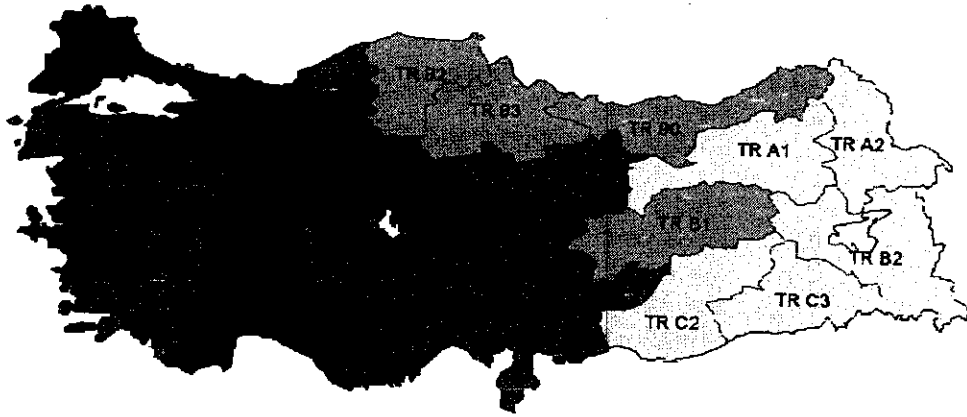


Republic of Turkey  
Ministry of Industry and Trade



# REGIONAL COMPETITIVENESS OPERATIONAL PROGRAMME

(CCI No. 2007 TR 16 IFO-003)



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**LIST OF ABBREVIATIONS**

CTPDR	Culture and Tourism Protection and Development Regions
DIS	Decentralised Implementation System
EC	European Council
EDIS	Extended Decentralised Implementation System
EIA	Environmental Impact Assessment
EMAS	Environmental Management and Audit Scheme
EU	European Union
EUROSTAT	European Statistical Institute
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
ICT	Information and Communication Technologies
IFI	International Financial Institutions
IGEM	Enterprise Development Centre
ISGEM	Business Development Centre
IPA	Instrument for Pre-accession Assistance
IPARD	Instrument for Pre-Accession Assistance for Rural Development
IT	Information Technology
LFPR	Labour Force Participation Rate
KOSGEB	Small and Medium Sized Industry Development Organisation
MIPD	Multi-annual Indicative Planning Document
MoNE	Ministry of National Education
MoIT	Ministry of Industry and Trade
NUTS	Nomenclature of Territorial Units for Statistics
NGO	Non-governmental Organisation
NPC	National Productivity Centre
OECD	Organisation for Economic Co-operation and Development
OIZ	Organized Industrial Zones
OP	Operational Program
pNDP	Preliminary National Development Plan
PPP	Purchasing Power Parity
RCOP	Regional Competitiveness Operational Programme
SCF	Strategic Coherence Framework
SEDI	Socio-economic Development Index
SME	Small and Medium-sized Enterprise
SPO	State Planning Organisation
SSIE	Small Scale Industrial Estates
SWOT	Strengths, Weaknesses, Opportunities, and Threats
R&D	Research and Development
TDC	Technology Development Centre
TDZ	Technology Development Zone
TEN-T	Trans-European Network for Transport
TESK	Turkish Artisans and Craftsmen Confederation
TESKOMB	The Union of Turkish Artisans and Craftsmen Credit and Guarantee Cooperatives
TINA	Transport Infrastructure Needs Assessment
TOBB	The Union of Chambers and Commodity Exchanges of Turkey
TPI	Turkish Patent Institute
TURSTAT	Turkish Statistical Institute
TURKAK	Turkish Accreditation Agency
TTGV	Technology Development Foundation of Turkey
TSI	Turkish Standards Institute
TUBITAK	Scientific and Technical Research Council of Turkey

## **EXECUTIVE SUMMARY**

The **Regional Competitiveness Operational Programme (RCOP)** is one of the basic documents for the implementation of the **Instrument for Pre Accession (IPA)** in Turkey.

The aim of the programme is contribute *to prepare Turkey for the implementation and management of the Community's cohesion policy and thus to support Turkey in its preparation for EU membership*. As a candidate country, Turkey is eligible for 5 components under the IPA instrument. These components are Institutional Building and transitional support, Cross-Border Cooperation, Regional Development, Human Resources Development and Rural Development. The **Operational Programme for Regional Competitiveness** implements one of the three sub-components within the framework of the Regional Development Component.

The Ministry of Industry and Trade, as the Operating Structure for the Regional Competitiveness Operational Programme, has prepared this document with the active contributions of the central and regional stakeholders. The programme was prepared in accordance with the "Multi-annual Indicative Planning Document" and "Strategic Coherence Framework" which were prepared by the European Commission and State Planning Organization respectively.

The aim of support within the framework of the Regional Competitiveness Operational Programme is *to increase the competitiveness of Turkish economy to converge with the economy of the EU and to reduce regional socio-economic disparities*. In order to achieve these goals, the RCOP concentrates resources on a limited number of **sectors, regions and priorities** where the programmes impact and contribution will be highest.

