

DEFENCE PROCUREMENT ORGANISATION

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INTRODUCTION

Pursuant to the recommendations made by the Group of Ministers on Reforming the National Security System in February 2001, a separate, dedicated structure for Defence Procurement is being set up. It is expected to lead to better time cost management in the acquisition process, build up institutional memory and help obtain better value for money. The new arrangement would ensure closer participation by the Armed Forces in the entire process of decision making leading to higher operational efficiency, better co-ordination and flow of information.

This revised concept will be brought into effect for all activities commencing Financial Year 2002-03.

DEFENCE ACQUISITIONS COUNCIL (DAC)

A **Defence Acquisitions Council** has been created as an overarching structure with the following composition:-

Chairman: Raksha Mantri (RM)

Members: Raksha Rajya Mantris (RRMs)
Chief of Defence Staff (CDS) (when appointed)
Chief of Army Staff (COAS)
Chief of Naval Staff (CNS)
Chief of Air Staff (CAS)
Defence Secretary
Secretary Dept. of Defence Production and Supplies
Secretary, Defence Research and Development
Secretary, Defence Finance
Vice Chief of Defence Staff (when appointed)/CISC
Special Secretary (Acquisition)

Member Secretary: Dy. Chief of Defence Staff (PP&FD)

FUNCTIONS

The DAC will perform the following functions:

(a) Give 'in principle' approval to Capital acquisitions in the Long Term Perspective Plan (LTPP) covering a 15-year time span at the beginning of a Five Year Plan period. (The approval will, in particular, identify the 'Make' projects in the Perspective Plan where long gestation periods are involved).

(b) Give 'in principle' acceptance of necessity to each Capital acquisition project for incorporation in the forthcoming Five Year Plan, at least nine months before the commencement of the first year of that plan. The approval will involve the identification of

Either - 'Buy' Projects (outright purchase)

Or - 'Buy and Make' projects (purchase followed by licensed production/ indigenous development)

Or - 'Make' Projects (indigenous production and R&D)

(c) Monitor the progress of major projects on a feedback from the Defence Procurement Board.

The DAC will meet as required. The approval in principle should be seen as first step in the process of 'acceptance of necessity' by the concerned Administrative Wing in MoD in consultation with Defence(Finance) and as a recommendation for eventual consideration of FM/CCS (as required).

The decision of RM based on DAC deliberations will flow down from implementation to Defence Procurement Board, Defence Production Board and Defence R&D Board.

DEFENCE PROCUREMENT BOARD (DPB)

The DPB is constituted as follows:

Chairman: Defence Secretary

Members: Secretary, Dept. of Defence Production and Supplies
Secretary, Defence Research and Development
Secretary, Defence Finance
Vice Chief of Defence Staff (VCDS)/CISC till VCDS is appointed.
Vice Chief of Army Staff (VCOAS)
Vice Chief of Naval Staff (VCNS)
Vice Chief of Air Staff (VCAS)
Special Secretary (Acquisition)

Member Secretary: Financial Advisor (Acquisition)

DGQA/ DGAQA will attend meetings as special invitees as required. DCOAS (P&S), ACAS (P) and ACNS (P&P) will attend meetings related to their respective Integrated HQs' acquisition proposals. The Board may co-opt other Principal Staff Officers (PSOs) and any other person(s) as required.

FUNCTIONS

The DPB will oversee all activities related to acquisition on the capital account in the Department of Defence flowing out of the 'Buy' and 'Buy & Make' decisions of the DAC. It will function as the body responsible for the co-ordination, supervision and monitoring of the acquisition process.

The major roles and functions of the DPB will be:

(a) Set out the Annual Acquisition Plan for the three Services (based on approval of the Five Years Capital Acquisition Plan by DAC) for incorporation in the next Annual Budget by 30 Sep of each year.

(b) Carrying out such amendments in the annual plan as deemed necessary on account of operational urgencies, budgetary provisions or any other exigencies, based on recommendations made by Integrated Services HQs/ Defence Staff/DoD/Defence (Finance)

(c) Confirm/modify the inter-se and intra-se priorities of acquisition proposals of the Services and recommend modifications for approval by RM in the pattern of resource sharing on the Capital

account related to acquisition of weapons, equipment and weapon systems among the Services.

(d) Accord approval/recommend the scales of authorisation and usage of Capital account items within RM's powers or those requiring approval of Ministry of Finance/Cabinet Committee on Security (CCS) based on projections from Integrated Services HQs and recommended by the Defence Staff to the Board and from DoD/ DDP&S/Defence(Finance) to the Board .

(e) Monitor progress of major schemes and decide on creation of 'Equipment Induction Cells' (EICs) in Integrated Services HQs. for specific projects in consultation with Integrated Services Headquarters.

(f) Accord approval for procurement on 'Single Vendor' basis for acquisition in excess of Rs50Crores based on recommendations from Integrated Services HQs and comments of the Acquisition Wing and Defence(Finance).

