

Loopholes persist in India's new defence purchase policy

India's new defence purchase policy enunciated Friday has at least two glaring loopholes that will enable its circumvention, even as it provides the private sector much cause for cheer.

The loopholes pertain to the provision for fast tracking the purchase of military hardware worth up to Rs.4 billion (\$95 million) and for placing repeat orders for equipment that is already in the armed forces inventory.

On the plus side, the Defence Procurement Procedure-2008 (DPP-2008) that Defence Minister A.K. Antony released here Friday creates a level playing field for the private sector vis-a-vis the defence public sector enterprises and holds out hope for the much-maligned Defence Research and Development Organisation (DRDO).

Still on the plus side, the document lays down a two-year time frame for issuing a request for proposal (RFP) once a particular service decides on buying a weapons system. It also says vendors would be informed in advance before an RFP is issued to give them adequate lead time to prepare their responses.

The methodology of conducting field trials once the RFPs are processed would also be intimated to the vendors in advance and the results of the tests, as also the reasons for disqualifying a particular piece of equipment would also be conveyed to the manufacturers.

The loopholes, however, outweigh these provisions as they can affect the entire procurement procedure.

Take, for instance, the fast track procedure that is confined to hardware that is widely in use worldwide and is purportedly meant to cut down the lead-time involved in the induction of major weapons systems.

'The items involved should preferably be such which are already in service or have been tried and evaluated or are available widely in the world or in service in defence forces or in the indigenous market for ready procurement so that the time required for evaluation is minimised,' DPP-2008 says.

'While formulating the operational requirements (of the armed forces), it would be kept in mind that the required equipment is widely available in the world market or in service in foreign defence forces/indigenous market,' the document added.

Indian defence attaches or ambassadors would confirm the information furnished by the vendors and confirm the item was 'In Service in Foreign Defence Forces'.

What this means is that the entire evaluation process would be done away with, or at best minimised, on the plea that a particular platform had already proved its worth.

Even worse, purchases via the fast track route would be on a limited tender basis, leaving immense scope for subjectivity on the part of the service chief recommending a particular piece of equipment.

The fast track procedure contains a caveat: the cabinet committee on security would have to be kept

informed of all deals worth Rs.2-4 billion, while an oversight committee would examine all deals over Rs.3 billion.

Subject to final clearance from the defence ministry, the concerned service chief can sanction deals below Rs.3 billion.

What this means is a big ticket deal like that for purchasing 197 helicopters for the Indian Army and the Indian Air Force could be fast-tracked by bringing down the numbers to the monetary level set - and then purchasing the others on the repeat order route.

DPP-2008 lays down that repeat orders for equipment already in the inventory can be placed without inviting fresh bids from the manufacturer.

For repeat orders, 'the concerned Acquisition Manager would invite the vendor for negotiations for additional quantities. The CNC (Contract Negotiating Committee) would conclude the negotiations, preferably at the same price and terms and conditions', DPP-2008 says.

This provision, however, leaves adequate elbowroom for subjectivity on the part of a service chief who has his eye on a particular piece of hardware.

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