The Programme, in terms of sectoral concentration, concentrates on **SMEs operating in manufacturing and tourism sectors, information society, research and development and innovation**. On the other hand, in terms of geographical concentration, the Programme concentrates on regions having an income per capita below the 75% of Turkish national average. Moreover, in terms of priorities, the **Programme is** based on two priorities:

### **Priority 1: Improvement of Business Environment**

Its measures focus on the development of industrial infrastructure, creation and development of financing instruments, improvement of research and development, innovation, technology and ICT environment and infrastructure and, improvement of tourism infrastructure, promotion and marketing activities.

### **Priority 2: Strengthening of Enterprise capacity and foster entrepreneurship**

Its measures focus on enhancement of research and development, innovation, ICT and entrepreneurial capacity of SMEs and strengthening of cooperation in industry corporate sector.

The Regional Competitiveness Operational Programme sets out the budget allocated to these sectors and regions during 2007-2009 as follows: in 2007 55.866 million Euros, in 2008 58.000 million Euros and in 2009 73.066 million Euros

The RCOP consists of 5 main chapters and annexes. The **first chapter** describes the complementarity and consistency of the RCOP with national and EU policies as well as the partnership mechanism and provides the summary of the ex-ante evaluation.

The **second chapter** provides a socio-economic analysis which also covers the macro-economic survey, setting out the fundamental findings and problems which were driven from these analyses, together with a SWOT analysis.

The **third chapter** sets out the strategy of the Programme, namely by addressing the weaknesses and threats and developing the opportunities derived from the SWOT analysis. Within the framework of this approach, the Programme describes clearly the basic intervention areas, priorities, measures and eligible actions.

The **fourth chapter** provides the financial tables for the distribution of the budget amongst the priorities and measures.

Finally, the **fifth chapter** describes the monitoring and evaluation processes, as well as the implementation mechanism.

## Operational Programme for Regional Competitiveness

### 1. Context, Consultation and Coordination

Turkey- EU relations entered into a new process with the recognition of Turkey as a candidate country in the Helsinki European Council of December 1999. Within this new process, the financial cooperation mechanism for Turkey was restructured and thus Turkey fully benefited from the pre-accession funds during the 2002 – 2006 period.

The Instrument for Pre-accession Assistance, covering the 2007-2013 period, aims to prepare candidate countries for Structural Funds and thus to support them in their preparation for EU membership. IPA also aims to assist candidate countries to align progressively with the standards and policies of the EU. Council Regulation (EC) no. 1085/2006 which constitutes the legal framework of this pre-accession assistance was adopted on 17<sup>th</sup> of July 2006.

IPA Council regulation is a framework regulation which entered into force following its publication in the Official Journal of the European Union on 31 July 2006 and is applicable from 1<sup>st</sup> of January 2007 to 31<sup>st</sup> of December 2013. On the other hand, the implementing provisions of this Regulation were set out in the Commission Regulation (EC) No. 718/2007 of 12 June, published in the Official Journal of the European Union on 29 June 2007, hereinafter referred as to the "Implementing Regulation."

According to this regulatory framework, IPA consists of five different components. These components are, Transition Assistance and Institutional Building, Cross-Border Cooperation, **Regional Development**, Human Resources Development and Rural Development. According to the Regulation, candidate countries are eligible for all components under this instrument while potential candidate countries<sup>1</sup> are eligible only for the transition assistance and institutional building and cross-border cooperation components.

In this framework, Turkey is one of the beneficiary countries which are eligible for the all components under IPA. Programming, implementation, monitoring and evaluation of the IPA assistance processes are considered as the main tool for the preparation of Turkey to Structural Funds. The institutional mechanisms and preparation process that are designed for the Strategic Coherence Framework (SCF) and the Operational Programmes will be the main start up point for the Structural Funds.

In this respect, one of the most important axes of the IPA process is programming. The concrete outputs of the programming phase of the IPA Process are the Operational Programmes. One of the Operational Programmes under IPA is the *Operational Programme for Regional Competitiveness - RCOP*.<sup>2</sup> Under the Prime Ministry Circular....., the Ministry of Industry and Trade (MoIT) has undertaken the responsibility for the preparation and implementation of the RCOP.

#### 1.1. National Policy and Socio-Economic Context

The RCOP has been prepared with the active participation of the relevant stakeholders under the coordination of the Ministry of Industry and Trade. The Programme has been prepared in compliance with the "9<sup>th</sup> Development Plan" and its Medium Term Programme, "Industrial Policy Document for Turkey (Towards EU Membership)", "SME Strategy and Action Plan" and "Information Society Strategy". (See Table 1)

<sup>1</sup> Candidate Countries are Turkey, Croatia and the Former Yugoslav Republic of Macedonia.

Potential candidate countries are Albania, Bosnia and Herzegovina, Montenegro, and Serbia including Kosovo.

<sup>2</sup> Regional Competitiveness is one of the sub-components under the Regional Development Component. The other sub-components under the Regional Development component are environment and transportation.

The objectives, strategy and areas of intervention of the Operational Programme correspond to the 9<sup>th</sup> **Development Plan** for the period 2007-2013. The main development axes of the Plan are to "*Increase the Competitiveness*" and to "*Ensure Regional Development*". In the Plan, a balanced regional development policy has been introduced which aims to decrease regional development disparities as well as to increase competitiveness of the regions.

