

TAWAZUN ECONOMIC PROGRAM

A guideline to a successful project

The background of the slide is a collage of images related to Dubai. A large, central image shows an aerial view of the city's skyline, including the Burj Khalifa, and a wide, sandy beach with turquoise water. To the left, there are several smaller, hexagonal images: one showing a beach with a small building, another showing a close-up of a beach, and a third showing a view of the city from the water. The overall design uses a hexagonal pattern to frame the images.

WHAT IS TAWAZUN ECONOMIC PROGRAM?

Background



Tawazun (“balance”) Economic Council was established to balance the influx of funds to the United Arab Emirates and the funds leaving the country.

Under the Tawazun Economic Program any foreign Contractor who enters into an agreement with the UAE Government (in the form of a Supply Contract) to provide goods or services to the UAE Government with a total Threshold Value of AED 36.73M or more must fulfil the applicable Obligations (previously known as Offset Program).



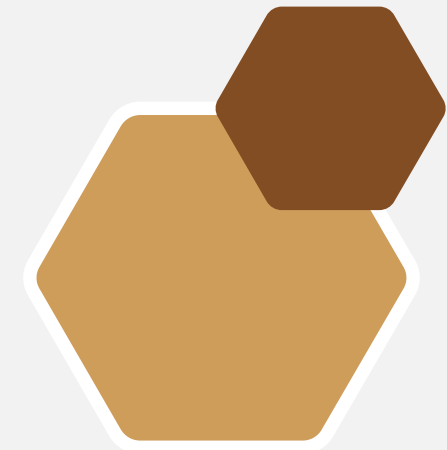
Strategic Sectors



INCURRING OBLIGATIONS:

Any Supply Contract results in Obligations if:

- The value of the Supply Contract is equal to or in excess of the Threshold Value of AED 36.73M.
- Defense Contractor enters into a Supply Contract of any value and that Defense Contractor or its Parent Company already has an Active Account (i.e. has existing Obligations).



How to Generate Credits:

The contractor is required to generate 60% of contract value in offset credits:

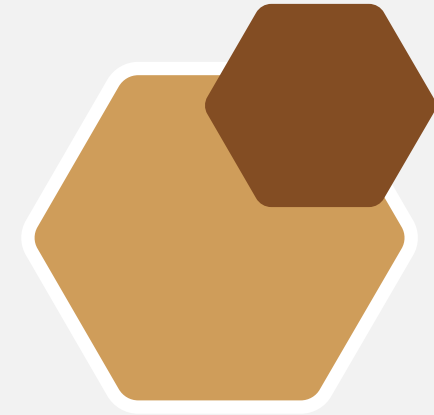
Example

Value of Supply Contract

AED
100
MILLION

Value of Obligations
i.e. obligations generated by
DC = AED (100*60%)M =

AED
60
MILLION



Note: Value of Obligations is only a reflection of the expected economic benefit to be generated by the DC in return for being awarded a Supply Contract and should not be interpreted as equivalent to financial value.

How to Generate Credits:

The Contractor can generate Credits in these Project Categories:

1. Investment
2. Contractual Engagement
3. Capability Development



How to Generate Credits Through Investment:

➤ Joint Venture:

To form an equity joint venture with a UAE local partner in accordance with the UAE Foreign Direct Investment Law. (51% or more of the shares must be owned by a UAE local partner).

➤ Non-equity Co-production:

To create a partnership without equity investment with a UAE entity to manufacture products or deliver services.

➤ Technology Co-development:

This requires the development of a new technology in the UAE jointly with a local partner.



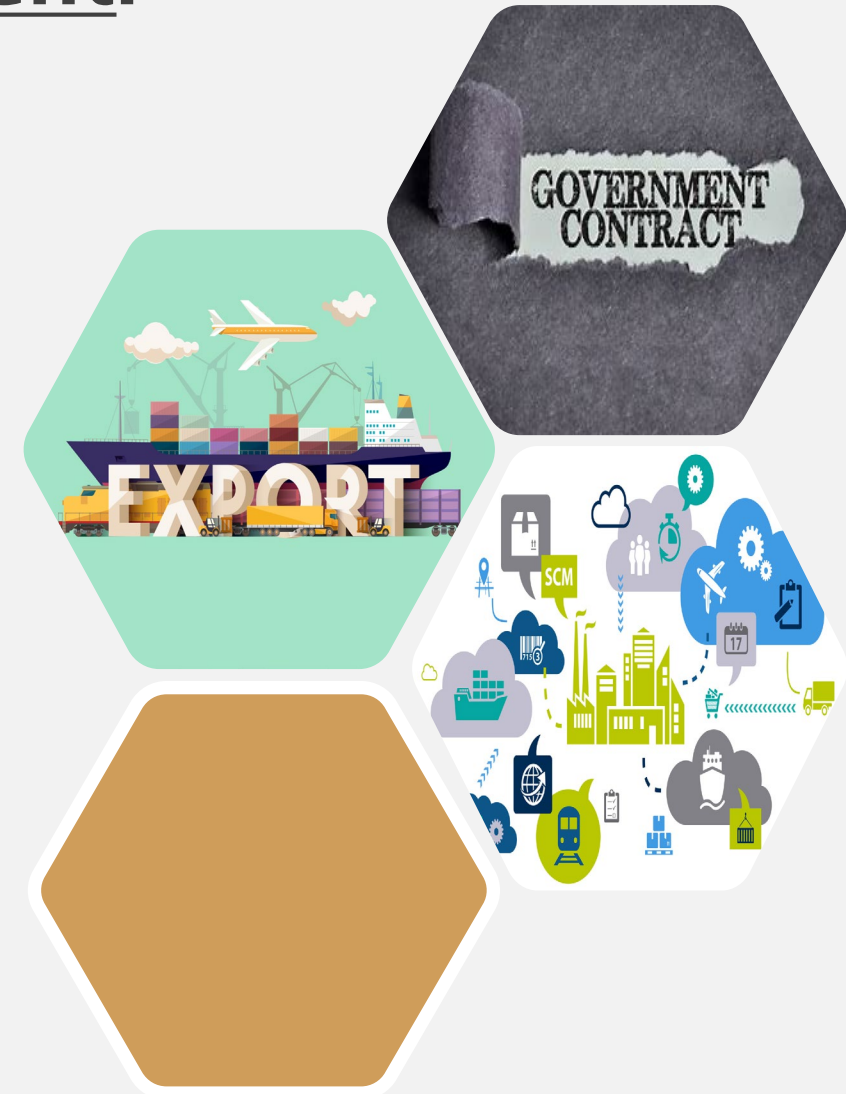
How to Generate Credits Through Contractual Engagement:

➤ Export Work Package:

To include local suppliers in the Contractor's supply base (award supply contract to local company).

➤ Local Content:

The Contractor must use local suppliers to provide inputs into the products/services to be supplied by the Contractor to the UAE Government.



How to Generate Credits Through Capability Development :

➤ Technology Transfer:

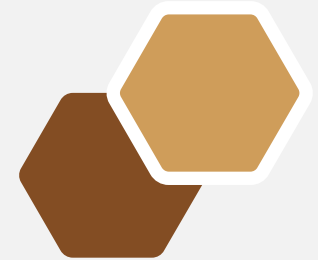
This requires transferring process know-how, intellectual property or training & development programs to a local entity or UAE nationals.

➤ Internship and Job Placement:

This requires a Contractor to provide temporary or permanent employment contracts for recent UAE national graduates to work for the Contractor in international locations.



How to Generate Credits: OFFSET CREDIT PARAMETERS



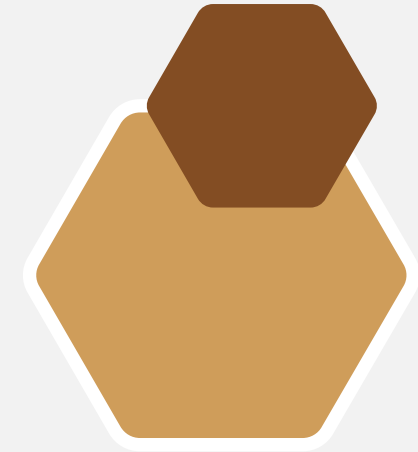
1. **Contribution in equity – Cash:** Amount of cash investment in UAE entity.
2. **Contribution in assets – Tangible:** Value of the tangible assets such as hardware, equipment, tooling or by financing working capital requirements.
3. **Contribution in assets – Intangible:** Value of the intangible assets such as software, intellectual property (IP) licenses, know-how or training.
4. **Net income:** Net income generated from the UAE entity.
5. **Salaries to UAE nationals:** Salaries paid for UAE nationals in jobs created.
6. **Contract value:** Value of the contract of the work package agreed between UAE entity and the Contractor.
7. **Value of training & development programs:** Value of training courses and development programs for UAE nationals.
8. **Export revenues:** Value of export revenues generated from the UAE entity.
9. **Value of IP generated:** the IP should have tangible commercial value and UAE entity must own at least 50% of the IP.

* Each Project Category is eligible only for certain Credit Parameters.

Project Performance Duration:



1. Investment (7 years).
2. Contractual Engagement (7 years).
3. Capability Development (3 years).



Project performance in terms of Credits generated vs. Obligations due will be assessed at the end of the Project.

The background of the slide features a large, dark silhouette of an aircraft engine, with a person's hands visible working on it. This image is overlaid with a pattern of orange and black hexagons of various sizes.

LIMA'S COMPREHENSIVE SOLUTION

LIMA's COMPREHENSIVE SOLUTION:

LIMA offset consulting takes into consideration the stringent rules and regulations of Tawazun Economic Program and offers these services:

1. Identification of business opportunity and preparing a business case for Tawazun Offset Council.
2. Provision of project proposals to Tawazun.
3. Managing all communications with Tawazun Economic Council.
4. Calculation of Credits.
5. Management of Non-Performing Contractor Cases.
6. Development of a turnkey solution when applicable:
 - a) Connect the contractor with a local company.
 - b) Create a partnership with the contractor to create a populated JV to fulfil the offset requirements.
 - c) Act as a vessel to which the foreign contractor can transfer the know-how, or a work package.
 - d) Act as training provider on behalf of the contractor.





+971 2 444 4877



+971 50 861 5023

info@lima-aviation.com

www.lima-aviation.com