

## 5. Defence Procurement Manual 2025 – Defence

Defence Ministry unveils new framework to streamline revenue procurement. To boost self-reliance and efficiency, the government has approved the Defence Procurement Manual (DPM) 2025 for day-to-day military purchases. The revised manual simplifies procedures, decentralizes authority, and provides greater support to domestic industries, including startups and MSMEs.

### Context – Modernizing Defence Procurement

The Defence Minister has approved the new Defence Procurement Manual (DPM) 2025, a comprehensive revision of the 2009 manual. This update is designed to streamline, simplify, and rationalize the revenue procurement processes within the Ministry of Defence (MoD).

#### About the Defence Procurement Manual (DPM)

**Purpose –** The DPM provides the official procedures and guidelines for procuring goods and services essential for the day-to-day functioning, maintenance, and operational readiness of the Armed Forces and other MoD establishments.

**Distinction from DAP –** It is crucial to distinguish the DPM from the Defence Acquisition Procedure (DAP). While the DPM governs revenue procurement (recurring expenses like supplies, spares, and services), the DAP specifically deals with capital acquisitions (major one-time purchases like new aircraft, ships, or weapon systems).

#### Objectives of DPM 2025

The revised manual aims to achieve the following key objectives –

1. Ensure the timely and cost-effective procurement of goods and services, which amounts to approximately ₹1 lakh crore annually.
2. Enhance the operational readiness and promote jointness among the Army, Navy, and Air Force.
3. Boost self-reliance (Atmanirbhar Bharat) by promoting indigenisation, innovation, and greater participation from the Indian private sector, including MSMEs, start-ups, and academic institutions.
4. Align procurement procedures with the updated provisions of the Ministry of Finance's Manual for Procurement of Goods.
5. Guarantee fairness, transparency, and accountability in all transactions, with an increased emphasis on the use of technology.

#### Key Features and Reforms in DPM 2025

**Promotion of Indigenisation –** A new, dedicated chapter has been included to foster self-reliance. It outlines a framework for engaging with public and private industries, academia, IITs, IISc, and other reputed institutions for innovation and indigenisation.

#### Ease of Doing Business –

1. **Relaxation on Liquidated Damages (LD) –** For development contracts, LD will not be levied during the crucial development phase, encouraging firms to undertake R&D without the fear of penalties for initial delays.
2. **Liquidated Damage (LD)** is a predetermined compensation amount specified in a contract, payable by a party for failing to meet obligations like delivery deadlines.
3. **Assured Orders –** Provides an assurance of orders for a quantity for five years, which can be extended for another five years under special circumstances.
4. **Handholding Support –** The Armed Forces will provide technical support to developing firms by sharing know-how and equipment.
5. **Decentralisation of Decision Making –** Competent Financial Authorities (CFAs) at the field level are empowered to make faster decisions in consultation with their financial advisors. This includes the authority to grant extensions in delivery schedules, reducing delays caused by seeking higher-level approvals.
6. **Streamlined Special Procurement –** The procedure for Government-to-Government (G2G) agreements, often used for high-value strategic procurements, has been simplified. The requirement

to obtain a No Objection Certificate (NOC) from certain Defence Public Sector Undertakings (DPSUs) has been removed, ensuring tenders are awarded purely on a competitive basis.

### Broader Government Initiatives for Defence Indigenisation

DPM 2025 complements a wide range of ongoing government efforts to build a self-reliant defence ecosystem –

1. Make in India (2014) – Provided the initial policy thrust for Indigenous Design, Development, and Manufacturing (IDDM) by giving preference to Indian vendors.
2. Defence Acquisition Procedure (DAP) 2020 – Reserves about 75% of the defence modernization budget (₹1.1 lakh crore in FY 2024-25) for Indian industries.
3. Innovations for Defence Excellence (iDEX) (2018) – Engages startups and MSMEs, providing grants and has already resulted in over 430 contracts.
4. SRIJAN Portal (2020) – An online platform that lists items currently being imported so that Indian industry can focus on indigenizing them. Over 14,000 items have already been indigenised.
5. Positive Indigenisation Lists (PILs) – The MoD has issued five lists with over 5,500 items that will no longer be imported and must be sourced domestically.
6. Defence Industrial Corridors (2018) – Established in Uttar Pradesh and Tamil Nadu to create clusters of defence manufacturing, attracting significant investment.
7. Defence Testing Infrastructure Scheme (DTIS) (2020) – Supports the creation of greenfield testing and certification facilities to help private industries validate their products.
8. MAKE Procedure – Promotes indigenous R&D through government-funded (MAKE-I), industry-funded (MAKE-II), and technology transfer (MAKE-III) categories.
9. FDI Policy (2020) – Allows up to 74% Foreign Direct Investment in the defence sector through the automatic route to attract capital and technology.

Source – <https://www.thehindu.com/news/national/defence-ministry-unveils-new-framework-to-streamline-revenue-procurement/article70050204.ece>