

Republic of Turkey
Ministry of National Defence
Undersecretariat for Defence Industries (SSM)



INDUSTRIAL PARTICIPATION/OFFSET
GUIDELINE

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1. Objective

The objective of this Industrial Participation / Offset Guideline (hereinafter this “Guideline”) is to inform public and those concerned of the procedures and principles relevant to the Industrial Participation / Offset (IP/O) activities executed by the Undersecretariat for Defence Industries (hereinafter “SSM”).

2. Scope

- 2.1.** The principles in this Guideline covers the IP/O activities under the Projects executed by SSM and the IP/O activities assigned to the SSM.
- 2.2.** The regulations in this Guideline will be applied to the IP/O activities within the scope of the IP/O Contracts that had been signed before the publication of this Guideline, unless these regulations are in contradiction with the terms and conditions involved in mentioned IP/O Contracts.
- 2.3.** In the projects that the relevant RFP had been issued before the date this Guideline becomes effective, the IP/O Contract will be signed according to the terms and conditions stated within the RFP without being obliged to the terms in this Guideline. However, if approved by SSM, mentioned projects could be subject to the terms of this Guideline by publishing an addendum and changing the RFP.

3. Definitions and Abbreviations

3.1. Definitions

In this Guideline, following definitions will be used within the given context:

- | | |
|------------------------|---|
| Category-A IP/O | Activities, to be conducted by Turkish industry within the scope of Procurement Contract, of which the details stated in the Industrialization Plan located in the appendix of the IP/O Contract and with a proven fulfillment by supporting documents within the related Program Period. |
| Category-B IP/O | Product/service export within the fields of defence, homeland security and aerospace industries. |

Category-C IP/O For Foreign Contractor

Except the ones within Category A IP/O, Foreign Contractor's following activities in field of defence, homeland security and aerospace industry,

a) Technological Cooperation

Development of a genuine product and technology, bring in design, development, production, test, etc. capabilities and providing necessary equipment, hardware, software, training, documentation, etc. for this purpose.

b) Investment

- Excluding the takeover of an existing company, direct foreign investments within the scope of establishment of brand new companies or partnership with existing companies,
- In line with the approval of SSM, the equipment, hardware and software provided to the SMEs, training and research institutions in Turkey.

Domestic Contractor's contributions including equipment, hardware, software, service or financial support to the training and R&D studies conducted by industrial enterprises, training and research institutions in Turkey in the fields of defence, homeland security and aerospace industries.

Contractor	Natural and legal personalities who are liable to SSM for all activities within the scope of IP/O liability.
Bidder	Natural and legal personalities that make an IP/O bid within the scope of the project.
Crediting	The reduction of the Contractor's liability involved in IP/O Contract by the achieved IP/O amount in terms of the Crediting Principles article of this Guideline.
Crediting Report	The related report involved in IP/O Contract.

Domestic Contractor	Natural and legal personalities under Turkish nationality who are liable to SSM for all activities within the scope of IP/O liability.
Domestic Net Added Value (DNAV)	<p>In the invoice of a product and/or a service, the aggregate of</p> <ul style="list-style-type: none"> a) The costs of all raw material, supplies, product, service, manpower, etc. obtained from domestic market, b) Overhead costs excluding administrative expenses (travel, accomodation, consulting services, postal services, etc.) c) The profits made by domestic companies and relevant taxes that may occur during the production of the mentioned product and/or service.
Eligible Party	<p>For Foreign Contractor;</p> <ul style="list-style-type: none"> a) Contractor b) The sub-contractors under the Procurement Contract c) Provided that being approved by SSM, other foreign companies proposed by Contractor <p>For Domestic Contractor;</p> <ul style="list-style-type: none"> a) Contractor b) The sub-contractors under the Procurement Contract
Foreign Contractor	Natural and legal personalities under foreign nationality who are liable to SSM for all activities within the scope of IP/O liability.
Industrialization Plan	The plan, which will be prepared as an attachment to the IP/O Contract and elaborates the details of Contractor's liabilities towards Category A activities within the IP/O Contract.
IP/O Contract	The Contract, signed with the Contractor referring to the Procurement Agreement, determining the terms and conditions regarding the realization of the Contractor's IP/O obligations.
IP/O Letter of Guarantee	Letter of Guarantee submitted to SSM by Contractor within the scope of IP/O Contract

IP/O Liability Term	The duration between the advance payment and 2 (two) years after the date which the latest product/service delivery will be made within the framework of Procurement Contract, excluding the warranty period.
IP/O Report	The report that is submitted by Contractor to SSM at the end of every Program Period, defined as in the IP/O Contract.
Technology Development Liability	The liability of the Contractor within the scope of the development project that aims to develop technology based system, subsystem and component in collaboration with the SMEs and university/research institutes, in order to constitute an input to the final product or product roadmap that will be produced within the framework of the Project.
Pre-Approval	Written approval required to be obtained by the Contractor from SSM according to the Pre-Approval Principles article of this Guideline, in order for the planned IP/O activities to be valid.
Pre-Crediting	Preservation of the crediting corresponding to the achieved IP/O activities in accordance with this Guideline's Pre-Crediting Principles article, in order to be counted towards the possible future IP/O liabilities of a company which is a Contractor, Bidder or does not have a IP/O liability to SSM.
Prior Market	The countries that the relevant product/service to be exported for the first time.
Procurement Contract	The procurement contract signed in terms of Project by SSM.

