



DEFENCE OFFSETS

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INTRODUCTION TO DEFENCE OFFSETS

In essence, offsets in defence, as in civil trade, are compensations that a buyer seeks from the seller for the purchase of goods and/or services.

**Offset – Counter-balances
/ compensates**

Through DOP – attempt to balance the heavy financial implication that a procurement transaction has on the country's foreign exchequer

Also viewed as an obligation by an international player to boost India's domestic defence industry if India is buying defence equipment from it.

Since defence contracts are costly, the government wants part of that money either to benefit the Indian industry, or to allow the country to gain in terms of technology.

INTRODUCTION TO DEFENCE OFFSETS

CAG - “mechanism generally established with the triple objectives of:
(a) partially compensating for a significant outflow of a buyer country’s resources in a large purchase of foreign goods (b) facilitating induction of technology and (c) adding capacities and capabilities of domestic industry”

Through DOP – attempt to balance the heavy financial implication that a procurement transaction has on the country’s foreign exchequer

Purpose – to incentivize investment in the defence sector ultimately targeting towards building a strong indigenous resource base for its armed forces.

Trend picked up in 70s & 80s – 15 nations adopted this practice – Now – uniform

Why Offsets in Defence Procurement?

- Defence Procurement – Two-way Process
- Rather than an off-the shelf purchase – opportunities to build the indigenous design, development and production capabilities of the defence industrial base is preferred
- Standard Practice followed across borders
- Prospective Vendors - to further incentivise its proposal indicating that procuring authority will not only benefit from the main equipment or technology, but it will procure numerous other key benefits that will help in overall development of the defence sector.
- These benefits could include investment in the local industries, generation of employment which has been seen in technology transfer cases, constant research and development support to domestic industries from their foreign countries, etc.

Defence Offsets

- Offsets are also demanded in various other forms ranging from traditional counter trade practices (purchase, buy-back or counter purchase) to modern-day practices such as license production, co-production, investment, and technology transfer.
- These flow-back benefits – decisive role in short-listing of vendors
- Def Offset Policy – Offsets to be calculated in monetary terms
- Extent of Offset – based on the procurement category
- Policy framework – rather than indicating the modes – focuses on assessing the discharge of offsets in terms of percentage vis-a-vis the total value of the contract
- Modes of Discharge of Offsets – depends upon the requirement of the procuring country
- An offset provision in a contract makes it obligatory on the supplier to either “reverse purchase, execute export orders or invest in local industry or in research and development” in the buyer’s domestic industry,

TYPES OF OFFSETS

DIRECT OFFSETS

- Direct Offsets are related to the system being procured and are typically in the form of co-production, subcontracting, licensed production and technology transfer.
- Popular mode – FDI – in either DPSU / PSU
- Foreign vendor often given the freedom to choose IOP

INDIRECT OFFSETS

- Indirect offsets are unrelated to the items imported by the buyer.
- Such offsets usually include counter trade transactions, investment, financing activities, export related assistance, and technology transfer.

KEY LEARNING MANDATING OFFSETS & ITS APPROACH

Key take-aways from the war fought post – independence – need to strengthen defence industrial – not just by equipping it with resources but to build its capabilities in order to meet the requirements of the armed forces

While the means to achieve this objective is also largely dependent on foreign vendors, but a procurement scheme with this approach would have a long –standing effect on the DIB

took more than four decades to codify this vision into a policy framework.

DPP 2005 – offsets for the first time was mentioned – prescribed for offsets up to 30 % for procurement contracts beyond 300 crores

Numerous versions of offsets policies after that

**DEFENCE OFFSET
POLICY 2016**
Appendix D to Chapter II



OBJECTIVES

- One of the primary aims of defence offset policy is to incentivise capital acquisitions for the development of the defence industrial base of the country.

The Defence Offset Policy therefore aims to

- fostering development of internationally competitive enterprises,
- augmenting capacity for Research, Design and Development related to defence products and services and
- encouraging development of synergistic sectors like civil aerospace and internal security.

SCOPE

- Applicable to all the cases of Capital Acquisitions classified under
- ‘*Buy(Global)*’ - Offset = 30 % of the total but tentative estimated cost of procurement
- ‘*Buy and Make*’ where the tentative total cost of procurement is over and above 2000 crores or more -- Offset = 30 % of the foreign exchange component
- Waiver subject to DAC’s approval – but to be notified in RFP & subsequently under the Defence Procurement Contract
- Not applicable to procurement through Fast Track Procedure

MEANS TO DISCHARGE OFFSET OBLIGATION

A vendor from whom a particular equipment or technology including the maintenance infrastructure is being procured, can discharge its obligation with respect to meeting the offset requirement of the country in any of the following manners:

Either directly buy or export products or services provided by an Indian enterprise like the DPSU or OFB or any other public or private sector undertaking in the defence sector.

