



ISSUE BRIEF

No. 162

January 2019

Inordinate Delays in Defence Procurement: An Analysis and Way Forward



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Introduction

India's entire weapon acquisition process is badly broken and beset with huge delays, as indicated by an internal defence ministry report.¹ As stated in the aforesaid report, only 8-10% of proposed deals in the last three financial years fructified within the stipulated time periods. It further highlighted that arms procurement process is dogged by multiple and diffused structures with no single-point accountability, duplication of processes, avoidable redundant layers, delayed execution, no real-time monitoring and no project-based approach, among other things.² There is a tendency to find fault rather than to facilitate the process. The report concludes that the entire "Make in India" policy in the defence sector has not taken off in any concrete manner and continues to languish due to procedural delays, lack of requisite political push and follow-through, bureaucratic bottlenecks, long-winded procedures and commercial and technical squabbles.

The armed forces project their requirements for purchase of defence equipments and weapon systems, based on the Long Term

Key Points

1. India's entire weapon acquisition process is beset with huge delays, as indicated by an internal defence ministry report. Only 8-10% of 144 proposed deals in the last three financial years fructified within the stipulated time periods.
2. There is a tendency to find fault rather than to facilitate the process. The "Make in India" policy in the defence sector has not taken off in any concrete manner and continues to languish due to procedural delays, lack of requisite political push and follow-through, bureaucratic bottlenecks, long-winded procedures and commercial and technical squabbles.
3. The armed forces continue to grapple with major operational gaps due to the convoluted procurement procedures and the lack of adequate modernisation budgets.
4. This issue brief aims to critically analyse the common problem of inordinate delays in the procurement of weapon systems/equipment, which are required by the Indian Army and also suggests the way ahead to curb such delays.
5. It is a considered opinion that the pervasive and seemingly unavoidable situations of over-delay in procurement of defence equipment and weapon systems is the result of lack of accountability and ownership by the stakeholders.
6. Due to involvement of multiple agencies and avoidable redundancies in the procurement process, it is very likely that the existing situation will prevail in future too, unless some drastic changes and overhaul of the entire procurement process is carried out in a realistic and pragmatic manner.
7. There is a need to critically examine the entire system of defence procurement by an independent or autonomous body outside the realms of MoD (like Niti Aayog), which can highlight the follies of the existing system and suggest the way forward.

Inordinate Delays in Defence Procurement ...

Integrated Perspective Plan (LTIPP), which is prepared on the basis of an extensive study of the country's threat perception, security challenges, capabilities of the potential adversaries and the futuristic capabilities required to maintain a high degree of op-preparedness (under all circumstances) and to meet future threats of all types. From the LTIPP, the armed forces cull out their five-year acquisition plan as well as Annual Acquisition Plan (AAP), which is of rolling nature. Needless to say, it is the bounden duty of a nation state to equip its armed forces with the modern, advanced and state-of-the-art weapon systems and equipment, in order to maintain a high degree of combat capability at all times. In the Indian context, the situation becomes more significant due to the presence of two highly volatile, nuclear-armed adversaries at the country's Northern and Western borders, who are ever engaged in building and enhancing their military capabilities in a swift, sustained and focused manner.

State of Defence Procurement in India

From fighters, drones and helicopters to submarines, minesweepers and artillery guns, the Indian armed forces continue to grapple with major operational gaps due to the convoluted procurement procedures and the lack of adequate modernisation budgets.³ The capability development of the three Services is lagging far behind targets due to a combination of problems like inadequacy of defence capital budget, delays in decision-making, bureaucratic avoidance, monopoly by defence PSUs (resulting in keeping out the private industry), frequent changes in the qualitative requirements (QRs) by the Services, infirmities in the system of trials, and frequent charges of corruption, which result in "blanket" blacklisting of vendors in a thoughtless manner.⁴ It has been observed that the entire process of military capability development takes a much longer time, owing to multiple reasons to include a cumbersome and complex procurement procedure, archaic rules and policies, inherent systemic checks and balances and political controversies involving defence procurements (due to divergent views and lack of consensus amongst the political parties on even vital matters of national security and national interest).