Program Period	<ul style="list-style-type: none"> – For the IP/O Contracts which the IP/O Liability Period is up to 2 (two) years, the duration from the date that advance payment within the framework of Procurement Contract is made on the Contractor until the date that IP/O Liability Period is expired. – For the IP/O Contracts which the IP/O Liability Term is greater than 2 (two) years, every 12 (twelve) months period from the date that advance payment within the framework of Procurement Contract is made on the Contractor.
Project	All procurement and industrialization activities executed by SSM based on the authorization from Defence Industry Executive Committee.
Request for Proposal	The documents and appendices consist in Part I and Part II, which includes administrative, financial, legal, technical, tactical and logistics requests related with the bid initialized within the scope of the Project.
Small and Middle Sized Enterprises (SME)	Economical units where the number of employees is below 250 (two hundred and fifty) and whom annual net sales revenue or financial balance-sheet not exceeding 25 (twenty five) Million Turkish Liras.
Supplier Company	All domestic companies involved in the Project except the ones that SSM particularly stated in the RFP whose direct works will not be considered as Supplier Company / SME Work Share within the scope of the project.
Supplier Company / SME Work Share	<p>Within the scope of the project; the Category-A IP/O activities accomplished by all domestic companies involved in the Project; except their own-achieved activities of</p> <ul style="list-style-type: none"> – Contractor – Domestic Sub-Contractors that SSM particularly stated in the RFP who will not be considered as Supplier Company

Temporary Crediting	The crediting, which is intended for achievement of an IP/O activity planned by the Contractor within a Program Period and granted in terms of Temporary Crediting Principles article stated in this Guideline to be converted into permanent credit later.
Undersecretariat	Undersecretariat for Defence Industries.
Undersecretary	Undersecretary for Defence Industries.

3.2. Abbreviations

In this Guideline, following abbreviations will be used within the given context:

SME	Small and Medium Sized Enterprises
MoND	Ministry of National Defence
IP/O	Industrial Participation/Offset
RFP	Request For Proposal
DNAV	Domestic Net Added Value

4. General Principles

- 4.1. For all Projects within the scope of this Guideline, an IP/O Contract shall be signed with and IP/O liability acquired from the relevant Contractor.
- 4.2. SSM may also sign separate IP/O Contract(s) with the other foreign Sub-Contractors involved in the Project. In these conditions, the IP/O liabilities involved in the mentioned IP/O Contracts will be deducted from the Contractor's IP/O liability.
- 4.3. For the purchases from another government with the methods of Foreign Military Sales (FMS) and etc., SSM and the foreign contractors who sign a contract with the foreign country will be cosignatory for IP/O Contract(s) constructed within the scope of the terms and conditions of this Guideline. Mentioned IP/O Contract(s) shall be signed before the signing of procurement agreement (Letter of Agreement, etc.) by the foreign country and SSM, or before the first payment made by SSM within the scope of the Project.

- 4.4. The Contractor shall not impose any financial burden on SSM, while performing its IP/O Liability.
- 4.5. Products and services supplied by the Contractor under other bids / purchases / projects which are being executed by SSM and/or other governmental agencies shall not be counted towards the IP/O liability defined in this IP/O Contract.
- 4.6. Activities that are accomplished within the scope of Technology Development Liability by the Contractor will not be considered as IP/O activities.
- 4.7. If the Procurement Contract value is increased or decreased for any reason, the value of the total IP/O liability of the Contractor will also increase or decrease proportionally.
- 4.8. In order to support the Turkish companies in the international markets, the swap of the IP/O liabilities of domestic companies' to a foreign country as a result of the product/service exports in the fields of defence, homeland security and aerospace with the IP/O liabilities of the Contractor settled in the related country to SSM will be conducted under the conditions of the domestic company's written application, the evaluation of SSM and the approval of Undersecretary if evaluated as convenient.

5. Determination of IP/O Principles in RFP

- 5.1. IP/O liability percentage, not being lower than 70% (seventy percent) of the Procurement Contract value in any case, will be determined by SSM with taking the attributes of the Project into account and will be stated in the RFP.
- 5.2. In order to meet the required IP/O liability percentages stated in the RFP it shall be requested from the Bidders to propose IP/O in the fields of Category-A, Category-B and Category-C. .
- 5.3. The Category-A, Category-B and Category-C IP/O liability percentages, which constitute the IP/O liability, may be separately determined and stated in the RFP by SSM. In addition, Bidders may be asked in the RFP to perform an IP/O activity defined by the SSM in the fields of Category-B and/or Category-C, and this shall be scored in the evaluation process.
- 5.4. Supplier Company / SME Work Share liability, which is not to be lower than 30% (thirty percent) of the Category-A IP/O liability, will be determined by SSM with taking the attributes of the Project into account and will be stated in the related RFP. Minimum 15% (fifteen percent) of Category-A IP/O liability will be accomplished by

SMEs. For Domestic Contractors, if the Contractor itself is an SME, the works executed directly by the Contractor shall also be considered the Supplier Company / SME Work Share.

6. Preparation and Submission of IP/O Proposal

- 6.1.** The Bidder's IP/O proposal shall be prepared in accordance with the principles stated in the RFP, including the IP/O Contract and the annexes which are provided to the Bidder in the annex to the RFP, and the other information and documents required in the RFP, and shall be submitted to the SSM together with the response to the RFP but in a separate file and inside a sealed envelope.
- 6.2.** The blanks in the IP/O Contract located in RFP shall be filled by Bidder and every page of IP/O Contract shall be initialed and sealed by the authorized representative of Bidder.
- 6.3.** The related annexes of IP/O Contract shall be prepared by the Contractor in accordance with the content and format stated in RFP in correct and complete way and every page shall be initialed and sealed by the authorized representative of Bidder.

7. Evaluation of IP/O Proposals

- 7.1.** General evaluation of the proposals that are submitted by Bidder to SSM will be made in line with the formula stated below:

$$\text{Score} = 0.50 \times (T) + 0.40 \times (I) + 0.10 \times (E)$$

where

T: Technical Score,

I : IP/O Score,

E: Administrative/Economical Score.

