



*The 13<sup>th</sup> International Scientific Conference*  
**“DEFENSE RESOURCES MANAGEMENT  
IN THE 21<sup>st</sup> CENTURY”**  
**Braşov, November 8<sup>th</sup>-9<sup>th</sup> 2018**



## **Factors Affecting Defense Acquisition Strategy**

**Maj Parchukashvili Kakhaber**

Ministry of Defense/ Georgia

### **Abstract:**

The Acquisition Strategy (AS) is a comprehensive plan that identifies and describes the acquisition approach, where Program Managers will follow and manage program risks and meet program objectives. An approved Acquisition Plan would be written in the MoD instructions and would be fallen under the Defence Acquisition Strategy Document prior to the Milestones and before of any Request for Proposal (RFP) release for MoD Directorates for approving phase. During lack of funds and also with reduced resources, it is very crucial for MoD to spend money correctly for the most needed items in order to meet Defence priorities when it's needed, and to meet requirements of the National Defense Strategy, and White Paper, also National Military Strategy. Focusing on the study of risks of the Acquisition Strategy we will go through to this process and will focus and highlight main important issues which affect the final Defense Acquisition Strategy's development.

*Key words: Defence Resource Management, risk analyses, decision-making process, Acquisition Strategy, Acquisition Process*

### **1. Introduction**

The acquisition strategy as a whole is a written document that provides decision makers with reliable and complete information about current defensive assets and their capabilities. This allows decision-makers to be aware of the decisions they have to take in according to the programs and budgetary allocations. In other words, it facilitates our job to figure out how to spend our money. The Acquisition Strategy develops a long-term plan for the acquisition of major systems, which determines the main directions of capital investments aimed at modernizing Defence. To make clear, it takes a multi-year approach to documenting and analyzing the current state of capabilities and comparing those capabilities to what is needed to counter a future threat. A gap between current capabilities and what is needed in the future is the primary focus of the Acquisition Strategy. In other words, what investments do we need to make to meet Defence priorities? For example, those investments can be 1) buy a new Defence equipment; 2) upgrade existing equipment; 3) maintain existing equipment or 4) phase out (divest) existing equipment.

The Acquisition Strategy provides a time-phased (by year) approach and an estimated cost for any investments that are needed. These directions are consistent with the acquisition priorities defined in the Strategic Defence Review 2017-2020. The Acquisition Strategy document includes/should include an analysis of the previous acquisitions, for the amount spent on the acquisition of a specific system. Acquisition Strategy also provides a basis for determining the targeted budgetary forecast for planning horizon in the Acquisition Strategy.

This structured methodological approach contributes the capacity planning process because decisions can be made based on factual information and assumptions that are

# ***FACTORS AFFECTING DEFENSE ACQUISITION STRATEGY***

explained in the Acquisition Strategy. The Acquisition Strategy is tailored to meet the specific needs of a program considering what capability is needed.

The Acquisition Strategy considers future capability needs, cost, risk, time, schedule, and other factors-over the life cycle, which decision-makers need to know in order to make the best decision to have balanced, Modern, affordable and technologically advanced military forces, capable of executing its tasks effectively and efficiently.

So, MoD has to make right decisions and select right projects in all aspects to gain much benefit by spending less money. Also, life cycle considerations play an important role in the Acquisition Strategy. Once approved, the Acquisition Strategy is the baseline document upon which acquisition plans are developed-those detailed plans chart the path toward implementing approved Defence acquisition programs. So finally what is Acquisition Strategy's main goal?

So, Acquisition Strategies main goal is to find the way for appropriate reallocation of Defence resources with the accordance of resource allocation objectives, such as – personnel, operations and maintenance, construction, equipment, research and development where Milestone Decision Authorities (MDA) have to tailor the regulatory requirements and acquisition procedures to more efficiently achieve program objectives, and make the best choice.

