



Defence Acquisition Procedure 2020

Why in News

Recently, a new **Defence Acquisition Procedure (DAP)** (erstwhile Defence Procurement Procedure or DPP), 2020 was released by the Ministry of Defence (MoD).

Key Points

- **About:** The DAP contains policies and procedures for procurement and acquisition from the capital budget of the MoD in order to modernise the Armed Forces including the [Coast Guard](#).
- **Background:** The first Defence Procurement Procedure (DPP) was promulgated in 2002.
 - A [committee under the chairmanship of Director General \(Acquisition\)](#) was constituted to review the [Defence Procurement Procedure \(DPP\) 2016](#).
 - **DPP 2016** was released replacing the DPP 2013 based on the recommendations of **Dhirendra Singh committee**.
 - It focussed on indigenously designed, developed and manufactured weapon systems.
 - It was facing several issues like lack of transparency (leading to Rafale Scam), inconvenient offset regulations etc.
- **Objective:** Turning India into a global manufacturing hub.
 - Aligned with the vision of the Government of [Atmanirbhar Bharat](#) and empowering Indian domestic industry through [Make in India initiative](#).
- **Salient Features:**
 - **For [Ease of Doing Business](#):**
 - **Time Bound Defence Procurement Process and Faster Decision Making:** By setting up a [Project Management Unit](#) to support contract management and to streamline the Acquisition process.
 - **Revised Offset Guidelines:** Preference will be given to manufacture of complete defence products over components and various multipliers have been added to give incentivisation in discharge of offsets.
 - Further, there will be **no offset clause** in government-to-government, single vendor and Intergovernmental Agreements (IGA).
 - **Offsets** are a portion of a contracted price with a foreign supplier that must be **re-invested in the Indian defence sector**, or against which the government can purchase technology.
 - **Multipliers** are credit values earned on offset transactions. A multiplier of 3 means a foreign company can claim credits upto three times of its actual offset investment.
 - The offset policy for defence deals **was adopted in 2005** for all defence capital imports above Rs. 300 crore under which the foreign vendor is required to invest at least 30% of the value of the contract in India.

- Offset clause was hindering the transfer of technology, according to a recent CAG report.
- **Rationalization of Procedures for Trials and Testing:** Scope of trials will be restricted to physical evaluation of core operational parameters.
- **To Develop India into Global Manufacturing Hub:**
 - **FDI in Defence Manufacturing:** Provisions have been incorporated like a new category '**Buy (Global - Manufacture in India)**', to encourage foreign companies to set up manufacturing through its subsidiary in India.
- **To promote Make in India and Atmanirbhar Bharat initiatives:**
 - **Reservation in Categories for Indian Vendors:** Some categories like Buy (Indian Indigenously Designed Developed and Manufactured -IDDM), Production Agency in Design & Development etc. will be exclusively reserved for Indian Vendors and FDI of more than 49% is not allowed.
 - **Ban on Import of Certain Items:** With a view to promote domestic and indigenous industry, the MoD will notify a list of weapons/platforms banned for import.
 - **Indigenisation of Imported Spares:** Steps to promote manufacturing of parts in India have been taken. This includes establishment of co-production facilities through Intergovernmental Agreements (IGA) achieving '**Import Substitution and reducing Life Cycle Cost.**
 - **Overall Enhancement in Indigenous Content (IC):** This has been done in all the categories, for products like softwares etc, as follows: [//](#)

Category	DPP 2016	DAP 2020
Buy (Indian-IDDM)	Min 40%	Min 50%
Buy (Indian)	Min 40%	Indigenous design - Min 50% Otherwise - Min 60%
Buy & Make (Indian)	Min 50% of Make	Min 50% of Make
Buy (Global - Manufacture in India)	Category did not exist	Min 50% of Buy plus Make
Buy (Global)	Category did not exist	Min 50% for Indian vendors

- **Other Features**

- **Cost Cutting : Leasing** has been introduced as a new category for acquisition in addition to the existing 'Buy' and 'Make' categories so that periodical rental payments are made instead of huge capital investment.
- This will be useful for military equipment not used in actual warfare like transport fleets, trainers, simulators, among others.

- **Other Related Initiatives:**

- Recently, the Ministry of Defence has formulated a [Draft Defence Production and Export Promotion Policy 2020 \(DPEPP 2020\)](#).
- [Innovations for Defence Excellence \(iDEX\)](#) has been operationalised to provide necessary incubation and infrastructure support to the startups in the defence area.
 - iDEX would be further scaled up to engage with 300 more startups and develop 60 new technologies/products during the next five years.
- [Mission Raksha Gyan Shakti](#) was launched to promote a greater culture of innovation and technology development and file a higher number of patents in Defence Public Sector Undertakings (DPSUs), Ordnance Factory Board (OFB).
 - It would be scaled up for promoting the creation of Intellectual Property in the sector and its commercial utilisation.

Way Forward

- Self-reliance in defence manufacturing is a crucial component of effective defence capability and to maintain national sovereignty and achieve military superiority. The DAP 2020 not only protects the interests of domestic manufacturers by [indigenization of technology](#), but also provides impetus to foreign investment in the country.
- Given the key geostrategic challenges, emanating from the threat of two-front war (against [China](#) and [Pakistan](#) combinedly), India needs to carry out much-needed [defence reforms](#). DAP 2020 is

the one of the many needed defence reforms.

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