- 7.2.** IP/O score will be calculated in line with the formula stated below:

$$\text{IP/O Score (I)} = 0.65 \times (P_A) + 0.20 \times (P_B) + 0.15 \times (P_C)$$

where

P_A: Category-A IP/O Score

P_B: Category-B IP/O Score

P_C: Category-C IP/O Score

7.3. Evaluation of Category-A IP/O Proposal

Category-A IP/O proposal submitted within the context of Industrialization Plan by the Bidder will be evaluated by preparing a criteria **tree** within the framework of the articles in Industrialization Plan, where the coefficients are determined by IP/O Evaluation Sub-Committee with taking the attributes of the Project into account.

7.4. Calculation of Category-B IP/O Score

$$P_B = R_B / (1 + D_B / T_B)$$

where

R_B : Ratio of Category-B IP/O liability over Contract value

D_B : Weighted average fulfillment duration of Category-B IP/O liability (Sum of multiplication of every Program Period's number and Category-B IP/O liability amount within related Program Period over total Category-B IP/O liability)

T_B : Duration that the Category-B IP/O liability is fulfilled

7.5. Calculation of Category-B IP/O Score

$$P_C = R_C / (1 + D_C / T_C)$$

where

R_B : Ratio of Category-C IP/O liability over Contract value

D_B : Weighted average fulfillment duration of Category-C IP/O liability (Sum of multiplication of every Program Period's number and Category-C IP/O liability amount within related Program Period over total Category-C IP/O liability)

T_B : Duration that the Category-C IP/O liability is fulfilled

7.6. Bidder who cannot meet IP/O liability percentage requirements defined in the RFP by SSM or Supplier Company / SME Work Share liability percentage requirements shall receive zero points in IP/O proposal evaluation.

- 7.7.** IP/O proposal of Bidder who does not accept, or partially / conditionally accepts the terms and conditions stated in the IP/O Contract and its appendices shall not be evaluated.

8. IP/O Contract

- 8.1.** IP/O liabilities of the Contractor will be accomplished within the frame of the IP/O Contract's terms and principles. The language of the IP/O Contract shall be in Turkish and the appendices, except the ones accepted by SSM, shall be Turkish.
- 8.2.** After the IP/O Contract becomes effective, there shall not be any IP/O liability transfer between the categories stated in the IP/O contract.
- 8.3.** Contractor shall provide IP/O Letter of Guarantee to Undersecretariat which corresponds to 6% (six percent) of IP/O liability. The validity term of IP/O Letter of Guarantee shall be at least 1 (one) year longer than IP/O Liability Period. All expenses related with the IP/O Letter of Guarantee shall be covered by Contractor.
- 8.4.** SSM has right to convert IP/O Letter of Guarantee into cash in order to collect the claims and save as income as a punitive condition in case of dissolution of IP/O Contract.

9. Industrialization Plan

- 9.1.** Contractor shall fulfill IP/O liability in Category-A in line with the Industrialization Plan stated in the appendix of IP/O Contract.
- 9.2.** Bidder shall fill the Industrialization Plan, which is in the appendix of IP/O Contract, in correct and complete manner within the context and format stated in RFP by SSM. The proposals which are not corrected or completed in spite of SSM's written notification shall not be evaluated.
- 9.3.** In case of any IP/O activity stated in Industrialization Plan cannot be achieved on time in complete or partially due to the reasons related with the Contractor, by keeping the total IP/O liability in the IP/O Contract unchanged, the Contractor shall define a new IP/O activity instead of the unrealized activity and this new IP/O activity shall be proposed to SSM for Pre-Approval.
- 9.4.** In case of any IP/O activity stated in Industrialization Plan cannot be achieved on time completely or partially due to the reasons not related with the Contractor, the Contractor shall provide the reasoning of the failure with supporting information and documents such as manufacturer company statements, technical reports, etc. to

SSM. SSM will evaluate the evidences provided; in case of the reasoning of the Contractor is accepted, then the failed IP/O activity shall be removed from Industrialization Plan.

- 9.5.** In case of a change is made in the Procurement Contract which may affect the IP/O activities anticipated in Industrialization Plan, mentioned change shall be reflected to Industrialization Plan by the Contractor under the condition of SSM approval.
- 9.6.** Contractor's indication of potential IP/O activities planned to achieve in the Industrialization Plan does not mean Pre-Approval request for these IP/O activities. Separate Pre-Approval processes shall be completed for each and every IP/O activity.
- 9.7.** Supplier Company / SMEs suggested in Industrialization Plan prepared by Contractor shall be registered to SSM Defence Industry Portal.

10. Escalation

- 10.1.** In case the Procurement Contract is subject to escalation, then escalation shall also be applied to IP/O liabilities in ratios and conditions defined in Procurement Contract.

11. Liquidated Damages for Delay

- 11.1.** The accomplishment status of Contractor's Category-A, Category-B and Category-C IP/O liabilities, which are stated in IP/O Contract, will be evaluated by SSM at the end of each relevant Program Period.
- 11.2.** At the end of every Program Period, if Contractor cannot fulfill the IP/O activities that are expected to be achieved within the related Program Period in line with the duration and conditions stated in the IP/O Contract;
- 11.3.** In case the IP/O activities are not fulfilled, as a penalty sanction, Contractor shall pay an amount of 6% (six percent) of the IP/O commitments to SSM account within 30 (thirty) days upon the written request of SSM. In case the subject penalty is not paid within 30 (thirty) days upon SSM's written request penalty amount shall be deducted from the payments to be made to the Contractor under Procurement Contract and/or other contracts if available and/or withdrawn from the Contractor's Letter(s) of Guarantee into cash in order to collect the claim.