The list of products and services eligible for discharge of offset obligations is at Annexure VI to Appendix D.

FDI by investing in joint ventures with Indian enterprises (equity investment) for the production or manufacture, or development of or maintenance of eligible products and provision of eligible services.

Such investments will be regulated by the Department of Industrial Policy and Production i.e. DIPP.

MEANS TO DISCHARGE OFFSET OBLIGATIONS

'Invest in Kind' – ToT to IOP, - Licensed Production Use for indigenous production of eligible products and service with the assistance of the said technology

Could be routed through JV or non-equity route for co-production, co-development and production or licensed production of eligible products and eligible services

ToT – without license fees

Credit Score of 10 % added to vendor evaluation

Invest in Kind – II - investment model in an Indian enterprise, whether public or private through the non-equity mode for the production, development and maintenance of eligible products and services.

The vendor can also transfer equipment or technology to government institutions which are functioning in the defence sector especially providing or manufacture or eligible products and services.

Technology Acquisition by the DRDO in areas of high technology listed in Annexure VIII to Appendix-D.

INDIAN OFFSET PARTNER (IOP)

those Indian entities and institutions who are engaged in the production or manufacture or supply of essential products and services including the DRDO.

Apart from DPP 2016, the norms or guidelines prescribed by DIPP shall also be applicable to such IOP.

The decision to select or choose an Offset Partner shall solely lie with the concerned vendor or the OEM having due regards to any form of restriction or prohibition imposed on that IOP by a legislative, executive or judicial order.

The agreement between the OEM/vendor/Tier-1 sub vendor and the IOP shall be subject to the laws of India.

PROCEDURE TO DISCHARGE OFFSET OBLIGATIONS

VENDOR'S SOLE RESPONSIBILITY

- The primary vendor (in case of multiple intermediaries) remains accountable to the governmental agencies and shall be liable to bear consequences if any of the sub-vendor doesn't fulfil this obligation.

PERIOD FOR DISCHARGE

- As discussed under the procurement contract – extendable to a period of 2 years
- If time extended – Subject to execution of a performance bond & bank guarantee to DOMW
- Performance Bond should include the full value of the un-discharged offset obligations falling beyond the period of the main procurement contract.

MANDATORY OFFSETS

- A minimum 70 percent of the offset obligation must be discharged by any one or a combination of Paras 3.1(a), (b), (c) and (d). Where the discharge of offset obligations is proposed in terms of Para 3.1(d), the vendor will be required to buyback a minimum 40 percent of the eligible product and/or service (by value) within the permissible period for discharge of offset obligations.

PROCEDURE TO DISCHARGE OFFSET OBLIGATION - OFFSET BANKING

- Offset banking implies generation and accumulation of offset credits prior to the award of the main contract.
- A bank of offset credits is created in anticipation of getting contracts to defray subsequent offset obligations.
- In case the vendor fails to get the anticipated contract, he is at liberty to trade his offset credits to recover his costs. Therefore, offset banking and offset trade are intrinsically and mutually contingent.
- Bankable offsets can be created either by generating surplus credits through ongoing programmes or by undertaking fresh offset programmes with prior permission of the host country.
- Advocates of offset banking feel that pre-contract offset activities show a vendor's earnestness and commitment to the host country and thereby, create a favorable impression.
- Additionally, vendors confident of winning main contracts get early-starter advantage and the host country benefits through timely completion Offset programmes.

OFFSET BANKING

- On the other hand, opponents feel that banked credits create an informal pressure on the host country, although banked offset credits do not guarantee award of the targeted contract.
- There is also an apprehension that the facility can be misused by passing routine commercial activities as offset programmes.
- Obligations for discharge of offsets can also be met through 'pre-approved banked offset credits.
- This can be used for the purposes of discharging a maximum of 50 % of the offset obligation.
- The offset credits shall remain valid for a period of 7 years from the date of acceptance by DOMW within which the remaining offset obligation should be discharged.
- Banked offset credits will not be transferable except between the main vendor and his Tier-1 sub-vendors within the same procurement contract.
- The primary vendor is required to submit a list of sub-vendors from the Tier-1 list besides submitting the technical and commercial parts of the offset proposal.

