

15th May 2013

Title: **CONFERENCE ON TRANSPARENCY IN DEFENCE PROCUREMENT**

Venue: **Multipurpose Hall, India International Centre, Lodhi Road, New Delhi**

SESSION I- IMPROVING DEFENCE SECTOR COMPANY ANTI-CORRUPTION PRACTICES.

The session moderator was SHRI. SAIKAT DUTTA

R K TYAGI, CMD, HAL -

Talking on defence programme in India, he presented the stats that 19 contracts were signed in 2007 worth 14.93 BUSD which leads to \$4.479 billion as offsets (approx. 20,000 crores) and according to the estimates there will be 100 BUSD contracting in next 5 to 7 years (approx. 1,00,000 crores).

He said that our focus as a country should be on relevant technology, capability development and performances and gave examples of countries like turkey.

He later talked about DDP. He said that DDP deals with capital acquisitions which are instrumental in streamlining the acquisitions process thereby reducing ambiguity.

Recent amendment to DDP was in 2011. It was, first, prioritisations of various categories for capital acquisitions, second, advance consultations for 'Make' procedure, and lastly, simplification of 'Buy and Make (Indian)' procedure.

He then talked about IT and its role in reducing corruption. According to Mr. Tyagi, IT helps in reducing corruption in by-

1. Minimising the opportunities for corruption,
2. Increasing the possibility of detection of corrupt activities, and,
3. Effectively creating transparency and awareness regarding procedures.

He informed that HAL has adopted vigilance initiative, which includes regular awareness, gist CVC guidelines on works, policy interventions and publications of V2, Sampark, Marg Darshan and Vigilance Newsletter OLIV. Moreover, CVC has played a major role through its sectoral meet of CVOs of defence sector, quarterly status reports. Another role of CVC is updating all purchase manuals (which is a meticulously written procedure for procurement of materials) and timely revision of purchase manual. Further he informed that now e-procurement is also there in India. He also advocated the Integrity Pacts (IPs) on dealing with corruption in defence sector.

At last, in his way forward he put up some points to think upon-

1. Clear system definition is the key to corruption free organisation.
2. Individual accountability and organisational accountability need strengthening. And,
3. Societal corruption should be eliminated for corruption free environment.

2. SHRI. MARK PYMAN, PROGRAMME DIRECTOR DEFENCE AND SECURITY COUNTER CORRUPTION PROGRAMME, TI -UK

Mark Pyman, talked mainly on four subjects-

1. Global comparisons-defence companies,
2. Global comparisons-defence ministries and armed forces,
3. Improving defence company practice, and,
4. Improving defence sector practice (government role).

Dealing with his first subject i.e. global comparisons-defence companies, he informed that they surveyed on 129 companies, 31 countries for the answer of 34 questions. This survey was done twice and the assessments of the companies were made on the basis of –first, public information and the second one was public information in addition to the internal information (the information kept with them). On the basis of this assessment, companies were kept into various bands grading from A to F. Company's' ethics and A-C program i.e risk management, policy and codes, training and personnel, was looked into for grading them.

The results show that only 1 company of USA could make out to band A, 9 managed to get band B and others were below that. 2/3 of the companies didn't disclose an adequate a-c system. Mostly, companies from all major exporting countries got band D,E,F.

He also gave examples of an US company getting band B and a European company getting band C. Then he talked about India and its importing proportion. The importers like HAL, BEML and BHARAT ELECTRONICS did not disclose their a-c program.

HAL was put in band D in the assessment made.

He then talked about Defence Company Index and impact. In this he informed that 50 out of 129 companies have responded to them with improvement. This index is reproducible as it is based on technical questions and not on perception and companies can apply it to themselves. Moreover, nation/industry can arrange for the national defence companies to be rated.

Moving on to his next subject i.e. Global comparisons-defence ministries and armed forces, he told that they surveyed 82 countries with 77 questions and the assessment was made on the basis of defence corruption risk, political conditions, personnel, finance and operations. By this survey it was revealed that half of the countries don't make defence projects public. India got D+ in this survey. Australia and Germany were in band A according to the survey.

When compared in major arm importers and defence procurement, India lies below China and USA.

After this he started talking on his third subject matter i.e. Improving Defence Company Practices. He suggested some steps on this matter like-

1. Public reporting anti-corruption programme.
2. Leadership speaking about corrupt practices.
3. Board assurance of system effectiveness, etc.

In this regard he appreciated Boeing for his practices.

After this he moved on to his last subject i.e. improving Defence Sector Practices (by government). In this he gave measures for improving defence sector practices like-

1. Establish annual best practice forum, such as DII in USA.
2. God practice guidelines, e.g. Norway, USA.
3. Set one minimum standards, e.g. European CIS etc.

He emphasized on government role in improving defence sector practice through IInd generation IP, etc.

According to him defence is global and concentrated and standards of defence companies are going p worldwide. There is a growing focus on a-c systems by major arms buying nation.

In his conclusion, he talked about the success factors. These are, more demanding on companies and internal development by government and concentrated improvement in company a-c programme.

ADML.(RETD) R.H.TAHILIANI, MENTOR, TII

He started his speech by appreciating Indian Navy for making his indigenous world class products for war. According to him, "Indian Navy has done better than other two services namely Air Force and Army, and has taken forward the environment of indigenous products which existed long before in India."

