



ACQUISITION,  
TECHNOLOGY,  
AND LOGISTICS

## OFFICE OF THE UNDER SECRETARY OF DEFENSE

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### **Background Paper: The Defense Exportability Features Pilot Program**

The Defense Exportability Features (DEF) Pilot Program authorizes the Department of Defense (DoD) to carry out a pilot program to use appropriated funds to develop and incorporate technology protection features into designated systems during their research and development phases. Per DoDI 5000.02, program management is responsible for integrating international acquisition and exportability into their Acquisition Strategies at each milestone and decision point, and to pursue cooperative opportunities and international involvement throughout the acquisition life cycle. In support of this DoD acquisition policy, the DEF Pilot Program provides selected Programs with supplemental funds and an opportunity to help implement early defense exportability work. The Pilot is currently administered by the Office of the Under Secretary of Defense, Acquisition, Technology, and Logistics (AT&L), Directorate of International Cooperation (IC).

#### **DEF – Start of a Paradigm Shift**

- The DEF Pilot is intended to contribute to a paradigm shift in designing for exportability early in the acquisition life cycle, a process that began with the reforms of Better Buying Power 2.0.
- DEF activities are those design, development, and implementation efforts, early and throughout the acquisition life cycle, that are used to protect or remove Critical Program Information (CPI) and capabilities in defense systems not yet designed for export. These include two mutually supportive areas:
  - Technology protection measures (Anti-Tamper, Information Assurance, Cyber, etc.)
  - Differential capabilities (modify/remove technologies or capabilities prohibited for export).

#### **Participating Programs**

- Since the start of the DEF Pilot in FY 2011, AT&L has selected 20 DoD acquisition programs from Component Acquisition Executive (CAE) nominations to participate.
- To date, 14 programs have undertaken DEF feasibility studies and/or design activities, either as part of the DEF Pilot Program or under DEF authorities.

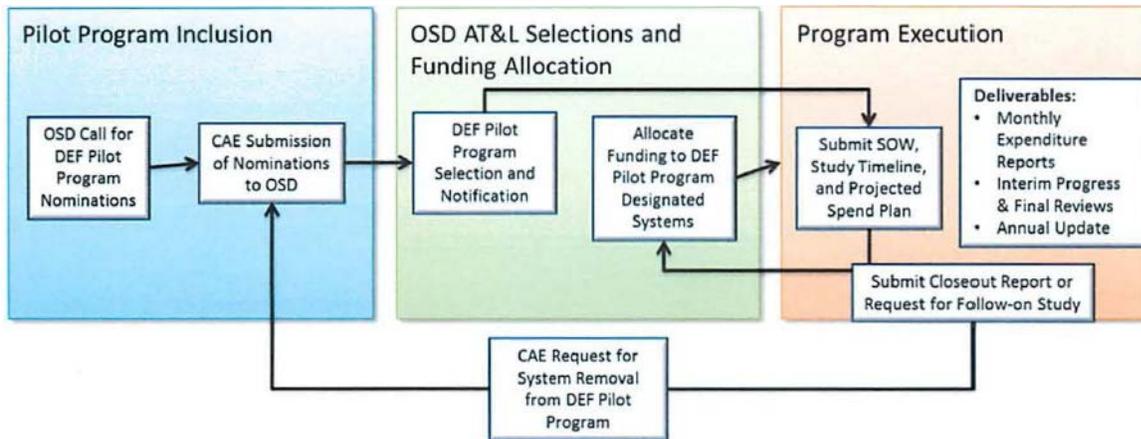
#### **Annual Nomination Process**

- Review of new program nominations from each of the Armed Services for the FY 2018 cycle will begin in June 2017 with the start of informal dialogue with POCs for each Service.
- The formal call for nominations is sent to the CAEs by AT&L/IC in July of each year.
- To be considered for the Pilot, programs must be in an Research, Development, Test, and Engineering (RDT&E) phase, sponsored by their CAE, and be able to secure contractor cost-sharing contributions towards project work.<sup>1</sup>
- While ACAT 1D or 1C receive precedence in consideration, non-ACAT programs are eligible for the program. See the DEF Pilot Program Implementation Guidelines<sup>2</sup> for more details on the selection process and criteria, or contact AT&L/IC per details given below.

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<sup>1</sup> On a case-by-case basis, the DEF Pilot can consider programs that cannot feasibly have a contractual agreement with industry in-place, such as when the technology is government-owned and developed.

<sup>2</sup> Detailed DEF Pilot Program Implementation Guidelines are provided on OUSD(AT&L)/IC's public website: <http://www.acq.osd.mil/ic/DEF.html>

**Figure: DEF Pilot Program Key Process Flow****Contractor Cost-Sharing**

- Current statute requires that industry participants contribute a portion of the costs of developing and implementing a project under the DEF Pilot Program.
- The cost-sharing requirement is “half, or such portion of such cost as the Secretary considers appropriate” to give DoD flexibility to adjust cost-sharing to particular circumstances.
- AT&L issued program guidance for implementing the cost-sharing element and the process for Programs to submit industry requests for a lower cost-sharing ratio.
- The guidance describes statutory limitations on use of IR&D funds for industry cost-share.

**DEF Funding - Things to Keep in Mind**

- The DEF Pilot Program primarily covers the cost of feasibility studies to evaluate the business case for making exportability investments, and in preliminary DEF design work.
- Preliminary design work typically includes prototyping, initial testing of technology protection measures, verification and validation, and other initial program protection work.
- DEF funds are not sufficient to cover all costs of incorporating DEF in production articles.
- Beyond Pilot funding, Programs may pursue design and development funding sources via Cooperative Programs, Foreign Military Sales, Direct Commercial Sales, Industry, etc.

**DEF Study Types**

- Phase 1A DEF studies examine the foreign market, technical feasibility and cost of design of exportability, and return on investment. Typically conducted in pre-Milestone B acquisition phases. In some cases, this can include a system in a later phase (late EMD, etc.).
- Phase 1B DEF follow-on studies provide additional feasibility/design analysis when a program could benefit from additional DEF analysis prior to initiating design/development work.
- Phase 2 DEF design activities carry out actual DEF design/development work. These studies focus on development and implementation of program protection measures, system security architecture, prototypes of DEF solutions, and Verification and Validation of DEF solutions.

**Benefits and Successes of the DEF Pilot Program**

- Under the right circumstances, early exportability planning can save money, improve system security, reduce development time and contribute to more competitive U.S. defense industry.
- By providing advanced capability to allies and coalition partners earlier, DEF efforts thereby strengthen the DoD industrial base, and likely provide economic order quantity benefits by lowering the average procurement unit cost that DoD and our partners pay for the system.

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