PROCEDURE TO DISCHARGE OFFSET OBLIGATION

Value Addition

- Value additions shall only be applicable for an outright purchase or exportation of eligible products and services and shall be calculated by deducting the value of components that are imported in the product along with any fees or royalty from the total value of the equipment.

‘Buy (Global)’ Procurements

- For the acquisitions under ‘Buy (Global)’ category, where an Indian enterprise including a joint venture with a foreign enterprise is tendering for a procurement bid, the offset provision shall not be applicable if the mandatory indigenous component is of value 30 % or more.
- If the indigenous component is less than 30 % then the Indian enterprise has to disclose the same during the time of submission of the bid.

PROCEDURE TO DISCHARGE OFFSET OBLIGATION

Multiplier for Micro, Small and Medium Enterprises (MSME)

In order to incentivize investments in the MSME sector having an interface with defence sector of the country, these guidelines lay down that where a MSME is chosen as an IOP then a multiplier of 1.50 will be applied to offset obligation.

In the case of enterprises engaged in manufacture of goods	In the case of enterprises engaged in providing services
A micro enterprise is that where investment in plant and machinery does not exceed ` 2.5 million	A micro enterprise is that where investment in equipment does not exceed 1 million
A small enterprise is that where investment in plant and machinery is more than ` 2.5 million but does not exceed ` 50 million; and	A small enterprise is that where investment in equipment is more than 1 million but does not exceed ` 20 million; and
A medium enterprise is that where investment in plant and machinery is more than ` 50 million but does not exceed ` 100 million	A medium enterprise is that where investment in equipment is more than 20 million but does not exceed ` 50 million
These monetary capping is subject to any further changes as introduced by the Department of MSME, Government of India	

PROCEDURE TO DISCHARGE OFFSET OBLIGATION

Multiplier for Technology Acquisition by DRDO

When an offset obligation is sought to be discharged through transfer of technology to DRDO, then the same obligation will have the effect as if value is considered as thrice the investment.

Multipliers for technology acquisition by DRDO will be assigned as under:-

- (i) Multiplier of 2.0 will be applicable when the technology is offered for use by Indian Armed Forces only but without any restriction on the numbers that can be produced.
- (ii) Multiplier of 2.5 will be applicable when the technology is offered for use only in Indian Market but for both military and civil applications and without any restriction on the numbers that can be produced.
- (iii) Multiplier of 3.0 will be applicable when the technology is offered without any restriction and with full and unfettered rights, including right to export.

PROCEDURE TO DISCHARGE OFFSET OBLIGATION

Valuation of Offsets

- For procurement under 'Buy (Global)' category against which offset obligation is discharged by investing in eligible products and services, the offset obligation has to be discharged as soon as the contract is entered into force.
- The value of the offset components for which offset credits are sought would have to be supported by documentary evidence.
- Only transactions undertaken after signing of the offset contract will be reckoned for discharging offset obligations (excluding Offset Banking).

MANAGEMENT OF OFFSETS

Acquisition Wing

- DPP 2016 and the Defence Offset Guidelines mentioned therein lays down the institutional framework for managing the discharge of offset obligations.
- Acquisition Wing of the Department of Defence shall be accountable for examining and evaluating the commercial and technical aspects of the offset proposals which are received along with the procurement bid in response to RFP.

MANAGEMENT OF OFFSETS – DEFENCE OFFSET MANAGEMENT WING

Principle body for overseeing the discharge of the offset obligations in consonance with the offset contract and all other related matters concerning post contract management.

The functions of DOMW will include:-

- | | |
|--|---|
| (a) Formulation of Defence Offset guidelines | (d) Implementation of Offset Banking guidelines; |
| (b) Monitoring the discharge of offset obligations, including audit and review of yearly progress reports received from vendors; | (e) Administration of penalties under offset contracts in consultation with Acquisition Wing; |
| (c) Participation in Technical and Commercial evaluation of offset proposals as members of TOEC and CNC; | (f) Assisting vendors in interfacing with Indian industry; and |
| | (g) Other responsibilities assigned under the offset guidelines or entrusted by the Government. |

DOMW is also empowered to enlist the aid of any appropriate governmental body for the purposes of fulfilling its functions and it has to operate in close collaboration of the Acquisition Wing of the Department of Defence.