(g) All Qualitative Requirements (QRs) from Integrated Services Headquarters will be divided into 'essential' and 'desirable' categories. The procedure for handling waiver/amendment of both types of parameters should be set out by the Acquisition Wing in the revised Procurement procedures being developed by them.

(h) Approve emergency purchases, when necessary, within RM's delegated powers.

(i) Perform other functions as may be allotted by the DAC/ RM from time to time.

DPB will also examine proposals from the Acquisition Wing regarding procurement procedures and will make the necessary changes in the procurement process after approval by the RM.

DEFENCE PRODUCTION BOARD

The Defence Production Board is constituted as follows:

Chairman : Secretary DP&S

Members : Defence Secretary
Secretary, Defence Research and Development
Secretary Defence Finance
Vice Chief of Defence Staff (VCDS) / CISC till VCDS is appointed.
Vice Chief of Army Staff (VCOAS)
Vice Chief of Naval Staff (VCNS)
Vice Chief of Air Staff (VCAS)
Chairman, Ordnance Factories Board
CMD of Defence Public Sector Undertaking (as required)

Member Secretary: Director (P&C) in the Deptt. of Def. Prod. & Supplies (DDP&S)
DCOAS (P&S), ACNS (P & P) and ACAS (P) and other PSOs/APSOs will be co-opted, when required.

FUNCTIONS

The Defence Production Board will oversee all activities related to indigenous manufacture, under the Department of Defence Production, flowing from the 'Buy & Make' and 'Make' decisions of the DAC concerning import and Transfer of Technology (ToT).

Price Negotiations for all 'Buy and Make' projects will be led by the Acquisition Wing supported by DDP&S

The Production Board will monitor progress of all 'Make' projects and will revert to the DAC with recommendations relating to alterations of the original decision where so warranted.

The Defence Production Board will provide requisite details to the Defence Acquisitions Council in the latter's deliberations on Licensed Production, Transfer of Technology, and ab-initio production/development, as required.

DEFENCE RESEARCH AND DEVELOPMENT BOARD

The Defence Research & Development Board is constituted as follows:

Chairman : Secretary Defence Research and Development

Members : Defence Secretary

Secretary Defence Production and Supplies

Secretary Defence Finance

Vice Chief of Defence Staff (VCDS) /CISC till VCDS is appointed.

Vice Chief of Army Staff (VCOAS)

Vice Chief of Naval Staff (VCNS)

Vice Chief of Air Staff (VCAS)

Distinguished Scientist/Chief Controller Research & Development/Director – Lab, as required.

Member Secretary: Chief Controller Research & Development

DCOAS (P&S), ACNS (P & P) and ACAS (P) and other PSOs will be co-opted, when required.

FUNCTIONS

The Research and Development Board will progress, monitor and report on all indigenous R&D proposals flowing out of the 'Buy & Make' decisions of the DAC. In pursuing these objectives, the R&D Board will liaise closely with the Production Board and Service users.

The R&D Board will recommend suitable technology evaluation and assessment process and 'Laboratory to Induction' planning process for the approval of RM.

The Board will be responsible for providing Project specific recommendations for 'Design – Production – Induction' planning process for the approval of RM.

ACQUISITION WING

The Acquisition Wing, headed by Special Secretary (Acquisition), will handle all matters concerning Defence acquisition of a capital nature. It would have an integrated set-up with officers presently functioning in different capacities in the Deptt. of Defence, Finance Division and Service HQrs, working together as a close knit team.

The Acquisition Wing will consist of four Divisions, namely Land, Maritime, Air Force and Systems Divisions dealing with Army, Navy and Air Force, and a Systems Division responsible for systems having tri-Service applicability and medical equipment respectively.

Each of the Divisions will have Acquisition Manager, a Joint Secretary level officer and Technical Manager, a Service Officer of 2-Star rank, and a Finance Manager, an Additional F.A. level officer from the Finance Division.

Special Secretary (Acquisition) will be assisted by Financial Adviser (Acquisition) drawn from Defence (Finance). FA (Acquisition) will function as Integrated Financial Adviser to the Special Secretary (Acquisition).

The details of the process of acquisition are being formulated afresh. The Defence Procurement Procedure of 1992, as modified, will be followed in the interregnum. The acquisition process shall, broadly, have the following steps:

1. Preparation of Qualitative Requirements (QRs) for equipment featuring in the Long Term Perspective Plan (LTPP)
2. Inviting Tender Proposals with pre-determined Qualitative Requirements (QRs).
3. Equipment Evaluation Trials, whenever required.
4. Selection of vendor on the basis of competitive tendering.
5. Establishing Equipment Induction Cells for major/complex programmes.
6. Opening of Commercial bids
7. Contract /Price Negotiations
8. Approvals at appropriate levels.

The detailed process of procurement is being developed and will be put on the web in due course. A system of 'Oversight' is also being developed.