He in his short speech said that India must understand that it takes time to catch the world in qualitative terms. According to him, "I realise the value of good and transparent defence industry where buyer should remember that they should go for what is within the reach of the country."

His speech was followed by a question-answer session in which two important questions were posed one each to Adml. Tahiliani and Mark Pyman.

Question to Adml. Tahiliani was-Why no private company signed the Integrity Pact in India as there are no private companies among the 45 companies who signed the IP in India?

Answer to this question, given by Adm. Tahiliani was that, the perception of private sector companies is to make money and charity purpose. That's why they are hesitating in signing the IP. He also said that they should go with the Chinese saying, 'slowly, slowly catch the monkey'.

Next question for Mark Pyman was that whether US suspension system with more flexibility and less transparency, is better, or the US guidelines with less flexibility and more transparency?

The answer to this question by Mark Pyman was the US suspension system.

With this the first session came to an end.

SESSION II- DEFENCE PROCUREMENT:HOW CAN INDIA LEAD TOWARDS IMPROVEMENT?

MODERATOR- SHRI.MARK PYMAN

1.M.V.KOTWAL, MEMBER OF THE LARSEN AND TOUBRO, BOARD AND PRESIDENT HEAVY ENGINEERING.

MR. M. V. KOTWAL started his speech by reminding "The Larsen and Toubro's' contribution in defence sector of India. He told that L & T played a major role in the manufacturing of INS Arihant.

According to him, "India is one of the ten largest military spenders. It is ranked 7th after US, china, Russia, UK, France and Japan."

According to the stats, India imports 70% of its total defence needs and was one of the largest arm importers during 2008-2012, and its imports are more than 10% of the total global imports.

He gave a lot of international examples as a model to be learned from.

From us model we can learn the seamless interaction between government and industry. The government and private sector supply is of 40:60 ratios respectively.

Fr US Navy, major warship building programmes are given to the private companies like Lockheed Martin. DARPA encourages small business participation in research and development through BAAS, SBIR, STTR etc.

Talking about UK model, he said that they have got equipment capability customs, defence procurement agency, defence logistics organisation and users. They have IP teams formed to acquire ad support a particular capability.

The third model talked by him was of South Korea. They have prioritization of offsets based on well structured research and development involving academic and industrial institutions.

After S. Korea, he presented Israel as a model to learn from. He said that Israel has state owned large corporations like IAI, IMI etc. And this practice should be followed in India.

He presented the stats of the global defence exporters in which US stands at the top with 30% of the total exports followed by Russia (26%), Germany (7%), France (6%), China (5%) and others comprise of the rest 26%. The interesting fact shown by him was that India is at 38th rank which lies below even of the countries like Turkey, Libya etc. "While import is grooming in India, it is virtually static in export", according to him.

He then suggested the practices to be followed for export enhancement. According to him, providing grants/loans to help countries purchase weapons can be one of these ways. Moreover, there should be a well defined defence export policy as of Robust. He gave example of US, where foreign Military Financing (FMF) funds FMS (G-G) etc.

In his recommendations he gave some important points to be followed for the betterment of Indian defence procurement. He recommended active involvement of 'User'. Explaining this point he gave an example in which it took 5 years without involvement of user while it took only a year when user was involved. For 'Make' programs, Kelkar committee has recommended 75:15:10 fund proportion to DRDO: industry: services respectively. He said that research and development should be encouraged by involving Universities/ scientific institutions and L1+T1 approach in bidding must be applied. At last while concluding his speech, he urged all dignitaries present, to focus on boosting export, involvement of user and bidder selection based on L1+T1 approach.

2. DR. SATISH AGNIHOTRI, DIRECTOR GENERAL ACQUISITION-

Dr. Satish Agnihotri started off by giving the answer of the topic of discussion in one line which was- India can lead in defence procurements by examples.

He gave an example of a dialogue from the movie, Chak de India, said by Shahrukh Khan which is, "mai kuwwat nahi neeyat khoj raha hu." Dr. Agnihotri applied this dialogue in defence procurements and said that if your neeyat is good then e-tendering which is now in India too, will promote it. He further told that our tendency is to follow the saying-"let my neighbour follow the rules, I will follow the exceptions." This has to be changed, if India wants any change. He informed that development of DPP is one of their major agendas. At last, while concluding his speech he promoted the Integrity Pact and said that it is an essential factor to make the defence procurements in India.

3. SHRI PRATYUSH KUMAR, PRESIDENT BOEING INDIA-

Mr. Patyush Kumar appreciated DPP guidelines and said that it has made a huge progress in recent times. He appreciated and supported Dr. Satish Agnihotri's speech and added a few more suggestions on Dr. Agnihotri's recommendations. He suggested that good ideas must be applied uniformly. He told that DPP are guidelines and not contracts and it must be changed into contractual details as 'Devil in detail' is important. Moreover, he advised the dignitaries that when there is discussion, it always doesn't mean win/loss situation which will help in improvement. He suggested that speedy decisions encourage improvement. He said that volume really drives to lead the way to procurement policies; with this he ended his speech.