MANAGEMENT OF OFFSETS – DOMW

Submission of Offset proposals

- U/d taking by the vendor at the time of submitting the technical bidding – to adhere to offset guidelines
- The Commercial and Technical proposals concerning discharge of offset obligation should be submitted by the primary vendor - between 12 weeks from the date of the submission of the main technical and commercial proposal.
- Both the proposals should be submitted separately to the Technical Manager (TM) of the Acquisition Wing
- The Commercial part of the offset proposal should provide in detail the business model for execution of the said proposal

MANAGEMENT OF OFFSETS – DOMW

Technical Evaluation

- Constitution of a ‘Technical Offset Evaluation Committee ‘(TOEC)’ – to conduct technical evaluation of the offset proposal bid
- Role / Composition / Powers and Functions – as prescribed by the TM (Acq)
- The TOEC will include representatives of the SHQ, Def(Fin), DRDO and DOMW and any other expert members as approved by DG (Acquisition) and will be chaired by a representative of the Service HQ.
- The evaluation made by the said committee shall be submitted to the Technical Managers who in turn will process the report for approval by the Director-General (Acquisition).
- If any deviation or discrepancy is found by the TOEC, then the vendor can be asked to modify and make a fresh submission.
- The TOEC will be expected to submit its report within 4-8 weeks of its constitution.

MANAGEMENT OF OFFSETS – DOMW

Technical Evaluation

- Vendor to identify the IOP & the proportion in which work has to be distributed and
- Vendor to also establish the eligibility of the IOP to participate in this offset proposal.
- Vendor to provide these details either:
 - At the time of submission of technical bid to TOEC or
 - at the time of seeking offset credits or one year prior to discharge of offset obligations through that IOP to DOMW
- DOMW to examine and determine the preferred channel for discharge of offset obligation and determine any other compliance or regulatory issue.
- If IOP is found ineligible, then DOMW can impose penalties on the primary vendor.
- When the vendor submits the documents one year prior to the discharge of the offset obligations, then the final decision admissibility of proposal shall be intimated by DOMW within three months of receipt of complete documents.

MANAGEMENT OF OFFSETS – DOMW

Technology Acquisition

- Discharge of Offset Obligation through ToT – Such offset proposals to be evaluated through a ‘Technology Acquisition Committee (TAC)’
- TAC to be constituted by DRDO on approval from Scientific Advisor to the Defence Minister
- TAC to examine both technical as well as commercial aspect of the offset obligation including valuation of technology.
- TAC to submit its report to the Scientific Advisor to Defence Minister for approval and will also forward the same to the TM within a period of 4 to 8 weeks from its constitution.
- Guidelines for processing Technology Acquisition proposals are at Annexure IX to Appendix D.

MANAGEMENT OF OFFSETS – DOMW

Commercial Evaluation

- Commercial Proposal to detail:
 - the value of the total offset commitment components,
 - with a breakdown of the details, phasing,
 - IOPs and
 - banked offset credits if any proposed to be utilised.
- Commercial Offset Proposal to be opened along with the primary Commercial Procurement Bid once the Director-General of Acquisition accepts the report submitted by TOEC.
- However, the decision of the vendor will be taken on the basis of the Commercial Procurement Bid and the Commercial Offset Bid will have no bearing on the same.

MANAGEMENT OF OFFSETS – DOMW

- Contract Negotiation Committee will examine the Commercial Offset Proposal after evaluating the Commercial Procurement Bid and deciding the L1 vendor.
- This vendor is allowed to revise the Commercial Offset Proposal only till this point and hereinafter no changes will be entertained.
- CNC to include a member of DOMW at the time of evaluating the Commercial Offset Proposal.
- Representatives of DRDO, DPSUs, OFB or other Government institutions will be co-opted as members, as required, with approval of the DG (Acq).
- The commercial valuation of Technology Acquisition by TAC will be incorporated in the CNC Report.
- CFA – to be the approval & signing authority for offset contract
- Model Offset Contract - Appendix IV to Appendix D

OTHER KEY FEATURES OF OFFSET

SIX MONTHLY REPORTS

- The primary vendor is required to submit a report in every 6 months regarding fulfilment of this obligation to DOMW.
- DOMW is also empowered to conduct audits to verify the actual status of implementation.

ASSIGNMENT OF OFFSET CREDITS

- Offset credits shall be assigned by DOMW after scrutiny of six monthly reports.

