

Special Address at the National Seminar on Defence Acquisition

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The present defence procurement and management structures in the Ministry of Defence were set up in 2001 in terms of the recommendations of the Group of Ministers on reforming national security system constituted in the wake of the Kargil conflict. The GOM recommended setting up of an acquisition wing with the task of expediting the acquisition of capital equipment required for the modernisation programmes of the three Services. For facilitating seamless decision making procurement process, the acquisition wing was established as an inter-disciplinary body comprising of personnel drawn from the three Services and the Ministry of Defence.

One of the first tasks undertaken by the acquisition wing was to codify the procurement procedures, last and first attempted in 1992. The initial formulation in 2002 and the four subsequent revisions were to demystify and introduce increasing levels of transparency based on experience gained in implementation. Defence procurement planning structures were formalized with detailed exercises for drawing up of the 15-year Long Term Integrated Perspective Plan, the five year Services Capital Acquisition Plans and the Annual Acquisition Plans of the three Services. The consultative character of the new system as opposed to a hierarchical system is manifested in the effective and regular functioning of the Defence Acquisition Council and the Defence Procurement Board. At the same time the HQ IDS was organised in a manner that would ensure that all procurement proposals sent by the Services were vetted professionally while ensuring complete inter-services coordination. Simultaneously attention was focused on monitoring ongoing contracts for the utilization of the capital acquisition budget. These initiatives resulted in increasing actual expenditure on capital acquisition schemes from a level of 10502 crores in 2000-01 to 27903 crores in 2007-08, with the BE for the

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current financial year standing at 40368 crores. While there has been some criticism about the surrender of funds with reference to the BE and RE, it must be emphasised that the acquisition of defence equipment is a complex and intricate process that needs to meet the twin objectives of modernisation of the armed forces within a reasonable timeframe while conforming to the highest standards of transparency through public accountability in a functioning democracy that is India. Moreover, in the context of surrender of funds it must be stated that there have been instances where the defence budget had been curtailed on account of resources constraints.

There is always room for improvement and criticism must be taken in the right spirit. The Kelkar Committee's recommendations in Part-I of its report in 2005 that a body like DGA of France seems suitable in the Indian set up was therefore examined in MOD. The concept note for this seminar states that a similar recommendation has been made by the Comptroller and Auditor General of India but before any stand is taken a brief statement on the functioning of the DGA of France would be necessary.

The DGA was set up in France in 1961 for providing the French armed forces the necessary equipment at the best cost and in due time. The DGA has several

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directorates, each charged with specific responsibilities. These include, monitoring, research activities, conducting common technological developments, designing land based, naval, aeronautical and tactical missiles, fund management, budget preparation, procurement, quality of logistic support, including maintenance, promoting export of French military equipment, providing technical expertise and skills required by programme managers for testing equipment and systems, design, building and maintaining warships for the French navy, and for export, and maintaining aircraft and industrial facilities.

Replicating the DGA of France would therefore imply combining the functions presently discharged in India by the DRDO, the three Services Headquarters, the DGQA, the Department of Defence Production, and the Defence PSUs under one umbrella organisation. In my view several issues that would arise in the process would need to be thoroughly examined for an understanding of

the implications.

One major issue which I would deal with is, the feasibility of setting up a

separate cadre for the acquisition wing comprising of subject experts. Present experience shows that by the time an officer posted in the Acquisition Wing brings up the requisite expertise, he/she is posted out. Postings in and out of the Acquisition Wing are also dependent on the requirements of the respective cadre controlling authorities, often to the detriment of ongoing programmes. While this appears to suggest that there is merit in having a separate acquisition cadre as in the DGA, it would be necessary to examine whether that is desirable.

There are several other issues that would have to be thoroughly examined before any decision on replicating the DGA pattern in India is taken. This will take time as it may be recalled that some of the institutions in the DGA such as the Engineer General in France, had its origins in the Napoleonic wars more than 200 years ago. While I hope that it would not take India quite that long to restructure our defence acquisition management structures and systems, some patience is due.

