

**HELLENIC MINISTRY OF NATIONAL DEFENCE
GENERAL DIRECTORATE FOR ARMAMENTS
DIVISION FOR OFFSETS**



**GUIDELINES ON OFFSET BENEFITS FOR
HELLENIC ARMED FORCES
PROCUREMENTS**

MAY 1996

**NOTE : IN THE CASE OF DISAGREEMENT ABOUT THE MEANING OF THE
HELLENIC AND ENGLISH TEXTS THE HELLENIC TEXT ALWAYS PREVAILS.**

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APPENDIXES

1. INTRODUCTION

Each prospective supplier of defence material to the Hellenic Armed Forces must include in his proposal package an Offset Benefits (O.B.) offer, in accordance with Presidential Degree 284/89. The O.B. offer must be prepared according to the Guidelines laid down in the present document. In addition, the summarised declaration-offer of Appendix A and the Tables of Appendix B must be filled in.

2. PURPOSE

The purpose of the Guidelines on Offset Benefits is to present the requirements and pursuits of the Hellenic Ministry of Defence (HMOD) in the Offset Benefits field and to define the frame on which the supplier will base to stimulate his offer and which will be the base of the Offset Benefits Contract format.

3. OFFSET BENEFITS CONCEPT

By the term "Offset Benefits" (O.B.) we define the overall return transactions performed by the supplier as a counter balance of a certain procurement of the Hellenic Armed Forces according to the policy of HMOD on O.B.

4. OFFSET BENEFITS POLICY

HMOD main policy on O.B. is to support the Hellenic Defence Industry, and increase business activities in Hellas in order to upgrade the country's production and technological infrastructure.

5. OFFSET BENEFITS PURSUITS

The essential pursuits through the Offset Benefits programs are the following:

- a. To support the Hellenic Defence Industry and increase business activities in Hellas in order to upgrade the country's production and technology infrastructure.
- b. To reinforce the Armed Forces through the supply of material and services.
- c. To reduce defence material costs by indirect return of total relevant expenditure or part of it.

6. LIMIT FOR OFFSET BENEFITS REQUIREMENT

- a. The obligation of providing O.B. is valid for procurements where the foreign currency part of the procurement contract exceeds the equivalent of 400.000.000 Drs. Note that foreign currency is each banknote paid to a firm the central offices of which are abroad. The obligation to submit O.B. offer is upon

the respective contractor who owes to submit the technical and financial offer. Cases of procurement assignments to Hellenic manufacturers where foreign currency exceeds the aforementioned limit will constitute an exception. In those cases, the foreign company that is the recipient of the procurement contract foreign currency part owes to submit the O.B. offer.

b. In cases of long lasting contracts such a "Follow on Support (FOS)" of weapon systems, framework agreement, etc. obligation for providing O.B. is valid when the initial order exceeds the equivalent of 200.000.000 Drs. In those cases, the obligation of O.B. will be related to the total volume of the long lasting contract.

7. OFFSET BENEFITS GROUPS

The Offset Benefits transactions will fall into the following groups:

a. Group I : Transactions related exclusively with the defence material to be procured.

b. Group II : Transactions related to defence materials and services except those falling in Group I.

8. OFFSET BENEFITS VOLUME AND DISTRIBUTION

a. The total volume of the Offset Benefits is at least equal to the 60% of the foreign currency part of the procurement contract and mandatorily includes subcontracting work/purchase of defence materials and/or production of new products (as in par. 9a(1) and (2)) at least 50% of Offset Benefits total credit value.

b. In cases where the estimated procurement amount exceeds the equivalent of 30 MUSD, the O.B. volume increases at a percentage which will depend on the kind and amount of the purchase and which will be clearly defined in the special terms of the procurement RFQ.

9. TYPES OF OFFSET TRANSACTIONS

a. Eligible Offset Benefits are the following types of transactions:

- (1) Purchase of Hellenic Defence products or services and the award to a Hellenic Industrial Firm of subcontracting work for manufacturing defence materials as described in detail in par. 12.
- (2) Production in Hellas of new, complete, autonomous products and subassemblies/spare parts of weapon systems through transfer of technology and provisioning of training/technical support (if required). It is also possible to include in the transaction the financial participation of the supplier for the

creation of a specific production infrastructure in the Hellenic Industry which will produce the new products. The transaction necessarily includes partial absorption/purchase by the supplier of the new production, as well as licence for at least the Hellenic market as described in detail in par. 13.

- (3) Direct investments in the form of foreign currency import in Hellas which will be used to increase the capital of an existing or under establishment industrial firm, with the obligation that the investor will necessarily participate in the long term financial activities as described in detail in par. 14.
- (4) Grant of Capital equipment to Hellenic state-owned Defence Industries as described in detailed in par. 15.
- (5) Grant of material/services to the Hellenic Armed Forces such as defence material, production and test equipment, automation equipment (computers, software) and in general material/services which are of high interest to the Hellenic Armed Forces. Essential requirement for the acceptance of the transaction is the participation of a Hellenic company in the production of the materials/services that will be granted to the Hellenic Armed Forces, unless differently stated in the special terms of the RFQ as described in detail in par. 16.
- (6) Transactions not included in the above types of this par., could be accepted on a basis of a special agreement

b. Transactions regarding the transfer of technology and/or provision of technical support/training, technical data (TDPs) without including the production of new products/weapon systems, specified in par. 9a (2), WILL NOT be accepted and WILL NOT be evaluated.

