

By Deba R. Mohanty

The time to unveil India's new Defence Procurement Procedure (DPP – 2010), an official document on procedural aspects of defence procurement guidelines, is round the corner once again. While the MoD mandarins are engaged in giving final touches to the document by taking inputs from stakeholders from within the government as well as outside (like FICCI, CII, and others), it is time for an informed debate on what is considered as one of the most complex issues that the Indian defence sector has been facing from time to time.

Efforts to streamline the otherwise cumbersome defence procurement process have been going on especially since the Indian defence sector opened up for private participation in 2002. Consider this: the DPP has been revised six times, including an addendum officially announced in late October 2009, in the last eight years. The Defence Minister periodically reminds us that this is still an evolving document. Even though the review of DPP is to be taken up every two years as envisaged (No. 76, DPP-2008, p. 21), it appears that 'change' has become 'constant' at the cost of practicable inputs being injected into the document, where as it should have actually been other way round.

Autopsies of the previous DPPs have brought out some interesting insights. First, despite tall claims to reduce the time frame of acquisition process, the MoD has neither been able to reduce the number of stages of evaluation process (eleven in total, from laying down services quality requirements to post-contract management) nor do any thing that can entail positive impacts. Although specific timelines have been earmarked for each stage of the process, scope for delay has also been provided under special conditions which the vendors can take advantage of. The on-going acquisition process for 126 medium multi-role fighters (MMRCA) serves as a case in point.

Second, the central objectives of DPP revolve round ensuring expeditious procurement, sticking to prescribed time frame, demonstrating highest degree of accountability, transparency and fair competition (No. 2, DPP-2008, p. 1). Let's pick two key words 'transparency' and 'fair competition' from the text and pit them vis-à-vis available evidences. At least four major defence deals, including the multi-billion dollar 197 helicopters, have been cancelled in recent times, causing negative consequences for the ongoing military modernization programme. Official explanations often times point to 'technical reasons' in cancellation of such deals. Last two years have also witnessed close to half a dozen defence deals with a single country (read the US) through what is known as 'inter-government agreements' facilitated through Foreign Military Sales (FMS) route. At least USD 9 billion worth of weapons, including big ticket items like C-130J Hercules, P-8I maritime aircraft and the most recently agreed Javelin anti-tank guided missiles (ATGMs), have not only surpassed competitive bidding route but being purchased with little or no benefit to the Indian industry. While adequate explanations to the Indian Parliament must be treated as a norm to ensure transparency in defence acquisitions, 'fast track' or even single vendor situations in defence deals must also be explained to the Indian public and perhaps a clause to lay down norms for 'competition' must be framed to discourage 'single vendor' situation. 'Strategic considerations' (No. 73, DPP-2008, p. 21) clause at the same time

must be carefully used to suit Indian interests.

Third, inclusion of new features like offsets including banking, ToT conditions, 'buy and make' (Indian) and FDI have been propagated, especially by the bureaucrats and grudgingly supported by the industry, as beneficial to the Indian industry are increasingly being proved ill-thought-out and impractical. Braggart assertion by the MoD that offsets have brought nearly Rs 8,000 crore worth of work to India with Rs 48,000 crore in pipeline are in paper only and one does not know the real value of offsets as details are beyond the reach of any analyst. ToT conditions are yet to be defined properly, forget their future worth. Buy and make procedure has thus far not benefited the Indian industry in any manner, even the Raksha Udyog Ratnas are yet to be officially announced while the DPP still has a section devoted to selection of the same (Appendix C, DPP-2008, pp 164 – 75)! Increase in FDI in defence from 26 to 74 as proposed by a discussion paper prepared by the DIPP, Ministry of Commerce, has found support without credible justifications from most quarters, except for FICCI which wants it to remain at 26 percent.

In sum, most of the new features seem to have been added without much homework and the results are there for all to see. Many more issues need to be debated, however, suffice to add the end note here: its time to change the 'constant' with cosmetic changes and inject pragmatic ideas instead.

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