## **2.General overview**

### **2.1 Background**

In order to become a reliable partner and responsible player on the world stage, first of all, a country has to establish democratic principles and human rights. To make these aspirations possible, a country must establish a strong and powerful shield to deter external aggression, respond to existing challenges and create conditions for peaceful political, social and economic development. So, it is crucial for the country to have well equipped and trained Armed Forces with a high readiness level.

In order to have strong and effective Defence institution and Modern Armed Forces capable of deterring existing threats, executing its tasks effectively and efficiently, and protecting the country's sovereignty Armed Forces must have balanced, mobile, adaptable and sustainable forces.

Sustainment of an effective Defence system requires clearly established fiscal priorities. Scarce resources such as funding, personnel, and time are very challenging for the country, so there are more systems desired than affordable, a premium on skilled personnel, an increasingly dynamic business environment, and increased sensitivity to the efficiency and effectiveness of our use of resources has to be identified. So, there should be not only numerous acquisition problem areas identified, but there is also a need for opportunities for improving the way to manage limited resources.

For this purpose, it is also important to develop the capabilities of the Armed Forces consistent with maintaining compatibility with NATO and partner countries. Mostly the main priority of the MoD is to raise the readiness of the Army to effectively defend the nation. Therefore it is necessary to procure Modern Defence systems for the development of the Armed Forces and Modernize existing capabilities.

One of the biggest dilemmas which the MoD is facing right now is a very tight budget. There are large demands with very limited resources, and the major challenge of limited resources and the imbalance between the high personnel cost, and the necessity to ensure combat readiness of the Armed Forces. Everything that is required is simply not affordable. Widespread implementation of the Acquisition Strategy is a necessary action in the Georgian Defence environment, so the required Defence capabilities can be delivered better, cheaper and faster.

## ***FACTORS AFFECTING DEFENSE ACQUISITION STRATEGY***

So, taking into consideration the existing budget realities, it is fully recognized that equipping the Armed Forces with Modern armaments, and Major Systems which requires a multi-year period since significant financial resources are needed to procure expensive, state-of-the-art military technologies. Regardless, the MoD must optimize its limited financial resources to develop an effective and capable Armed Forces equipped with the most Defence systems possible.

Using past successes and historical data as a foundation, the ways to accomplish acquisition and support of systems across their entire life cycles must be reshaped. Only by critically re-examining the core processes that are used for acquisition and support activities - that is, taking a process-oriented approach - can non-essential/non-value-adding activities be eliminated.

### **2.2 Security Environment and Military Capabilities of Georgia**

Development of a coherent Georgian Armed Forces Acquisition Strategy requires deliberate and comprehensive assessment of risks and threats to the nation's security to determine the military capabilities necessary to defend the country. The Threat Assessment Document of Georgia, which is a fundamental conceptual document defines political, economic, military and transnational threats to the country, also risks of their materialization and expected outcome. The latest threat assessment identifies military threats, foreign political threats, transnational threats, socio-economic threats and natural and industrial threats and risks,<sup>1</sup> where is noted that Russia remains as Georgia's primary threat.

The nation's security environment worsened significantly following the military aggression carried out by the Russian Federation in August 2008, with their occupational forces now stationed within those so-called breakaway regions.

Significant advances are evident in Command and Control (C2), Fire Support (FS) and Intelligence, Surveillance and Reconnaissance (ISR) development. Additionally, the use of Electronic Warfare (EW) and Unmanned Aerial Vehicles (UAV) were prevalent in this conflict.

Recent confrontations between Azerbaijan and Armenia in Nagorno-Karabakh last April are also instructive. Azerbaijan's Armed Forces, armed with Modern tactical UAVs and long-range anti-tank systems procured from Russia were particularly effective.

So, since these scenarios noted above featured the extensive use of Modern systems, it is essential for Armed Forces to have such a system that gives the opportunity to deter and prevent the potential threat.

### **2.3 MoD and General Staff Responsibilities**

The Defence Police and Development Department of the MoD is responsible for the development and supervision of the MoD Acquisition Strategy process implementation. Development of the Defence budget will adhere to the stipulations in the Acquisition Strategy. Any supplementary guidance to the General Staff (GS) concerning acquisition priorities must be provided by the designated period. As a minimum, financial ceilings for proposed acquisition priorities beyond the Defence Program Guidance program years should be required.

