultant, the IEM should inform the CEO and recuse himself/herself from that case.
- 4.10 All organizations may provide secretarial assistance to IEM for rendering his/her job as IEM.
- 4.11 In case of any misconduct by an IEM, the CMD/CEO should bring it to the notice of the Commission detailing the specific misconduct for appropriate action at the Commission's end.
- 4.12 The role of the CVO of the organization shall remain unaffected by the presence of IEMs. A matter being examined by the IEMs can be separately investigated by the CVO in terms of the provisions of the CVC Act or Vigilance Manual, if a complaint is received by him/her or directed to him/her by the Commission.

5.0 **Appointment of IEMs**

- 5.1 The IEMs appointed should be eminent personalities of high integrity and reputation. The Commission would invite applications from willing interested persons and maintain a panel of persons eligible to be appointed as IEM. The Commission may make independent and discreet background check before including a name in the panel.
- 5.2 The choice of IEM should be restricted to officials from the government and public sector undertakings who have retired from positions of the level of Additional Secretary to the Government of India and above or equivalent pay scale, and for Public Sector Undertakings, Board level officers in Schedule A Companies, Public Sector Banks, Insurance Companies and Financial Institutions. Officers of the Armed Forces who have retired from the rank equivalent of Lt. General and above may also be considered for appointment.

- 5.3 For appointment as IEM the Organisation has to forward a panel of suitable persons to the Commission. This panel may include those who are in the panel maintained by the Commission or they may propose names of other suitable persons for appointment as IEM. While forwarding the panel of suitable persons, the Organization would enclose detailed bio-data in respect of all names proposed. The details would include postings during the last ten years before superannuation, special achievements, experience, etc., in Government sector. It is desirable that the persons proposed possess domain experience of the PSU activities or the relevant field with which they may be required to deal.
- 5.4 The Commission would not consider the name of an officer / executive who is either serving or who has retired from the same organization to be an IEM in that organization, although they may have served in the top management.
- 5.5 A maximum of three IEMs may be appointed in Navratna PSUs and a maximum of two IEMs in other Public Sector Undertakings, Public Sector Banks, Insurance Companies and Financial Institutions.
- 5.6 A person may be appointed as an IEM in a maximum of three organizations at a time.
- 5.7 The appointment of IEM would be for an initial tenure of three years and could be extended for another term of two years on a request received by the Commission from the organization appointing the IEM. An IEM can have a maximum tenure of 5 years in an organization with an initial term of three years and another term of two years.
- 5.8 Age should not be more than 70 years at the time of appointment/extension of tenure.
- 5.9 Remuneration payable to the IEMs by the organization concerned would be equivalent to that admissible to an Independent Director in the organization and in any case should not exceed Rs. 20,000/- per sitting. Remuneration being paid to existing IEMs may not be changed to their detriment for the duration of their tenure.
- 5.10 The terms and conditions of appointment, including the remuneration payable to the IEMs, should not be included in the Integrity Pact or the NIT. This may be communicated individually to the IEMs concerned.

6.0 Review System

All organizations implementing IP would undertake a periodical review and assessment of implementation of IP and submit progress reports to the Commission. CVOs of all organizations would keep the Commission posted with the implementation status through their annual reports and special reports, wherever necessary.

- 7.0 All organizations are called upon to make sincere and sustained efforts to imbibe the spirit and principles of the Integrity Pact and carry it to its effective implementation.

MINISTRY OF DEFENCE
[Acquisition Wing Secretariat]

SUB: GUIDELINES REGARDING PAYMENT OF CUSTOMS DUTY ON INPUT MATERIAL DUE TO WITHDRAWAL OF EXEMPTIONS FROM PAYMENT OF BASIC CUSTOMS DUTY IN CAPITAL ACQUISITION CASES

Please find enclosed herewith the Guidelines regarding Payment of Customs Duty on Input Material due to withdrawal of exemptions from payment of Basic Customs Duty in Capital acquisition cases.

2. The above Guidelines will be implemented with immediate effect.
3. This issues with the approval of Raksha Mantri and the concurrence of MoD(Fin) vide F.No.205-P/AFA(O)/2016 dated 04.01.2017.

Encl. As above


(Praveen Kumar)
Director (Acq)
Telefax: 2379 2865

FA(Acq)&AS	DCIDS(PP&FD)	DCOAS(P&S)	DCAS
ACNS(P&P)	DDG(P&P)		
JS&AM(LS)	JS&AM(MS)	JS&AM(Air)	
FM (LS)	FM(MS)	FM(Air)	
TM(LS)	TM(MS)	TM(Air)	

MoD ID No.1(11)/D(Acq)/14 dated 23.01.2017

Copy to: (i) PS to RM
(ii) SO to Defence Secretary
(iii) PPS to Secretary(DP)
(iv) PPS to Secretary (R&D)
(v) PPS to FA(DS)
(vi) PS to DG(Acq)

GUIDELINES REGARDING PAYMENT OF CUSTOMS DUTY ON INPUT MATERIAL DUE TO WITHDRAWAL OF EXEMPTIONS FROM PAYMENT OF BASIC CUSTOMS DUTY IN CAPITAL ACQUISITION CASES

After withdrawal of exemption from payment of Basic Customs Duty (BCD) on goods imported by contractors of Government of India/PSUs for Defence purposes with effect from 1st April 2016, Indian vendors will be liable to pay Customs Duties on imported input materials for Defence purposes.

2. Para 1.4 of DPP Appendix 'O' to Schedule I to Chapter II of DPP 2016, which provides that Indian bidders will not load Customs Duty in their price bids if they are exempted from payment of Customs Duties. After review, it has been decided that no change is required in this DPP provision in view of the wording and also considering that some exemptions are still available.

3. In view of the abovementioned withdrawal of exemptions from payment of BCD payment/reimbursement of BCD on input material will be regulated in the manner given in the following paragraphs.

Cases where bids/revised bids received on or after 1st April 2016:

4. In cases where bids have been submitted on or after 1st April 2016, i.e., after the date of withdrawal of exemptions from payment of BCD on input material, it will be assumed that vendors have included BCD on input material in their quoted price if not exempted from payment of BCD. Likewise, in cases where revised bids are sought on or after 1st April 2016 against bids whose initial validity has expired, it will also be assumed that vendors have loaded BCD on input material while quoting revised prices, if not exempted from payment of BCD. It is reiterated that revised bids will only be sought in multi-vendor cases where validity of initial bids have expired and the GS Evaluation has not been completed. In all cases covered under this para, BCD on input materials if quoted separately will neither be taken into account for L-1 determination nor will it be considered for reimbursement.

All other cases:

5. In all cases other than cases covered by para 4 above where bids were received prior to 1st April 2016, BCD on input materials on which exemptions are not available will be reimbursed to the vendor as per procedure given in para 6 below. In all cases where the CNC has not been finalised, the amount to

be reimbursed will be assessed by the CNC based on FFE content claimed by the vendor in its commercial bid.

