



Defence Acquisition Procedure 2020

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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)	<i>Category did not exist</i>	Min 50% of Buy plus Make
Buy (Global)	<i>Category did not exist</i>	Min 30% 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.

Source: TH