

Defence Acquisition Process : Oversight Concerns

*Vinod Kumar Misra**

Aspects of cost-efficient QR formulation, RFI and RFP, technical and commercial evaluation including time frames for evaluation, imparting project management orientation to the entire acquisition process including post contract deficiencies were covered in a seminar organised by IDSA on October 27, 2009 seminar. The seminar focused on all the other significant dimensions of acquisition, such as empowerment of the defence industrial base in the country for affordable, cost efficient and sustainable defence, the supply chain management efficiencies for ensuring high readiness levels, the life cycle cost orientation for acquisition efficiencies, the organisational and procedural frames for an optimal acquisition organisation, the oversight concerns in the acquisition process and finally the transformational role of offsets.

I would like to briefly dwell upon some of these serious concerns. While ideally, acquisitions must take place in a truly and intensely competitive setting, conscious decisions may have to be taken from time to time to collaborate with the best of class on a single or at best a twin source basis if a larger strategic purpose is being served in the process. The Defence Procurement Procedures (DPP) does specifically cater for such possibilities. Given our key capability gaps and the current challenges in ensuring optimal utilisation of capital outlays for acquisitions, it would also appear prudent to set aside 20 to 25 per cent of the relevant budget for acquisition through the fast track procedure. An effective and vibrant environment by way of the defence industrial base is also quite clearly a compelling imperative given the high cost of import based acquisition and the import dependent life cycle product support for various weapon systems quite apart from acutely felt needs for critical value addition. Given the high cost of upgrades and modernisation and pursuit of self reliance by way of excellence in

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* **Vinod Kumar Misra**, a former Secretary Defence Finance, Ministry of Defence, is a Distinguished Fellow, at the Institute for Defence Studies and Analyses (IDSA), New Delhi. He delivered this speech at National Seminar on Defence Acquisition held at the IDSA on 26 April 2010.

technology, design, engineering and manufacture to meet future defence needs appears a mandatory quest. The simultaneous development of tier 1, 2 and 3 entities based on sharing of the potential long term order book of Defence Services and associating the best of class Indian industry with defence and nurturing long range ties with such entities should be the way forward. Appropriate reforms based on competition and an abiding concern for quality in defence R&D, defence PSUs, Ordnance Factories, developing synergies among technology wise R&D and production clusters, encouraging design, engineering and manufacturing efficiencies through collaborative arrangements with the best of class entities abroad, could lay the foundations for our repeating in defence the Indian success stories in the automobile, telecom, ICT and pharmaceutical sectors.

Offsets could be really a game changer if pursued with a clear focus on our own, duly prioritised and integrated, offset absorption road maps of the services, the DRDO, the DPSUs, ordnance factories and finally the Indian industry. Technology imports would have to be taken onboard, banking validity suitably elongated and contribution of sub-suppliers duly reckoned. An effective and professional organisation would have to provide a range of services from mapping of Indian industrial capabilities in order to facilitate joint ventures to monitoring and evaluation of offset obligations.

Given the serious concern being bestowed now on readiness levels, performance based logistics would rapidly have to become the norm. This would also bring in large scale association of the Indian private sector entities into the defence supply chain encompassing warehousing, transportation and repair capabilities. A life cycle cost orientation in evaluation of acquisition offers is now taking roots, this has contributed to the right emphasis on long-term cost of product support, total calendar or technical life, time between overhauls and guaranteed mean time between failures for major sub systems, assemblies and sub-assemblies. But a robust system would demand efficient IT based monitoring of repair arising and spares consumption vis-à-vis guarantees embodied in the acquisition contracts.

A major area for reforms concerns comprehensive usage of ICT capabilities in defence acquisitions. This would entail development of elaborate data bases concerning prices of components, sub assemblies, assemblies, sub-systems and systems acquired by the defence services; developing an efficient MIS for monitoring time-lines of important stages of acquisition, commitment and budget, monitoring, the LCC requirements, offsets tracking and contract monitoring. It should be possible to collaborate with the best of class Indian IT companies to develop the necessary systems and application software, communication networking and data base management capabilities in a rapid enough time frame.

I would also like to suggest, for reasons that need not be elaborated upon here, the benefits which would accrue from an in principle prior approval the Cabinet Committee on Security (CCS), to the five year and annual defence plans and the

obligation to explain to them the reasons for short fall in annual achievements. Over sight by the three C's namely the C&AG, the CVC and CBI is often being put forth as a contributory factor to acquisition delays. While this subject is slated for discussions in a full session tomorrow, it is important that stray instances of individual culpability apart, the emphasis should indeed be on constructive, concurrent and corrective action based on an outcome and project management orientation and not on the basis of being wise through hindsight.

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Finally, a few assorted suggestions would be in order. These include the need for a much larger bank of acceptance of necessity or AON approved schemes to ensure efficient utilisation of funds made available. The Statements of Case (SOCs) for AON to have draft GSQR and RFP as well, association of retired service officers with relevant merit and experience in the processes of formulation of draft qualitative requirements, draft RFPs as well as technical trial evaluation, setting up of a dedicated acquisition institute to inculcate intense professionalism among acquisition functionaries and encouraging innovation in defence R&D and manufacture through setting up of venture capital funds.

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