



# CLAWS

## Acquisition Reforms: The Way Ahead\*

■ Raj Shukla

### Introduction

The pace of military acquisitions is a matter of concern, not only in India but also in most Western democracies. US Defence Secretary Robert Gates has, on many occasions, highlighted his country's poor experience in this area. The French have had their difficulties, and even the Australians have recently completed an investigation arriving at the same conclusion. The British too have had problems over an allegedly under-resourced military campaign in Afghanistan, which led to a very public wrangling between Gen Richard Dannatt and his political superiors. A recent poll in *The Sun* found that seven out of 10 Britishers believe that Prime Minister (PM) Gordon Brown was not supporting the British forces in Afghanistan adequately. In November 2009, PM Brown (who, as Chancellor, had repeatedly refused to heed the Ministry of Defence (MoD) requests for additional funding and equipment) had to contend with the charge that soldiers were bleeding to death in Afghanistan due to the lack of suitable equipment. The British experience has underlined the criticality of focussed and timely defence acquisitions, with shortcomings having deleterious consequences, not only for national security, but also for political fortunes and outcomes.

In India, the concerns are similar. Prime Minister Manmohan Singh acknowledged as much, while addressing the Combined Commanders Conference in New Delhi

on 20 October 2009, when he said, "I am aware that procedures for defence acquisitions and procurement are a matter of concern to the armed forces. We must ensure a balance between the needs of timely modernisation and the necessity of conforming to the highest standards of transparency, probity and public accountability."

### The Gray Report

It is in this context that the report by Sir Bernard Gray on "Defence Acquisitions" is extremely relevant and timely. The report reveals the value of such an exercise by a detached professional—a forthright, unbiased rendition as against a hobbled compromise that the work of a multi-disciplinary committee would have produced. The report is insightful, both in an honest identification of the malaise as also the solutions it recommends. It would be of great interest to those who seek genuine reform. The report, by its own admission, seeks to target the "vested interests" that lie at the heart of the delays and inefficiencies in defence acquisitions.

The report examines existing structures and processes in the British MoD and states that while the processes therein may be more efficient than in other departments, they fall short of meeting operational challenges. The report opines that the systemic processes described do not result from any specific untoward behaviour

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on the part of individuals, but from a structural series of incentives, that encourage principled individuals to act in a way that does not maximise the outcome for the MoD as a whole. The existing processes, it asserts, are simply not good enough, more so because an adversary will not wait for one's sclerotic acquisition systems to catch up. While acknowledging that the business of defence acquisitions is a complex challenge, the report emphasises that doing no worse than the world average is poor consolation. It further argues that time and cost overruns are not merely accounting concerns but cause grave damage to military output and are simply not unacceptable, especially since the UK is widely acknowledged to have done the most to spearhead reform in the area of defence acquisitions.

The recommendations of the report are prescient, in that they seek to remove all the prevarication that pervades the acquisition process today. First and foremost, it calls for a periodic Strategic Defence Review to undertake periodic threat assessments and extend an explicit but broad-based political commitment to the military capabilities that need to be created. It goes on to recommend the creation of a 10-year roll on defence budget, duly costed and audited by the Treasury, to facilitate long-term planning as also allow for the somewhat extended acquisition cycles. Thirdly, it calls for a stronger customer-supplier relationship between the Deputy Chief of Defence Staff (Capability) (DCDS [Cap]) and Defence Equipment Support (DES). Fourthly, it calls for an improvement in the ability of the DES to deliver efficiently on new equipment and support through better project management. And lastly, it pinpoints accountability in the office of the Permanent Under-Secretary (PUS, equivalent to India's Defence Secretary) in the acquisition process. While bestowing total ownership of the acquisition plan on the PUS, it concurrently demands accountability from him to the Parliament. If the PUS is held so accountable, *ipso facto* subordinate bureaucrats are bound to fall in line.

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It is interesting to note that on the very day of its release, the report was accepted by the government, and Sir Gray was persuaded to head the process that would ensure the implementation of the reforms agreed upon. The fact that the author of the report enjoys the confidence of the government and has been associated with the process of implementation may make it that much more difficult for the attempted reforms to be stymied.

## Relevance and Recommendations for India

The malaise that Gray seeks to address is remarkably familiar to the Indian context. The major recommendations of the report are precisely those that the Indian government has been dismissive of as impractical or even "violative of the Indian statute" (the roll-on defence budget, for instance). We need to understand that if these provisions are being adopted by the British, on whom the Indian government has modelled so many systems, there is no reason why the latter cannot do likewise. While issues like probity and public accountability are of critical importance, with mere allegations of breaches having severe political and bureaucratic consequences, they cannot become ends by themselves, or be the principal roadblocks in the way of operational deliverance. Operational outcomes and the need to provide combat-worthy equipment in time must remain the central drivers in the context of acquisitions. The reality, however, is that concerns about probity, procedures, discovery etc tend to relegate those of operational outcomes to the far background. Each attempt at reform seeks to strengthen the procedures, at the cost of a decline in operational capacities. As the British experience shows, defence acquisitions are an intimate reality, affecting military outcomes and political fortunes. Deliverance, and not the "majesty of procedure", ought to be the determining factor. The Indian political leadership needs to take note and adjust priorities clearly and decisively.