The situation becomes further deplorable and grim when there are inordinate bureaucratic delays, lack of accountability, and reluctance on the part of decision makers in understanding the need of the armed forces for warfighting. It is a well-known fact that a large number of defence acquisition cases are stuck at various stages of procurement like RFP stage, Trial stage, CNC stage or CFA stage.⁵

The primary agencies of the indigenous defence industry, to include Defence Public Sector Units (DPSUs), Ordnance Factories Board (OFB), Defence Research and Development Organisation (DRDO), have their own follies and set of problems. These agencies are generally suffering from the problems of excessive bureaucratic controls, outdated plants and machinery, lack of capacities and capabilities, inefficiency and lack of accountability, which often result in huge time and cost overruns.

This brings us to a larger question as to who is suffering due to the inordinate delays in procurement of weapon systems/equipment. Needless to say, it is the country in general and armed forces in particular, as they are being denied their right to have a modern, advanced and state-of-the-art weapon systems. The country has to bear with the lower level of op-preparedness of the armed forces, in spite of having one of the best armed forces in the world. This issue brief aims to critically analyse the common problem of inordinate delays in the procurement of weapon systems/equipment, which are required by the Indian Army and also suggests the way ahead to curb such delays.

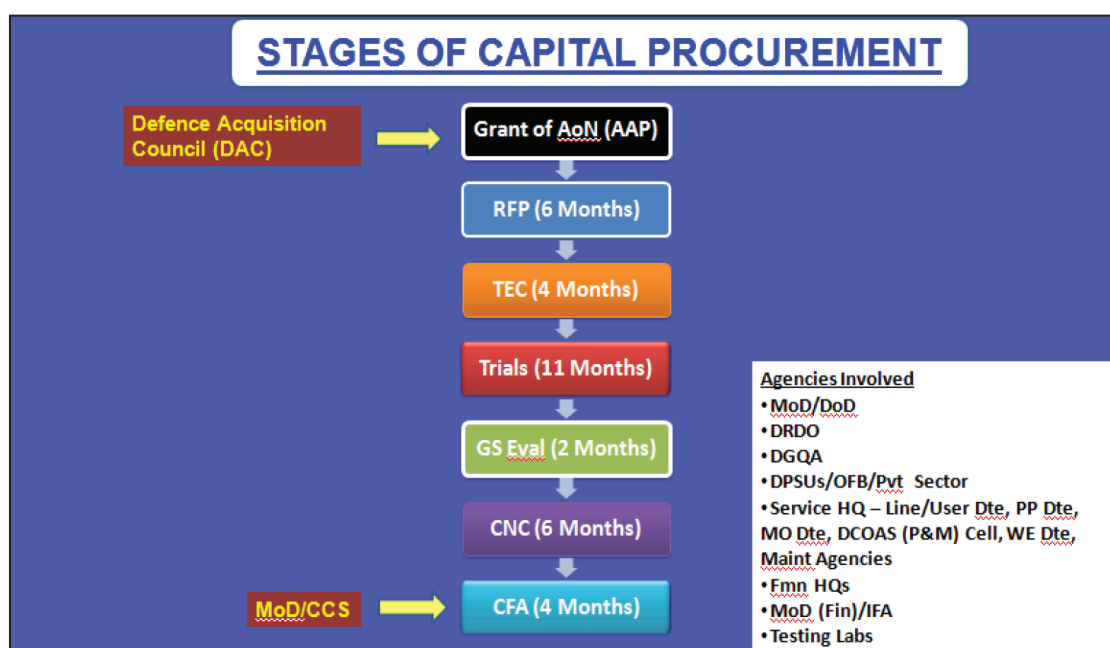
The present government has taken certain positive measures in the recent past to include "Make in India" programme, Ease of Doing Business, issue of revised DPP-2016, issuance of Strategic Partnership policy, opening of defence sector to private industry as well as to foreign direct investment (FDI), etc., however, the results of these initiatives are yet to be visible on the ground. Further, it is not understood as to why in today's era of digital and modern India, it takes so long (almost four to five years) in the decision-making process for procurement of a defence equipment (that is,