10. ELIGIBLE PARTIES

The right to manage transactions resulting from the O.B. contract signed by the Division for Offsets of General Directorate for Armaments (HMOD/GDA/DO) and the supplier who is responsible for the transactions fulfilment, is granted to the following eligible parties only after the consent of the HMOD/GDA/DO:

- a. The supplier's parent company and its subsidiaries.
- b. The subcontractors of major subsystems of the system under purchase.
- c. A third party (company/person) nominated with a petition by the supplier.

11. GENERAL CRITERIA FOR ELIGIBILITY - CREDIT OF O.B.

An Offset Benefits transaction is considered eligible and is credited to the

supplier's account for his O.B. obligation regarding a specific procurement, if it meets the prerequisites of par. 12 throughout par. 17 as well as the following general criteria:

- a. It has been pre-approved by HMOD/GDA/DO in advance.
- b. It is pursuant to the Hellenic law and the international obligations of Hellas.
- c. It is the outcome of exclusive actions of the supplier or another eligible party and derives from the supplier's O.B. obligation for the specific procurement and not from already existing relations or obligations to the Hellenic Republic.
- d. It has been completed and all the necessary documents have been submitted to the HMOD/GDA/DO as defined in par. 18.

12. PURCHASE OF HELLENIC DEFENCE PRODUCTS/SERVICES AND AWARD OF SUBCONTRACTING WORK TO MANUFACTURE DEFENCE MATERIAL & CREDIT MECHANISM

a. For the evaluation of purchasing transactions of Hellenic Defence products/services and award of subcontracting work to manufacture defence materials, the following is required:

- (1) Detailed description of the nature, volume and value of the products/services to be purchased.
- (2) Description of the terms and conditions according to which the proposed transactions will be realised (copies of relevant agreements should be attached).
- (3) Expenditures and investments that will possibly be required from the Hellenic side to carry out the transactions.
- (4) Credit and coefficients required by the Supplier for the accomplishment of the proposed transactions.

b. The amount credited for purchasing products/services and the award of subcontracting work results form the following general formula:

$$C = N * V$$

where:

C = The total credit amount

V = The value of the related order, defined by payment vouchers to the Hellenic party, in which the total of the following values:

- (1) The imported materials (including Hellenic taxes)
- (2) Transportation/insurance costs paid to non-Hellenic companies
- (3) Any non-Hellenic taxes or charges and
- (4) The licence royalties

will not exceed 50% of its value. Otherwise V value, will be considered the double of the domestic participation. In case of charge-free supply of the raw materials from the supplier their value will be added to the V price. In no case the new sum should exceed the 1.5 of the V value.

N = credit coefficient

c. The credit coefficient N is defined in the basis of the following criteria:

- (1) The nature of the work
- (2) The volume of the work.
- (3) Its technological level.
- (4) The kind of the charge-free support provided (technology, TDP, training, technical support, etc.)
- (5) The N coefficient can go up to 4 for products and services of high technology.

e. In transactions for purchase of defence products/services and award of subcontracting work for manufacture defence material, any provision of bibliography, technical data package (TDPs), training, technical support that is related to the transaction will not be accepted and will not be evaluated as additional O.B.

13. PRODUCTION OF NEW COMPLETE AUTONOMOUS PRODUCTS AND SUBASSEMBLIES UNDER LICENCE AND CREDIT MECHANISM

a. For the evaluation of those kinds of transactions the following provisions to the Hellenic Industry are acceptable and taken into consideration:

- (1) Technology/Know-how transfer as analytically described in par. 13 e, f, g and h.
- (2) Technical support/training as described in par. 13 i, j and k.
- (3) Participation of the supplier in the infrastructure cost for the production of the new materials as described in par. 13 l, m and n.

- (4) Absorption/Purchase from the supplier of the new materials/ services as described in par. 13 o.

b. The credit amount results from the following general formula:

$$C = C_1 + C_2 + (C_3 + C_4) * K$$

where:

- C =** The total credit amount of the transaction.
- C₁ =** Credit for technology/know-how transfer.
- C₂ =** Credit for technical support/training.
- C₃ =** Credit for the supplier's participation in the infrastructure cost for the production of the new materials.
- C₄ =** Credit for the absorption/purchase of the new materials.
- K =** Licence coefficient which fluctuates from 1 (for the Hellenic market and a 15 years period) up to 1.4 (for world-wide licence without time limit)

c. Necessary pre-requisites for the evaluation and acceptance of the transaction are:

- (1) **Commitment by the supplier for the partial absorption/purchase of the new production with minimum credit value (amount $C_4 * K$) equal to 70% of the sum of all credit values for the technology/know-how transfer and the technical support/training (amount $C_1 + C_2$).**
- (2) **Granting of licence to the Hellenic company for at least the Hellenic market for 15 years.**

d. The credit for the technology/know-how transfer (amount C_1), and the provision of the technical support/training (amount C_2) will be given simultaneously and in proportion with the credit for the purchase from the supplier of the new production (amount $C_4 * K$).

e. Technology/Know-how transfer.