Chief of General Staff is responsible to develop the internal process required to accomplish the requirements specified in the Acquisition Strategy. The following tasks are implied for consideration:

---

<sup>1</sup> Threat Assessment Document of Georgia (2010)

## ***FACTORS AFFECTING DEFENSE ACQUISITION STRATEGY***

- Process definition. Establish an internal process to develop acquisition priorities in accordance with the military capability necessary to defend Georgia's territorial integrity.
- Baseline Assessments. Subject matter experts must develop comprehensive assessments of the current GAF capabilities in each area listed in the Acquisition Strategy. This assessment will provide a baseline for development of prioritized military capability improvements. Some assessments could become classified annexes to the Acquisition Strategy document. All acquisition proposals should include comprehensive analysis methodology.
- Acquisition Priority Submission to the MoD. Submit proposed acquisition priorities designated time to the Decision Making Board in accordance with the financial ceilings provided by MoD.
- Program Manager Designation. Based on the complexity, duration and amount of staff coordination necessary, the Chief of GS may designate an individual as Program Manager for a specific acquisition initiative to synchronize Defence planning and management functions.

### **2.4 Resource Allocation Objectives under Budget Projection**

Fulfilment of the aim related to the reduction of the amount of the Defence budget resources, allocated to personnel costs, and reallocation of funds of Operations & Maintenance, the GAF Modernization and acquisition of major systems to increase its combat readiness level represents a significant challenge.<sup>2</sup>

In order to plan realistically proposed GAF acquisition program, analyses of the Defence Budget for the last years were conducted (Table N1). This analysis shows previous and future financial budget allocations. These same factors were also used as a guidance of the Strategic Defence Review 2017-2020.

Using data drawn from the annual Ministry of Finance Basis Direction and Data 2017-2020 document, Defence experts determined the relative accuracy of future Defence budget estimates and extrapolated a conservative growth rate for future Defence budget growth.<sup>3</sup> In addition, budget projections presented in the appendix of Georgian Law on 2017 fiscal year budget ("Main Economic and Financial Indicators") takes into the consideration the ratio of existing data on the nominal GDP with percentage indicators of Defence expenditure. If the Defence budget exceeds the projected conservative budget indicators, additional funds will be allocated for GAF Modernization.

## **3 Role of the Acquisition Strategy**

### **3.1 Acquisition Process overview**

Acquisition Process is one of three processes (Acquisition, Requirements, and Funding) that makeup and support the Defence Acquisition System and meets MoD guidance which provides principles that govern the Defence acquisition system and form the management foundation for all MoD programs. This Acquisition Process identifies the specific statutory and regulatory of the reports and also other information requirements for each Milestone review and decision point. The MoD program goes thru a series of processes, also milestones and reviews from the beginning to the end. Each milestone is a culmination of a phase, where it is determined if program proceeds into the next phase.<sup>4</sup>

---

<sup>2</sup> STRATEGIC DEFENCE REVIEW 2017-2020

<sup>3</sup> same

<sup>4</sup> Acquisition Process Overview – 01.15.2018

<http://acqnotes.com/acqnote/acquisitions/acquisition-process-overview>

## ***FACTORS AFFECTING DEFENSE ACQUISITION STRATEGY***

Each acquisition program is falling down into the Acquisition Category, depending on the overall funding level and of the importance. The Category dictates the level of the oversight of the program which will be required. The oversight is provided by the Decision Making Board appointed by the MoD. The most expensive programs are known as a Major Acquisition Programs or Major Weapons Systems Programs. These programs have the most extensive regulatory reporting requirements.

So, the statutes governing Defence Acquisition Programs are complex, and the categories into which a program falls will impact acquisition procedures. The designation of a program and the determination that the program is an Information System, a Defence Business System, or responds to an urgent need affect program procedures and policies.<sup>5</sup>

The procedures which are used in the MoD Acquisition Program structure has to be tailored to the characteristics of the products to be acquired and in a total of circumstances associated with the program including operational urgency and risk factors.