total time taken between the grant of AoN by the DAC and placement of supply order post grant of approval by the Competent Financial Authority (CFA)). In one particular case, it took almost eight years for clearance of a file after the tender or RFP (Request for Proposal) was finalised.⁶

Stages of Capital Procurement

The recently revised Defence Procurement Procedure (DPP-2016) lays down in detail the entire process for procurement of a defence equipment or weapon system. For ease of understanding, the whole process has been categorised into seven broad stages, which are as shown below (Figure 1).

Figure 1: Stages of Procurement



Source : DPP-2016

Examples of Over-Delayed Procurement Cases (Army)

As per the media report quoting a defence ministry's internal report, it has been highlighted that from the stage of RFP, when the government formally reaches out to arms manufacturers to submit their sales pitch, to the deal-closing clearance given by the CFA, the delays are a whopping 2.6 times to 15.4 times of the stipulated time frame.⁷

A study of some of the long-pending procurement cases of the Army indicates that these cases are very important from the combat capability perspective and are urgently required by the Army. Though, the delay that occurred in these cases would have been adequately covered under various provisions of the defence procurement procedure and no individual can be blamed for such delays, but the armed forces

as a whole have suffered, having lost precious years in achieving the desired level of operational capabilities. Some of the significant cases⁸ involving retraction of RFP at Trial Stage include Assault Rifle (Multi-Calibre), Close Quarter Battle (CQB) Carbine, Voice Recognition Analysis System, Water Purification Equipment (WPE), wherein the equipment fielded by the vendors were mostly found to be non-compliant to the GSQR parameters or there were poor responses from vendors.

There are a large number of cases which are alive, but are stuck at various stages of trials since long for various reasons. Though the efforts are on to improve the standard and quality of these under-trial equipments up to the desired QR parameters, but a lot depends upon the capabilities and capacities of the vendors/suppliers. Some of the prominent cases⁹ are stuck at

various stages of trial to include weapon systems of AAD and ARTY. Out of these, OFB Gun (Dhanush) and 155 mm Towed Gun are largely the success stories of indigenously designed, developed and produced ARTY weapon systems, however, the equipments are still under trial stage to resolve some non-compliant parameters.

Analysis of Procurement Process and Recommendations

The close scrutiny of the above-mentioned delayed cases highlights certain common observations regarding the existing procurement process and likely reasons for the delay at every stage of the procurement cycle. Some of the important points observed as well as recommendations thereon are enumerated below.

Pre-AoN Stage

Observations. During the Pre-AoN stage, following observations were made:

- It has been observed that the armed forces indulge in ambitious listing of cases in the Annual Acquisition Plan (AAP) as well as in five-year Army Plan.
- There have been a number of instances where the vendor analysis (carried out before processing of cases), was found to be weak or inadequate. This led to retraction of RFP or cancellation of cases at a later stage and resulted in the loss of precious time period.
- There were many instances where observations were raised regarding the formulation of General Staff Qualitative Requirements (GSQR) of the proposed equipment. Some of these include ambiguity in GSQR, setting of ambitious and unrealistic qualitative requirements, namely, requiring similar performance of the equipment across varied terrain and weather conditions, lack of pragmatism and longer time taken during formulation of the GSQR, which could be due to the sequential endorsement of files.