RE-PHASING OF OFFSET OBLIGATIONS

- The primary vendor in certain case may upon giving reasons request for re-phasing of the offset obligations within the stipulated time period.
- A first-time request like this may be processed without any disincentives if the spread of re-phasing is restricted up to the following year.
- However, if the process of re-phasing of the offset value is proposed to be spread across the subsequent years, then an additional charge or obligation to the tune of 5 % will be imposed on the value that is re-phased every year and this will be considered as over and above any form of penalty which might be imposed on the vendor.
- Re-phasing will not be permitted beyond the period stipulated in Para 5.2 of the guidelines.

OTHER KEY FEATURES OF OFFSET

CHANGE IN IOP OR OFFSET COMPONENT

- DOMW may also recommend a change in the IOP which partnering with the primary vendor for discharge of offset obligations for justifiable reasons and has to be approved by Secretary (Defence Production).

OFFSET CONTRACT AMENDMENT

- To be approved by DOMW

PENALTIES

- Failure to fulfil offset obligation attracts a penalty of 5 % of the unfulfilled cost of offset obligation which will thereafter be re-phased over the remaining period of offset contract.
- This penalty can be recovered from the bank guarantees or performance bonds so submitted by the vendor.
- The overall cap on penalty will be 20 percent of the total offset obligation during the period of the main procurement contract.
- However, there will be no such capping on the penalty for failure to implement offset obligations during the period beyond the main procurement contract.
- The penalties will be administered by DOMW in consultation with Acquisition Wing, as required.

OTHER KEY FEATURES OF OFFSET

- **DEBARMENT**
- Failure to fulfil offset obligation entitled a vendor from disqualification for a period of up to 5 years.
- **CLARIFICATIONS**
- Any clarifications with respect to the offset proposals which are pending at the pre-contract stage - Acquisition Wing in consultation with the DOMW and post-contract stage will be provided by DOMW.
- Grievance Redressal through mediation
- **ANNUAL REPORTING TO THE DEFENCE ACQUISITION COUNCIL**
- Acquisition Wing (Offset Contract) & DOMW (discharge of obligation) to submit annual progress report to DAC.
- **MISCELLANEOUS PROVISIONS**
- It is clarified that any general term/clause that is not included in the offset contract but is included in the main procurement contract (e.g. Force Majeure, Arbitration, jurisdiction of Indian Courts, use of undue influence, Agents etc.) would ipso facto apply to the offset contract.
- Defence Offset Guidelines will apply in harmony with and not in derogation of any rules and regulations stipulated by various agencies of the Government of India, including DIPP, DG Foreign Trade and Ministry of Finance, etc.



CHALLENGES TO DEFENCE OFFSETS

Avenues for Discharge of Offset Obligation

- Earlier DPP – No guidance for discharge of offset obligation - Discretionary selection of IOP with foreign vendor based on vested interest
- Discharge of offsets in Non-Defence Sector – No contribution towards building R&D Capabilities
- 2018 Amendment - prescribed a list of *Eligible Products and Services* and listed out the products and services wherein the offset obligation could be discharged.
- These are largely divided in the categories of Defence Products, Products for Coastal Inland Security and Civil Aerospace Products and related services.
- However, this list has been time and again criticized for inclusion of products which are not related to defence sector.
- Moreover, what is also to be noted is that this list provides a list of products which are capable of civilian as well as military use.
- Hence, even if an offset obligation is discharged for a product which is listed here under, it might not bring the desired result or meet the objectives of the policy framework. One of the proposals therefore deals with linking the offset obligations and the route for its discharge with a functional interface.

- *In-Kind Investment* – ToT to IOP
- Where ToT is in respect to civil infrastructure and equipment, the cost of the latter shall be excluded from the total cost of offset
- Aims towards targeted invested in DIB
- But where there is an inevitable interface with civil infrastructure, then would that be excluded as well?
- The vendors would have to re-invest to clear their offset discharge obligation?
- This rule – discourages the vendor if discharge in kind and rather adopt FDI route

In-Kind Method of Discharge of Offset Obligation

Offset Banking

- The offset regime also provides that the offsets that are banked shall be operative for a period of seven years from the date of acceptance by the Defence Offset Management Wing (DOMW).
- Further, the offset policy prescribes for a ban on the transferability of the offset credits except when such transfers are being taking place primary vendor and his first-tier sub-vendor under the same procurement contract.
- Will this rule be applicable to a holding company, which might also be involved in manufacturing or servicing, can be a tier-1 sub-vendor of a subsidiary company if the latter happens to bag a contract which involves the offset obligation.