For the evaluation of technology/know-how transfer the following is required:

- (1) **Full description of technology/know-how to be transferred and the implementation methods.**

- (2) Analysis and description of the ways and methods of cost definition for the proposed technology/know-how.
- (3) Terms and conditions according to which the technology is granted to Hellenic companies, where any restraints, commitments, charges to the usage and exploitation of the technology by the recipient will be clearly stated (copies of relevant agreements should be attached).
- (4) Benefits (financial, technical, etc.) for Hellas resulting from the technology transfer.
- (5) Description of the products produced as a result of the technology/know-how transfer where the domestic and imported parts will be specified.
- (6) Credits and coefficients requested by the supplier for the transfer of the proposed technology/know-how.

The credit amount for the technology transfer results from the formula:

$$C_1 = N_1 * V_1$$

where:

C_1 = The credit amount for the technology/know-how transfer

V_1 = The nominal cost of the technology/know-how transfer.

N_1 = Technology/know-how coefficient

f. The N_1 coefficient is defined according to the following criteria:

- (1) The subject of the transferred technology
- (2) The cost of the specific technology offered in comparison to the international standards.
- (3) The technology absorption capability
- (4) The enforcement or not of royalties
- (5) The required investments from the Hellenic party for the absorption and exploitation of the technology
- (6) The interest of the Hellenic party for its acquisition.
- (7) The estimated volume of returns from exports in the future.

g. The credit coefficient N_1 can go up to five (5) in cases of high interest

technology for the manufacture of major products and weapon systems and up to two (2) in cases of technology for the production of subassemblies / defence material spare parts. The highest value is given where there are not any restrictive clauses / charges / binding terms for the acceptance, usage, and exploitation of the transferred technology / know-how.

h. The transferred technology is property of HMOD.

i. Technical support/Training provision

For the evaluation of the technical support/training provision, the following is required:

- (1) Detailed description of the subject of the training/technical support.
- (2) Duration of the training/technical support
- (3) Number/Specialities of persons involved in the program.
- (4) Location/Facilities where the program will be carried out.
- (5) Benefits that will arise for the Hellenic side (financial, technical, etc.)
- (6) Analytical cost assessment of the program provided.
- (7) Credits and coefficients the supplier requests to provide the proposed training/ technical support program.

The credit amount results from the formula :

$$C_2 = N_2 * V_2$$

where:

C_2 = The amount credited for technical support/training

V_2 = The nominal cost of the charge-free technical support/training provided.

N_2 = Training/technical support coefficient.

j. The N_2 coefficient is defined based on the following criteria:

- (1) The technological specialisation acquired or granted
- (2) The subject and the form of the training/technical support

- (3) The cost of the technical support/training in comparison to the international standards.

k. N_2 coefficient can go up to two (2).

NOTE : The Hellenic side will bear the abroad living expenses of the personnel to be trained.

l. Supplier's participation in the production infrastructure cost

For the evaluation of the supplier's participation in the production infrastructure cost (funds or materials) the following is required:

- (1) Level - kind - means - escalation of the participation
- (2) A detailed description and an analytical record of the materials/equipment/general infrastructure returned to the Hellenic side through the supplier's participation.
- (3) Terms, conditions and any commitments the supplier imposes on the Hellenic side.
- (4) Credits and coefficients the supplier asks.

The credit amount of the supplier's participation in the production infrastructure cost results from the formula:

$$C_3 = N_3 * V_3$$

where :

C_3 = The credit amount of the supplier's participation in the production infrastructure cost.

V_3 = The level of participation.

N_3 = Supplier's participation coefficient.

m. The N_3 coefficient is defined on the basis of the following criteria:

- (1) The level of participation
- (2) The escalation of the participation's inflow
- (3) The technical benefits that will arise.
- (4) The economic benefits expected.

(5) The terms and commitments imposed on the Hellenic side.

n. The N_3 coefficient can go up to eight (8). The highest value is reached in participation where the capital involved creates the infrastructure for the production of high interest materials with high export potential as it will arise from the agreement with the Hellenic Industry.

o. Purchase of new materials/weapon systems.

The amount credited for the purchase of the new products results from the general formula:

$$C_4 = 4 * V_4$$

where:

C_4 = The credit amount for the purchase of the new products.

V_4 = The purchase value of the new products.

14. DIRECT INVESTMENT AND CREDIT MECHANISM

a. For the evaluation of direct investment transactions the following is required:

- (1) Description of the branch of the industrial sector where the investment will take place, the implications on the development/competitiveness of this sector as well as the complete consequences on other economic activities. (New job opportunities, facilities location, relation to existing development and investment programmes).
- (2) Detailed description of the new products/services produced and/or the financial and technical benefits resulting from the investment.
- (3) Amount - kind - escalation of the investment.
- (4) Terms, conditions and ways of making the investment (participation - transfer - take over - absorption - ownership - draft agreements attached).
- (5) Other economic, technical, and financial information required for the full evaluation of the proposed investment.
- (6) Detailed description of all restrictions or conditions the supplier undertakes or imposes on the Hellenic side for

investment support and long-term economic activities in Hellas.

- (7) Credits and coefficients the supplier requests to carry out the proposed investment program.

b. The total credit amount results from the following general formula:

$$C = N * V$$

where:

C = The total credit amount.

V = The value of the investment.