Recommendations. It is a well-known fact that the GSQR is the elementary basis of the defence acquisition cycle. The following recommendations are made to avoid ibid observations:

- As regards GSQR, the key guiding parameter should be that it must facilitate a multi-vendor situation for the case being processed.
- The GSQR should be broad-based, unambiguous and aligned with operational requirements.
- There is a need for being more pragmatic while formulating the GSQR. Further, there is also a need for fine-balancing between the necessity of the equipment being proposed for acquisition and availability of the same in domestic or in global market.
- Information about latest equipment and weapon systems are mostly available in the reputed defence journals, magazines and the Internet, which can be suitably accessed. Also, the relevant industry body can be approached for obtaining information about the proposed equipment. Such information should be the nucleus of the GSQR formulation process.
- Further, there is a need to go into details, do better research, analysis of data and interact with the industries, academia, Defence Attaches and Research and Development Organisations.
- Greater impetus should be given to the priority schemes for according AoN and fielding schedule should be steered by all stakeholders.
- The Army Plan should be capability driven and not process driven.
- There is a need for greater coordination amongst various directorates and branches of the Army Headquarters, namely, Line Dtes, PP Dte, MO Dte, etc.

Request for Proposal (RFP) Stage

The RFP Cell was created in 2011 and stipulated time for issue of RFP in Defence Procurement Procedure (DPP) 2016, has since been reduced from 24 months to six months.

Observations. Though the RFPs are being issued generally in time, however, it has emerged that large numbers of RFPs get retracted during the acquisition process owing to various reasons, namely, issues related to GSQR formulation, incorrect/inadequate vendor analysis, technical reasons, etc.

Recommendations. While the timely issue of RFP is to be consistently ensured, there is a need for tightening of procedures and concurrent formulation of RFP while fielding the case for grant of AoN. Following measures are recommended in order to avoid retraction of RFP:

- There is a need to have broad-based qualitative requirements (i.e., GSQR), which should be aligned with the realistic operational and technical requirements. It would enable broader participation by vendors and enhance vendor base.
- Further, there is a need for carrying out comprehensive vendor capability analysis and adherence to the guidelines on the subject.

Technical Evaluation Stage

The technical evaluation is a well-established paper exercise to evaluate the vendor compliance matrix and is carried out by the Technical Evaluation Committee (TEC).

Observations. Though the stipulated time to carry out this stage is four months, however, it has been seen that a large number of schemes get delayed during this stage. The major reasons for the same are as under:

- Submission of incomplete information mainly by foreign vendors, owing to misinterpretation of RFP parameters by them.
- There is a need for endorsements of comments by a large number of agencies/directorates/branches, which causes delay in processing of case files.

Recommendations. The duplicity in endorsement of comments to be avoided, wherever feasible. There is a strong case for acceptance of the TEC report at the armed forces headquarters level and not to send it to the Ministry of Defence.

Trial Stage

The trial stage is an intricate process post the acceptance of the TEC stage and involves multiple agencies (depending on the nature of the equipment being procured) to include users, DGQA, Army Centre of Electronics (ACE), field formations, maintenance agencies, reps from OEM/OFB/DPSU and DRDO, etc.

Observations. The stipulated period for the conduct of the trial is 11 months. However, it is seen that many schemes get delayed at this stage due to non-fulfilling of qualitative requirements or essential parameters and hence undergo the cycle of initial, confirmatory, re-confirmatory trials. Some of the common reasons for delay at the trial stage are as under:

- Delay by vendors in offering the equipment for trials.
- Ambitious/restrictive GSQR parameters and stringent trial directives.
- Availability of limited test facilities and whatever test labs are present, they too are quite dispersed within the country.
- Extreme variations in the terrain and weather conditions where the trials are supposed to be conducted.

Recommendations. Some of the suggested measures in this regard are as under:

- There is a need to have a broad-based and unambiguous GSQR, which would be re-enforced by a robust vendor analysis.
- Efforts to be made to ensure holding of simultaneous trials in various command theatres, wherever feasible.
- There is a need to establish more number of test facilities and laboratories in the country. Wherever required, the Ministry of Defence can establish joint test facilities/laboratories in collaboration with other central/state government agencies and private sector or use their existing facilities. This will save time and resources in transportation of the test equipment from one place to another and result in early completion of trials.

