

New Defence Acquisition Policy, 2020

September 29, 2020

The Ministry of Defence (MoD) has released the Defence Procurement Procedure (DPP) 2020. The new DPP amends existing military procurement rules in line with Governments' long-running targets to **boost indigenous defence capability and reduce reliance on imports under its "Make in India" initiative.**

Features of New Defence Acquisition Policy, 2020

- The government has decided **not to have an offset clause** in procurement of defence equipment if the deal is done through **inter-government agreement (IGA), government-to-government or an ab initio single vendor.**
- **Indigenisation of imported spares:** Request for information (RFI) stage will explore the willingness of the prospective foreign vendors to progressively undertake the manufacture and set up an indigenous ecosystem at the spares/ sub-component level.
- A new category of **Buy (Global-manufacture in India):** The new category incorporates manufacture of either the entire/ part of the equipment or spares/ assemblies/ subassemblies/ maintenance, repair and overhaul (MRO) facility for the equipment, through its subsidiary in India.
- **Co-production through intergovernmental agreement (IGA):** This enables the establishment of co-production facilities through IGA achieving import substitution and reducing life cycle cost.
- Contractual enablement: **Buyer's right to optimise life cycle support costs and system enhancements** through indigenous ecosystem incorporated.
- Time-bound defence procurement process and faster

decision making: As part of the defence reforms announced in the Atmanirbhar Abhiyan, **setting up of a project management unit (PMU)** has been mandated to support contract management.

- **Services qualitative requirement**, which defines the capabilities sought for any equipment, weapon or platform, will now include a **comparative analysis** for products available within the country and internationally, and making them more realistic.
- The long term integrated perspective plan has now been re-designated as **integrated capability development plan (ICDP)**, and will **cover a period of ten years, instead of 15 years earlier.**
- The DAP has **reserved procurement under several important categories for companies that are owned 50% or more by Indians.** The categories including Buy (Indian-indigenously designed, developed and manufactured), Make I- with 70% initial government funding, Make II- industry funded, Production agency in design and development, and Strategic partner model will be exclusively reserved for Indian vendors with ownership and control by resident Indian citizens with up to 49% maximum FDI.
- The government has also decided to **increase the indigenous content (IC) requirement** for all projects from 40% to 50% earlier, depending on the category, to 50% to 60% now. Only under procurement through Buy (Global), foreign vendors can have 30% IC from Indian companies.