N = The investment coefficient.

c. The N coefficient is defined by the following criteria:

- (1) The value of the investment.
- (2) The escalation of the investment inflow.
- (3) The technical benefits that will arise.
- (4) The economic results that are expected.
- (5) The level of the domestic portion of the goods produced.
- (6) The creation of new job opportunities.
- (7) The correlation with existing developing programmes.
- (8) The unit's location.
- (9) The ownership status.
- (10) The terms and conditions imposed on the Hellenic side.

d. The N coefficient can go up to eight (8). The highest value is given exclusively in cases of high interest industrial investments, mainly for export purposes, which are not competitive to existing Hellenic Industries. The investments developed near the Hellenic frontier where the coefficient N can go up to twelve (12) constitute an exception.

15. GRANT OF CAPITAL EQUIPMENT TO THE STATE OWNED DEFENCE INDUSTRY AND CREDIT MECHANISM

a For the evaluation of granting capital equipment to the State owned Defence Industry the following is required :

- (1) Detailed description of the granted equipment.
- (2) Analysis and description of the cost definition for the proposed transaction. Analysis of the determination method for the current price of the equipment in case of used equipment granted (deprecations - replacement price - service life - year of production/ manufacture - manufacturer - model - type).
- (3) Terms and conditions agreed upon with the State owned Defence Industries according to which the equipment is granted free of charge. There will be stated any restrictions - surcharges imposed for the usage and exploitation of the equipment by the recipient with explicit reference to the transportation, insurance and installation costs. (Relative draft agreements should be attached).
- (4) Investments and expenditures possibly required for the installation, operation and exploitation of the equipment.
- (5) Reference to the needs and interests of the Hellenic Defence Industry in general and the competition of similar units manufacturing products and services.
- (6) Detailed description of the products manufactured by the said equipment.
- (7) Credits and coefficients requested by the supplier for the realisation of the proposed transaction for the grant of capital equipment.

b. The amount credited results from the following general formula:

$$C = V * N + M$$

where:

C = The total credit amount.

V = Current value of the equipment. In cases of non-new or used equipment of which the market value is difficult to be calculated, the value will be determined by subtracting from the nominal value of the equipment an amount which

corresponds to the depreciation of the equipment during its use.

M = Other surcharges (transportation cost, insurance, installation cost, taxes, etc.).

N = Capital equipment coefficient.

c. The capital equipment coefficient N is defined by the following criteria:

- (1) The kind and the condition of the equipment.
- (2) The time of initial operation.
- (3) The needs of the Hellenic Defence Industry for its acquisition and the products manufactured by its use.
- (4) The existence of restrictive terms for the recipient.
- (5) Installation and operation cost of the equipment.
- (6) The technical level and the specialisation - training required for its installation - operation.

d. The N coefficient can go up to ten (10) for free of charge autonomous new capital equipment to State owned Defence Industry.

e. A necessary condition for the acceptance of the capital equipment is the capability for their immediate utilisation in specific existing or about to be undertaken programs from the particular Hellenic company which has to prove that.

f. The credit for granting the capital equipment will be made after the certification of operation and the logistic entry of the granted equipment to the company's assets.

16. GRANT OF MATERIALS/SERVICES TO THE ARMED FORCES

a. For the evaluation of the grant of materials/services transactions the following is required:

- (1) Detailed description of the provided materials/ services.
- (2) Analysis and description of the method for the definition of the proposed transaction's value.
- (3) Conditions under which the materials/services are granted and which should report any restrictions - surcharges that are imposed to the receiver for the usage and exploitation of the equipment with specific reference to transportation cost, insurance, facilities operation cost and their follow on support/maintenance.

- (4) Investments and expenditures possibly required for the installation, operation and exploitation of the granted materials/services.
- (5) Detailed description of the kind and level of the Hellenic company's participation in the manufacturing of the transaction's materials/services.
- (6) Credits and coefficients requested by the supplier for the realisation of the proposed transaction.

b. The amount credited results from the following general formula:

$$C = V * N + M$$

where:

- C =** The total credit amount.
- V =** The market values of the materials/services.
- M =** Other charges (transportation cost, insurance, installation cost, taxes, etc.).
- N =** Materials/services coefficient.

c. The N coefficient is defined by the following criteria:

- (1) The kind, technology and condition of materials and the kind of services.
- (2) The level and kind of the Hellenic company's participation in the production of the materials/services.
- (3) The time of delivery.
- (4) The needs and priorities of the Armed Forces.
- (5) The restrictive terms for the receiver, if any.
- (6) The required expenditures for the exploitation/development/support of the granted material/services.
- (7) The technical level and the specialisation - training needed for the utilisation of the provided materials/services.

d. The value of the N coefficient depends on the appraisal of the above criteria, par. c(1) to c(7), and it can go up to twelve (12) in the best case. The highest value is given for high interest products on the condition that a Hellenic company will have significant and substantial participation during their

production. If a Hellenic company does not participate, then the value of N coefficient will not exceed eight (8).

e. The final acceptance of the transaction is subject to the appropriate General Staff's approval.

17. OTHER ELIGIBLE TRANSACTIONS

Transactions not included in the above categories, par. 12 through par. 16 will be considered and discussed on a case by case basis, if they are advantageous for HMOD, while an O.B. contract is being concluded or implemented but not during the evaluation period of the O.B. proposals within the framework of HMOD's bids when they will not be taken into consideration.

