



## AMERICAN CHAMBER OF COMMERCE IN INDIA

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to India

25 Years of India-U.S. Business Partnership

### Recommendations on 'Restructuring of the Acquisition Wing'

#### **Drawbacks of the Present Procurement Structure**

- The Acquisition Wing functions under the Department of Defence and is responsible for Capital procurement of defence equipment for the Services.
- Any major acquisition programme undergoes decision making from many heterogeneous agencies deciding the fate of an acquisition programme, causing 'cost & time overruns' with 'no accountability'.
- These different agencies push a file sequentially to fruition, thus, the procurement of critical systems invariably gets inordinately delayed with the average procurement timelines running into 5-7 years or even more.
- The Acquisition Wing is still evolving and attempts at inclusiveness. People are deputed or seconded to the Acquisition Wing for a fixed period of time and are not acquisition specialists. Three to five year tenures are simply not adequate.
- The system does not assure posting qualified workforce and there is no specialist training and policy aimed at creating a strong and qualified staff for acquisition.
- Further, there is no continuum of staff over life cycle of an acquisition programme and thus no institutional knowledge exists regarding the intricacies of a particular acquisition programme, legal & procedural expertise as to how the case actually progressed. The lack of a core of well qualified and adequately trained acquisition staff is the weakest link of the acquisition chain.

Under the 'Make in India' scheme, indigenisation as the key to self-sufficiency will need to involve capability development, increasing know-why, design & system integration. Since the focus would shift to production in India and indigenous R&D, the current procurement structure will need to be re-oriented to serve the purpose of self-reliance in defence.



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Defence acquisition is a cross-disciplinary activity requiring expertise in technology, military, finance, quality assurance, market research, contract management, project management, administration and policy making. The present structure of the Acquisition Wing based on Land, Maritime & Air Divisions each with its integrated team of Acquisition Manager, Finance Manager & Technical Manager needs to be revamped to enable it to function with speed and efficiency, promote 'Make in India' while incorporating best international practices in the procurement process.

### **Recommendation for Setting up a Defense Procurement Organization (DPO) in GoI**

- Firstly, the Acquisition Wing should be a 'centralised & self-contained organisation' like the Defence Equipment and Support (DE&S) department of UK, Director Generale of Armament (DGA) of France and Defence Acquisition Corps of the US functioning through the Office of the Under Secretary of Defence for Acquisition, Technology and Logistics, (AT&L), as the nodal agency for the 'entire life cycle' of the acquisition programme.
- It should be headed by a Secretary level officer reporting directly into the Defence Minister, who would be the political link between the government and Procurement Executive.
- Procurement Executive should be nominated for a minimum period of 5 years. He/She should have adequate experience in defence procurement. It is not necessary to confine the search to a bureaucrat, but the net must be cast wide to recruit the best brains available including retired civil and military officers, academia and industry.
- It should be a multi-skilled professional organisation having resident and permanent specialists/experts responsible for technology, finance, quality assurance, law, contracting, taxation, program management et al, who would act as the 'spine' that provides the institutional knowledge, legal and procedural expertise, direction to R & D and impetus to guide procurement in continuum.

- The new structure is recommended to be modelled on the lines of the Strategic Partner segments concept with a Director level officer in charge of acquisition of each segment & sub segment, i.e. Aircraft (Fighters, Transport and its major systems), Helicopters (Attack, Light), Submarines, Warships (Destroyers, Frigates), Armoured Fighting Vehicles including Tanks, Gunnery (including Artillery Guns), Ammunition and Systems (including ICT projects).
- Create an autonomous, decentralized decision making Defense Procurement Organization (DPO) with accountability and transparency with a mandate to manage delivery within the agreed PCTR (Performance, Cost, Time and Risk) envelope as per the annual acquisition plans based on:
  - Risk management rather than risk avoidance
  - Individual rather than group accountability
  - Quarterly measure of performance with the internal customers (Army, Navy, Air Force)
- The process should be differentiated into three broad steps with autonomy and accountability:
  - Technical requirements identification
    - a) Top down approach to produce fully integrated joint warfighting capabilities in which programs and budgets are developed in response to guidance issued by Chief of Integrated Defense Staff.
    - b) Decision for outright purchase vs development should be based on gap between operational requirements and existing technology.
  - DPO will have the responsibility for planning, budgeting and resource allocation.
  - DPO will have the full procurement decision making authority and will be accountable to Raksha Mantri and the Union Cabinet.



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- It should also consist of specialist/experts from MoD (Finance), Service personnel, Quality Assurance, Law, Contracting, Taxation, Program Management, Offset management, Indian industry (on deputation) and DRDO.
- The suggested organisation should coordinate with the Indian Armed Forces within Integrated Programme Teams at each step of the procurement programme till equipment is declared obsolete (cradle to grave concept).
- Only personnel meeting the laid down criteria should be posted after due selection and not as part of routine turnover. Due cognisance should be taken of their educational qualification, extensive program management experience, demonstrated competence, displayed flair and unimpeachable integrity.
- Service personnel should be seconded to the acquisition wing for a minimum period of 5 years (extendable, depending upon the programme) with appropriate protection of their career interests.
- DPO should be provided a hiring budget and have the ability to hire professionals from the industry.
- DPSUs should compete for all programs along with private industry on a level playing field and procurement decisions from DPSUs should also be made by DPO.
- A National Defence Acquisition Institute under MoD needs to be established as a dedicated institute for training defence acquisition workforce.
  - Emerge as a centre of excellence for acquisition related skilling, provide impetus to domain knowledge, act as a think tank for policy related reforms/issues and act as a data bank of institutional memory.
  - Should have faculties related to Capability Management, Technical Evaluation, Project Management, Commercial Evaluation, Contract Management & Logistics and Offsets Management.



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- Offset should be managed with contemporary IT tools e.g., emails, modern electronic document management system, web-enabled applications.
- Supporting document submission (Purchase Order, Invoice etc) should be kept to the minimum essential.
- Use e-mails with security vs current system of fax, hard copy.
- Replace paper file system with secure, traceable electronic document management system
- E-procurement where feasible.