OFFSET IN SWITZERLAND

What is offset?
When Switzerland procures armaments abroad, the foreign supplier is obliged to settle the contract 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.

Multipliers
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
- Acquisition of security-relevant goods and services
- Marketing support
- Project financing

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

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

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)

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

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

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

Share in armament programme in million CHF

<table>
<thead>
<tr>
<th>Year</th>
<th>Offset obligation</th>
<th>No offset obligation</th>
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<tr>
<td>2011</td>
<td>0</td>
<td>205</td>
</tr>
<tr>
<td>2012</td>
<td>511</td>
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<td>2019</td>
<td>685</td>
<td>685</td>
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<tr>
<td>2020</td>
<td>817</td>
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</tbody>
</table>

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

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
- Telecommunications
- Chemical products
- Vehicle construction Automotive parts
- Aerospace
- Technical, physical and chemical examination
- Research and development

Offset Office Bern (OBB)

<table>
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<tr>
<th>Year</th>
<th>OBB Offset Office Bern (in CHF million)</th>
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<tr>
<td>2015</td>
<td>1031</td>
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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

- Armament Office Bern (OBB)
- Fiduciary office or Auditing body
- ASIPRO with managing director
- External auditor

- Offset manager: Board ASIPRO
- Coordination committee: armasuisse and Board ASIPRO

- Armament Office Bern (OBB): April 2021
- Agreement between armasuisse and ASIPRO of 22 April 2021

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