- 11.4.** Contractor's IP/O liabilities that are not accomplished will be escalated at a constant ratio (LIBOR+2, EURIBOR+2, etc.) and added to the IP/O liabilities of the following Program Period.
- 11.5.** At the end of last Program Period, accomplishment status of Contractor's Category-A, Category-B and Category-C IP/O liabilities and Supplier Company / SME Work Share liabilities will be evaluated by SSM.
- 11.6.** If there are Category-A, Category-B and Category-C IP/O liabilities and Supplier Company / SME Work Share liabilities of the Contractor that are not fulfilled in line with the conditions stated in the IP/O Contract within the IP/O Liability Period;
- 11.6.1.** SSM will notify the Contractor in writing and negotiations shall be initialized within 30 (thirty) days between SSM and the Contractor in the subject of how and when the unfulfilled IP/O liability shall be fulfilled.
- 11.6.2.** In case of not reaching an agreement within 30 (thirty) days or if Contractor cannot accomplish the IP/O liabilities in spite of the presence of an agreement, in addition to the fine accrued within the context of Article 11.3, Contractor shall pay an additional fine with an amount of 6% (six percent) of the unfulfilled IP/O liability as a penalty. If the penalty is not paid within 30 (thirty) days upon the written request of SSM, SSM will withdraw the mentioned amount of penalty from the payments to the Contractor within the context of Procurement Contract and/or other contracts if available and/or will convert the Contractor's Letter(s) of Guarantee into cash in order to collect the claim.
- 11.7.** The application of penalty sanctions, shall not terminate the responsibility of Contractor to fulfill the IP/O liability, mentioned liability shall proceed as defined below:
- 11.7.1.** (If Contractor currently has another IP/O liability) Mentioned IP/O liability shall primarily be consolidated with the liabilities within the context of another present IP/O Contract(s) in the way that SSM approves. In this case, Contractor shall accrue the current IP/O Letter of Guarantee or offer a new IP/O Letter of Guarantee.
- 11.7.2.** (If Contractor currently does not have another IP/O liability) Unfulfilled IP/O liability shall be consolidated with the future IP/O liabilities in the way that SSM approves. In this case, Contractor shall accrue IP/O Letter of

Guarantee according to the supplemented IP/O liability or a new IP/O Letter of Guarantee shall be offered at that time.

12. Pre-Approval Principles

- 12.1.** There will be no need to receive a separate Pre-Approval for the Category-A IP/O activities which are executed in the way that are stated in the IP/O Contract. If there will be a change in the information stated in the IP/O Contract such as content, schedule, eligible party, value, etc. or if any uncertain information in the IP/O Contract such as content, schedule, eligible party, value, etc. becomes certain, then Pre-Approval application shall be made.
- 12.2.** Prior to any official procedure initialization, any contract, agreement, purchase order, etc. signing intended for the execution of a planned Category-B and Category-C type IP/O activities, a written Pre-Approval application shall be made by the Contractor to SSM for each IP/O activity.
- 12.3.** In the Pre-Approval application document of the Contractor, related with the planned IP/O activity, the information and relevant documents in the Pre-Approval Request Table located in the Appendix-C shall be provided to SSM.
- 12.4.** Pre-Approval request will be evaluated by SSM in a way of documented coordination with relevant parties. If the Pre-Approval evaluation result will not be notified to Contractor in a written form within 90 (ninety) days, this shall mean that the application is rejected.
- 12.5.** Pre-approvals may be limited by SSM in the aspects of duration, value, company, country, product, etc.
- 12.6.** The activities executed without receiving a written Pre-Approval from SSM will not be accepted and credited as IP/O despite being in accordance with the other principles stated in this Guideline and/or relevant IP/O Contract.

13. Crediting Principles

The IP/O activities executed by receiving a Pre-Approval from SSM will be credited with the Contractor's written application in the context of the below principles:

13.1. General Principles

- 13.1.1.** Crediting of accomplished IP/O activities will be granted in accordance with the frame of reference and conditions stated in the Pre-Approval

granted by SSM for the mentioned IP/O activities and by using the corresponding multipliers given in Appendix-A Table of IP/O Multipliers.

- 13.1.2.** Within the framework of Table of IP/O Multipliers, the maximum multiplier that SSM can grant to an IP/O activity will be 8 (eight).
- 13.1.3.** Except the technoparks, the export and technological collaboration / investment activities conducted by the companies settled in Free Trade Areas will be credited with a lower multiplier up to -2 (minus two) than the ones given in Appendix-A Table of IP/O Multipliers.
- 13.1.4.** The administrative expenses (travel, accomodation, consulting services, etc.) of Contractor when accomplishing the IP/O liabilities shall not be credited as IP/O activity.
- 13.1.5.** Verification of DNAV amounts in accomplished IP/O activities will be done by SSM. For this purpose, all information, documents, etc. requested by SSM will be provided and/or opened for use by Contractor. SSM may request an investigation of the documents, which are provided by the Contractor and used in verification of DNAV, from an independent auditing firm at Contractor's expense.

13.2. Category-A Crediting Principles

- 13.2.1.** Category-A activities that are accomplished in the scope of IP/O liabilities are credited on DNAV basis.
- 13.2.2.** The multiplier used in crediting of IP/O activities within the scope of Category-A shall be applied as;
 - 2 (two) for the design and engineering works accomplished by SMEs,
 - 1 (one) for all other works.
- 13.2.3.** The crediting of Category-A IP/O activities will be granted by Contractor's submission of the relevant Crediting Report and approval of SSM at the end of each Program Period.

13.3. Category-B Crediting Principles

- 13.3.1.** Category-B activities accomplished within the scope of IP/O liabilities shall be credited on DNAV basis.

- 13.3.2.** For all IP/O activities excluding the products / services mentioned in the Table of IP/O Multipliers, the multiplier will be determined by SSM.
- 13.3.3.** The parts of an export product / service that are accomplished by SMEs will be credited by increasing the multiplier of the corresponding product / service in the Table of IP/O Multipliers by 1 (one).
- 13.3.4.** The crediting of Category-B IP/O activities will be granted by Contractor's submission of the relevant Crediting Report to SSM at the successful fulfillment of every IP/O activity and the approval of SSM.
- 13.3.5.** In case of the export of the developed / manufactured Product in the context of the Procurement Contract by Domestic Contractor within the scope of Category-B IP/O liability, an additional time may be granted to relevant Domestic Contractor by SSM.
- 13.3.6.** In case of provision of the products / services, which are developed within the Projects conducted by SSM or developed by the abilities acquired within the Projects, to civil public procurements and investments by Domestic Contractors, the provision in question may be counted, as import substitution, toward the Category-B IP/O liability of the relevant Contractor with a multiplier defined by and following the approval of SSM.