**Table N1\*\***

year	Projected Defense Budget (GEL)	Personnel Costs (%)	Operations & Maintenance (%)	Major Equipment (%)	Constructions (%)	R&D (%)
2016	670 M	62.4	27.4	2.6 (13.3% National Funding)*	2.6	5.0
2017	670M	60.7	26.4	4.1 (14.1% National Funding)*	4.6	4.2
2018	680M	59.3	26.5	5.4 (11.9% National Funding)*	4.7	4.1
2019	700M	57.7	26.4	7.3	4.6	4.0
2020	720M	56.8	26.4	8.5	4.4	3.9

\* % increases if national Funding for French Air Defense Systems included

\*\* resource: Ministry of Defence, white Paper 2017-2020

### **3.2 Benefits of the Defence Acquisition Strategy**

The Defence Acquisition is crucial for the military success. The process offers greater clarity in the capability of the planning process. It provides our Armed Forces with the battle-winning equipment, support, and infrastructure they need to defeat our enemies – current and potential. Doing acquisition right – delivering what the front line needs, and when it needs it, as efficiently as possible – has been always vital.

The Acquisition Strategy approach offers effectiveness, accountability, transparency and the opportunity to conduct an analytical review of alternatives. Decision

---

<sup>5</sup> Department of Defence – INSTRUCTION, p.3; January 7, 2015

## ***FACTORS AFFECTING DEFENSE ACQUISITION STRATEGY***

makers use the Acquisition Strategy to make informed decisions about how to spend Defence funds.

The acquisition is how we work together to provide the necessary military capability to meet the needs of our Armed Forces now and in the future. It covers the setting of requirements; the selection, development and manufacture of a solution to meet those requirements; the introduction into service and support of equipment or other elements of capability through life and its appropriate disposal. It is supported by business processes such as requirements management, project and program management, investment approvals, contract negotiating and management and safety management.<sup>6</sup>

The Strategy covers highly important objectives, we need an Acquisition System that is responsible for both to changing day-to-day operational needs, and also for the gradually evolving global security climate. We also need to ensure that acquisition plays its full part in delivering wider Defence priorities, which includes the safety of our people and reduces the environmental impact of military training and operations, and if we are to succeed in all this, we need to make sure we have the right relationship with our suppliers.<sup>7</sup>

Our Strategic Aim is to improve military capabilities by managing acquisition better. In other words, we want to make better decisions about what equipment (and wider services) we buy, and how we ensure that they are delivered on time, with sufficient cost and provide the desired performance.<sup>8</sup> According to this we properly manage all other strands (training, personnel, information, doctrine, organization, infrastructure, and logistics) needed to deliver and sustain battle-winning effect on the ground, Air and Sea.

### **3.3 Georgian MoD Acquisition Strategy**

Acquisition Strategy is one of the major building blocks of the Defence, which addresses the over-heated equipment to support program which is a major strategic challenge for the MoD.

So, below we will discuss the organizations, who are involved in the development and implementation of the Acquisition Strategy of the Georgian MoD and also how the acquisition is organized.

The Ministry of Defence publishes annually a Major Systems Acquisition Strategy. The plan sets out how it will buy and support military equipment the Armed Forces (commands, program managers) require over the next up to 4 years to meet the objectives of the National Security Concept<sup>9</sup> and National Military Strategy.<sup>10</sup>

Providing the military equipment relies on a partnership between the Ministry's head office, which gives strategic oversight, the Armed Forces that specifies its requirements, (says what equipment is needed) and Procurement Department which buys equipment.

Typically, the input is solicited from Armed Forces' departments that have the data necessary to develop the Acquisition Strategy. J4 Logistics Planning Department is an important contributor, because of data regarding readiness, and also the availability of spare parts and gaps in the equipment capabilities which resides in the J4.

