

Offsets Facilitation Cell: Optimizing its Potential

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The Ministry of Defence (MoD) has set up a Facilitation Cell of the Defence Offsets Management Wing (DOMW) at SCOPE Complex, Lodhi Road, New Delhi. DOMW, it may be recalled, was set up as a successor to the Defence Offsets Facilitation Agency (DOFA) in August 2012 for managing offsets.

The foreign vendors and the Indian Offset Partners (IOPs) had been getting exasperated with inaccessibility and unresponsiveness of DOMW. All this is hopefully set to change with MoD announcing through an Office Memorandum issued on February 14, 2014 that with the operationalization of the Facilitation Cell, the foreign vendors and the Indian Offset Partners (IOPs) can interact and clarify their queries on offset related issues. The memorandum goes on to say that while this cell will be manned on all working days of the week, a team from MoD/DOMW will also be available on Tuesdays between 1000 and 1300 hours and on Thursdays between 1430 and 1700 hrs.

This is the perhaps the first positive step in a long time and the MoD needs to be complimented for it. However, absence of an operating procedure, clarity about the exact nature of mandate and guidelines for those who will man the cell could turn out to be a bane for this wonderful initiative.

To begin with, this facility should not remain confined to only those who have an ongoing contract or are in the process of submitting a revised proposal after being declared L1. It should be open to the prospective vendors and IOPs to approach the cell with whatever doubts and queries they have, even if these are hypothetical and not related to any Request for Proposal (RFP).

The clarification given by the cell in such cases would be authoritative advance rulings. Doubts that arise before or while an offset proposal is being formulated must be clarified by an authority empowered to do so. This will help in submission of offset proposals which are fully compliant with the letter and spirit of the offset policy as viewed and interpreted by the MoD.

This is possible only if those who have to man the cell are empowered to give such rulings or made responsible for processing the queries and issuing the clarification within a prescribed time frame with the approval of the competent authority in the MOD. The new arrangement could come a cropper if neither of these two conditions is met. The process of decision making in the MoD, especially on contentious issues, is painfully slow. Subjecting the queries and doubts raised by the vendors and the Indian industry to the same routine would defeat the very purpose of setting up the cell.

One cannot help wonder whether in the last one and a half years since the promulgation of the current offset guidelines, no doubts or queries have been raised by the foreign vendors and the Indian industry. That does not seem possible, which begs the question why the MoD/DOMW has so far issued no written clarifications on those doubts and queries. It could have made the life easier for those who will now be called upon to man the cell and issue clarifications.

It is not really too late to do this. Most of the issues are known and, therefore, MoD/DOMW needs to take pre-emptive action by issuing clarification on all those issues and put them on the FAQ page of DOMW, which does not seem to have been updated even once since it was created. Even if this not done, any clarification issued by the cell in future must necessarily be put on the website as queries and doubts raised by a particular vendor may be of relevance to others also. This will also help in maintaining uniformity in interpretation of the offset guidelines.

At some point of time in near future, MoD should make it possible for queries and doubts to be raised online and the responses to be put on the website so that it obviates the need for people to visit the cell on the prescribed days and during the prescribed hours.

A number of websites are not user-friendly. Either the information cannot be easily located or, if the website has a search engine, it does not fetch up the desired information. This needs to be kept in mind as and when the MoD/DOMW decides to put the clarifications on the website.

There is also a larger issue involved in this. Is the cell to be responsible only for issuing clarifications – either entirely on its own (which seems improbable) or with the approval of the competent authority in the MoD? It would be a gross underutilization of its potential if its role is restricted to this.

According to MoD's orders of August 2012 , DOMW is responsible for the following functions:

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

Of all these functions, there are two in respect of which the cell could play a role. The first is the task related to formulation of the offset guidelines. The cell cannot, of course, formulate the guidelines but could be a useful conduit for conveying the feedback from the vendors and the Indian industry to MoD/DOMW for the latter to amend the provisions of the existing policy, if required, or keep the feedback in view during the next round of revision of the guidelines. The cell is ideally suited to channelize the feedback.

The second task the cell could perform very well is in regard to assisting the vendors in ‘interfacing’ with the Indian industry but for that it will have to create a register of the potential offset partners with details that the prospective vendors would need for selecting a partner. It is difficult to imagine how the cell would discharge this responsibility without such a database. For creating such a database the cell could liaise with other ministries and departments, such as the National Small Industries Corporation, as well as the industry associations. It could even outsource this activity under the provision of the 2012 offset guidelines which permit DOMW to avail of the assistance of any appropriate entity to discharge its functions.

The country is desperate to see tangible results of the offset policy. The step taken by the MoD/DOMW, though belated, is a step in the right direction. The need is to make sure that it works and its potential is optimized. This will also require the persons manning the cell not to be diffident in dealing with the vendors and the Indian industry. Unfortunately, it is generally perceived to be not free from risk in today’s atmosphere of competitive rectitude, measured in terms of distance one maintains from those who the MoD has no option but to depend on to achieve the twin objectives of modernizing the armed forces expeditiously and strengthening the indigenous defence industry in the process.

Views expressed are of the author and do not necessarily reflect the views of the IDSA or of the Government of India.