OFFSET IN SWITZERLAND

What is offset?
When Switzerland procures armaments abroad, the foreign supplier is usually obliged to settle the contract sum 100% by industrial participation in the security-relevant technology and industry base (STIB). A distinction is made between direct and indirect offset:

Direct offset
Direct offset denotes the industrial cooperation between a foreign armament supplier and the STIB within the framework of an offset obligation which flows into the defence equipment to be procured. Direct offset takes place, for example, in the form of full or partial licence production, sub-supplier relationships and joint ventures.

Indirect offset
Indirect offset denotes the industrial cooperation between a foreign armament supplier and the STIB within the framework of an offset obligation which does not flow into the defence equipment to be procured. Indirect offset takes place, for example, in the form of industrial and research orders, technology and expertise transfer as well as marketing support.

Requirements
According to the revised Agreement on Government Procurement, offset is permitted to protect essential security interests with regard to the procurement of defence equipment abroad.

Business types
The following business types can basically be recognised by armasuisse as offset.

- **Direct offset**
  - Defence equipment
  - Procurement abroad
  - Minimum volume of CHF 20 million

- **Indirect offset**
  - Marketing support
  - Project financing

Process
Offset handling as part of the procurement process is divided into five phases:

1. **Definition of requirements**
   - Checking the requirements for offset with planned procurement
   - Determination of requirements (in particular for direct offset)
   - Communication of requirements in request for quotation to foreign providers

2. **Offer and evaluation**
   - Negotiation and signing of a banking agreement with foreign providers
   - Consulting of foreign providers at the creation of an offset concept
   - Evaluation of offset concepts (bids)

3. **Conclusion of contract**
   - Determination of amount of offset obligation for direct and indirect offset
   - Negotiation and signing of an offset agreement with foreign suppliers

4. **Implementation and control**
   - “Pre-approvals”
   - Control of proofs of foreign suppliers regarding offset transactions
   - Confirmation of offset value
   - Accounting of offset transactions
   - Participation in coordination meetings
   - Sanctioning for non-compliance

5. **Information and improvement**
   - Transparent information to stakeholders (offset register, etc.)
   - Checking the strategic achievement of objectives
   - Updating strategic specifications

Envisaged regional distribution
The defence policy value of an offset transaction can be higher than the financial expenditure. The goodwill can be multiplied by a factor of 1 to compensate.

Swiss added value

- **Full offset recognition**
  - 47% bis 100% Swiss added value

- **Proportional offset recognition**
  - 15% bis 61% Swiss added value

- **No offset recognition**
  - 0% bis 20% Swiss added value

Industry sectors of the STIB
Security-relevant goods and services in the following industry sectors are relevant for offset:

- IT Information services
- Mechanical engineering
- Rubber and plastic products
- Aviation (Space transportation)
- Electronics Electrical engineering Optics
- Repair/ installation of machines
- Telecommunications
- Chemical products
- Vehicle construction Automotive parts
- Technical, physical and chemical examination
- Research and development

Business types
The following business types can basically be recognised by armasuisse as offset.

- **Co/licence production and subcontracts**
  - + same orders for third parties ("buy back")

- **Technology and expertise transfer**
  - Defence equipment
  - Procurement abroad
  - Minimum volume of CHF 20 million

- **Acquisition of security-relevant goods and services**

Share in armament programme in million CHF
*2012 armament programme message: Referendum of 18 May 2014: Rejection of funding to procure Gripen combat aircraft (total CHF 2.5 billion)*

Offset Office Bern (OBB)

Tasks
- Encouraging maintenance of network between Swiss and foreign industry partners
- Checking the credibility and assessment of indirect offset transactions
- Accounting for all offset transactions as well as the current compliance status
- Commissioning of audits by an independent external auditing body at the Swiss beneficiaries

Basic principles
- Revised Agreement on Public Procurement of 15 April 1994
- Federal Council’s principles for the DDPS’ Armaments Policy of October 24, 2018
- Armament Strategy of 1 January 2020
- Offset Policy of 1 July 2021
- Agreement between armasuisse and ASIPRO of 22 April 2021

More information