

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

UNSTARRED QUESTION NO:1954
ANSWERED ON:19.08.2013
DEFENCE OFFSET POLICY
Singh Shri Dhananjay

Will the Minister of DEFENCE be pleased to state:

- (a) whether all foreign companies are adhering to the 30% offset clause supposed to be present in major defence deals;
- (b) if so, the details of the defence deals signed during each of the last 5 years and the offset clause in them;
- (c) the details of the investments made by foreign defence companies according to these offset clauses, deal-wise during the said period;
- (d) whether the Government has initiated action against certain companies not implementing the same;
- (e) if so, the details thereof including Indian software companies and global arms manufacturers; and
- (f) the steps taken by the Government to prevent such malpractices in the contracts under the offset policy?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF DEFENCE (SHRI A.K. ANTONY)

(a) 30% Offset clause in contracts having indicative cost of Rs. 300 crore or more is being signed in schemes that are categorised as Buy (Global). However, in specific cases depending on the type of acquisition / strategic importance of the acquisition, waiver of the requirement of Offset obligation is obtained from the Defence Acquisition Council (DAC).

(b) & (c) Details are enclosed at Annexure -1.

(d) & (e) Yes, as per the provisions of the Offset guidelines penalty amounting to US \$ 326365 has already been recovered from three foreign vendors in contracts where shortfalls in meeting the offset obligation were observed. In two contracts the foreign vendors have been notified regarding the levy of penalty amount to 2.5MUS\$. Further action for imposition of interim penalty to the tune of Rs. 143.68 crores approx. has been initiated in eight contracts where the shortfalls have been reported by the vendors against respective obligations.

(f) Defence Offset Management Wing has been setup for effective management of all matter relating to Post Contract Offset Management and to ensure that the stated objectives of Defence Offset are achieved. A high level collegiate Committee has been created to monitor the discharge of Offset obligations, administration of penalties and other Offset related issues. An institutional mechanism for carrying out the audit of the claims of the vendors has been evolved through the office of CGDA and is being put into place. Besides, the Defence Procurement Procedure (DPP) provides for levying of penalty and debarment, if a vendor fails to fulfill the offset obligation.