In this framework, the Plan developed a Growth Centres approach. The main idea of this approach is to define certain Growth Centres having high potential in terms of growth and serving to their surrounding especially in less developed regions. The major priorities set out in the Plan for these Centres are to improve their accessibility, to strengthen their physical and social infrastructure and to form new industrial focal points in the Centres by stimulating inward investments. This approach was also reflected in the Strategic Coherence Framework, as agreed by the Commission's letter of 28<sup>th</sup> June 2007 and the RCOP.

The main objectives of the **Medium Term Program** are to improve the competitiveness of enterprises, ensure regional development and decrease the disparities.

The major thematic intervention areas of the Medium Term Program are given below:

- Supporting entrepreneurship,
- Supporting innovation, productivity and effective usage of technology,
- Diversification of financial instruments,
- Improvement of physical and technological infrastructure of enterprises and increasing the cooperation between enterprises,
- Wide spreading of institutionalization

The RCOP is in line with these thematic intervention areas. Furthermore, in terms of regional approach, there is also compliance between the RCOP and the Medium Term Programme. In the Programme, regional growth centres are foreseen in order to steer interregional emigration tendency to these regions.

The main objective of the **SME Strategy and Action Plan** is to increase the competitiveness of Turkish SMEs. The major interventions set out in the SME Strategy and Action Plan for the whole country in order to reach this objective are given below:

- Entrepreneurship Development
- Enterprise Development
- Integration of SMEs into International Market
- Improvement of Business Environment
- Development of Technological and Innovation Capacity

These thematic interventions are fully in compliance with the RCOP.

Another guiding document, which was taken into account during the preparation of the RCOP, is **Information Society Strategy (2006-2010)**.

The implementation of the Strategy document and its Action Plan will contribute to the development of an information society in Turkey. The major interventions areas of the RCOP in the field of ICT have been developed pursuant to the Information Society Strategy.

The Strategy determines the major strategic priorities in the transformation process of Turkey to the Information Society. **Social transformation** appears to be the main axe of this strategy. Other strategic priorities mentioned in the document are as follows,

- Diffusion of the ICT Technologies to the business

- **Citizen focused service transformation**
- **Modernisation in the public administration**
- **Competitive ICT sector in the global market**
- **Competitive, accessible and cheap communication infrastructure and services**

**Table 1: Coherence of the RCOP with the National Strategic Documents**

Name of Document					
9 <sup>th</sup> Development Plan					
Medium Term Programme					
SME Strategy and Action Plan					
Information Society Strategy					



In the light of all relevant national documents and strategies, the aim of support within the framework of the Regional Competitiveness Operational Programme is "to contribute both to Turkey's approximation to the EU, and to the economic and social development of Turkey by reducing regional disparities". In order to achieve these goals, the RCOP has sought to concentrate resources on a limited number of regions and sectors (geographical and thematic concentration) where the programme's impact and contribution will be highest.

Within this framework, "increasing the competitiveness", which is one of the development axis of the 9<sup>th</sup> Development Plan, has constituted the main ground for the thematic concentration while "ensuring regional development", which is another development axis of the Plan, has been taken into account in terms of geographical concentration.

Furthermore, in order to ensure a further thematic and sectoral concentration, an approach focused on SMEs and entrepreneurship, which is also the thematic concentration of the Medium Term Programme and the Multi Annual Indicative Planning Document (MIPD)<sup>3</sup> has been developed. Besides, the manufacturing industry and tourism sectors which are the main sectors mentioned in the 9<sup>th</sup> Development Plan constitute the main elements for sectoral concentration under the RCOP. (Table 2)

**Table 2: Thematic and Regional Concentration of the Operational Programme for Regional Competitiveness**

Operational Programme for Regional Competitiveness Concentration		
	OBJECTIVE	SECTOR/REGION
THEMATIC CONCENTRATION	<i>Increasing the Competitiveness</i>	SMEs and Entrepreneurship Manufacturing and Tourism Sectors
GEOGRAPHICAL CONCENTRATION	<i>Ensuring Regional Development</i>	12 NUTS II Regions 15 Growth Centres

On the other hand, in terms of geographical concentration, the RCOP will concentrate on regions having an income per capita below 75% of Turkish national average. In addition to this concentration and in order to introduce a more comprehensive approach in terms of the geographical concentration principle, the Strategic Coherence Framework (SCF) has taken into account 15 Growth Centres for targeting actions to be supported under the RCOP. Thus according to the SCF, the majority of geographical concentration is on 15 Growth Centres which are selected among the 12 NUTS II Regions having an income per capita below 75% of Turkish national average. Thus, the 12 NUTS II<sup>4</sup> Regions which also include the 15 Growth Centres will be the main beneficiaries of the support under the RCOP. Nevertheless, the RCOP will give priority to *inter-regional cooperation* within the country. The *interaction of growth centres' with their hinterland* and the *interaction of the target regions with the rest of the country* particularly on R&D, innovation and networking were foreseen to be the important parts of the geographical concentration in the RCOP. The concentration strategy of the RCOP is given in details in the Chapter on "Strategic Priorities".

The Turkish economy has demonstrated significant performance despite the 2001 crises. The macroeconomic policies and reforms which were implemented during 2002-2006 period have an indispensable role in this performance.

<sup>3</sup> Commission Decision C (2007) 1835 of 30 April 2007

<sup>4</sup> The NUTS II classification as referred to in this document is provisional pending the final outcome of the negotiations on the relevant chapters.