18. CREDIT SUPPORTING DOCUMENTS

a. The credit of Offset Benefits transactions will be given after the supplier submits to HMOD/GDA/DO the required for each case supporting documents. The following originals or legal supporting documents confirmed by the appropriate authority are required:

(1). For purchase of Hellenic defence products/services and award of subcontracting work to manufacture defence material.

- (a) Pre-approval of the specific transaction by HMOD/GDA/DO.
- (b) Copy of the contract/agreement signed with the Hellenic Company.
- (c) Statement of the Hellenic company (1599/1986 law) on the satisfactory performance - completion of the transaction by the supplier according to the format specified in the relevant contract.
- (d) Copies of export invoices.
- (e) Copies of bill of lading for European Union countries or export entry for other countries.
- (f) Copy of the foreign exchange purchase receipt (pink slip) certified from the issuing bank.

(2). For the production of new complete autonomous products under licence.

- (a) The supporting documents of par. 18a(1)(a), (b), (d), (e) and (f).
- (b) Statement of the Hellenic Firm (1599/1986 law) that the technology/know-how transfer and the technical support/

training were satisfactorily performed as provided for in the contract, as well as the appropriate licence has been issued.

- (c) An analytical table/timetable of the technical support/training provided.
- (d) The analytical list including all the relevant invoice copies of the purchased materials/equipment that were obtained through the participation of the supplier in the production infrastructure cost.

(3). **For direct investment**

- (a) The supporting documents of par. 18a(1)(a), (b) and (c).
- (b) Bank documents certifying exchange's purchase (copy certified by the issuing bank).
- (c) Decision of the General Assembly stockholders for the increase of the company's Capital Stock.
- (d) The relevant increase of the company's Capital Stock published in the gazette.
- (e) Report from the Central Inspection Service of the Ministry of National Economy or from a Registered Public Accountant.

(4). **For the grant of capital equipment to the State owned Defence Industry.**

- (a) The supporting documents of par. 18a(1)(a), (b) and (c).
- (b) Copies of the shipping documents.
- (c) Document copies drawn up by State owned Defence Industry's Committee certifying the good operation of the supplied equipment and its final acceptance.
- (d) Certificate from the State owned Defence Industry for the logistic entry of the equipment to the company's assets.

(5). **For the supply of materials/services to the Armed Forces.**

- (a) The supporting documents of par. 18a(1)(a).
- (b) Documents from the appropriate authority of the Armed

Forces proving the final receipt and acceptance of the materials/services according to the O.B. contract.

- (c) Document from the appropriate authority of the Armed Forces certifying that the materials became property to the State.

b. HMOD/GDA/DO has the right to include in the O.B. contract/agreement any additional supporting documents depending on the case.

19. IMPLEMENTATION PERIOD AND ANNUAL DISTRIBUTION OF O.B.

a. It is desirable that the total implementation period for the Offset Benefits to be the same as the period of the main procurement contract.

b. When the implementation period exceeds four (4) years, the remaining part of the O.B. will be readjusted according to the annual inflation rate of the country the currency of which is used for the credit of the transactions.

c. Any request for grace period from a supplier will be only agreed upon during the time of drafting the O.B. contract.

20. PENALTY CLAUSES

a. If part of the Offset obligation has not been fulfilled at the end of the agreed implementation period of O.B., the supplier is obliged to pay the amount equal to ten per cent (10%) of the obligation's unfulfilled part. For this reason, the supplier has the explicit and unavoidable commitment to deposit to HMOD/GDA/DO a bank guarantee, as it is specifically described in par. 21.

b. Any delays in the implementation of a specific O.B. program, in the contents of a signed O.B. contract, will result in the decrease of the credited value of the program by a percentage defined in the O.B. contract.

21. BANK GUARANTEE.

a. The supplier, as a guarantee for the good performance of his O.B. obligations, must submit to HMOD/GDA/DO an irrevocable letter of Bank Guarantee issued by a bank with branches in Hellas (preferably the General Bank of Greece S.A., Panepistimiou 9, 10229 Athens, tel (01) 3250301-9 Fax (01) 3222271). The bank guarantee has to cover an amount equal to ten per cent (10%) of the O.B.'s total credited value, thus equal to the penalty clause amount.

b. The amount of the Bank guarantee will be progressively reduced by the percentage of the O.B. fulfilled by the supplier.

c. Format of acceptable bank guarantee as in Appendix D.

22. SANCTIONS

HMOD/GDA/DO reserves the right to propose to the General Staff :

a. The enforcement of article 62 of the PD 284/89 (disqualification of a supplier from the Armed Forces procurements) for the supplier and/or the eligible parties that cause serious problems to the implementation of the Offset programs or breach contract conditions failing to fulfil their obligations.

b. The enforcement of article 9, Appendix B of the PD.284/89 by proclaiming the supplier forfeited, in case the supplier does not deposit the bank guarantee letter on time.