13.4. Category-C Crediting Principles

- 13.4.1.** Crediting of Category-C IP/O liability for Foreign Contractor will be granted in accordance with the following terms and principles:
- 13.4.2.** In the course of crediting the IP/O activities within Category-C context, the real market value and/or precedent value of the acquired technology or the investment will be taken as reference. This reference value will be determined by SSM and/or by enterprises approved as eligible by SSM. Only the parts of the mentioned activity that are fulfilled by Contractor will be credited.
- 13.4.3.** By using technology and/or investments acquired by the relevant domestic company within Category-C context, Contractor shall accomplish product / service export with an amount not lower than parts of the mentioned technology and/or investments fulfilled by Contractor. Executed export will

be separately credited in accordance with the article of Category-B Crediting Principles.

- 13.4.4.** For the IP/O activities within the context of Category-C, Temporary Crediting Principles defined in Article 15 will be applied.
- 13.4.5.** None of the supportive items such as documents, technical drawing, training, etc. that are expected to be provided by Contractor for fulfillment of a product / service export within the context of Category-B will be credited as IP/O activity in Category-C context. For a technological collaboration to be considered as an IP/O activity within Category-C context, it is necessary that the relevant domestic company shall acquire ability from the Contractor such as this ability is not related with the product / service that is planned to be exported and can be used in execution of other products / services.
- 13.4.6.** Export guarantee within the context of Article 13.4.3 may not be required as long as a specified technological collaboration, investment and/or R&D support fulfillment, in line with the requirements and priorities specified by SSM, is required from the Contractor.
- 13.4.7.** Technology acquisitions and investments achieved within Category-C context cannot be transferred to third-parties, cannot be withdrawn, cannot be made unavailable or the user rights of these items cannot be revoked. Otherwise, relevant Category-C credit will be aborted.
- 13.4.8.** For crediting of investments within Category-C context as IP/O, after receiving Pre-Approval from SSM, "Work Registration Form" shall be filled at "Trade Registration Office" within "Local Chamber of Commerce" and a copy of this form shall be provided to SSM.
- 13.4.9.** The crediting of Category-C IP/O activities will be granted by Contractor's submission of the relevant Crediting Report to SSM following the successful fulfillment of every IP/O activity and the approval of SSM.
- 13.4.10.** For Domestic Contractor, crediting of Category-C IP/O liability will be granted by SSM in line with the terms and principles stated in IP/O Contract.

14. Transfers of Excess IP/O Credits

14.1. Transfers within the Scope of Same IP/O Contract

Excess IP/O credit accomplished by Contractor above the liability of an IP/O category may be transferred to unfulfilledunfulfilled liabilities of other categories within the same IP/O Contract, under the circumstances of Contractor's written request at the end of each Program Period, the approval of SSM and below conditions.

14.1.1. Excess IP/O credit accomplished within Category-A context,

- a) Can be transferred to unfulfilled liabilities within Category-B context with multiplying 0,5.
- b) Cannot be transferred to unfulfilled liabilities within Category-C context.

14.1.2. Excess IP/O credit accomplished within Category-B context,

- a) Cannot be transferred to unfulfilled liabilities within Category-A context.
- b) Cannot be transferred to unfulfilled liabilities within Category-C context.

14.1.3. Excess IP/O credit accomplished within Category-C context,

- a) Cannot be transferred to unfulfilled liabilities within Category-A context.
- b) Can be transferred to unfulfilled liabilities within Category-B context with multiplier 0,5, unless exceeding 20% (twenty percent) of the total liability within Category-B context.

14.2. Transfers of Same Contractor within the Scope of Other IP/O Contracts

Excess IP/O credit accomplished by Contractor above the liability of an IP/O category may be transferred to unfulfilled liabilities of another IP/O Contract, for which the same Contractor is a cosignatory, under the circumstances of Contractor's written request at the end of each Program Term, approval of SSM and below conditions.

14.2.1. Excess IP/O credit accomplished within Category-A context,

- a) Cannot be transferred to unfulfilled liabilities within Category-A context.
- b) Can be transferred to unfulfilled liabilities within Category-B context with multiplying 0,5,
- c) Cannot be transferred to unfulfilled liabilities within Category-C context.

14.2.2. Excess IP/O credit accomplished within Category-B context,

- a) Cannot be transferred to unfulfilled liabilities within Category-A context.
- b) Can be transferred to unfulfilled liabilities within Category-B context without any change.
- c) Cannot be transferred to unfulfilled liabilities within Category-C context.

14.2.3. Excess IP/O credit accomplished within Category-C context,

- a) Cannot be transferred to unfulfilled liabilities within Category-A context.
- b) Can be transferred to unfulfilled liabilities within Category-B context with multiplying 0,5, unless exceeding 20% (twenty percent) of the total liability within Category-B context.
- c) Can be transferred to unfulfilled liabilities within Category-C context directly without any change.

14.3. Transfers of Distinct Contractors within the Scope of IP/O Contracts

Excess IP/O credit accomplished by Contractor (transmitting) above the liability of an IP/O category may be transferred to unfulfilled IP/O liabilities of another Contractor under the circumstances of Contractor's written request at the end of every Program Term, approval of SSM and below conditions.

14.3.1. Excess IP/O credit accomplished within Category-A context,

- a) Cannot be transferred to unfulfilled liabilities within Category-A context.
- b) Can be transferred to unfulfilled liabilities within Category-B context with multiplying 0,5,

- c) Cannot be transferred to unfulfilled liabilities within Category-C context.