However there is still a need to manage a number of challenges in Turkey. For instance, although Turkey ranks 12<sup>th</sup> among the OECD Member Countries with its 459.8 billion US \$ GDP in 2000, there are still significant regional disparities in the country<sup>5</sup> and GDP per capita remains lower than in any other EU country.

On the other hand, low value added sectors have a large share in production, investments and exports. SMEs which constitute 98.6 % of Turkish enterprises have low level of competitiveness and productivity. Moreover, they suffer from insufficient access to finance and to information and consultancy services. Furthermore, the manufacturing industry enterprises in Turkey are mostly small and medium-sized enterprises. The productivity, technology level and export capacities of these small scale enterprises are at a very low level. This structure brings with itself some problems such as lack of institutionalization, low productivity and difficulties of the public administration in making long term sectoral policies. It is because of these reasons that only 35% of SMEs in Turkey can export. Deficiency of sources, lack of information and low technology usage are the main barriers for exporting.

Despite the increasing foreign trade volume the deficit in the Turkish trade balance has not been reduced<sup>6</sup>. Although tourism revenues have a significant share in the foreign revenues of the country, there is still a lack of sufficient protection and commercialization of natural and historical heritage in Turkey. There is a significant potential for different kinds of tourism in different regions of Turkey but this potential is not fully explored due to some bottlenecks faced in the tourism sector. Insufficient protection, enhancement and commercialization of natural and historical heritage, lack of adequate infrastructure for diversification and geographical expansion, lack of effective promotion and marketing activities are some of these bottlenecks.

When the information society is concerned, it appears that the communication and information infrastructure in Turkey is inadequate. Besides, there is an insufficient usage of research and development and innovation within the industry. The economy is mostly based on low technology usage and cheap labour force. The usage of the ICT by SMEs can not be supported sufficiently to increase their economic development and competitiveness. In Turkey, more than three-fifths of the SMEs have computer, more than 50 % of them have access to internet and 20 % of them have broadband access.

Moreover, in order to contribute to the participation of the SMEs to the global markets, e-business and e-commerce practices have not been highly introduced to the enterprises and awareness in this field has not been developed in Turkey. Considering that the rate of Internet usage in businesses in the EU is around 90%, it becomes even more important to turn this awareness into action to increase usage of ICT in enterprises in the country.

When research and development activities are taken into account in Turkey, it is obvious that there is an inadequate number of enterprises, institution, research centres and universities carrying out R&D, innovation and technology based activities. Moreover, since there is a low cooperation between universities and enterprises, there are not enough SMEs carrying high-technology based activities and the number of SMEs capable of involving in such high-tech projects is quite low, while the existing ones need strong infrastructure and other types of support in order to carry out such projects.

On the other hand, despite the potential of a young labour force and population, the skill of the labour force is low and significant labour market imbalances exist within Turkey. The employment rate stands at 41 % and female and youth employment remains particularly low.

<sup>5</sup> According to 2001 Eurostat data, there are 5 times difference between TR-42 NUTS II Region having the highest GDP per capita income and TR-A2 NUTS II Region having the lowest GDP per capita income.

<sup>6</sup> Foreign trade deficit increased from 26.7 billion \$ in 2001 to 43.1 billion \$ in 2005.

In this framework, the RCOP aims to concentrate on these bottlenecks in order to improve the productivity of SMEs, to upgrade their research and development infrastructures, to increase ICT usage, to improve their service quality, advertisement and marketing capabilities. When these targets of the RCOP are combined with the Turkey's Long Term Strategy, covering 2001-2023 periods and aiming to attain more competitive production structure, and a higher level and better distribution of income, to complete its transition to information society, the road map of the Operational Programme for Regional Competitiveness becomes clearer.

## 1.2. Community Strategic Framework

**The Accession Partnership**, which is based on the pre-accession strategy, is one of the main documents providing Turkey with guidance in its preparations for accession. This document identifies needs for institution building, strengthening the regulatory infrastructure needed to ensure compliance with the *acquis*, and improving economic and social cohesion. Emphasizing the simplification of the business environment for SMEs, this document underlines the continuation of the development of the strategic framework for economic and social cohesion, aimed at reducing regional disparities.

The **Lisbon Strategy** which aims to make the EU the *most dynamic and competitive economy* by 2010, is another important policy document that involves a whole set of policy areas, from research and education to environment and employment. This strategy foresees a transition to a *competitive, dynamic, knowledge-based economy* and emphasises the need to adapt to the changes in the *information society* and to boost *research and development*. Together with the Lisbon Strategy, the revised Strategy (2005) which aims at focusing more efforts on the achievement of stronger, lasting *growth* and the creation of more and better *jobs* have been taken into consideration in this process.

The **Multi Annual Indicative Planning Document** is one of the main IPA strategic planning documents which set the basis for programming each of the IPA components. In the MIPD, ensuring convergence by decreasing the regional disparities appears to be one of the main objectives of the IPA regional development component for Turkey. Taking the significant regional disparities in Turkey into account, this document foresees the improvement of business environment and SMEs in the NUTS II Regions having a per capita income below 75% of Turkish national average according to purchasing power parity. Moreover, this document strongly underlines the strengthening of the overall business environment, encouraging and supporting new business, supporting innovation and adoption of new technologies, enhancing SMEs access to the export market and strengthening SMEs' capacity to use ICT.