Procedure for reimbursement of BCD on input material:

6. The following procedure will be adopted for reimbursement of BCD on input materials covered by para 5 above:

I. Reimbursement of BCD on input material will ordinarily be done at actuals at the time of release of payment after inspection and dispatch and along with payment of other Taxes and Duties based on the following principles :

- a. BCD shall be a reimbursable expense, to be done **at actuals** against proof of valid documents.
- b. Reimbursement of BCD shall be in Indian Rupees only, irrespective of the currency in which the contract has been denominated.
- c. Reimbursement of BCD shall be restricted to the net amount for which CDEC would have been admissible after reducing the value for which CDEC has already been issued.
- d. BCD will not be reimbursed if it has become payable in extended delivery periods where such extension is on account of delays attributable to the vendor.
- e. BCD will not form part of initial advance or be paid in advance of actual incurrence of the expense.
- f. Claims for reimbursement of BCD shall be accompanied with the following documents :

(i.) A statement duly signed by the vendor and his statutory auditor showing the components and amounts under various elements of Customs Duty, the admissibility and amount of CENVAT Credit applicable and how the benefit is being passed to the Purchaser. All benefits must be passed on at the stage of or prior to claiming the reimbursement.

(ii.) The vendor shall, along with the invoice submit an undertaking specifying that all CENVAT Credit

admissible has been passed on to the Purchaser. If at a later stage the Purchaser discovers that full amount of CENVAT Credit has not been passed on to Purchaser or false and misleading statement has been issued, the Purchaser shall recover the same with interest as applicable, from the instant contract or any other payment due to the vendor. The Purchaser also deserves the right to initiate other actions as per extant procedure and rules in vogue.

II. Requests from vendors seeking reimbursement of BCD, on incurrence and ahead of acceptance of the goods, may be allowed subject to the following:

- a) Vendor should submit a claim supported by documents as prescribed in para 6-I(f) above, duly verified/certified by the Contract executing authority/SHQ.
- b) Vendor shall provide a Bank Guarantee for amount claimed for reimbursement with validity till the time of final payments against the contracts.
- c) At the stage of final payment, the reimbursement of BCD made from time to time will be reviewed/cross-checked by the Contract executing authorities (SHQs) and the Payment authorities after examination of all necessary documents and the final amount reimbursable on account of BCD will be settled.

7. Suitable provisions for reimbursement of BCD as given in para 6 above will be included in the contracts in cases covered by para 5 where contracts are yet to be signed. In cases where contracts have already been signed, this letter will be treated as authority by payment /contract executing authorities for reimbursement of BCD on input materials.

8. Reimbursement of Basic Customs Duty should be made with the approval of the Contract Executing authorities and with the concurrence of Associate Finance. For obtaining concurrence of Associate Finance proposals for reimbursement must *inter alia*, be accompanied with the following:

- a) The relevant clause and nomenclature of the goods as per the Customs circular, for which reimbursement of BCD is being sought;

- b) Contract date and number, description of the equipment/procurement, quantity, value and the CFA which granted approval for the procurement;
- c) Details of CDEC issued prior to withdrawal of BCD exemption.
- d) Details of FFE content on which BCD is payable.
- e) Delivery schedule details including extensions granted and if so whether LD has been levied and whether extension is on account of delays attributable to vendor.
- f) Original contract value and estimated liability on account of reimbursement of BCD , details of delivery, details of payments and reimbursement already made and balance of the same; and
- g) A copy of the Contract must be enclosed along with the proposal.

9. The Contract Executing authorities will provide estimates of additional financial requirement to meet the liability on account of reimbursement of BCD through the respective Financial Planning Directorates to the Budget Directorate of MoD(Fin.) for seeking necessary allotments.

* * * * *

No.43(5)/2015/D(QA)
Ministry of Defence
Department of Defence Production

Sena Bhawan, New Delhi,
dated 24.03.2017

With a view to promote ease of doing business to achieve national vision of 'Make in India', it has been decided to institute a mechanism for awarding Green Channel Status to firms having pre-defined financial and quality credentials for broad categories of items having continuous requirement/ mass consumption in Defence Forces.

2. Accordingly, a Green Channel Policy has been formulated by the Department of Defence Production with the approval of Hon'ble Raksha Mantri. A copy of the same is forwarded herewith for information and necessary action.

3. The Green Channel Policy provides for eligibility criteria of firms for grant of Green Channel Status, constitution of Green Channel Committee, Registration fee, submission of Bank Guarantee, validity/renewal of Green Channel Certificate, punitive clause for recurring defects, Defect Investigation etc.

4. A firm granted Green Channel status by any department of Ministry of Defence, will be honored by all procurement agencies under MoD.

Kiran
(Kiran Mala Kujur)

Under Secretary to the Govt. of India
Tele : 23013033

1. Vice Chief of Army Staff
2. Vice Chief of Air Force Staff
3. Vice Chief of Naval Staff.
4. Director General, Acquisition.
5. Chairman, OFB.
6. DGQA
7. DGAQA.
8. DQA(N).
9. MGO.
10. DGOS.
11. DGEME.
12. AOM, Air HQrs

13. COL, Naval HQrs.
14. Defence PSUs.

Copy for information to:-

1. PS to RM
2. PS to RRM.
3. Sr PPS/PPS/ PS to Def Secy / Secy (DP) / Secy (Def/Fin) / AS(DP) / AS(R) / AS(J) / JS(LS).
4. Dir(P&C) with a request to upload the above documents alongwith its enclosures on the website of Department of Defence Production.
5. Guard File.

**GREEN CHANNEL POLICY FOR PROCUREMENT OF DEFENCE STORES
AND SPARES**

1. In order to promote ease of doing business to achieve the national vision of 'Make-in- India, it has been decided to institute a mechanism for awarding Green Channel status to firms having predefined financial and quality credentials.
2. Accordingly, eligible firms may apply for grant of Green Channel status for broad categories of items having continuous requirement/mass consumption in Defence Forces. Grant of Green Channel Certificate will provide deemed registration status, waiver of pre-dispatch inspection and acceptance of stores under supplier's guarantee/warranty against the contracts concluded by various Procurement Agencies under Ministry of Defence.
3. **Eligibility Criteria.** Following categories of firms having an annual average turnover of Rs.1000 crore (Rupees One thousand crore) or more during last three years and making profit in at least three out of last five years shall be eligible for green channel status:-
 - (a) Indian firms/Public Sector Undertakings
 - (b) Foreign firms having manufacturing facility in India.
 - (c) OEM outsourcing the products in their own name/brand.
 - (d) OEM having wholly owned Indian subsidiary having manufacturing facility in India (even if the Indian Subsidiary does not comply with laid down turnover and profitability criteria).
4. All firms fulfilling the above Eligibility Criteria shall be considered for Green Channel status and will be allowed to self-certify specific products. However, Critical Stores, meant for air-borne applications that are governed by airworthiness certification and QA regulatory requirements, shall be excluded from the provisions of supply under their own certification. Criteria/parameters for granting green channel status for such stores shall be decided by DGAQA/CEMILAC.
5. The eligible firms will be required to submit applications and associated documents as per format given at Annexure-I, II and IIA.
6. Green Channel Status will be granted for specific products. OEMs shall take full responsibility for the quality of such products as well as those of their Indian subsidiary and channel partners.
7. The Green Channel Firms shall abide by the terms and conditions stipulated in the contract and the governing technical specifications of the products.