14.3.2. Excess IP/O credit accomplished within Category-B context,

- a) Cannot be transferred to unfulfilled liabilities within Category-A context.
- b) Can be transferred to unfulfilled liabilities within Category-B context with multiplying 0,5, unless exceeding 20% (twenty percent) of the total liability within Category-B context.
- c) Cannot be transferred to unfulfilled liabilities within Category-C context.

14.3.3. Excess IP/O credit accomplished within Category-C context,

- a) Cannot be transferred to unfulfilled liabilities within Category-A context.
- b) Can be transferred to unfulfilled liabilities within Category-B context with multiplying 0,5, unless exceeding 20% (twenty percent) of the total liability within Category-B context.
- c) Can be transferred to unfulfilled liabilities within Category-C context directly without any change.

14.4. During transfer procedure, the IP/O credit value calculated in accordance with the IP/O Contract, which the excess IP/O occurs within, will be taken as reference.

14.5. IP/O credit to be transferred cannot be used for the payment of the recipient Contractor's IP/O penalty that is accrued within 1 (one) year following the date of the application for transfer.

15. Temporary Crediting Principles

15.1. Category-A

15.1.1. Temporary Crediting will not be granted for the activities within Category-A context.

15.2. Category-B

15.2.1. For the Contractor's success in execution of an IP/O activity within Category-B context which received a Pre-Approval from SSM, Temporary Crediting may be requested from SSM provided that,

- a) The Contractor releases a purchase order to the domestic company and/or signs a written agreement and/or sub-contracting agreement that includes purchasing orders with the domestic company, which will be beneficiary from the IP/O activity,
- b) The Contractor makes an advance payment to the domestic company which will be beneficiary from the IP/O activity,
- c) Export permission is acquired from MoND given that the product / service which is to be exported is subject to export permission.

15.2.2. Mentioned requests will be interpreted by SSM with taking the features, schedule of the IP/O activity and Program Period stated in IP/O Contract into account and the Contractor will be notified from the result by a formal letter.

15.2.3. The liquidated damages for delay that may be accrued regarding of the part of the Contractor's IP/O liability in the mentioned category that corresponds to the Temporary Crediting amount will be suspended during the validity term of the Temporary Crediting.

15.2.4. Under the circumstance that the predicted IP/O activity has not been accomplished at all within the validity term determined by SSM, suspended liquidated damages for delay shall be charged to the Contractor.

15.2.5. Under the circumstance that the predicted IP/O activity has not been accomplished completely within the validity term determined by SSM, the part that corresponds to the unfulfilled segments of suspended liquidated damages for delay shall be charged to the Contractor.

15.3. Category-C

15.3.1. Contractor may request Temporary Crediting from SSM after the accomplishment of an IP/O activity, within Category-C context that has received a Pre-Approval from SSM, in the following way:

- a) Submission of a copy of the relevant page of Turkish Trade Registry Gazette for Capital Investment,
- b) Submission of invoice for Investment and Customs Declaration Form in case of the arrival of machine, equipment from foreign countries,

c) Verification of first product for technological collaboration.

- 15.3.2.** Mentioned requests will be interpreted by SSM with taking the features, schedule of the IP/O activity and Program Period stated in IP/O Contract into account and the result will be notified in a written form to the Contractor.
- 15.3.3.** As the Contractor accomplishes the export liability within the context of Article 7.4.3., Temporary Crediting with the amount of accomplished export without any multiplier will be converted to permanent crediting with relevant multiplier.
- 15.3.4.** The validity period of Temporary Crediting is determined by SSM with taking the attributes of IP/O activity and the period of the related IP/O Contract into account.
- 15.3.5.** In case the committed export is not realized, Temporary Crediting granted for technological collaboration and/or investment within Category C context is cancelled. In case the committed export has been realized partially then, Temporary Crediting that corresponds to the amount of the unfulfilled part of committed export is cancelled. In both cases, penalties that corresponds to the cancelled Temporary Crediting will be applied.

16. Pre-Crediting Principles

- 16.1.** For the IP/O activities which will be accomplished by acquiring a Pre-Approval within Category-B and Category-C context by a company that does not have an IP/O liability towards SSM already, Pre-Crediting, which is to be counted for possible IP/O liabilities of the mentioned company towards SSM in the future will be granted upon the mentioned company's written request.
- 16.2.** For the excess IP/O activities within Category-B and/or Category-C context that have been accomplished by a Contractor, which has an IP/O liability towards SSM already, Pre-Crediting, which is to be counted for possible IP/O liabilities of the mentioned company towards SSM in the future, will be granted upon the mentioned company's written request.
- 16.3.** If an IP/O Contract is signed by the mentioned company or a new IP/O Contract is signed by the mentioned contractor, under the condition of applying until the end of the first Program Term, mentioned Pre-Crediting will be converted to permanent crediting in line with the below conditions:

16.3.1. IP/O Credit within Category-B context;

- a) Cannot be counted instead of the liabilities within Category-A context.
- b) Can be counted instead of unfulfilled liabilities within Category-B context directly without any change.
- c) Cannot be counted instead of the liabilities within Category-C context.

16.3.2. IP/O Credit within Category-C context,

- a) Cannot be counted instead of the liabilities within Category-A context.
- b) Can be counted instead of unfulfilled liabilities within Category-B context with multiplying 0,5, unless exceeding 20% (twenty percent) of the total liability within Category-B context.
- c) Can be counted instead of unfulfilled liabilities within Category-C context directly without any change.

16.4. The Pre-Crediting related to an IP/O activity will be valid for 5 (five) years following the successful accomplishment of the mentioned IP/O activity. The Pre-Crediting that is not converted to permanent crediting within this period will be cancelled.