Another important national policy document that the Operational Programme for Regional Competitiveness has taken into account is the **Strategic Coherence Framework Document (SCF)**. This document has been prepared with the active participation of the Operating Structures under the coordination of Undersecretariat for State Planning Organization.

In terms of regional competitiveness, the SCF has foreseen to ensure convergence by decreasing regional disparities in Turkey. In order to ensure further concentration the SCF developed a growth centre approach. According to this approach 15 growth centres within the 12 NUTS II regions having a per capita income below 75% of Turkish national average have been determined. Taking into consideration the strengths and weaknesses, needs and potentials of these regions, the SCF underlines the encouragement of start-ups and consultancy services to develop production skills of the enterprises, development of clusters, encouragement of the agencies and institutions providing services to enterprises, improvement of tourism infrastructure and promotion of tourism, increasing the computer and internet usage of the enterprises, supporting entrepreneurship and institutionalization activities of the existing enterprises, establishment of cooperation networks among enterprises, encouragement of standardization, quality and certification activities of the enterprises, spreading venture and risk capital practices of enterprises, creating and promotion of Trademark, cooperation networks and clusters between enterprises and institutions, providing services to enterprises, improvement of supports for exporting activities, support to initiatives such as Technology

Development Zones (TDZ), Technology Development Centres (TDC) and incubators, protection and development of the Intellectual Property Rights (IPRs), increasing the number of IPRs, particularly patent numbers, supporting R&D and innovation activities of the enterprises and encouragement of high technology activities of the enterprises.

Taking into consideration all these interventions and axis of the relevant national and EU documents, the **Operational Programme for Regional Competitiveness** aims to increase competitiveness in the 12 NUTS II Regions and 15 Growth Centres having the GDP per Capita below the 75 % of Turkish national average. To achieve this goal, the RCOP will prioritize the *improvement of business environment and strengthening of enterprise capacity and foster entrepreneurship*.

In this framework the RCOP aims to contribute to policy development and mobilization of resources which will pave the way for decreasing regional disparities through investment in business infrastructure, access to finance and improvement of skills of the labour force with particular emphasis on the less developed regions in Turkey.

The "**Community Strategic Guidelines, 2007-2013**", adopted by the Council Decision (2006/702/EC) of 6 October 2006 is one of the major strategic documents of the Cohesion Policy. It combines the competitiveness objective of the Lisbon Strategy and convergence objective of economic and social cohesion. This document provided important inputs and benchmarks to the RCOP as well as to the 9th Development Plan and SCF.

The main objectives of the Community Strategic Guidelines have therefore been taken into account, while designing the RCOP. In this regard, the main intervention areas of the RCOP are in line with the priorities of the Community Strategic Guidelines as indicated in the Table 3.

This table also shows that the strategic priorities mentioned in these documents provided an indication of the ownership of EU Lisbon Strategy and Community Strategic Guidelines. This is of particular importance in areas where proximity matters, such as in innovation and the knowledge economy, employment, human capital, entrepreneurship, support for small and medium-sized enterprises and access to finance.

To achieve the maximum impact, the Operational Programme for Regional Competitiveness attaches great importance to the coordination among the different components of the IPA. In this context, RCOP foresees some cooperation and complementarity areas especially with the OP for Human Resources and with other OP's on Environment, Transport and Rural Development. Details of this cooperation and complementarity are given in the Chapter 3.4 on "**Complementarities and Synergies with Other Forms of Assistance**".

**Table 3: Coherence of the RCOP with the Community Strategic Documents**

Name of Document	Intervention Area	
	Thematic	Regional
<b>Accession Partnership</b>	<ul style="list-style-type: none"> <li>✓ Continue simplifying the business environment for SMEs</li> </ul>	<p>Continue to develop the strategic framework for economic and social cohesion, aimed at reducing regional disparities.</p>
<b>Lisbon Strategy</b>	<ul style="list-style-type: none"> <li>✓ Ensuring an information society for all.</li> <li>✓ Establishing a European Area of Research and Innovation.</li> <li>✓ Creating a friendly environment for starting up and developing innovative businesses, especially SMEs.</li> <li>✓ Efficient and integrated financial markets.</li> <li>✓ Ensuring more and better jobs, developing an active employment policy</li> </ul>	<p>To become the most competitive and dynamic knowledge-based economy in the world</p>
<b>Community Strategic Guidelines</b>	<ul style="list-style-type: none"> <li>✓ Increase and improve investment in R D</li> <li>✓ facilitate innovation and promote entrepreneurship</li> <li>✓ promote the information society for all improve access to finance</li> <li>✓ Attracting and retaining more people in employment and modernising social protection systems</li> <li>✓ Improving adaptability of workers and enterprises and the flexibility of the labour market</li> <li>✓ Increasing investment in human capital through better education and skills</li> </ul>	<p>Expand and improve transport infrastructures</p> <p>improve the environmental contribution to growth and jobs</p> <p>Address the intensive use of traditional energy sources</p> <p>The contribution of cities to growth and jobs</p> <p>Supporting the economic diversification of rural areas</p> <p>Cooperation: cross-border trans-national/interregional</p>