- DOMW replaced the heavily criticised DOFA in 2012

Transparency & Accountability

- not adequately providing information regarding the offset management and implementation in the public domain.
- To this end, at present, the DOMW merely provides a list of ongoing offset contracts and the list of items that are being supplied to the IOP under these contracts without disclosing the names of the IOPs.
- Allegations of favoring DPSUs

Lack of Effective Grievance Redressal Mechanisms



**Defence
Offset
Management
Wing**

**DRAFT DEFENCE
OFFSET POLICY 2020**

DRAFT DPP 2020 – SOME KEY REFORMS

- DAP 2020, the scope for offsets has shrunk further – Restricted to DP Contracts involving outright purchase of material from foreign vendors through competitive bidding.
- Acquisitions through IGA are exempted
- A significant change proposed in the DPP is the enhanced viability of Transfer of Technology (TOT) and non-equity investment as modes for discharge of offsets. Previously, grant of offset credits for TOT was subject to buyback conditions.
- Further, offset claims for non-equity investment were also restricted to a percentage of subsequent buyback.
- The non-equity route is proposed to be merged with the equity route, making full offset credits available to vendors subject to verification. Similar provisions have also been issued for the TOT route.
- Multiplier Extent – Also changed - Foreign vendors can now expect substantially higher credits for the same quantum of investment. indicates that the policy direction is towards encouraging investment and transfer of technology rather than outright purchase of products.

DRAFT DPP 2020 – SOME KEY REFORMS

- Exempts single vendor cases which were earlier taken up inter-governmental agreements. This move has the impact of reducing the offset-related business opportunities available to the Indian defence companies, especially the micro, small and medium enterprises.

Removal of Services as a means to discharge offsets

- While this suggestion may have been made in view of ensuring that the focus of the offset discharge should have a direct impact on the defence sector, but this move will not favour the foreign vendors as the scope of avenues for offset discharge gets limited

Timeline to discharge offset

- The period for discharge of offset obligations was previously fixed as the duration of the main contract with a grace period of two (2) additional years.
- However, the period of the main contract was also deemed to include the warranty period provided therein, which provided vendors with enhanced time period to discharge their obligations.
- The DPP now proposes to exclude the period of warranty from the duration of the main contract.
- This change, depending on the nature of the product supplied, may materially impact the time available to vendors for discharging their offset obligations and would need to be factored accordingly.

DRAFT DPP 2020 – SOME KEY REFORMS

Dispute Settlement & Grievance Redressal – Preferable Mode – Mediation and Negotiation

- If the grievance persists – then resort to ‘Independent Monitors’ upon Secy, DDP’s approval
- Disputes to be resolved in 2 months

Submission Format for Technical Offset Offer

- The provision in question says that the vendor is “expected to provide details pertaining to IOP wise work share, specific products and supporting documents indicating eligibility of IOPs in addition to conformity with other clauses in the offset guidelines” to the TOEC and if he is “unable to provide these details at the time of the TOEC, the same may be provided to DOMW either at the time of seeking offset credits or one year prior to discharge of offset obligations through that IOP.”

DRAFT DPP 2020 – SOME KEY REFORMS

Revised List of Eligible Products for Discharge of Offset Obligation

- While the list of products eligible for offsets has remained identical from 2011 to 2019, the DPP has extensively overhauled the list.
- Thoughtful re-organization grounded in the objectives of the offset guidelines, ie to encourage research and development and advance growth of the Indian defence industry.
- The revised list reflects the growing capability of the domestic industry to supply parts, components and sub-assemblies, which is reflected in the removal of products pertaining to design, upgrade, maintenance, repair, certification, testing, etc. of military platforms.

DRAFT DPP 2020 – SOME KEY REFORMS

Elimination of Offset Banking

- The DPP eliminates offset banking from the offset framework.
- Further, there are no provisions pertaining to treatment of banked credits for future procurements.
- Accordingly, vendors with banked credits may not be able to utilize the same for discharging their obligations for tenders issued under the DPP.

DRAFT DPP 2020 – SOME KEY REFORMS

Procedural Reforms

- The DPP proposes certain procedural changes to streamline the process for granting offsets credits to vendors.
- In this regard, the bi-annual reporting mechanism under the erstwhile offset provisions has been eliminated.
- Vendors can now approach the Ministry of Defence at any time for claiming offset credits, subject to prescribed documentation and compliances, and such credits would be granted on rolling basis.
- Further, the DPP now clearly states that discharge of offset obligations would be determined on yearly basis as per the phasing plan submitted at the time of the bid.

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THANK YOU

For any queries – please contact me at
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