

Offset Policy Framework

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I shall basically discuss the road map which we have offsets in the country. We in fact have a very good phrase called *quasi* direct offsets for our system. It is not as direct as is understood internationally and a foreign OEM can in fact buy ships from India if they were to supply multi-role combat aircrafts. While this is true of all the offset proposals in the Ministry of Defence, I would like to mention that barring two or three cases, all cases are in fact 'direct' as is internationally known. It is in respect of the acquisition program for which the technical evaluation committee meets and discusses. OEMs give proposals of areas where they would like to supply us equipment to build up Indian competency in those areas. Director General Acquisition has indicated that the kind of offset proposals which are coming and are being looked at actually do not give him the confidence. I would like to elaborate upon the basic premise on which the offset policy revolves. The Secretary Defence Production has stated that an absolute free choice is given to the foreign OEM to select the Indian partner and in selection the product and services. By giving this freedom we are doing we are trying to minimise the cost. By giving the freedom to OEM we are quite sure it will definitely reflect upon the quality of offset proposals which we would be getting. That is exactly what is now happening and is exactly in tune with what was envisaged.

Another point is that everybody wants DOFA to be strengthened. What is it that we are missing right now has not been identified. What is it that is not happening right now? One would love to have a critique of what is not

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happening to appreciate and to give a direction to what we are doing. Right now we have a very good system where the technical evaluation committees meet. These committees have members to include DRDO and the services. The DOFA is also represented there through an officer of a very important setup which was created in the 1960s after the Indo China war, i.e. the Directorate of Planning and Coordination, which is part of the Department of Defence Production. There are over ten technical experts there advising and giving technical inputs at different categorisation committee meetings and it is these officers who attend apart from the DRDO experts and the Services' experts. They sit in the technical evaluation committee. I feel it is a perfect system. We could have a very dedicated kind of a structure, but that could be pursued in time. These technical evaluation committees are taking care of the services' needs and are building up the competencies in certain sectors which did not actually exist in this country including in maintenance. We had to fly our planes all the way abroad to get them repaired at one time. At least basic competencies will get built up and the services are all making efforts to that end. The technical evaluation committees have a huge amount of leeway in asking the OEMs to change the offset proposal if it is allowed as per the DPP. However our officers are asking them to change the proposals to bring in tune with DPP. Once the offset banking proposals start coming in, we have a senior officer at the level of the Additional Secretary Defence Production who chairs a committee. In this representation is of officers from the services acquisition wing. They discuss the different offset paid banking proposals. There is highlighted which are the areas where the offsets are preferred with a view to guide the technical evaluation committees. So we have a setup created and the Additional Secretary is there at the helm. Then there is an offset monitoring cell, apart from the lot of technical experts we have which guide the technical evaluation committee for different acquisition proposals. The offsets monitoring cell has been created to take into account different offset proposals and help the acquisition wing in monitoring those offset proposals. It will also prepare

the basic draft for consideration of the committee for its approval. With this particular background - creation of an offset monitoring cell and that a committee has been created at the level of Additional Secretary Defence Production to take care of the offset credit banking – we have a credible system in place. 