General Staff (GS) Evaluation Stage

This is again a paper exercise and stipulated time for this is two months.

Observations. It has been observed that a large number of schemes get delayed beyond the stipulated period during the 12th Army Plan. The major reasons for the same are as under:

- Need for comments from a large number of stakeholders.
- Single-vendor case (SVC), despite adequate safeguards in DPP, takes more time for evaluation by the MoD and still gets shelved at the end.

Recommendations. Delay in GS Evaluation of SVC underscores the need for having pragmatic GSQRs to facilitate broad vendor base.

Contract Negotiation Committee (CNC) Stage

The Contract Negotiation Committee (CNC) stage demands specific expertise in terms of benchmarking and negotiations. The persons forming part of CNC should have thorough understanding of matters like technical, legal, costing and negotiation. Lack of adequate skills in these fields can lead to a higher financial burden for the exchequer. The stipulated time period for this stage is six months.

Observations. It has come to the notice that the CNC stage witnesses huge delays beyond the period that is allowed.¹⁰ The major reasons for the same are as given below:

- Limited expertise of persons involved in CNC stage.
- Lack of indices in quantifying cost of a particular capability of a weapon system.
- Absence of Last Purchase Price (LPP) of the weapon system or equipment being procured.
- The tendency of overpricing on the part of the DPSUs, wherein it generally takes two additional months and two-three additional meetings to conclude the CNC.

Recommendations. Some of the suggested measures in this regard are as under:

- First and foremost, there should be subject matter experts in the CNC as well as in other stages of procurement process, at the service headquarters as well as at the MoD level. This will help in providing in-depth analysis/scrutiny as well as confident decision-making.

- The benchmarking needs to commence during the TEC stage itself, which will help in reduction of the time taken during CNC stage.

Competent Financial Authority (CFA) Approval Stage

The CFA approval stage emerges as one of the biggest bottlenecks in the entire procurement cycle. The stipulated period for this stage is four months. Despite the MoD (Fin) representative being part of the entire procurement process since initial stage, it emerges that a large number of schemes get delayed beyond stipulated period during this stage. Some of the major reasons for the same are enumerated as under:

- At times, there seems to be lack of understanding on the part of the CFA, about the Army's requirement for the weapon system/defence equipment, which is being procured.
- There may be lack of availability of funds, or lack of willingness, for the grant of final approval for the project under consideration.
- There could be extraneous factors responsible for the delay, which can have negative influence on the CFA towards the grant of approval like complaints against the firm or procurement agency, procedural lapses, political compulsions or any other unforeseen reason.

Recommendations. Some of the suggested measures in this regard are as under:

- Despite the delay in the grant of CFA approval, the service headquarters should keep pushing maximum priority schemes up to the CFA/CNC stage. This will not only enhance their chances of fructification, but will also help the MoD in speeding up the decision-making process.
- There is a need to constantly follow up with the MoD for expeditious approval of the priority schemes.
- There is a need to have an institutionalised mechanism for greater interaction and discussions between the service headquarters and the MoD, particularly about the ongoing procurement cases.

Review of Entire Procurement Procedure

Besides inadequate allocation of capital budget, the key stumbling block in operational preparedness and modernisation is the several times revised new defence procurement procedure, whose central theme is the probity. Single-vendor situations and blacklisting of defence companies have killed several projects and it appears that probity trumps operational preparedness.¹¹

Observations. The present system of defence procurement existing in the country is riddled with excessive red-tapism, duplication of efforts, lack of accountability, involvement of multi-agencies and lack of sense of urgency.