23. TERMS OF O.B. OFFER

a. In the Offset Benefits offer the following will have to be clearly defined:

- (1) The total amount of the Offset Benefits offered and their categories.
- (2) The different types of Offset transactions.
- (3) A detailed description of the proposed transactions according to the respective information included in par. 12 throughout par. 16 respectively.
- (4) The domestic participation in the production of materials or services provided by the Hellenic Industries.
- (5) The total time period and sub-periods needed for the fulfilment of the Offset Benefits obligations by the supplier.
- (6) Existence of preliminary agreements or final agreements between the supplier and Hellenic Industry.
- (7) Description and credit analysis of each Offset Transaction proposed by filling in the tables of Appendix B regarding the Credit Analysis of Offset Benefits Transactions.
- (8) Detailed information about the proposed O.B. transactions in order to evaluate them.
- (9) Written statement that the supplier will deposit to HMOD/GDA/DO a Bank guarantee letter for the amount equal to ten per cent (10%) of the Offset's obligations.
- (10) Suppliers written statement that he undertakes the responsibility to perform another transaction instead of any O.B. transaction which is impossible to be accomplished or completed for any reason. The new transaction has to be of at least equal credit value and same category and it has to be

performed within the implementation period of the Offset Benefits.

b. During the evaluation of the Offset Benefits offer, non-compliance with one of the above terms and lack of support documents will affect grading of the specific offer - even with zero. (See Declaration-Offer in Appendix A).

24. GENERAL CRITERIA FOR EVALUATION-GRADING OF O.B. OFFERS.

a. During the evaluation of O.B. offers, the criteria which are taken into consideration are basically the following:

- (1) The total percentage of the offered O.B.
- (2) The distribution of O.B. in group I and II.
- (3) The types of the offered Offset Transactions.
- (4) The implementation period of the O.B.

b. The evaluation of the O.B. offers is performed according to the above general criteria and is based on the methodology as in Appendix C.

25. PARTICIPATION OF THE O.B. IN THE EVALUATION OF THE PROCUREMENT OFFERS.

The evaluation of the procurement offers is performed in the method of gravity and integrity coefficients. The calculation of the evaluated data and the gravity of the O.B. is defined by the formula:

$$RV = \frac{\text{Procurement Cost}}{(0,8) T + (0,2) OB}$$

where:

RV = Reflective Value.

T = Technical Evaluation Grading.

OB = Offset Benefits Grading.

26. O.B. CONTRACT SIGNING

a. After the selection of the supplier and before the awarding decision,

- (1) The HMOD/GDA/DO negotiation committee prepares a draft

O.B. contract. The committee consists of GDA and the appropriate General Staff representatives.

- (2) After the draft contract has been approved, it is signed by HMOD/GDA/DO Director and by the legally authorised representative of the selected supplier and it constitutes the O.B. contract. The draft contract must be approved by the Deputy MOD only when its credit value exceeds 300,000,000 Drs. The same procedure is followed when O.B. transactions/programs are agreed upon in the content of obligations stemming from previous O.B. contracts.
- (3) In cases where the O.B. proposed by the supplier have been evaluated and considered inadequate for the Hellenic State, the HMOD/GDA/DO reserves the right to negotiate with the supplier the optimisation of the proposed O.B. as a whole.

b. The O.B. contract is drawn up based on the Guidelines of O.B. and other O.B. conditions included in the request for quotation.

c. The O.B. contract is drawn up in the Hellenic language and will be translated by the contractor in English only if it is necessary. In case of differences in the interpretation of the Hellenic and English texts, the Hellenic text will prevail.

27. RESPONSIBLE AUTHORITY

The responsible authority for the evaluation of O.B. offers, the sign of O.B. contracts, direction, control and monitoring of the relevant programs is HMOD/GDA/DO (ADD: Hellenic Ministry of National Defence, General Directorate for Armaments, Division for Offsets, Holargos GR, Tel (01) 6444165, fax (01) 6420420).

28. AMENDMENTS

The above mentioned will be amended only by Deputy MOD decision.

28. EFFECTIVE DATE

The forth mentioned Guidelines for Offset Benefits will be effective from May 1, 1996 and will replace the January 93 equivalent Guidelines.

APPENDIX A

APPENDIX B

APPENDIX C

APPENDIX D

BRIEF DECLARATION - OFFER

TABLES OF O.B. TRANSACTIONS ANALYSIS

EVALUATION CRITERIA AND GRADING OF O.B. OFFERS

SAMPLE OF ACCEPTED LETTER OF BANK GUARANTEE

BRIEF DECLARATION - OFFER

This brief Declaration - Offer is by no means the complete final O.B. offer which has to be prepared and written according to par. 23 of the Guidelines for O.B.

1. The total volume percentage of the credit value of the offered O.B. based on the value of our financial offer is:

2. The distribution of the total proposed O.B. which we commit ourselves to realise in each of the following two categories is:

a. Category 1

Credit Value

Percentage % of the value of
the financial offer

b. Category 2

Credit Value

Percentage % of the value of
the financial offer

3. The implementation of the proposed O.B. is ensured by:

a. Joint venture with a Hellenic Industry

YES/NO

b. Contract with a Hellenic Industry

YES/NO

c. MOU with a Hellenic Industry

YES/NO

d. -----

Supporting documents /validated copies are attached, herewith.

4. Detailed descriptions and attached supporting documents are being provided for each proposed O.B. transaction according to par. 12 through par. 16 of the Guidelines for O.B.: ☐ YES/NO

5. The domestic participation in the material produced or the services provided by the Hellenic Industries is indicated: ☐ YES/NO

6. We have filled in the tables of Appendix B : ☐ YES/NO

7. The current O.B. offer is valid until at least the expire date of our financial offer : ☐ YES/NO

(If NOT, please describe a different proposal)

8. The proposed O.B. volume percentage is valid in the event of probable increase of the procurement contract value: ☐ YES/NO

(If NOT, please describe a different proposal)

9. We have been informed about the terms of the Guidelines for O.B. and we fully accept them: ☐ YES/NO

(If NOT, please state the points you disagree with and specify other counter proposals).