Yet, the central discourse in the government and concerned circles seems to be that the situation is only as good or as bad as in the rest of the world, including in more developed countries. Such justifications are not only factually untrue and grossly out of step with global trends

in acquisition reform, but more importantly, are poor consolation. By adopting the reforms suggested in the Gray Report, the British will be moving onto the third generation of reforms (accountability in the processing chain and timely deliverance), while India has yet to carry out even the first and second generation of reforms (multi-disciplinary manning of acquisition processes in the MoD, giving a far greater say to the armed forces as stakeholders, allowing Foreign Direct Investment (FDI) and the private sector to promote competition). The problem with acquisition reforms in India is that the concern remains with procedural cosmetics while constantly skirting substantive structural reforms. In fact, the series of Defence Procurement Procedures (DPPs) have only added to the procedures and bureaucratise, even as time and cost overruns have increased.

The Indian response, notwithstanding the intentions, is unlikely to succeed if a modicum of common sense is not restored to the processes instead of merely adding to them. Globally, the trend is to acquire what is easily available off-the-shelf. This is the default option for the Australian armed forces—the benefits of other options must be demonstrated through a clear business case, even before the initial consideration. In India, in the name of indigenisation, the government's scientific establishments block all attempts to acquire equipment from global bidders, even as the bureaucratic rigmarole ensures that the indigenous private sector is not adequately incentivised to step into the sector. While it makes sense for the Defence Research and Development Organisation (DRDO) to focus on a few high-end, high-technology, sensitive projects, there is no reason the private sector cannot develop an indigenous version of the Main Battle Tank (MBT) or an artillery gun. The indigenisation slogan cannot be used as a veto to block all acquisition. The need is to concentrate on a few projects, on which they must deliver.

The existing relationships within the acquisition establishment need to be transformed. The primacy of the political class and the executor-in-chief, and therefore, the principal stakeholder and the customer, viz. the armed forces, needs to be acknowledged. The way the armed forces drive processes in the British MoD, as part of both the capability definition processes and delivery organisations merits careful study. The heads of both the arms – DCDS (Cap), who lays down aspirational objectives and DES,

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who trades off practical concerns, are three-star officers from the armed forces. The ancillary parties who influence the processes, i.e. the bureaucracy, the finance czars, the scientific and industrial establishment are critical, provided they remain just that. In India, it is an acknowledged fact that through the convoluted manipulation of processes, they (the ancillary parties) have acquired a larger-than-life role, with the Services being reduced to craven pleaders. There is a need to address this deficiency and learn from the British experience.

During the Cold War, the infirmities in acquisition were explained away by the argument that “the balance of delays” ensured that both sides would enjoin battle with equal deficiencies. Such euphemisms gave way in the Cold War's aftermath, to the assertion that militaries are no longer required, leading to a significant drawdown in capability. The fight with the Taliban has helped to shatter these self-serving myths, leading to a public clamour for resourcing the troops in the right manner. The consequences are being borne by the political class and, of course, the soldiers, who have paid with their lives. The government may have successfully warded off financial scandal in defence but is now faced with one of even more telling proportions – that of embarrassing military defeat.

There is a need to correct the skew between probity and operational deliverance and restore common sense to the acquisition processes—not through platitudes but through action. The relationship among the bureaucracy, the scientific establishment, the PSUs, and the finance professionals needs to be transformed - from one of supplication to a more equal relationship, where the end user (the armed forces) demands and gets the best deal in good time. As complexities associated with acquisitions increase, there will be a need for more innovation and

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multi-disciplinary involvement. In the Indian case, every step towards reform has seen an injection of more and more of the same ubiquitous red tape, which caused the problem in the first place.

We also need to pinpoint accountability for the endless delays. The inordinate delays in the processes, attributed to the need for probity and cost saving, do not stand the test of logic. The Gray Report captures the costs of delay assiduously and records that much that tends to be passed off as “defence inflation” can actually be attributed to untoward behaviour and laborious processes within the MoD. We should, therefore, take a leaf out of the report, which has come up with perceptive recommendations.

### Conclusion

The difficulties in adapting the reforms proposed by Gray to the Indian context are immense but the benefits will be even greater in ensuring the operational effectiveness of the armed forces, by providing the frontline with the right kit at the right time. It would also make sense to take the great leap and reform, instead of traversing the same beaten path, with less than desirable results. In their current form, the acquisition processes are akin to a hockey match, where there is a lot of rapid ball play, brisk running down the flanks, but very few goals. This paradigm must change. If we are to achieve the objectives laid out by PM Singh, Gray may well have provided us with an actionable framework, or at the very least, some food for thought.

Whether the Indian government decides to take a leaf out of the Gray Report or not, one point is clear—the *leitmotif* of the acquisition processes must change. Timely modernisation must be the guiding beacon, albeit one which

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is predicated on the pillars of probity, accountability and economy; instead of the present state, where everything, apart from timely modernisation, is considered important. If the necessary steps to ensure timely modernisation in an evenly spread-out manner are not taken, we will be faced with three possible prospects: our armed forces will not be prepared for the challenges when they emerge; we will rush to make purchases in near desperation, thus exposing ourselves to manipulation by arms sharks; or we will end up resorting to frenzied modernisation to make up for the lost years, thus whipping up needless war hysteria. None of these approaches makes strategic sense. In proffering advice to the political class to overcome the acquisition imbroglio, we must offer viable options in line with global trends in acquisitions, instead of constantly fanning their fears, with regard to the taint of financial scandal. As is evident from the British experience, while the need for probity is great, the need for operational deliverance is greater. Incisive democracies like India need to take note.



Col Raj Shukla is Research Fellow at the Institute for Defence Studies and Analyses, New Delhi.

*Views expressed in this Issue Brief are the of the author and do not represent the views of the Centre for Land Warfare Studies.*



**CENTRE FOR LAND WARFARE STUDIES (CLAWS)**

RPSO Complex, Parade Road, Delhi Cantt, New Delhi 110010

Tel.: +91-11-25691308, Fax: +91-11-25692347, Email: landwarfare@gmail.com

Website: www.claws.in