No. 43(5)/2015/D(QA)
Ministry of Defence
Department of Defence Production

8. Indenter reserves the right of Pre-Dispatch Inspection (PDI) after recording the reasons thereof.

9. Joint Receipt Inspection (JRI) may be carried out as per existing procedure in vogue at the discretion of Indenter.

10. **Green Channel Committee**

(a) Green Channel Committee will constitute following:-

Chairman : ADGQA (concerned Dte)/ADGAQA

Members:-

- (i) DDGQA/Controller/Principal Dir/Dir
- (ii) DDG/Director (Concerned Purchase Dte)/PD (Procurement)
- (iii) DDG/Dir (User Dte/PD(Concerned Maintenance Cell) / Officer (User Dte)
- (iv) Any other co-opted member

(b) The Committee shall consider all the issues related to Green Channel including grant of Green Channel status, revision of items under green channel.

(c) The Committee or its authorized representative may visit the manufacturer's facility to verify ongoing production line and to inspect the product. However, such visits may not be necessary during the validity period of Green Channel certificate.

11. The competent authority for grant of Green Channel status will be DG, DGQA/DGAQA.

12. The compendium of Green Channel Firms/items along with Cert No., and its validity shall be placed and updated periodically on the website of both the DGQA/DGAQA. The Green Channel status of the firms/items may be reviewed by the Committee as and when required.

13. **Registration Fee**. The firm will submit an account payee demand draft drawn in favor of 'Principal Controller of Defence Accounts', New Delhi, for Rs. 1.00 lakh (Rupees One lakh) plus service tax as applicable towards onetime non-refundable registration fee for Green Channel certification.

14. **Green Channel Bank Guarantee**. All firms granted Green Channel certificates will be required to deposit an irrevocable bank guarantee of Rs. 50.00 lakh (Rupees Fifty lakh only) as security deposit with concerned registering Dte of DGQA/DGAQA.

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Department of Defence Production

The Bank guarantee shall be made in favour of 'Principal Controller of Defence Accounts', New Delhi, from any Indian Scheduled or its affiliated Banks with validity of 39 months.

15. **Validity/Renewal of Green Channel Certificate.**

- (a) The Green Channel Certification will be valid for a period of five years from the date of issue/renewal.
- (b) Application for renewal should be made 90 days before expiry of validity period.
- (c) Original Green Channel status shall remain deemed valid provided the renewal has been applied at least 90 days before expiry and Rs 50 lakh of bank guarantee has been extended.
- (d) The renewal will be based on satisfactory feedback from the user.

16. **Customer Feedback.** All the customer complaints shall be brought to the notice of the Committee. In case of recurring defects during exploitation/ defect investigation, the Green Channel Committee may propose one or both of the following penal action:-

- (a) Monetary penalty of upto Rs.50 lakh.
- (b) Removal of the company from Green Channel list for a minimum period of three years.

17. **Defect Investigation.** Green Channel firms may be called upon by the DGQA/DGAQA to participate in Defect Investigations in respect of their products as and when the need arises.

18. **Applicability.** A firm granted Green Channel status by any department of Ministry of Defence, will be honored by all procurement agencies under MoD.

19. The Government reserves the right to review the policy and make changes as deemed necessary.

APPLICATION FORM FOR GRANT OF GREEN CHANNEL STATUS

(To be given on the letter head of the Applicant Firm)

To,

The Director General of Quality Assurance/
The Director General of Aeronautical Quality Assurance
'H' Block Nirman Bhawan PO
New Delhi-110011

1. Name and Address of the Applicant firm:
(Indicate full address of their Head Office notified with the relevant authority)
2. Name and address of the OEM (Original Equipment Manufacturer):
(If applicant firm is not the manufacturer)
3. State whether Applicant firm is a (Please choose the applicable option):
 - (a) PSU (Public Sector Undertaking) : Yes/No
 - (b) Wholly owned Indian subsidiary of Foreign OEM : Yes/No
(If yes, attach documentary evidence)
4. Details of existing approvals/accreditation of Quality Management Systems are given below:-
 - (a)
 - (b)
 - (c)
 - (d)

5. Details of Products for which Green Channel facility is being sought:-

Sl. No.	Product	Production Facility
(i)		
(ii)		
(iii)		

6. Annual Turnover of the OEM for the last 3 year duly certified by Internal Auditor/Chartered Accountant:

Sl. No.	Year	Turnover in equivalent Rupees (at current exchange rate)
(i)		
(ii)		
(iii)		

7. Annual Profit/Loss of the OEM for the last 5 years duly certified by Internal/Chartered Accountant:

Sl. No.	Year	Profit/Loss in equivalent Rupees (at current exchange rate) (Indicate loss clearly wherever applicable)
(i)		
(ii)		
(iii)		
(iv)		
(v)		

8. Confirmation of Applicant firm:

We confirm that:-

- a) We shall submit a certificate duly certified by our Internal Auditor/Chartered Accountant at the end of each financial year evidencing and confirming that we /our OEM continue to meet the prescribed Eligibility Criteria of having an annual turnover of Rs. 1000 crore (Rupees one thousand crore) or more and have made profit in at least three years out of the

last five years, failing which the Green Channel Certificate is liable to be withdrawn.

- b) We are attaching herewith an Account Payee Demand Draft for Rs. 1.00 lakh (Rupees one lakh) + Service Tax as applicable in favour of 'Principal Controller of Defence Accounts, New Delhi towards non refundable fee for granting Green Channel.
- c) Within 15 days of receipt of intimation of our eligibility for grant of Green Channel Status, we shall be depositing an irrevocable Bank Guarantee (BG) as per DPM format for Rs.50.00 lakh (Rupees fifty lakh) as security to effect recovery against established complaint on quality for supplies made against Supply Order placed. Green Channel Bank Guarantee shall be given in favour of 'Principal Controller of Defence Accounts, New Delhi' from any Indian scheduled or its affiliated banks, to be valid for 39 months.

Encl : As above

Place:.....

Date:.....

Signature on behalf of the Applicant firm.....

Name of signatory on behalf of Applicant firm.....

Designation / Position of signatory in the applicant firm.....

Full address of the applicant firm with stamp/seal.....

OEM Certificate for "wholly owned Indian subsidiary"
(on the letter head of OEM)

To,

The Director General of Quality Assurance/
The Director General of Aeronautical Quality Assurance
'H' Block Nirman Bhawan PO
New Delhi-110011

Subject: OEM Certificate for "Wholly owned Indian Subsidiary " for Green Channel

Sir,

We, M/s _____ (name and full address of OEM) hereby confirm that M/s _____ (name and address of "wholly owned Indian subsidiary") are our "wholly owned Indian subsidiary" for grant of Green Channel Status for the following categories of products manufactured by us in our manufacturing facilities or by M/s _____ in their manufacturing facilities:-

- (a)
- (b)
- (c)
- (d)

2. We Confirm that:

(a) We have authorized M/s _____, our wholly owned Indian subsidiary to represent us and act on our behalf on all matters pertaining to manufacture and supply of the products against the supply orders placed on us/them.

(b) We also take full responsibility for the acts/omissions committed by M/s _____ . All claims and disputes if any, arising out of defects/poor quality of stores supplied by M/s _____ or by us would be settled by the parent company.

(c) The goods supplied to Consignee will be brand new, in our current production and suitably tropicalized to suit Indian conditions and as per technical specification.

(d) Our OEM standard Guarantee/Warrantee shall be applicable for our products supplied by aforesaid firm to the Procurement Agencies.

(e) In the event of termination/closure of the aforesaid wholly owned Indian Subsidiary, we shall immediately inform the same to the Procurement Agency and Director General of Quality Assurance/ Director General of Aeronautical Quality Assurance.