<p><b>Multi-annual Indicative Planning Document (MIPD)</b></p>		<ul style="list-style-type: none"> <li>✓ Provision of basic services and infrastructure</li> <li>✓ Stimulating innovation, entrepreneurship, technology transfer,</li> <li>✓ Provision of business related infrastructure and technology services,</li> <li>✓ Facilitate SME's access to finance,</li> <li>✓ Promote SME's participation in information society,</li> <li>✓ Assistance and services to SMEs to adapt and effectively use of ICT</li> </ul>	<p>Increasing the competitiveness by improvement of business environment and SMEs in the NUTS II Regions having a per capita income below 75% of Turkish national average according to purchasing power parity</p>
<p><b>Operational Programme for Regional Competitiveness</b></p>		<ul style="list-style-type: none"> <li>✓ Facilitation of the Start-ups</li> <li>✓ Consultancy services to develop production skills of the enterprises</li> <li>✓ Development of clusters</li> <li>✓ Facilitation of the agencies and institutions providing services to the enterprises</li> <li>✓ Improvement of business infrastructure and promotion of tourism</li> <li>✓ Increasing the computer and internet usage of the enterprises</li> <li>✓ Supporting entrepreneurship and institutionalization activities of the existing enterprises</li> <li>✓ Establishment of cooperation networks among enterprises</li> <li>✓ Facilitation of standardization, quality and certification activities of the enterprises</li> <li>✓ Spreading venture and risk capital practices of the enterprises</li> <li>✓ Creating and promotion of trademark</li> <li>✓ Cooperation networks and clusters between enterprises and institutions providing services to enterprises</li> <li>✓ Support to the initiatives such as Technology Development Zones, IPRs and incubators</li> <li>✓ Protection and development of the IPRs, increasing the number of IPRs, particularly patent numbers</li> <li>✓ Supporting R&amp;D and innovation activities of the enterprises</li> <li>✓ Facilitation of high technology activities of the enterprises</li> </ul>	<p>12 NUTS II Regions and 15 Growth Centres having the GDP per Capita below the 75 % of Turkish national average</p>

### 1.3 Partnership Consultation

The partnership principle is fundamental for the implementation of the Regional Competitiveness Operational Programme. According to the IPA Implementing Regulation, "*assistance granted under IPA shall respect the principle of co-ordination and partnership.*"<sup>7</sup> In this context, the drafting process of the Operational Programme for Regional Competitiveness was directly launched with the involvement of the stakeholders who were invited to take part in the IPA Working Group set up within the Ministry of Industry and Trade. It is undeniable that their full contribution to the preparation of the RCOP will lead to their participation in the implementation process of the Programme.

The process of *partnership consultation* started with the establishment of *sectoral committees* (Manufacturing Industry and SMEs, R&D and Innovation, Information Society and Tourism) under the IPA Working Group. The stakeholders which have actively taken part in these Sectoral Committees have been selected with great care. These stakeholders are not only from public institutions but also from non governmental organizations. In this framework the "partnership principle" has been given great importance from the very beginning.

Thus relevant socio-economic partners of the RCOP are as follows,

RCOP stakeholders from the public institutions are,

- Some affiliated and related institutions of MoIT
  - Small and Medium Sized Industry Development Organisation -KOSGEB
  - Turkish Patent Institute - TPE
  - Turkish Standards Institute - TSE
  - National Productivity Centre - MPM
  - Turkish Accreditation Agency – TURKAK
- Ministry of Culture and Tourism
- Ministry of Labour and Social Security
- Ministry of Environment and Forestry
- Ministry of Agriculture and Rural Affairs
- Ministry of Transport
- State Planning Organization
- Undersecretariat for Treasury
- Undersecretariat for Foreign Trade
- Secretariat General for EU Affairs
- The Council of Higher Education
- The Scientific and Technical Research Council of Turkey (TÜB-TAK)
- Turkish Statistical Institute - TURKSTAT

RCOP stakeholders from the non-governmental organizations are,

- The Union of Chambers and Commodity Exchanges of Turkey (TOBB)
- Turkish Artisans and Craftsmen Confederation (TESK)
- Technology Development Foundation of Turkey (TTGV)
- Management Board of the OIZs and TDZs
- Sectoral Assemblies via TOBB
- Regional and Sectoral NGO's (See Annex-1)

<sup>7</sup> Commission Regulation (EC) No. 718/2007, Article 3

In order to set up a rapid communication mechanism among the sectoral committees of the IPA Working Group, an e-mail communication group<sup>8</sup> was established. This paved the way for a swift dissemination of the documents prepared by the committees.

In order to ensure effective ownership of the Operational Programme by the relevant regional and local stakeholders, some **regional and local partners** from the targeted NUTS II regions were also included in the drafting process of the RCOP. In this respect, one representative from each relevant regional and local stakeholders (Chambers of Industry and Commerce, Organized Industrial Zones, Technology Development Zones and Centres, Relevant Sectoral Associations, Development and Service Unions and other relevant civil society organizations) in the targeted NUTS II regions were invited to take part in the preparation of the Operational Programme. These representatives were asked for their opinions on the draft Operational Programme through the questionnaires prepared for this purpose. The e-mail list of these representatives from regional and local stakeholders is presented in *Annex 1* of the Operational Programme.