APPENDICES

APPENDIX-A: Table of IP/O Multipliers

APPENDIX-B: Industrialization Plan

APPENDIX-C: Pre-Approval Request Table

APPENDIX-D: Category-B IP/O Crediting Report Format

APPENDIX-E: Category-C IP/O Crediting Report Format

APPENDIX-A

TABLE OF IP/O MULTIPLIERS

CATEGORY-A

TABLE A: INDUSTRIAL PARTICIPATION	
ITEM	MULTIPLIER
The design and engineering activities executed by SMEs	2
All other Category-A IP/O Activities	1

CATEGORY-B

TABLE B1: PLATFORM EXPORT	
PLATFORM	MULTIPLIER
Land Platforms	4
Naval Platforms	4
Air Platforms	5
Rockets / Missiles	5
Satellite Systems	5
Other	TBD by SSM
The SME work share within the exported product/service or export from SME	Will be added + 1 to the above multiplier
Export to the Prior Market	Will be added + 1 to the above multiplier

TABLE B2: SYSTEM EXPORT / EXPORT OF SERVICE FOR SYSTEM	
SYSTEM / SUBSYSTEM / COMPONENT	MULTIPLIER
Structural Components	2
Mechanical / Hydraulic / Pneumatic Systems	3
Electrical/Electronic Systems	3
Software	3
Weapon and Ammunition	3
Power/Impulse/Motor/Transmission Systems	3
Command Control/Information Systems	3
Electronic Warfare Systems	3
Simulators	3
Other	TBD by SSM
The SME work share within the exported product/service or export from SME	Will be added + 1 to the above multiplier
Export to the Prior Market	Will be added + 1 to the above multiplier

CATEGORY-C

TABLE C1: TECHNOLOGICAL COLLABORATION	MULTIPLIER
<p>Within the fields of defence, homeland security and aerospace industries, enabling technology/ability related with the following topics:</p> <ul style="list-style-type: none"> • Network Based Warfare • Command Control/Information Management Systems • Software • Electronic Warfare • Missile Guidance and Control 	4 - 5

<ul style="list-style-type: none"> • Sensor Systems • System Integration • Satellite and Space Technologies 	
Within the fields of defence, homeland security and aerospace industries, enabling technology/ability related other than the topics listed in the first item	3
Enabling technology/ability that is requested particularly by SSM	6 - 8

TABLE C2: INVESTMENT	MULTIPLIER
Direct foreign investments within the scope of establishing brand new companies in the fields of defence, homeland security and aerospace industries	4
The equipment, hardware and software provided to the universities, training and research institutions in Turkey in the fields of defence, homeland security and aerospace industries	3

TABLE C3: R&D SUPPORT	MULTIPLIER
The equipment, hardware, software, service or financial support provided to the training and R&D studies conducted by industrial enterprises, training and research institutions in Turkey in the fields of defence, homeland security and aerospace industries	5

APPENDIX-B

INDUSTRIALIZATION PLAN

1. SCOPE

2. APPLICABLE DOCUMENTS

3. PROJECT MODEL

The detailed explanation and schematics of Project Model within the frame defined in RFP

4. INDUSTRIALIZATION POLICY

Predicted Supplier Company / SME selection and usage policies of the company within the scope of the Project

5. TABLE OF WORK SHARE

Work breakdown structure and the list of foreign and domestic companies who will accomplish every work packages presented in WBS by also including the framework defined in RFP

6. LOCAL INDUSTRY PARTICIPATION

Each work package listed in Table of Work Share will be defined in detail in line with the below areas:

6.1. DESIGN AND DEVELOPMENT TASKS

The definition of hardware / software configuration items, sub-systems, systems, etc. that will be designed and developed by local industry and the development costs of each item (as a percentage of proposal amount)

6.2. OTHER ENGINEERING TASKS

The definition of other engineering tasks and the development costs of these items (as a percentage of proposal amount)

6.3. MANUFACTURING TASKS

The definition of hardware / software configuration items, sub-systems, systems, etc. that will be manufactured / coded by local industry and the costs of these items (as a percentage of proposal amount)

6.4. QUALIFICATION, CERTIFICATION, TEST AND VERIFICATION TASKS

Qualification, certification, test and verification tasks accomplished by local industry abilities and the costs of each item (as a percentage of proposal amount)

6.5. LOGISTIC SUPPORT TASKS

Logistic support activities that will be accomplished or participated by local industry within the scope of Procurement Contract and the costs of each item (as a percentage of proposal amount)

6.6. PROJECT MANAGEMENT AND SYSTEM ENGINEERING

Number of staff that will work within the scope of administrative tasks such as project management, system engineering, etc. accomplished by local industry within the scope of the Project, man-hour calculations, costs (as a percentage of proposal amount)

6.7. QUALITY MANAGEMENT

Number of staff that will work within the scope of quality management within the scope of the Project, man-hour calculations, costs (as a percentage of proposal amount)

6.8. OTHER

Tasks other than the ones listed above accomplished by local industry and costs of each item (as a percentage of proposal amount)

7. SUPPLIER COMPANY / SME WORK SHARE PLANNING

7.1. SUPPLIER COMPANY WORK SHARE

The information given for Article 5.1 – 5.8 will be given in detail for the supplier companies which are not SMEs.

7.2. SME WORK SHARE

The information given for Article 5.1 – 5.8 will be given in detail for SMEs.

