



# Centre for Air Power Studies (CAPS)

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## DEFENCE PROCUREMENT POLICY, 2016 AND ARMED FORCES

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### **The Announcement**

Defence Minister Shri Manohar Parrikar while inaugurating the Defence Expo 2016 on March 28, 2016 at Naqueri-Quitol, Goa announced the amended Defence Procurement Policy (DPP) 2016. The much awaited announcement looks to give a fillip to the domestic defence industry in line with the overall 'Make in India' policy.<sup>1</sup> A part of the policy document (first five of the seven chapters without annexures and appendices) uploaded on the Ministry of Defence (MOD) website lays down the policy framework and aims to achieve self reliance in defence manufacturing sector. The policy covering all capital acquisitions by the defence forces lays an emphasis on maintaining adequate transparency, public accountability and probity. These along with other procedural aspects were the hindrances in delays in acquisitions over the years. Prominent ones being the now scrapped AW-101 VVIP helicopter

deal, the much delayed Light Utility Helicopter (LUH) deal and the much talked about Medium Multirole Combat Aircraft (MMRCA) requirement of the Indian Air Force. In response to queries of the representatives of the private sector the Defence Minister expressed willingness to be flexible within the policy framework if it promotes the cause of indigenous production. As this policy is applicable to the Services Capital Acquisition plan (SCAP) as well as the Long Term Integrated Perspective Plan (LTIPP), conditions are therefore apt for a revision of the Technology Perspective & Capability Roadmap (TPCR) and the LTIPP issued by Headquarters Integrated Defence Staff (HQ IDS) in 2013.<sup>2</sup>

### **The Policy<sup>3</sup>**

The policy categorises the order of priority for procurement based upon the indigenised component on the cost basis with inbuilt safeguards of team of experts assessing the claimed indigenised content.<sup>4</sup> The most



preferred category in order of priority being the Indian Designed & Manufactured (Buy –IDDM).<sup>5</sup>

The applicability of the policy has also been extended to all envisaged upgrades to those systems and weapons which are already in service.<sup>6</sup> The onus of formulating the five year SCAP plan and the Fifteen year LTIPP once again rests with HQ-IDS under overall guidance of the Defence Acquisition Council (DAC).<sup>7</sup> Further, HQ-IDS and Staff Headquarters (SHQ) are also authorised to interact with the industry, albeit in a structured manner at the feasibility study stage itself.<sup>8</sup> This is likely to bridge the gap between the desired, available and possible qualitative requirements even prior to commencement of the tedious procurement process. Further, the document also specifies the details of the steps involved in the procurement process and expects necessary decisions to be taken in a collegiate manner by avoiding a multi-layered examination of proposals.<sup>9</sup> Even though the policy gives preference to products designed and manufactured in India, for which the government is ready to provide funding,<sup>10</sup> it is also flexible enough to procure any equipment or technology for strategic reasons via the inter government agreement route.<sup>11</sup>

### **TPCR & the Armed Forces**

A revised TPCR which lays down the capability build up and modernisation programme to meet the desired combat potential of the Armed Forces is likely to be issued by HQ-

IDS. This overall plan would need to be re-aligned to the new DPP-2016 issued by the MOD.

HQ-IDS and respective SHQs would have to carry out a strategic reassessment of their long term and short term needs. This assessment would be based upon an accurate evaluation of internal and external threats faced by the country, as also on the tasks likely to be assigned to the armed forces. This threat perception would thereafter lead to the expected response by Armed forces for which the forces need to be suitably equipped.

This equipment to be procured as per the new policy should most preferably be designed and manufactured in India. Hence, as per the policy, HQ-IDS and/or the respective SHQs are expected to interact extensively with the private industry and the Defence Public Sector Units (DPSUs). This interaction prior to framing the Staff Qualitative Requirements (SQRs) would enable the essential parameters and enhanced performance parameters to be defined in a comprehensive and pragmatic manner.

### **The Future**

The aim of achieving total self reliance in the technology intensive defence sector, dovetailed with providing stimulus for the domestic industry while meeting the requirements of the Armed Forces is indeed a tall one. The first step in the form of policy formulation has been taken. The approach to

achieve the aim must be pragmatic and balanced. The overriding concern must remain on maintaining the optimum combat capability at all times. Long gestation periods for the essential procurements and delays would seriously impact the preparation level and combat capabilities of our armed forces besides having a financial impact in terms of cost escalation. The effectiveness of the revised policy would however have to be judged on basis of its effective implementation.

*(Disclaimer: The views and opinions expressed in this article are those of the author and do not necessarily reflect the position of the Centre for Air Power Studies [CAPS])*

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#### Notes

<sup>1</sup> The Indian Express, "Parrikar Announces new Defence Procurement Policy", <http://indianexpress.com/article/india/india-news-india/defexpo2016-parrikar-announces-new-defence-procurement-policy/> accessed Mar 28,2016

<sup>2</sup> Ministry of Defence, "TPCR13", <http://mod.gov.in/writereaddata/TPCR13.pdf> Accessed on Mar 29,2016

<sup>3</sup> Ministry of Defence, "DPP 2016", <http://mod.gov.in/writereaddata/DPP-2016.pdf> Accessed on Mar 29,2016

<sup>4</sup> Ibid, Chapter I, para 6.1

<sup>5</sup> Ibid, Chapter I, para 4

<sup>6</sup> Ibid, Chapter I, para 15

<sup>7</sup> Ibid, Chapter I, para 17

<sup>8</sup> Ibid, Chapter I, para 19

<sup>9</sup> Ibid, Chapter II, para 106 (b)

<sup>10</sup> Ibid, Chapter III, para 12.1

<sup>11</sup> Ibid, Chapter II, para 105