---

<sup>6</sup> The Defence Strategy for Acquisition Reform - Presented to Parliament by the Secretary of State for Defence by Command of Her Majesty; p.6 February 2010

<sup>7</sup> The Defence Strategy for Acquisition Reform - Presented to Parliament by the Secretary of State for Defence by Command of Her Majesty; p.7 February 2010

<sup>8</sup> The Defence Strategy for Acquisition Reform - Presented to Parliament by the Secretary of State for Defence by Command of Her Majesty; p.7 February 2010

<sup>9</sup> National Security Concept of Georgia; <https://MoD.gov.ge/en/page/70/national-security-concept-of-georgia>

<sup>10</sup> National Military Strategy; <https://MoD.gov.ge/uploads/2018/pdf/NMS-ENG.pdf>

## ***FACTORS AFFECTING DEFENSE ACQUISITION STRATEGY***

The Armed Forces' departments receive requests for input to the Acquisition Strategy document from the Ministry of Defence that has primary responsibility for ensuring that the right data is requested and received, analysed and considered in the Acquisition Strategy document.

The Ministry of Defence department designated with developing the draft Acquisition Strategy document must have authority to solicit "deadline imposed" data input from other departments.

Defence acquisition often involves working with other governments on international collaborative Defence projects.

Once the Acquisition Strategy document is completed, they conduct a final review to ensure that the analysis and recommendations are defensible.

### **3.4 Risks in the Acquisition Strategy**

How can MoD face some risks during the execution the Defence Acquisition Strategy and lost some money from Defence budget on behalf of State Treasury of the Ministry of Finance of the GEO? Millions could be lost annually because of the three systemic issues:

- Offset cost overrun. Major Projects routinely delayed or reduced, which impacts areas of Defence spending;
- Poor skills and management freedoms to maximise the value of the funds allocated for buying equipment and managing projects through their life;<sup>11</sup>
- Length of the procurement procedures related to the searching the potential sellers;
  - Technical characteristics (length of time to establish proper characteristics);
  - Not having appropriate standards (Standardisation, Codification);
  - Change of price (what was expected from original price)
  - Delayed or reduced the scope of major projects to find savings to tackle the overheated equipment program.
- A lack of clarity over who is responsible and accountable for making decisions and an emphasis instead of reaching decisions by consensus during meetings discussing the challenges.
  - A culture where people move too quickly from one post to another.
  - An institutional focus on short-term affordability at the expense of longer-term planning.

Also, we know that developed countries supply their defence products from domestic sources, but developing countries who are willing to increase their military capabilities or plan to Modernize Armed Forces, are procuring directly through foreign sources, so is GEO MoD, because of this reason it takes time to search and find a potential seller.

## **4 Acquisition Strategy Development**

### **4.1 Georgian MoD Defence Acquisition Strategy Development**

In my opinion, there are three ways of the MoD strategy to reform Defence Acquisition better. MoD vision has to be regarding:

---

<sup>11</sup> Report by the Comptroller and Auditor General - Reforming Defence acquisition 2015, p 11.

## ***FACTORS AFFECTING DEFENSE ACQUISITION STRATEGY***

- Develop an affordable, not less than five-year acquisition Program Plan;
- Strengthen the role and responsibility of the head office, and the program managers, through an operating Model, and
  - Improve the skills (financial, engineering, project and programme management, and supplier management)<sup>12</sup> and capabilities of those who are involved in the planning process in order to be aware of long-term acquisition program plan done well.
  - Refine products characteristics.
  - Develop the Standardisation and the Codification system.
  - Embedding a ‘through-life’ approach to managing capability.
  - Make sure, that acquisition effort fully supports Defence priorities, defined from the MoD and which includes safety and sustainable development.

Additionally MoD has to focus on:

- The way Defence runs and which has a significant impact on the strategic alignment, affordability and delivery of the equipment and support programme – as perceived acquisition problems are often symptomatic of deeper underlying causes;
  - On science and technology, which plays a very important role in supporting acquisition decision-making process, and should be factored into the process from an early stage. Science and technology advice should also be used more widely in order to support the decision-making process across the Defence;
  - Define different types of acquisition projects and their applicable acquisition methods and identify AS champions who will drive AS projects.