Recommendations. It is a considered opinion that there is a serious need to critically examine the entire system of defence procurement existing in the country, by an independent or autonomous body outside the realms of MoD (like Niti Aayog), which can highlight the follies of the existing system and suggest the way forward. Further, the requirement of having active participation by the private sector in defence industry and providing them with a level playing field in comparison with public sector units, needs no further emphasis. The government must act as a facilitator and regulator, rather than being a manufacturer and designer of defence equipment. The government may devise a suitable mechanism for defence acquisition which can avoid getting into a situation of undue controversies/complaints. Once the correct system is in place, the government should move ahead boldly with the intended defence procurement process and should not give way to the unsubstantiated controversies/complaints. After all, in the matters of national security and military capability development, the nation cannot afford to be sluggish, apprehensive and indecisive. It is further recommended that all high-value (above Rs 500 crore) and other important cases should be monitored closely at the level of PMO (Prime

Minister's Office), which can have a Defence Wing to monitor the important cases related to defence.

Further, to speed up the decision-making process, regular meetings should be held (preferably fortnightly), between the concerned head of branch/dte of service headquarters and the dealing secretary level officer of the MoD, wherein progress of all the pending/ongoing schemes could be discussed in a frank and transparent manner. All issues and queries pertaining to the procurement cases should be resolved in such meetings and decision ought to be taken in a collegiate manner with due diligence. This will eliminate the time normally wasted in sending the case files up and down with queries and endorsements of comments by a large number of intermediaries.

CONCLUSION

It is a considered opinion that the pervasive and seemingly unavoidable situations of over-delay in procurement of defence equipment and weapon systems, is probably the result of lack of accountability and ownership by the stakeholders. Due to involvement of multiple agencies and avoidable redundancies in the procurement process, it is very likely that the existing situation will prevail in future too, unless some drastic changes and overhaul of the entire procurement process is carried out in a realistic and pragmatic manner. The eventuality of raking controversies/allegations by the opposition (political) parties or the aggrieved vendors (whose equipment/weapon systems were not selected for procurement), should be addressed by adopting a more robust and inclusive procurement system.

To obviate the situation of delay in decision-making process, it is suggested that collegiate system of decision making should be incorporated at all stages of procurement. The dealing officials at MoD as well as service headquarters should be made responsible and accountable for clearing the case files within the specified time frame.

... An Analysis and Way Forward

Notes

1. TNN, Defence ministry admits to floundering “Make in India,” crippling delays in arms procurement; <https://timesofindia.indiatimes.com/india/defence-ministry-admits-to-floundering-make-in-india-crippling-delays-in-arms-procurement>, published on February 26, 2018.
2. Ibid.
3. Ibid.
4. Lt Gen (retd) Philip Campose, “India’s defence procurement and modernization: Can a new organisation fix the persisting problem?” <http://www.indiandefencereview.com/spotlights/indias-defence-procurement-and-modernisation-can-a-new-organisation-fix-the-persisting-problems>, published on March 12, 2017.
5. Source: Interaction with serving/retired officers, who have dealt with defence procurement at service HQ.
6. TNN, “Defence Ministry admits to floundering ‘Make in India,’ crippling delays in arms procurement”; <https://timesofindia.indiatimes.com/india/defence-ministry-admits-to-floundering-make-in-india-crippling-delays-in-arms-procurement>, published on February 26, 2018.
7. Vishnu Som, “India’s weapons-buying process in a shambles: Defence Ministry Report”; <https://www.ndtv.com/india-news/defence-ministry-report-weapons-procurement-process-in-tatters>, published on February 27, 2018.
8. Source: Data collected by author from respective directorate/branch of Service HQ for the research.
9. Ibid.
10. TNN, “Defence Ministry admits to floundering ‘Make in India,’ crippling delays in arms procurement”; <https://timesofindia.indiatimes.com/india/defence-ministry-admits-to-floundering-make-in-india-crippling-delays-in-arms-procurement>, published on February 26, 2018.
11. Ashok Kumar Mehta, “If a two front war is to be fought, India’s defence procurement battle must first be won”; <https://thewire.in/security/two-front-war-fought-indias-defence-procurement-battle-must-first-won>, published in February 2018.

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