(f) We Shall submit a certificate by our Internal Auditor/Chartered Accountant at the end of each financial year evidencing and confirming that we continue to meet the prescribed Eligibility Criteria of having an annual turnover of Rs 1000 crore and more and have made profit in at least three years out of the last five years, falling which the Green Channel Certificate is liable to be withdrawn.

3. Joint undertaking between us and M/s _____ (100 % subsidiary OEM company) is attached at Annexure (Format at Annexure II 'A').

Place

Date

Signature on behalf of the OEM firm

Name of authorized signatory on behalf of the OEM firm.....

Designation/Position of authorized signatory in the OEM firm.....

Full address of the OEM firm with stamp/Seal.....

Joint undertaking to be signed by Parent Company as well as its 100%
Subsidiary for award of Green Channel Certificate to Subsidiary when
Subsidiary OEM does not comply with profitability and turnover requirement
but parent company complies

"Notwithstanding that the Green Channel Certificate and supply orders are awarded to the M/s _____ (100% Subsidiary OEM Company), the _____ (Parent Company) and M/s _____ (its 100% Subsidiary OEM Company), Jointly and severally, undertake the following:-

- (a) M/s _____ (Parent Company) as well as M/s _____ (100% Subsidiary OEM Company), Jointly and severally, undertake to abide by all terms & conditions of Green Channel supply orders and corresponding performance of supply orders thereof in all respects including timely delivery as well as required quality of the product, Fall Clause and Warranty/Guarantee obligations.
- (b) The named M/s _____ (Parent Company) as well as M/s _____ (100% Subsidiary OEM Company), jointly as well as severally shall be liable/responsible and accountable for due performance of the supply order as well as supplies thereof in all respects and also for all such claims of the purchases arising thereof including legal liability in competent court of law."

Note: The above joint undertaking should be signed & dated by authorized person on behalf of M/s _____ (Parent Company) as well as M/s _____ (its 100 % Subsidiary company). The signing person must attach a necessary power of Attorney evidencing his authority to bind the company on whose behalf the above undertaking has been given.

Dated: 14.07.2017

OFFICE MEMORANDUM

Subject: Appointment of Independent Monitors (IMs) in Ministry of Defence.

Ministry of Defence has decided to appoint the following panel of retired Central Government Officers as Independent Monitors with effect from 14th July, 2017:-

- 1) Shri Keshav Desiraju, IAS (UK:1978) (Retd)
Flat B, 25.Radhakrishnan Salai, 9th Street,
Mylapore, Chennai- 600004
- 2) Shri Arvind Kumar Awasthi, IAAS:1975 (Retd)
C1/10, Pandara Park, New Delhi-110003.
- 3) Shri A. K. Manchanda, IRS:1976 (Retd)
B3/60, 3rd Floor, Safdarjung Enclave, New Delhi-110029.

2. The appointment of the Independent Monitors under these orders shall be governed by the following terms and conditions:-

- 2.1 Tenure : 3 years with effect from 14th July, 2017
- 2.2 Fee : Each Independent Monitor shall be paid a consolidated amount of ₹50,000/- (Rupees fifty thousand) per month. This will be independent of any Pension and allowances already being drawn by them.
- 2.3 TA/DA : TA/DA in connection with official duties shall be allowed to each Independent Monitor as per normal rates applicable to a serving officer of an equivalent rank.
- 2.4 Transport : Reimbursement of conveyance charges on the same terms and conditions as admissible to any serving officer of an equivalent rank under Delegation of Financial Powers Rules.

3. The ~~role and duties~~ of the Independent Monitors will include ~~capital procurement cases~~ governed by the Defence Procurement Procedure (DPP), ~~revenue procurement cases~~ governed by the Defence Procurement Manual (DPM), ~~Works cases~~ of Military Engineering Service (MES) and ~~Border Roads Organisation (BRO)~~, etc. The detailed role of IMs is enclosed as **Annexure 'A'**.

4. Independent Monitors would be required to sign and return a Confidentiality Agreement (**Annexure 'B'**) within 15 days from the date of issue of this OM. The Agreement may be initialled on all pages and full signature affixed on the last page.

Ministry of Defence
[Acquisition Wing Secretariat]

Role and Duties of Independent Monitors (IMs)

(A) For Capital Procurements under Defence Procurement Procedure (DPP) 2016

Defence Procurement Procedure (DPP) 2016 aims to establish the highest degree of probity, public accountability and transparency in the defence acquisition process. In line with the recommendation of the Central Vigilance Commission (CVC) to all Government Organisations, Ministry of Defence has adopted and implemented the concept of Integrity Pact (IP) since 2006. Para 92, Chapter II of DPP-2016 provides that:

"An 'Integrity Pact' would be signed between government department and the bidders for all procurement schemes over ₹20 Crores. The Pre Contract Integrity Pact document is placed as Annexure I to Appendix M of Schedule I (RFP format). In 'Buy' and 'Buy and Make' cases schemes, the Indian or Foreign vendors submitting multiple bids will be required to submit one Integrity Pact and one IPBG."

Further, Para 33 of Appendix H to Schedule I to Chapter IV (Procedure for Defence Ship Building) of DPP 2016 also provides that signing of an 'Integrity Pact' would be considered between MoD and the bidders for all procurement schemes over ₹20 Cr.

2. While submitting their technical and commercial offers in response to RFPs, the vendors are required to submit Pre-Contract Integrity Pact (PCIP) duly signed in the prescribed format. For overseeing and implementation of PCIP, the MoD appoints Independent Monitors (IMs) from time to time. The role and duties of the Independent Monitors is mentioned in brief in Para 12 of the Integrity Pact (Annexure I to Appendix M, Chapter II) of DPP 2016 and Paras 20 to 24 of Annexure I to Appendix H to Schedule I to Chapter IV (Procedure for Defence Ship Building) of DPP 2016 and is as follows:-

- (i) After the Integrity Pact is signed, the Buyer shall provide a copy thereof, alongwith a brief background of the case to the Independent Monitors, if required by them.
- (ii) The Bidder(s), if they deem it necessary, may furnish any information as relevant to their bid to the Independent Monitors.

(iii) If any complaint with regard to violation of the IP is received by the Buyer in a procurement case, the Buyer shall refer the complaint to the Independent Monitors for their comments/enquiry.

(iv) If the Independent Monitors need to peruse the relevant records of the Buyer in connection with the complaint sent to them by the Buyer, the Buyer shall make arrangement for such perusal of records by the Independent Monitors.

(v) The report of enquiry, if any, made by the Independent Monitors shall be submitted to the Head of the Acquisition Wing of the Ministry of Defence, Government of India for a final and appropriate decision in the matter keeping in view the provision of this Pact.

3. Para 10.2 of the Integrity Pact provides that Bidder can approach Independent Monitors appointed for the purposes of this Pact.

4. Besides, the revised Standard Operating Procedure (SOP) issued by Central Vigilance Commission (CVC) vide Circular No.02/2017 under No. 015/VGL/091 dated 13.01.2017, inter alia, assigns the **following role and duties** to the Independent Monitors (IMs):-

(i) For ensuring the desired transparency and objectivity in dealing with the complaints arising out of any tendering process, the matter should be examined by the full panel of IMs jointly as far as possible, who would look into the records, conduct an investigation, and submit their joint recommendations to the Management.