10. We undertake the explicit obligation to propose other transactions of the same category in case that some can not be performed, or are not desirable, or the HMOD/ GDA/DO reduces their requested credit value:

☐

YES/NO

11. We accept the exclusive and full responsibility to implement the proposed O.B.:

☐

YES/NO

12. We accept the explicit obligation to pay for the penalty clauses which are equal to at least ten per cent (10%) of the credited value of the unfulfilled O.B.

☐

YES/NO

13. We accept the explicit commitment to deposit to HMOD/GDA/DO a letter of Bank Guarantee for the good execution of the O.B. contract. The letter of Bank Guarantee will totally cover the penalty clauses of the O.B. contract.

☐

YES/NO

14. The implementation of the offered O.B. will be completed in :

☐

YEARS or
MONTHS

15. If the implementation period of the offered O.B. exceeds four (4) years, we accept the yearly readjustment for the remaining part of the O.B. as it is described in par.19 of the Guidelines for O.B.:

☐

YES/NO

Date:.....

COMPANY'S NAME

SIGNATURE
NAME
POSITION

**TABLES OF O.B.
TRANSACTIONS ANALYSIS**

The suppliers have to complete and include in their offer :

- a. A summary table of transactions according to Annex 1, for all the proposed transactions
- b. A table of transactions analysis according to Annex 2, for each proposed transaction.

ANNEXES

- 1. SUMMARY TABLE OF O.B. TRANSACTIONS**
- 2. ANALYSIS TABLE OF O.B. TRANSACTIONS.**

SUMMARY TABLE OF O.B. TRANSACTIONS

TRANSACTIONS	CURRENCY:		CREDIT COEFFICIENT	CREDIT VALUE	GROUP (I, II)
	NOMINAL VALUE:				
GROUP I TOTAL					
GROUP II TOTAL					
<u>GRAND TOTAL</u>					

SIGNATURE
NAME

ANALYSIS TABLE OF O.B. TRANSACTION

TRANSACTION		GROUP
TITLE		CURRENCY
BRIEF DESCRIPTION		
TRANSACTION ANALYSIS		CREDIT COEF.
1. PURCHASE OF DEFENCE MATERIALS/ SUBCONTRACTING WORK		NOMINAL VALUE
2.PRODUCTION OF NEW PRODUCTS	TECHNOLOGY/ KNOW HOW TRANSFER	
	TECHNICAL SUPPORT/ TRAINING	
	PARTICIPATION IN THE INFRASTRUCTURE COST	
	PURCHASE OF NEW PRODUCTS	
3. DIRECT INVESTMENT		
4. GRANT OF FIXED ASSETS		
5. MATERIALS - SERVICES TO THE ARMED FORCES		
TOTAL		
EXPENSES INCURRED TO THE HELLENIC SIDE FOR THE REALISATION OF THE TRANSACTION		

SIGNATURE
NAME

EVALUATION CRITERIA AND GRADING OF O.B. OFFERS

1. GENERAL TERMS

a. The O.B. offers are prepared and written according to par. 23 of the Guidelines for O.B.

b. An O.B. offer is not evaluated and is gets no mark when:

(1) The O.B. *offered* is less than sixty per cent (60%) of the financial offer.

(2) The types of O.B. transactions through which the overall obligation would be fulfilled is not determined and the nominal and credit value of each transaction is not indicated.

(3) The supplier does not accept the penalty clause and does not accept to deposit a letter of Bank Guarantee as described in par.20 and 21 of the Guidelines for O.B.

(4) The transactions offered do not include assignment of subcontracting work/ purchase of defence materials and/or manufacture of new products as described in par. 9a(1) and (2) of the Guidelines for O.B.

c. Subjects included in an O.B. offer but not included in the Guidelines for O.B. will not be evaluated.

2. GRADING OF O.B. OFFERS.

a. The grading of each O.B. offer results from the following formula :

$$OM = VM + DM + TM + PM$$

where:

OM = The grade of O.B. where **MM** is 100

VM = The grade of "PERCENTAGE" criterion where **MM** is 28

DM = The grade of "DISTRIBUTION" criterion where **MM** is 8

TM = The grade of "TYPE OF OFFSET TRANSACTION" criterion where **MM** is 60

PM = The grade of "IMPLEMENTATION" criterion where **MM** is 4

MM = The highest possible grade.

3. GRADING CRITERIA

a. "PERCENTAGE" CRITERION

(1) What is evaluated and graded is the O.B. volume percentage *offered* for the implementation of which there is an absolute and unconditional commitment even when part or the whole of the proposed programmes might not be accepted or need to be replaced by other.

(2) If the above is not covered, the criterion will get nought.

(3) The grade of the criterion results from the formula:

$$VM = \frac{V * 28}{HOV}$$

where:

VM = The grade of "Percentage" criterion.

V = O.B. percentage *Offered*.

HOV= Highest O.B. volume percentage among all offers under evaluation.

b. "DISTRIBUTION" CRITERION

(1) The volume percentages in Groups I and II, for which there is an absolute and unconditional commitment for their implementation even when part or the whole of the proposed programmes might not be accepted or need to be replaced by other, are evaluated and graded only.