After all the discussed, planning will go smoothly and the Procurement Department who is responsible for acquiring, (procuring) equipment, also systems and commodities, in line with the requirement and budget set by Government described in the financial articles, will be focused only in searching potential sellers. Department will provide robust costing for the program managers and Commands on the equipment and support elements of their Command Plans, and confirm that they are deliverable at some specific time. The department should have account customers willing about delivering their requirements in time and within the budget, as well as monthly have a report about delivery timelines of agreed procured equipment, in order to have time for necessary changes of plans. <sup>13</sup>

### **5. Conclusion**

So, Success of the Acquisition Strategy depends on the delivery of the equipment the right time and place to our Armed Forces, and also in which cost. We have also to consider that it is not always possible and simple to make some assessments; we might be compelled by the circumstances to exceed a planned budget in order to deliver the required performance. However, we will seek to develop better ways of measuring improvements in the acquisition as a part of implementing this strategy.

Finally, we can say, that Acquisition Strategy which defines and relies on a close link of the acquisition phases and work efforts, is also the key program event where Strategy reflects the Program Manager’s understandings of the business environment, technical alternatives, costs, and risks production lot. Acquisition Strategy is a baseline plan for the execution of the programs which should be prepared and submitted in time.

In my point of view, the acquisition is a core business for Defence and there is a strong benefit from the involving the military in this process, and from the developing more integrated approach for managing the military capability.

---

<sup>12</sup> Report by the Comptroller and Auditor General - Reforming Defence acquisition 2015, p 10.

<sup>13</sup> Defence Reform - An independent report into the structure and management of the Ministry of Defence 2011, p.9

## ***FACTORS AFFECTING DEFENSE ACQUISITION STRATEGY***

### **References:**

- [1] Strategic Defence Review 2017-2020
- [2] Threat Assessment Document of Georgia (2010),  
<https://MoD.gov.ge/en/page/71/the-threat-assessment-document>
- [3] STRATEGIC DEFENCE REVIEW 2017-2020  
<https://MoD.gov.ge/uploads/2018/pdf/SDR-ENG.pdf>
- [4] STRATEGIC DEFENCE REVIEW 2017-2020  
<https://MoD.gov.ge/uploads/2018/pdf/SDR-ENG.pdf>
- [5] Acquisition Process Overview - 1/15/2018
- [6] Department of Defence – INSTRUCTION, p.3; January 7, 2015
- [7] The Defence Strategy for Acquisition Reform - Presented to Parliament by the Secretary of State for Defence by Command of Her Majesty; p.6 February 2010  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/228575/7796.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/228575/7796.pdf)
- [8] The Defence Strategy for Acquisition Reform - Presented to Parliament by the Secretary of State for Defence by Command of Her Majesty; p.7 February 2010  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/228575/7796.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/228575/7796.pdf)
- [9] The Defence Strategy for Acquisition Reform - Presented to Parliament by the Secretary of State for Defence by Command of Her Majesty; p.7 February 2010  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/228575/7796.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/228575/7796.pdf)
- [10] National Security Concept of Georgia  
<https://MoD.gov.ge/en/page/70/national-security-concept-of-georgia>
- [11] National Military Strategy; <https://MoD.gov.ge/uploads/2018/pdf/NMS-ENG.pdf>
- [12] Report by the Comptroller and Auditor General - Reforming Defence acquisition 2015, p.11  
<https://www.nao.org.uk/wp-content/uploads/2015/02/Reforming-Defence-acquisition.pdf>
- [13] Report by the Comptroller and Auditor General - Reforming Defence acquisition 2015, p.10  
<https://www.nao.org.uk/wp-content/uploads/2015/02/Reforming-Defence-acquisition.pdf>
- [14] Defence Reform - An independent report into the structure and management of the Ministry of Defence 2011, p.9;  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/27408/Defence\\_reform\\_report\\_struct\\_mgt\\_MoD\\_27june2011.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/27408/Defence_reform_report_struct_mgt_MoD_27june2011.pdf)