8. R&D ACTIVITIES

(If applicable) Suggested R&D projects and the universities, research institutes and industrial organizations expected to be participated the projects

9. TECHNOLOGY AND ABILITY ACQUISITION

9.1. EXISTING TECHNOLOGY, ABILITY AND INFRASTRUCTURE WILL BE USED IN PROJECT

Existing technology, ability and infrastructure that will be used by local industry within the scope of the Project

9.2. NEW ABILITY AND TECHNOLOGY ACQUISITION WITHIN THE SCOPE OF THE PROJECT

New abilities and technologies that will be acquired by local industry within the scope of the Project, the methods of acquisition and costs (real monetary values)

- Technical Data Package

- Production Data Package
- Training
- Technical Support
- License Transfer
- Others

9.3. ADDITIONAL INVESTMENTS WITHIN THE SCOPE OF THE PROJECT

New investments made by local industry within the scope of the Project, devices, toolkits, workbenches, etc. and the costs of these items (real monetary values)

10. ADDITIONAL SALES AND EXPORT OPPORTUNITIES

Additional sales and export opportunities that may arise owing to the tasks accomplished by local industry within the scope of the Project and estimated costs

11. OTHER SUBJECTS SUGGESTED BY CONTRACTOR

ANNEX-A: Category-A IP/O Work Share Table

ANNEX-B: Category-B and Category-C IP/O Activities

APPENDIX-B

INDUSTRIALIZATION PLAN

ANNEX-A

CATEGORY-A IP/O WORK SHARE TABLE

NO	WORK PACKAGE	QUALIFICATION OF WORK (Items Under Article 6 of Industrialization Plan)	COMPANY TO ACHIEVE TASK	RATIO OF COST OF TASK OVER PROPOSAL AMOUNT	DNAV AMOUNT	NOTES
CONTRACTOR						
1			CONTRACTOR			
2			CONTRACTOR			
3			CONTRACTOR			
DOMESTIC SUB-CONTRACTORS (NOT SME)						
1						
2						
DOMESTIC SUB-CONTRACTORS (SME)						
1						
2						
DOMESTIC RESEARCH INSTITUTES / UNIVERSITIES						
1						
2						
FOREIGN SUB-CONTRACTORS						
1						
2						

ANNEX-B

POTENTIAL CATEGORY-B AND CATEGORY-C IP/O ACTIVITIES

	DEFINITION OF WORK	CATEGORY	BENEFICIARY COMPANY	ESTIMATED DURATION	ESTIMATED COST
1					
2					
3					
4					
5					
...					
TOTAL					

APPENDIX-C

PRE-APPROVAL REQUEST TABLE

PRE-APPROVAL APPLICATION FORM		
	Related IP/O Contract, Signature and Effectivity Date	
	IP/O Contractor	
	Company / Institution / Enterprise That Will Achieve IP/O Activity	
	Scope and Attributes of IP/O Activity (Summary)	
	Category of IP/O Activity	
	Local Company / Institution / Enterprise That Will Benefit IP/O Activity and Contact Info	
	Estimated Cost of IP/O Activity	
	Estimated DNAV Ratio	
	Requested Multiplier	
	Reasoning for Multiplier	
	Estimated Requested IP/O Crediting Amount	
	Estimated Duration for IP/O Activity to Be Accomplished	
	Pre-Approval Validity Period	
	Other Information (If Available)	

ANNEX-A: Detailed Information Related With the Planned IP/O Activity

ANNEX-B: Other Supporting Documents

APPENDIX-D

CATEGORY-B IP/O CREDITING REPORT FORMAT

PRE-APPROVAL APPLICATION FORM		
	Related IP/O Contract, Signature and Effectivity Date	
	IP/O Contractor	
	SSM Pre-Approval Document Date and Number (If Available)	
	Eligible Party Performing the IP/O Activity	
	Scope and Attributes of IP/O Activity (Summary)	
	IP/O Liability Ratios and Amounts (Category-A,B,C)	
	Supplier Company / SME Work Share Liability Ratios and Amounts	
	Local Company / Institution / Enterprise That Will Benefit IP/O Activity and Contact Info	
	Cost of IP/O Activity	
	DNAV Ratio	
	Multiplier	
	Requested IP/O Crediting Amount	
	Duration for IP/O Activity to Be Accomplished	
	Other Information (If Available)	

- ANNEX-A: Category-B IP/O DNAV Table
- ANNEX-B: Copies of Invoices
- ANNEX-C: Customs Declaration Form
- ANNEX-D: Bank Receipt for Payments
- ANNEX-E: Other Supporting Documents

APPENDIX-D

CATEGORY-B IP/O CREDITING REPORT FORMAT

ANNEX-A

CATEGORY-B IP/O DNAV TABLE

TABLE-1

NO	INVOICE NUMBER	PRODUCT NAME	EXPORTING COMPANY	EXPORTED COUNTRY / COMPANY	INVOICE DATE	INVOICE AMOUNT	INVOICE DNAV RATIO (%)	DNAV AMOUNT
1								
2								
3								
4								

TABLE-2

TABLE 1 NUMBER											
PRODUCT CODE											
PRODUCT DEFINITION											
PRODUCT BREAKDOWN	WITHIN COMPANY					OUTSIDE COMPANY, DOMESTIC			IMPORT		
	Labor Hour	Labor Prices	Labor Cost	Material	Other	Labor Cost	Material	Other	Labor Cost	Material	Other
TOTAL											
GRAND TOTAL											

APPENDIX-E

CATEGORY-C IP/O CREDITING REPORT FORMAT

PRE-APPROVAL APPLICATION FORM		
	Related IP/O Contract, Signature and Effectivity Date	
	IP/O Contractor	
	SSM Pre-Approval Document Date and Number (If Available)	
	Eligible Party Performing the IP/O Activity	
	Scope and Attributes of IP/O Activity (Summary)	
	IP/O Liability Ratios and Amounts (Category-A,B,C)	
	Supplier Company / SME Work Share Liability Ratios and Amounts	
	Local Company / Institution / Enterprise That Will Benefit IP/O Activity and Contact Info	
	Cost of IP/O Activity	
	Multiplier	
	Requested IP/O Crediting Amount	
	Duration for IP/O Activity to Be Accomplished	
	Other Information (If Available)	

ANNEX-A: Detailed Information Related With the Category-C IP/O Activity

ANNEX-B: Other Supporting Documents