(2) If the above is not covered, the criterion will get nought.

(3) The grade of the criterion results from the formula:

$$DM = \frac{(G_I * 1 + G_{II} * 0.5) * 8}{HOV}$$

where:

DM = The grade of "Distribution" criterion.

G_I = Overall O.B. volume percentage *offered* in Group I.

G_{II} = Overall O.B. volume percentage *offered* in Group II.

HOV= Highest O.B. volume percentage among all offers under evaluation.

c. "TYPE OF OFFSET TRANSACTIONS" CRITERION

(1) The criterion is evaluated and graded only when subcontracting work/ purchase of defence materials and/or manufacture of new products (as described in par. 9a(1) and (2) of Guidelines for O.B.) of total credit amount equal to at least fifty per cent (50%) of the overall Offset Benefits are offered.

(2) If the above is not covered, the criterion will get nought.

(3) The grade of the criterion results from the formula:

$$TM = \frac{60}{100 \cdot HAV} (100 \cdot SUB + 60 \cdot NPR + 40 \cdot INV + 40 \cdot ASS + 60 \cdot MSR)$$

where:

TM = The grade of "Type of Offset transactions" criterion.

HAV = Highest *accepted* O.B. volume percentage among all the O.B. offers of the competition.

SUB = The overall *accepted* volume percentage of Defence materials/ services purchase, and award of subcontracting work to manufacture Defence material transactions according to par. 12 of Guidelines for O.B. The transactions must be absolutely specified according to par. 12a. Otherwise, the SUB will get nought.

NPR = The overall *accepted* percentage of the transactions of new products under licence according to par. 13 of Guidelines for O.B. An essential prerequisite for the evaluation is the existence of all the commitments according to par. 13c of Guidelines for O.B. Otherwise, the NPR will get nought. Grant of equipment and materials purchase included in the transactions of new products, they will be evaluated and graded as such. They will not be evaluated and graded as if they were individual transactions of capital equipment and defence material purchase.

INV = The overall *accepted* volume of Direct Investment transactions according to par. 14 of Guidelines for O.B. The transactions must be absolutely specified according to par. 14a of Guidelines for O.B. Otherwise, the INV will get nought.

ASS = The overall *accepted* volume of the transactions of supplying capital equipment to the State owned Defence Industry according to par. 15 of Guidelines for O.B. The transactions must be absolutely specified according to par. 15a of Guidelines for O.B. Otherwise, the ASS will get nought.

MSR = The overall *accepted* volume of the transactions of supplying material/services to the Armed Forces according to par. 16 of Guidelines for O.B. The transactions must be absolutely specified according to par. 16a of Guidelines for O.B. In addition, the transactions must necessarily be included in the needs/requirements of the General Staff; moreover, it must be possible to assess their value either by records of the agency or by detailed data provided with the offer. Otherwise, the MSR will get nought.

(4) Transactions that do not come under the above types will not be considered and will not be evaluated.

(5) To note that *Accepted* volume is the volume the evaluation committee of O.B. offers accepts, based on the content and the spirit of Guidelines for O.B.

d. "IMPLEMENTATION PERIOD" CRITERION

(1) The criterion is evaluated and graded only when the implementation period of the O.B. offered is less than four (4) years.

(2) The criterion grading is proportional. The shortest implementation period gets four (4), and the rest proportionally.

**SAMPLE OF ACCEPTABLE
LETTER of BANK GUARANTEE**

BANK NAME

Date :

**TO : HELLENIC MINISTRY OF NATIONAL DEFENCE
GENERAL DIRECTORATE FOR ARMAMENTS
DIVISION FOR OFFSETS
PAPAGOU
HOLARGOS
ATHENS - HELLAS**

LETTER of BANK GUARANTEE No

AMOUNT.....

1. We have been informed that the Offset Benefits contract (O.B.) numbered dated has been signed between the..... company, as the supplier, from now on called Supplier and your side (Hellenic Ministry of National Defence/ General Directorate for Armaments/ Division for Offsets). It covers an O.B. provision of total credit value. The Supplier is obliged to submit to you a letter of Bank Guarantee for the good performance of his O.B. obligations for the amount of (Written in Full)..... (10% of the credit value of the O.B.) according to the forthmentioned contract.

2. Pursuant to the above we (BANK NAME/BRANCH) supply the required Letter of Guarantee for the Supplier and thus undertake the obligation to pay you after your premier and simple request irrevocably and unconditionally with no additional proofs except your statement that the Supplier did not correctly fulfilled his obligations to provide the aforementioned O.B. within the time limit provided by par. of the above O.B. contract, the whole amount of the Letter of Guarantee within three days after the date of receiving your demand, regardless of any objection and/or any kind of arguments of the Supplier, any legal action taken by the Supplier before any court of law in any country and without you having to resort to a court of law or arbitration.

3. This letter of Guarantee for good performance will be reduced until paid out by the amount equal to 10% of the credit value of the O.B's that have

been realised by the supplier, according to the relative documents to be issued by you, which will demonstrate the value of the realised O.B. and the exact amount by which the letter of Guarantee will be reduced, and which will force us to act accordingly.

4. This letter of Guarantee will be valid until the supplier fulfils all of his obligations towards your party.

BANK NAME

SIGNED

NAME