CAG Report on Defence Offsets

Why in news?

The latest CAG report on the implementation of defence offsets has been released.

What does it reveal?

- It has brought into sharp focus the broader subject of developing India's domestic industrial base.
- It also raises concerns of some bureaucratic incapacity.
- This is in contrast with an unambiguous political vision of turning India into a strong and vibrant powerhouse via Atmanirbhar Bharat.

Is the report on defence offsets new?

- The 2020 CAG report on defence offsets is not the first one.
- Previously, an earlier CAG report in 2011 outlined a number of similar problems with defence offset management in India.
- One should compare the two CAG reports, or with reported findings of the latest CBI charge sheets in the Agusta case.
- This comparison is needed to assess the number and range of mistakes made during offset contract management.
- This qualitative deterioration in defence offset guidelines around 2010-11 is probably more a case of bureaucracies changing the rules to hide their own inadequacies during defence offset contract lifecycles.
- The 2011 guidelines are in contrast to the original guidelines that were issued in 2005-06.
- The guidelines of 2005-06 were based on recommendations of Vijay Kelkar committee on defence procurement and manufacturing.

What are Kelkar Committee's recommendations?

- Kelkar Committee recommendations formed the very basis of India's Defence Offset Guidelines.
- Issued almost a decade-and-a-half ago, it contained some core guiding principles that seem to have been diluted in 2011.
- The original offset guidelines of 2005-06 **allowed direct offsets** relating to manufacturing of defence products alone.

- This is a principle that the defence bureaucracy could not stick to very long in the face of well-coordinated push by foreign vendors.
- A second core principle was **grant of offset credit** only for value-addition in India.
- This was neglected for almost a decade in offset management before it was able to make some re-entry into the Ministry of Defence's procedures.
- A third principle was to keep offset contract **duration short** enough so as to be able to see their visible impacts.
- It also insisted on submitting properly crafted offset offers rather than signing of paper promises by foreign vendors.

What does the repetition mean?

- The repetition of the same mistakes as highlighted by the CAG twice is,
    1. Reflective of a general apathy to oversight,
    2. Demonstrates to some extent bureaucrats' inability to grasp core policy principles that stakeholders draw attention to inform proper policymaking in the first place.
- The defence list is actually 24 items, but then 10 of these are rings of slightly different types.
- Such a tiny list makes one wonder if it has been issued only for demonstrating an optical compliance with the DPIIT's mandate.

What is needed?

- A reorientation of bureaucracies' attitudes should be undertaken.
- Bureaucrats should upskill technical policymaking skills, and get out of their comfort levels in remaining conservative and risk-averse.
- Navigating highly dynamic domestic and international developments requires a much more collaborative and strategic approaches, and even much more domain specialisation, than achieved so far.

Source: Financial Express

SHANKAR IAS PARLIAMENT
Information is Empowering