(ii) IMs should examine the process integrity; they are not expected to concern themselves with fixing of responsibility of officers. Complaints alleging malafide on the part of any officer of the organization should be looked into by the CVO of the concerned organisation.

(iii) **The role of IMs is advisory, would not be legally binding** and it is restricted to resolving issues raised by an intending bidder regarding any aspect of the tender which allegedly restricts competition or bias towards some bidders.

(B) For Revenue Procurements under Defence Procurement Manual (DPM) 2009

5. Para 15 of the Defence Procurement Manual (DPM) 2009, provides for an 'Integrity Pact' to be signed between the Ministry of Defence/Buyer and the Bidder for purchases exceeding Rs.100 crores. Para 12 of DPM 2009 provides for appointment of IMs for this Pact in consultation with the CVC. As soon as the IM notices, or believes to notice, a violation of this Pact, he will so inform the Head of the Acquisition Wing of the Ministry of Defence, Government of India.

6. Accordingly, in all Request For Proposals (RFPs) for defence revenue procurement, where the estimated cost exceeds Rs.100 crore, the details of the above mentioned panel of IMs shall be suitably incorporated by the concerned officers in revenue procurement. In cases where RFPs have already been issued, the details may be intimated to the concerned vendors forthwith and in any case before the signing of the Pre-Contract Integrity Pact. If in case the Integrity Pact has already been signed, the concerned vendor(s) may be suitably apprised at the earliest by the concerned revenue procurement officers as the case may be.

7. The role and duties of the IMs for revenue procurements governed by the DPM shall be the same as enumerated in Paras 2, 3 and 4 above.

(C) For the Works Cases of Military Engineering Service (MES), Border Roads Organisation (BRO), etc.

8. Any matter related to Works cases of MES, BRO, etc. can be referred by the Ministry of Defence to the Independent Monitors for their comments/enquiry.

5. These orders shall be uploaded on the website of the Ministry of Defence (www.mod.nic.in).

6. These orders issue with the approval of RM and concurrence of MoD(Fin) vide their RF No. 25(22)2017-ND dated 21st June, 2017.

Encl. As above


(Praveen Kumar)
Director(Acq)
Telefax : 2379 2865

To

- 1) Shri Keshav Desiraju, IAS (UK:1978) (Retd), Flat B,
25 Radhakrishnan Salai, 9th Street, Mylapore, Chennai- 600004
- 2) Shri Arvind Kumar Awasthi, IAAS:1975 (Retd)
C1/10, Pandara Park, New Delhi-110003.
- 3) Shri A. K. Manchanda, IRS:1976 (Retd)
B3/60, 3rd Floor, Safdarjung Enclave, New Delhi-110029.

Copy to:

VCOAS	VCNS	VCAS	DG(CG)
AS(J)	AS(DP)	AS&FA(Acq)	
JS&AM(LS)	JS&AM(MS)	JS&AM(Air)	
JS(Army)	JS(Navy)	JS(Air)	JS(Works) & CVO
FM(LS)	FM(MS)	FM(Air)	
TM(LS)	TM(MS)	TM(Air)	

Copy for information and necessary action (refer Para 2):

1. JS(E)
2. PCDA, New Delhi
3. AO(Cash)
4. Def Fin (MO)

Copy also for information:

- (i) Director, RM Office
- (ii) PS to RRM
- (iii) SO to Defence Secretary
- (iv) PPS to Secretary(DP)
- (v) PPS to Secretary(R&D)
- (vi) PPS to FA(DS)
- (vii) PS to DG(Acq)

CONFIDENTIALITY AGREEMENT

This Agreement (hereinafter called Agreement) is made onday of the month of2017, between, on one hand, the President of India acting through ShriJoint Secretary and Acquisition Manager, Ministry of Defence, Government of India (hereinafter called the "Ministry of Defence", which expression shall mean and include, unless the context otherwise requires, his successors in office and assigns) of the first Part and Shri(hereinafter called the "Independent Monitor" which expression shall mean and include, unless the context otherwise requires, his successors) of the Second Part.

1. Preamble

1.1 Whereas the Ministry of Defence, Government of India, is proposing to appoint Independent Monitors for capital procurement cases governed by the Defence Procurement Procedure (DPP), revenue procurement cases governed by the Defence Procurement Manual (DPM), Works cases of Military Engineering Service (MES) and Border Roads Organisation (BRO), etc.

1.2 Whereas the said Pre-Contract Integrity Pact under the DPP and DPM provide for appointment of Independent Monitors for the purpose of monitoring of various provisions of the said Pact and whereas the said Pact provides for perusal of the relevant records of the Ministry of Defence by the said Independent Monitors in connection with the relevant procurement case on which the said Integrity Pact has been signed with the bidders.

1.3 Now, therefore, with a view to ensuring and maintaining the complete and total confidentiality of every official information contained in any file, document, records, brief, presentation, electronic or telephonic medium, as may be made available by the Ministry of Defence to the Independent Monitor,

The Parties hereto hereby agree as follows:

2. Objective of the Agreement

2.1 The objective of this Agreement is to ensure non-disclosure of all official information by the Independent Monitors, to which they will have access through their perusal of any official record, file, document, presentation, electronic or telephonic exchange, as part of their functions so as to preserve the secrecy and confidentiality of defence-related official information.

3. Obligations of Independent Monitors

3.1 An Independent Monitor shall make use of all official information made available to him by the Ministry of Defence solely and exclusively for the purpose of the duty assigned to the Independent Monitor and shall not, in any case, disclose any of such information to any third person whatsoever.

3.2 An Independent Monitor shall not make copies of any official document, file and record made available to him/her by the Ministry of Defence and shall not in

any other way retain with himself/herself any of such information for any period longer than what is required for performing his/her function as referred to him by the Ministry of Defence and soon after his/her purpose is served, all such official documents, file and record shall be returned by him/her to the Ministry of Defence in the same form in which it was received by him/her.

3.3 An Independent monitor shall, in all circumstances, not reveal or divulge any information to any third person whatsoever, which is passed on to him/her by the ministry of Defence either through electronic medium or through any form of any communication.

3.4 Any official information, which comes to the knowledge of an Independent Monitor in the performance of his/her function as an Independent Monitor, shall not be revealed or divulged by him/her to any third person whatsoever not only during his/her tenure as an independent Monitor but also during any point of time when he/she ceases to be such an Independent Monitor.

3.5 An Independent monitor, on having been provided with official files, records, documents etc., shall, in all circumstances, ensure the safe custody of all such official records and documents till such time these are in his/her custody.

4. Obligations of the Ministry of Defence

4.1 The Ministry of Defence shall make available all files, records, documents pertaining to the case and sought by Independent Monitor in such a way as to deliver the same in the personal custody of Independent Monitor.

4.2 The Ministry of Defence shall make reasonable arrangement in its office premises to enable the Independent Monitor to peruse the file, records, documents etc. as sought by him.

4.3 The Ministry of Defence shall incur expenditure in accordance with the orders issued by it in connection with the travel expenses of Independent Monitor from the place of his ordinary residence to the office premises of the Ministry of Defence.

Penalties for breach

5. In case any breach of any of the clauses of this Confidentiality Agreement is committed by an Independent Monitor, he/she will himself/herself render liable to the following action by the Ministry of Defence, Government of India:-

(i) The said Independent Monitor shall forthwith be removed from such capacity, pending an Inquiry into the matter, as instituted by the Ministry of Defence.