In order to ensure further partnership consultation, the draft Turkish version of Operational Programme for Regional Competitiveness, an Executive Summary of the Operational Programme and a Questionnaire were put on the internet web site of the Ministry of Industry and Trade.<sup>9</sup> As of 17<sup>th</sup> of August 2007, more than 200 filled Questionnaires and 2000 hits were received in this consultation process. Through this consultation process, local and regional partners in the 12 NUTS II regions as well as the whole public in all over Turkey were given the opportunity to take part in the preparation process of the OP. The opinions proposed by these partners through these questionnaires were grouped and their proposals were reflected to the RCOP.<sup>10</sup> This permanent consultation process will be further developed and this kind of partnership mechanism will be ensured also during the implementation of the Operational Programme.

In order to ensure complementarity and consistency with the other Operational Programmes, some representatives of the Working Group have been nominated to take part in the studies of other OP's. Moreover, a **Technical Committee** has been established with the **Ministry of Labour and Social Security** to ensure regular dialogue and exchange of information on the interventions of the RCOP and the HRD OP which require close cooperation. Within the framework of the Technical Committee, three meetings have been organized to date (on 5<sup>th</sup> of October 2006, 3<sup>rd</sup> of November 2006 and 29<sup>th</sup> June 2007). This Committee will also be responsible for ensuring coordination during the implementation phase of the two OPs.

The MoIT also participates in the meeting of the Working Committees of **Transport and Environment OPs** and is involved in the Steering Committee of the Rural Development OP in order to contribute to the preparation process of these OPs in a way to ensure complementarity and to define demarcation between the RCOP and these OPs.

In order to ensure complementarity and avoid overlapping with the IPARD Programme, a meeting was held with the Ministry of Agriculture and Rural Affairs on 5<sup>th</sup> of March 2007. In this meeting, demarcation lines between the IPARD Programme and the RCOP have been made clear through a Memorandum of Understanding signed between both parties. (See the Chapter 3.4.1. Complementarities and Synergies with Other Operational Programmes)

Furthermore, an **Inter-ministerial Working Group** has been established with the participation of the line Ministries under the coordination of the Strategic Coordinator – SPO. This Working Group has prepared a draft Communication Action Plan for the promotion of the Operational Programmes **for the period before the start of the implementation of the Operational Programme**. According to this Draft

<sup>8</sup> [ipa@sanayi.gov.tr](mailto:ipa@sanayi.gov.tr)

<sup>9</sup> [http://www.sanayi.gov.tr/IPAWeb/Dosyalar/ipa\\_anket.doc](http://www.sanayi.gov.tr/IPAWeb/Dosyalar/ipa_anket.doc)

<sup>10</sup> The questionnaire and the tables showing the reflection of the conclusions of the questionnaires to RCOP were given in the **Annex-2**.



Action Plan, the Operating Structures will pay visits to some provinces in the target NUTS II regions and organize seminars in these provinces to inform the relevant partners and beneficiaries.

In the upcoming period, the implementation process of the RCOP will be carried out through the active contribution of the central, regional and local stakeholders. These partners will be invited to take part in the "Consultation Meetings" which are going to be held periodically at the start of each year. The conclusions of these meetings will be reported to the Monitoring Committee. The Committee will, when required, take the conclusions of these meetings into consideration. On the other hand, the Ministry will ensure the rotating participation of some of the regional and local stakeholders to the Monitoring Committee.

Moreover, the Ministry of Industry and Trade will appoint a representative in its 43 Provincial Offices as a one-stop shop responsible for relations with the partners. This individual will act as a point of liaison between the partners and the Operating Structure. This consultation process will provide a broader cooperative network which will enable the Operating Structure to pool the resources and experiences.

#### 1.4. Ex-ante Evaluation

An ex-ante evaluation of the Operational Programme for Regional Competitiveness has been carried out in accordance with the *Article 166* of the IPA Implementing Regulation.

The Ex-ante Evaluation has been conducted by the technical assistance project called "*Support to State Planning Organization to Build Capacity at Central, Regional and Local Level to Implement Economic and Social Cohesion Measures*" According to this project, a consortium which was headed by GTZ has carried out the evaluation exercise of the Operational Programme. Although the project was prepared by the Strategic Coordinator - State Planning Organization, the evaluation of the Operational Programme was carried out under the responsibility of the Ministry of Industry and Trade through an interactive process based on a constructive dialogue between the MoIT and the external expert.

The first ex-ante evaluation report on the draft of the Operational Programme was delivered in May, 2007. The RCOP has been revised according to the main recommendations of the report. The second ex-ante evaluation report was delivered in August, 2007 based on the second draft of the RCOP dated 3<sup>rd</sup> of June, which was also submitted to the Commission. The current version of the RCOP is built on the main recommendations and results of the final ex-ante evaluation report. The key aspects of the draft ex-ante evaluation report and how they have been taken into account by the programming team are given in Annex 3.

Within the framework of the ex-ante evaluation, the "SWOT Analysis", "Rationale and Overall Consistency of the Strategy", "Indicators and Objectives", "Expected Socio-Economic Impact and Justification of Policy and Allocation of Financial Resources", "Quality of the Implementation and Monitoring Arrangements" of the RCOP have been assessed.

With regard to the "*SWOT Analysis*", in the report, it is indicated that the programme is provided with an extensive analysis of regional disparities across Turkey and the general methodology of the programme is acceptable. On the other hand, some considerations have been recommended in order to improve the SWOT Analysis. In this respect, new strengths and weaknesses have been added to the SWOT Analysis in line with the recommendations mentioned in the report.

