

The ministry of defence (MoD) has released a policy called Defence Acquisition Procedure 2020(DAP 2020). 657 pages long policy, replaces the Defence Procurement Procedure (DPP) which was adopted in 2002. It is a mature and constructive attempt under the leadership of prime minister Narendra Modi to modernize the Indian Armed Forces including the coast guards and to make India self-reliant in the field of defence under the make in India initiative.

### **Indigenization-**

It is a change of mindset where we Indians used to procure the majority of defence items from foreign countries, to manufacturing and acquiring defence items within India. A major thrust has been given to indigenization, where the manufacture of the spare parts or the research and development of new weapons will be done in India which will eventually help in saving billions of forex. Already the central government has given great impetus to certain organisations and PSUs like DRDO, OFBs which are working on various projects like building new missile technology, anti-drone jamming systems etc. The Kaveri engine programme which had its first run in 1996 is still in its developmental phase as it is unable to reach the required thrust level. Such a programme will be much helpful for future projects as well as increase confidence in the development of such critical equipment. By 2025, it is estimated that around 5000 defence items will be made indigenously which is a challenge but, should be taken as an excellent opportunity to grab.

### **Reservation for Indian Companies-**

As many new Indian companies are coming forward with their defence equipment trying to compete with foreign companies, to protect their interests, the reservation will be given to the company that has owned more than 50 per cent by Indians. This will empower Indian companies at the international level. There are certain companies like SSS defence and KALYANI Group which have started making various defence equipment matching with the Indian requirements as well as rise in their export of items to several Southeast Asian nations. It would be good to see the one Indian-Indian competition which will eventually armed forces.

### **Negative Import Lists-**

A new feature that has been introduced is the negative import list. The MoD has issued a few lists containing 209 banned items. Some of these will be banned from import on an

immediate basis, while others will be banned gradually but not after 2025 like short-range surface air missiles, electronic warfare systems etc. Negative listing of equipment will be manufactured indigenously by the domestic players and this will give strength to the government plus the private defence companies in providing quality products to the armed forces.

### **New chapters included-**

Buy Indian (IDDM-Indigenously Designed, Developed and Manufactured) along with this, a new category has been introduced Buy Global. The former defines that the equipment will be brought from an Indian company, whereas the latter is a method to promote foreign companies to manufacture either the whole item or spare parts in India. Such category also pushes the foreign companies to establish maintenance, repair and overhaul facilities within India. It will create a win-win situation for both India and foreign companies. This will also enhance the chances of jobs for the citizens, with that learning of the new technicalities required to excel in this field. The central government has allowed for 75 per cent of foreign direct investment under automatic route and more than that requires the permission of the government. The government of India is trying to develop a new way of investment and technology transfer like collaboration with foreign companies or creating a new joint venture within India. A classic example of joint ventures is the development of Brahmos missiles between India's DRDO and NPO Mashinostroyenia of Russia having huge export potential in near future.



Image source: News 24

## Leasing Option-

A new chapter that has been included in the list is the leasing provision. The leasing concept has been implemented since the cold wartime and is still applied by the NATO forces. As most of the annual defence budget goes into the payment of salaries and pension of armed forces personnel, due to this constraint little amount of money is left for the procurement of the weapons. This provision suits the Indian armed forces as it gives a wide range of advanced and sophisticated weapons without owning them. The leasing provision is open for Indian and global companies for a 10-15 years period. The time taken in the delivery of the defence equipment is less which also reduces the overall cost of the leasing amount. Recently certain equipment like MQ-9B drone from the U.S for the Indian navy has been taken on lease and an Akula class nuclear attack submarine will be delivered by Russia by 2025 to the Indian navy for a lease period of 10 years. Leasing provision is an effective way of procuring the equipments but should not be taken lightly as it may get India again into the circle of importing the equipments in the long run.

## Offset Clause-

A major step taken to further improve defence procurement is removing the Defence Offset clause. This clause states that the foreign company must spend at least 30 per cent of the contract value in India through technology transfer or procurement of a component. This clause will not be included in the future projects between government to government, intergovernmental and single vendor but will stay in the ongoing or previous projects. Various kinds of allegations have been put on the offset clauses as stated in the CAG report. The primary objective of the offset clause was the technology transfer to the Indian companies which has not been done yet or is being carried slowly. Recently, the central government has placed a penalty on numerous companies for not adhering to the provisions. It also posed a threat to the MSME firms of India which are playing a silent role in providing raw materials. With its removal, the government has bestowed to the Indian firms for the future orders and growth potential within India.

The DAP 2020 is a strong step towards the Atmanirbhar Bharat initiative which will help in modernising the Indian armed forces in a specific time as well as making India into a defence manufacturing hub. Certain things that need to be taken care of is the leasing option or the Indian specific modification of the weapons which will make a costlier deal after the end of the lease period. Including new procurement standards or repeated changes in the provisions after the signing of the contract is the major cause of delay and sometimes even the companies are not able to fulfil all the required standards. Secondly, the delays in the signing of the contract which has already been reported by the CAG is because of the involvement of too many decision-makers which leads to the distribution of responsibility and accountability. And it makes India a less attractive hub for investment which may cause harm to the Make in India initiative. The benefits of DAP 2020 can only be felt if it is implemented in a manner it has been created.

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