(ii) The said Independent Monitor shall fully cooperate with the Inquiry as instituted by the Ministry of Defence, Government of India, and shall provide such information as called for by the Inquiry Officer(s) and shall also make himself/herself available for personal appearance before the Inquiry, as and when required.

(iii) In case any breach of the provisions of this Agreement is found by the Inquiry to have occurred, for which an Independent Monitor is jointly or severally found responsible, then appropriate legal action as per the extant civil and/or criminal laws shall be taken against the said Independent Monitor.

Duration of this Agreement

6. This Agreement shall commence after the same is signed and returned to the Ministry of Defence, accepting the terms contained herein.

Law and Place of Jurisdiction

7. The provisions of the Agreement shall be governed under the Indian Law as applicable in the territory of Union of India and the Courts of Law located in New Delhi shall have jurisdiction in the matter.

Having so set out the terms of this Agreement, the parties to this Agreement hereby on this day _____ of the Month _____ and year _____, at New Delhi sign the Agreement with full intention of carrying out the provisions thereof.

For and on behalf of the President of India

Independent Monitor

Joint Secretary and Acquisition Manager
(Representing the Ministry of Defence,
Government of India)

Ministry of Defence
D(Vigilance)

Subject: Procedure for overseeing implementation of Integrity Pact (PCIP) by Independent Monitors (IMs) in MoD.

In order to ensure transparency, equity and competitiveness in public procurement, the Central Vigilance Commission has been recommending the concept of Integrity Pact (IP) for adoption and implementation by Government organizations. The Ministry of Defence has appointed the following persons as Independent Monitors vide MoD OM No.1(11)/D(Acq.)/16 dated 14.07.2017:-

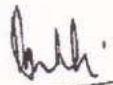
<u>Sl. No.</u>	<u>Name of the IM</u>	<u>E-mail ID</u>
1.	Shri Keshav Desiraju, IAS (UK:1978) (Retd)	k.desiraju@nic.in
2.	Shri A.K. Manchanda, IRS:1976 (Retd)	ashok.manchanda@gov.in
3.	Shri Arvind Kumar Awasthi, IAAS:1975 (Retd)	arvind.awasthi@gov.in

2. The provision for the Integrity Pact is to be included in all Requests for Proposal/Tender documents issued in future in respect of all procurements/contracts both capital and revenue. The IP should cover all phases of contract i.e. from the stage of Notice Inviting Tender/Pre-bid Stage to the stage of last payment or a still later stage to cover warranty, guarantee etc. Tender should specify that IMs have been appointed in consultation with the Central Vigilance Commission. In all tenders, particulars of all IMs should be mentioned.

3. With regard to implementation of Integrity Pact through the Independent Monitors, the procedure outlined in Para 3 of MoD ID Note No. No.1(11)/D(Acq.)/16 dated 14.08.2017 (copy enclosed) may be adopted by all concerned with necessary amendments as required in the procurement/Works Manual being followed by them.

4. A confirmation report regarding necessary amendments as proposed may be submitted to Vigilance Division within 15 days of issue of this ID Note.

Encl.: As above.


(H.M. Kundlia)
Under Secretary (Vigilance)

VCOAS VCNS VCAS DG (Coast Guard) CISC

E-in-C DGBR

MoD ID No.31024/6/2017-D(Vig.) dated 17.08.2017

Government of India
Ministry of Defence (Finance)

South Block, New Delhi

Subject: Implementation of GST- Effect on Existing Contracts of Defence Services

Consequent to rollout of Goods and Services Tax (GST) on 01 July 2017, the levy of taxes on various goods and services supplied to the Defence Forces after 30th June 2017 under the contracts entered into by the Ministry of Defence, Service Headquarters and Services before 01st July 2017 would be as per the GST Acts and Rules.

2. All such contracts hereby stand amended to such extent to include taxes as per GST Acts and Rules. There will be no need for individual amendments to the contracts. Any change in value of the contract due to such change in statutory levy of taxes would not require fresh approval of the CFA.

3. This issues with the approval of Defence Secretary and concurrence of Financial Advisor (DS).



(S P S Tomar)
DFA (GS)
Tel: 23012180

Distribution:

CGDA	DGADS	
O/o Raksha Mantri	O/o Raksha Rajya Mantri	
COAS	CNS	CAS
Defence Secretary/ Secretary (DP)/Secretary Defence (R&D)/ Secretary (ESW)/ FA (DS)		
CISC	DGAFMS	
All Additional Secretaries in MOD/ MOD (F)		
All Joint Secretaries in MOD	All JS & Addl FAs in MOD (Fin)	
Principal Advisor (Cost)	Finance Managers/ Advisors (Cost)	
NIC Cell MOD- For hosting on MOD Website		

MoD (Finance)/ GS-II ID Note No. 30(10)/GS-II/2017 Dated: 19.07.2017

No.F.26/2/2016-PPD
Government of India
Ministry of Finance
Department of Expenditure
Procurement Policy Division

516, Lok Nayak Bhawan,
New Delhi the 25th July, 2017.

OFFICE MEMORANDUM

Subject: Amendment to the Rule 152 of General Financial Rule, 2017 -Reg.


The undersigned is directed to invite attention to the provisions of Rule 152 of GFRs, 2017 which inter-alia states that as per the Compulsory Enlistment Scheme of the Department of Expenditure, Ministry of Finance, it is compulsory for Indian agents, who desire to quote directly on behalf of their foreign principals, to get themselves enlisted with the Central Purchase Organization (eg.DGS&D). However, such enlistment is not equivalent to registration of suppliers as mentioned under Rule 150.

2. This department has received reference from Directorate General of Supplies & Disposals (DGS&D) to decentralize the activities of enlistment of Indian agent under Compulsory Enlistment Scheme as DGS&D is winding up by 31.10.2017. Hence, it is decided in consultation with major procuring Ministries/ Departments that the existing provision of Rule 152 at Chapter 6 of General Financial Rule, 2017 which deals with 'Procurement of Goods and Services' shall be substituted by the provision indicated as under:

"Rule 152: Enlistment of Indian Agents: Ministries / Departments if they so require, may enlist Indian agents who desire to quote directly on behalf of their foreign principals."

3. This OM is also available on our website <http://doe.gov.in> -> Notification -> Circular --> Procurement Policy OM.

4. Hindi version of this OM will follow.


(Vinayak T. Likhari)
Under Secretary to the Govt. of India
Tel.No.2462 1305.

All Secretaries & Financial Advisers of Ministries/Departments of the Government of India

516, Lok Nayak Bhawan,
New Delhi the 25th July, 2017.

OFFICE MEMORANDUM

Subject: Amendment to the Rule 170(i) of General Financial Rules (GFR), 2017.

