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## ACHIEVING CONGRUENCE IN DEFENCE PROCUREMENTS

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### **Armed Forces: Capability Development, Integration & Indigenisation**

Smt. Nirmala Sitharaman assumed charge as the Raksha Mantri (RM) (Defence Minister of India) on September 07, 2017.<sup>1</sup> On the same day she attended a function with a theme “DPSUs (Defence Public Sector Undertakings) and OFB (Ordinance Factories Board) in Support of Central Armed Police Forces”. The function was also attended by Home Minister Shri Rajnath Singh, Minister of State for Defence Dr. Subhash Bhamre as well as the Secretary Defence Production Shri Ashok Kumar Gupta. Delivering her maiden address as RM she appreciated the efforts of DPSUs and Ordinance Factories (OFs), and stressed upon the need to increase the indigenised content in Defence production.<sup>2</sup> Subsequently, one of the key directives issued by her during the first Defence Acquisition Council (DAC) being chaired by her, was to direct the DAC meeting to be held once a fortnight with a

view to speed up the capability development of Armed Forces.<sup>3</sup>

During the short period of less than two months the RM has visited various defence establishments around the country including forward area posts in Siachen and Andaman & Nicobar (A&N) Islands. The highlight of all these visits has been the emphasis on capacity and capability development of the armed forces, along with prioritising the integration of all elements of the security infrastructure. She has been unequivocal about her support for the make in India dream for nation building and has urged the armed forces to use the devolved financial powers to “acquire what is absolutely necessary”.<sup>4</sup> One of the most recent directives issued by the RM after her interaction with industry representatives on October 28, 2017 highlights the impediments to the “Make in India” dream. These impediments pertain to licensing, taxation, commercialisation of DRDO developed technologies and the most important



one of adhering to timelines for various procurement proposals.<sup>5</sup> The challenge however remains of bringing all the stakeholders on a common platform especially for the defence sector.

### The Stakeholders: Defence Procurements

The launch of make in India initiative in 2014 by the current dispensation with the aim of indigenisation and attaining self sufficiency in the manufacturing sector gave an insight into the path likely to be followed. This stated aim was also supported by various policy initiatives which included the most important one of issuing the Defence Procurement Procedure-2016, which recognised the need to remove the bottlenecks in the procurement processes along with a need to simplify/rationalise them.<sup>6</sup> Almost three years later, the results however have not been along the expected lines as evidenced by the directives issued by the RM on October 28, 2017.<sup>7</sup> Even though the processes involved are complicated, there are primarily three stakeholders involved in case of defence procurements. These can be classified as:-

The User: Armed Forces (Army, Navy, Air Force)

The Supplier: Manufacturers including Public Sector Undertakings (PSUs)

The Provisioner: Government of India

These three which constitute a part of the procurement triad are however driven by differing interests and constraints. While the “user” segment projects and has its requirement to be that of inducting “state-of-the art” equipment, it is constrained by the budgetary provisions and the limits imposed by the technology actually available for exploitation. The “supplier” for its part invariably looks at the viability aspect of the procurement along with his own sense of profitability and a sound business plan. The Government of India (GoI) as the “provisioner” however has the onerous task of ensuring that the objectives of overall make in India plan are met, while addressing the issues faced by the “user” and the “supplier”. Both “user” and “supplier” also form an important component of capability development, self sufficiency and the most important one of meeting national security objectives.

Seized of the issues involved including those of conflicting interests, GoI realised the importance of having access to core technologies in order to address the user concerns along with the recognition of the impediments of financial nature which prevents the “supplier” segment meeting them. It also realises the importance in achieving congruence among these primary stakeholders as a possible way forward.

### Achieving Congruence

Indian Army (IA)’s plan<sup>8</sup> of procuring a mix of commercial off the shelf (COTS) and indigenously

manufactured assault rifles is indicative of the possible congruence achieved in terms of balancing the requirement of procuring “state-of-the-art” equipment and at the same time allowing necessary space/opportunity for maturing of the homegrown technological expertise.

This decision therefore reflects the need for all the primary stakeholders to be flexible in their approach. The “user” displays the flexibility in terms of accepting equipment meeting the “minimum acceptable” criteria while striving and aiming for the desired one while understanding the budgetary constraints. The “provisioner” on the other hand allows for such an approach by taking relevant policy decisions and making available all the resources at its disposal to the “supplier” who invests in setting up of necessary infrastructure for Research & Development (R&D). In addition the “supplier” is also aided by facilitating his access to the global market for marketing his product and in achieving his financial objectives.

However achieving such congruence in vital defence sector in a time bound manner is a necessity which cannot be ignored. This is so due to its impact on the capability of the country to meet all the security threats, as well as the sensitivity of this capability to the available technology along with the necessity of both of these to be balanced by the mandate of make in India concept.

*(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])*

## Notes

<sup>1</sup>GoI, “Smt. Nirmala Sitharaman to assume charge as Defence Minister Tomorrow, Ministry of Defence September 06,2017” <http://pib.nic.in/newsite/AdvSearch.aspx> accessed on October 29,2017

<sup>2</sup> GoI, “DPSUs and OFB in Support of Central Armed Police Forces ,MoD September 07,2017” <http://pib.nic.in/newsite/AdvSearch.aspx> accessed on October 29 2017

<sup>3</sup> GoI, “Defence Acquisition Council Meeting, Mod September 27,2017”, <http://pib.nic.in/newsite/AdvSearch.aspx> accessed on Oct 29,2017

<sup>4</sup> GoI, “Raksha Mantri Smt Nirmala Sitharaman interacts with IAF Commanders during Air Force Commanders' Conference October 10,2017” <http://pib.nic.in/newsite/AdvSearch.aspx> accessed on October 29 2017

<sup>5</sup> GoI, “Raksha Mantri interacts with industry representatives for energising Make in India in defence sector, Mod October 28,2017” <http://pib.nic.in/newsite/AdvSearch.aspx> accessed on October 29,2017

<sup>6</sup> GoI, MOD, Defence Procurement Procedure-2016, <https://mod.gov.in/sites/default/files/DPP-2016.pdf> accessed on November 07,2017

<sup>7</sup> *ibid.* n.5

<sup>8</sup> Rahul Bedi, “Indian Army finalises procurement plan for assault rifles”, IHS Defence Weekly November 06,2017, [www.janes.com/article/75463/indian-army-finalises-procurement-plan-for-assault-rifles](http://www.janes.com/article/75463/indian-army-finalises-procurement-plan-for-assault-rifles) accessed on November 07,2017