The reference of Department of Industrial Policy & Promotion (DIPP) to exempt Startups from submitting Earnest Money Deposit (EMD) has been considered and it has been decided to revise the Rule 170(i) of GFRs, 2017 regarding 'Bid Security' as under:

"Revised Rule 170 (i): *To safeguard against a bidder's withdrawing or altering its bid during the bid validity period in the case of advertised or limited tender enquiry, Bid Security (also known as Earnest Money) is to be obtained from the bidders except Micro and Small Enterprises (MSEs) as defined in MSE Procurement Policy issued by Department of Micro, Small and Medium Enterprises (MSME) or are registered with the Central Purchase Organisation or the concerned Ministry or Department or Startups as recognised by Department of Industrial Policy & Promotion (DIPP). The bidders should be asked to furnish bid security along with their bids. Amount of bid security should ordinarily range between two percent to five percent of the estimated value of the goods to be procured. The amount of bid security should be determined accordingly by the Ministry or Department and indicated in the bidding documents. The bid security may be accepted in the form of Account Payee Demand Draft, Fixed Deposit Receipt, Banker's Cheque or Bank Guarantee from any of the Commercial Banks or payment online in an acceptable form, safeguarding the purchaser's interest in all respects. The bid security is normally to remain valid for a period of forty-five days beyond the final bid validity period."*

2. This OM is also available on our website <http://doe.gov.in> -> Notification -> Circular --> Procurement Policy OM.
3. Hindi version of this OM will follow.


(Vinayak T. Likhar)

Under Secretary to the Govt. of India
Tel.No.2462 1305.

To

All Secretaries & Financial Advisers of Ministries/ Departments of the Government of India.

IMMEDIATE

MINISTRY OF DEFENCE
[Acquisition Wing Secretariat]

Subject: Review of Force Majeure clause (Art 24 of Standard Contract Document) as stipulated in DPP-2016.

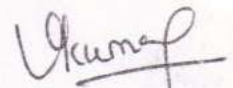
Ref: Army Hqrs letter No.17039/DPP Amdt/GS/WE/CNC dated 24.04.2018.

Kind attention is invited to the above referred letter from AHQ on the captioned subject.

2. The matter has been examined. It is stated that the provisions regarding Force Majeure at Schedule I (RFP Format) and Art 24.4 in Standard Contract Document (SCD) of DPP were incorporated as amendments to DPP-13 with a view to safeguarding Buyer's interests against certain provisions of the Arms Trade Treaty. The impact of the amendments would be to endorse contractual liability of the vendor in the event that the Govt of its country invokes restrictions or limitations on a contract. Such events would not be treated as force majeure conditions under which vendors could evade commercial liability. This has been a standard provision in all contracts concluded after promulgation of these amendments.

3. In view of the above, the provisions relating to Force Majeure as envisaged in DPP 2016 are not proposed to be reviewed and shall remain applicable to all vendors, as at present.

4. This issues with the approval of Defence Secretary.



(V.K.Adhana)
Director (Acq)

Telefax:23792865

Col. A. K. Dimri, Dir 'B', AHQ.
MoD ID No.1(1)/D(Acq)/16-Vol.II dated 06.06.2018

Copy for information to:

AS&FA(Acq)

JS&AM(LS)

FM(LS)

TM(LS)

DCOAS(P&S)

JS&AM(MS)

FM(MS)

TM(MS)

ACNS(P&P)

JS&AM(Air)

FM(Air)

TM(Air)

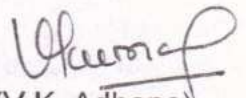
ACAS(Plans)

DDG(P&P)

MINISTRY OF DEFENCE
[ACQUISITION WING SECRETARIAT]

Subject: Public Procurement (Preference to Make in India) Order 2017-Notifying specified Capital Goods in furtherance of the Order.

Please find herewith enclosed Notification No.9/45/2017-HE&MT, dated 08.06.2018 issued by Ministry of Heavy Industries & Public Enterprises, Department of Heavy Industries for information and necessary action.


(V.K. Adhana)
Director (Acq)
Tel: 23792865

JS&AM(LS)	FM(LS)	TM(LS)
JS&AM(MS)	FM(MS)	TM(MS)
JS&AM(Air)	FM(Air)	TM(Air)

MoD ID No.1(10)/D(Acq)/17 (Pr) dated 09.07.2018

No.9/45/2017-HE&MT
Government of India
Ministry of Heavy Industries & Public Enterprises
Department of Heavy Industry

Udyog Bhawan, New Delhi
Dated the 08th June , 2018.

NOTIFICATION

Subject: Public Procurement (Preference to Make in India) Order 2017- Notifying specified Capital Goods in furtherance of the Order.

Reference: Department of Industrial Policy & Promotion (DIPP) Notification No.P-45021/2/2017-B.E.II dated 15.06.2017.

The Government has issued Public Procurement (Preference to Make in India) Order 2017 vide the Department of Industrial Policy & Promotion (DIPP) Notification No.P-45021/2/2017-BE.II dated 15.06.2017 to encourage 'Make in India' and to promote manufacturing and production of goods and services in India with a view to enhancing income and employment.

2. In furtherance of the Public Procurement (Preference to Make in India) Order 2017 notified vide reference cited above, the Ministry of Heavy Industries & Public Enterprises (HI&PE) hereby notifies that preference shall be provided by all Government Procuring Entities to domestically manufactured Capital Goods as per the aforesaid Order.

3. Capital Goods notified under the Public Procurement (Preference to Make in India) Order 2017, are annexed.

4. The Notification comes into effect immediately and would be reviewed as and when Department feels appropriate to do so.

5. This Notification shall remain valid till the revised Notification is issued.

6. **Procedure for calculating local content/domestic value addition**

6.1 Bill of Material sourced from domestic manufacturers (Dom-Bom) may be calculated based on one of the followings depending on data available. Each of these calculations should provide consistent result.

- a. Sum of the costs of all inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit/set-off can be taken) and which have not been imported directly or through a domestic traders or an intermediary.
- b. B. Ex-Factory Price of product minus profit after tax minus sum of imported Bill of Material used (directly or indirectly) as inputs in producing the product (including duties and taxes levied on procurement of inputs except those for which credit/set off can be taken) minus

warranty costs.

- c. Market price minus post-production freight, insurance and other handling costs minus profit after tax minus warranty costs minus sum of Imported Bill of Material used as inputs in producing the product (including duties and taxes levied on procurement of inputs except those for which credit/set-off can be taken) minus sales and marketing expenses.

6.2 Total Bill of Material (Total-BOM) may be calculated based on one of the following depending on data available. Each of these calculations should provide consistent result.

- a. Sum of the cost of all inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit/set-off can be taken).
- b. Ex-Factory Price of product minus profit after tax, minus warranty costs.
- c. Market price minus post-production freight, insurance and other handling costs minus profit after tax, minus warranty costs minus sales and marketing expenses.

6.3 The percentage of domestic value-addition may be calculated based on information furnished as per the following formula:

$$\text{Percentage of domestic value-addition} = (\text{Dom-Bom} / \text{Total-BOM}) \times 100$$

It is recommended that each agency assessing should calculate the domestic local content/value addition using at least two of the above formulae so as to validate the assessments in this regard and ensure that the domestic value addition that is claimed is consistent.

7. Verification of local content/Domestic Value Addition

- a. The local supplier at the time of tender, bidding or solicitation shall provide self-certification that the item offered meets the minimum local content and shall give details of the location(s) at which the local value addition is made.
- b. In cases of procurement for a value in excess of Rs.10 crore, the local supplier shall provide a certificate from the statutory auditor or cost auditor of the company (in the case of companies) or from a practising cost accountant or practising chartered accountant (in respect of suppliers other than companies) giving the percentage of local.
- c. False declaration will be in breach of the Code of Integrity under Rule 175(1)(i)(h) of the General Financial Rules for which a bidder or its successors can be debarred for up to two years as per Rule 151 (iii) of the General Financial Rules along with such other actions as may be permissible under law.

8. MHI&PE shall be the Nodal Ministry to monitor the implementation of the Notification.



(N. Sivanand)

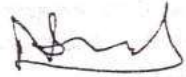
Joint Secretary to Government of India

Tel: 23062367

New Delhi, the Dated 30.05.2018

Copy to:

1. All Ministries/Departments of Government of India
2. Cabinet Secretariat
3. PMO
4. Niti Aayog
5. Comptroller and Auditor General of India
6. SS&FA, DHI
7. Joint Secretary (DIPP), Member-Convener of Standing Committee of Public Procurement Order 2017
8. Internal Distribution



(N. Sivanand)

Joint Secretary to Government of India

Tel: 23062367

Specified Capital Goods

SN	Product	HSN Code	Minimum Local Content%	Imported Materials
A	STATIC EQUIPMENTS			
1	PRESSURE VESSELS	8419 8910		
a	Amonia Converter(special type of pressure vessels used in Fertilizer industry)	8419 8910	50	Shell Plates, Forgings
b	Urea Reactors (special type of pressure vessels used in Fertilizer industry)	8419 8910	50	Shell Plates, UG Liner Plates Forgings
c	Hydroprocessing Reactor (special type of pressure vessels used in Petrochemicals industry)	8419 8910	40	Shell forgings, Clad plates
d	Coke Drum (special type of pressure vessels used in Petrochemicals industry)	8419 8910	50	Forgings
2	HEAT EXCHANGERS	8419 5010		
a	Urea Stripper (special type of heat exchangers used in Fertilizer industry)	8419 50 10	40	UG Liner plates, UG Tubes/Bi-metallic tubes, Channel shell plates, T/S & Forgings(Indian Tube manufacturers are not qualified at present)
b	Carbamate Condenser(special type of heat exchangers used in Fertilizer industry)	8419 5010	40	Channel shell plates, UG Tubes, UG Liner plates, T/S & Forgings
c	High Pressure Heat Exchangers	8419 5010	45	Tubes, plates of exotic material like incoloy, Forgings
3	BOILERS	8402 1910		

a	RG Boilers/Synloop Boilers (special type of boilers used in Fertilizer industry)	8402 1910	45	Shell plates, Tubes, Refractory
B ROTATING EQUIPMENTS				
1	PUMPS:CENTRIFUGAL	8413 9120	95%	Special seals/High alloys/parts
2	COMPRESSORS	8421 2900	90%	Special seals/High alloys/parts/intercoolers
C INSTRUMENTATION AND AUTOMATION				
1	INSTRUMENTS FOR PRESSURE	9026 2000	90%	Sensors
2	INSTRUMENTS FOR TEMPERATURE	9026 2000	90%	Sensors
3	INSTRUMENTS FOR FLOW	9026 1010	70%	Special Technology Ultrasonic/ Mass Flow Sensors
4	INSTRUMENTS FOR LEVEL	9026 1090	75%	Radar/Guided/Ultrasonic sensors
5	PROCESS ANALYSER SYSTEM	9027 1000	65%	Online Analysers and Accessories
6	CONTINUOUS EMISSION MONITORING SYSTEM	9027 1000	65%	Online Analysers and Accessories
7	AMBIENT AIR QUALITY MONITORING SYSTEM	9027 1000	65%	Online Analysers
8	DISTRIBUTED CONTROL SYSTEMS	9032 8990	70%/80%	Electronic Cards
D PIPE LINE VALVES				
1	CONTROL VALVES	7318 1600	85%	Smart Positioners and Accessories
2	STEAM CONDITIONING VALVES/TURBINE BYPASS VALVE	8481 8010 / 8481 8090	80%	Special Actuators/Smart Positioners
3	VALVES FOR HIGH TEMPERATURE AND PRESSURE (GATE,GLOBE,BALL,BUTTERFLY)	8481 8010 / 8481 8090	≈ 80%	Special Actuators & High Alloys

MINISTRY OF DEFENCE
[Acquisition Wing Secretariat]

Subject : (i) Clarification on Guidelines regarding payment of Customs Duty on input material due to withdrawal of exemptions from payment of basic customs duty in capital acquisition cases issued vide MoD ID No.1(11)/D(Acq)/14 dt.23.01.2017.

(ii) Guidelines regarding payment of Countervailing Duty (CVD) and Special Additional Duty (SAD) due to withdrawal of exemptions w.e.f 01.06.2015 on import of equipment and input material for defence purposes.

Guidelines regarding payment of Customs Duty on input material due to withdrawal of exemptions from payment of Basic Customs Duty (BCD) in Capital Acquisition cases were issued vide MoD ID No.1(11)/D(Acq)/14 dated 23.01.17.

2. Issues have been raised regarding para 6 I(d) thereof which deals with reimbursement of BCD in cases of extended delivery periods where such extension is on account of delays attributable to the vendor. It is hereby clarified that the aforesaid clause only implies that while the Vendor would get the benefit of BCD which would have been payable had the contracted article been delivered in the delivery period stipulated in the contract, he would not get reimbursement for any variation in such duties which have come into effect during the extended delivery period, if such, extension is on account of delay attributable to the vendor. Thus where delivery period has been extended on account of delay attributable to the vendor, the additional amount of BCD and freshly imposed Custom Duty, if any, during the extended delivery period shall not be reimbursed.

3. Para 6 I of the aforesaid Guidelines provides for reimbursement of BCD on incurrence and ahead of acceptance of goods. Sub para b) thereof requires submission of Bank Guarantee (BG) for the amount of reimbursement claimed, with validity till the time of final payments against the contracts. Requests have also been received to allow vendors to submit Indemnity Bonds (IB) in lieu of Bank Guarantees (BG) for claiming such reimbursement. The matter has been examined. Existing procedures allow for accepting Indemnity Bonds in lieu of Bank Guarantee for certain other payments such as payment of advances etc in specified circumstances. Thus, reimbursement of BCD on incurrence will also be permitted against submission of Indemnity Bond in lieu of Bank Guarantee in respect of vendors to whom contract advances are payable against Indemnity Bonds.

4. The issue of reimbursement of Countervailing Duty (CVD) and Special Additional Duty (SAD) on input material in cases where the final manufactured product is not excisable or attracts zero duty, have also been referred by vendors. It may be noted that the Govt. has withdrawn exemption from payment of CVD and SAD on both goods and input material imported for Defence purposes w.e.f 01.06.2015. In this regard it is hereby clarified that reimbursement of CVD and SAD will be made wherever no cenvat credit or refund is admissible in respect of the manufactured defence end product produced under the contract with the Central Government upto 30th June 2017 whereafter GST provisions will be applicable. The reimbursements will be made as per actual, against proof of payment of ibid taxes/duties along with the declaration to the effect that all input tax credits have been passed on to the buyer (GoI). Denial clause as at para 2 above shall also apply for these reimbursements.

5. This issues with the concurrence of MoD(Fin) accorded vide ID. No. 205-P/AFA(O)/2016 dated 09.10.2017 and approval of the Raksha Mantri.



(S.L. Bairwa)
Under Secretary (Acq)
Tel: 23019067
Fax: 23792865

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MoD ID No.1(11)/D(Acq)/17 dated 18.07.2018

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