In order to analyse the "*Rationale and Overall Consistency of the Strategy*", the evaluator has assessed the strategy/needs and coherence of the programme firstly by way of a matrix. As a result of this assessment the programme in general has been found as satisfactory to deal with existing key-needs and to enhance key-strengths highlighted by a generally correct SWOT Analysis. However, minor adjustments have been introduced to the cluster of strengths and weaknesses by the drafting team according to the recommendations of the evaluator.

Regarding the internal coherence of the programme, the report indicates that all priorities are coherent to a more than satisfactory degree, with the majority of planned activities important and often crucial for the others. In other terms, it is indicated that the programme is not only coherent but in general well integrated.

Concerning the external coherence of the RCOP, the report highlights that, the RCOP shows a sufficient level of coordination with the other relevant programmes and mostly positive reciprocal impacts. The actions and priorities of the RCOP, the SCF and the NDP have a good degree of mutual support.

With regards to the financial allocations, the allocated budgets per measure have been revised by the drafting team taking into account the recommendations mentioned in the ex-ante evaluation report and the Commission's comments on the eligible actions.

Regarding the *Indicators and Objectives*, all the suggestions given in the report have been taken into account and reflected in the programme.

The *Expected Socio-Economic Impact and Justification of Policy and Allocation of Financial Resources* have been analysed in the tables showing the socio-economic impact of each measure and matrixes for each targeted NUTS II regions. These analyses show a good potential impact of the programme for virtually every measure and most of the regions. From the analysis, it is concluded in the report, the RCOP will certainly benefit the targeted area, but its impact will be hardly visible due to the extremely small resources of the programme compared to the economic and demographic size of the targeted area, the large quantity of existing gaps in most targeted regions, and the complex nature of the existing socio-economic gaps.

The *Quality of the Implementation and Monitoring Arrangements* of the RCOP has been assessed based on six criteria. The institutional capacity of the Operating Structure and of the Strategic Coordinator have also been analysed taking into account their performance in the specific areas. As a conclusion of the analyses, the report indicates that, most aspects of sound implementation and its requirements are satisfactory for the Operating Structure in theoretical terms and the Strategic Coordinator should act as a source of skill transfer, considering that the MoIT is going to implement its first fully managed OP.

## 2. Assessment of medium term needs, objectives and strategic priorities

### 2.1. Socio-economic Analysis

The methodology applied in the socio-economic analysis included a macro-scale assessment country wide for each sub-chapter. Following this general assessment, a regional analysis has been made covering the geographical and sectoral concentration of the RCOP.

Within this framework, the socio-economic analysis evaluated the macro-economic environment both for the whole country and for the target regions of the RCOP.<sup>11</sup> Secondly, an enterprise oriented analysing method has been conducted with a special focus on manufacturing industry, SMEs and tourism enterprises. Thirdly, R&D, Innovation and Information Society themes have also been appraised, in line with the main intervention areas of the MIPD and the RCOP.

All socio-economic analyses illustrated in tables and figures for Chapter 2 have been evaluated firstly by taking into account the whole country, then, by considering geographical thresholds determined in the MIPD and the SCF.

The existing situation derived from the socio-economic analysis has revealed certain key points to determine the intervention areas of the RCOP, these key points have been mentioned as medium-term needs of Turkey and of the target regions. Similarly, the SWOT analysis which has been developed both for countrywide and for target regions is the backbone of Chapter 2.

The major intervention/development axes and the main intervention areas of the wider planning documents (MIPD, 9<sup>th</sup> Development Plan, Medium Term Programme and SCF) shown in Tables 1 and 3, have been taken into account in the development of the set of medium term needs, priorities and measures of the RCOP.

Cooperation and synergy between relatively less developed regions and the developed ones will ensure more efficient usage of the endogenous potential of the less developed regions. This fact justifies that the RCOP may implement measures supporting national policies and institutions or projects which have regional dimensions, which contribute to enhance the competitiveness of the less developed regions.

From this point of view, a major "*principle of the RCOP*" is the evaluation of the priorities and intervention areas, which are important for the competitiveness of the country, together with national social economic and industrial policies and implementation of these priorities mainly in the relatively lagging behind regions.

#### 2.1.1 Macro-Economic Background

This Section analyses the macro economic environment both for whole country and for the target regions of the RCOP. Within this framework, GDP per capita, demography, employment, foreign trade indicators and tourism revenues in the balance of payments will be analysed at national and regional level.

#### GDP and Income Per Capita

After the 2001 economic crises, the Turkish economy has *entered into a recovery and growth process* with the implementation of new macro-economic policies. GDP, which had gone through one of the most important declines in the country with a 9.5% decrease in 2001, has reached positive growth rates at 7.9% in 2002, 5.9% in 2003, 9.9% in 2004 and 7.6% in 2005.

<sup>11</sup> The term "target regions" corresponds to the geographical concentration of the RCOP. According to the MIPD and the SCF, geographical concentration of the RCOP will be on 12 NUTS II regions including 15 Growth Centres. Therefore, the term "target regions" refers to 12 NUTS II regions including 15 Growth Centres.

GDP of the OECD Member Countries has increased by 7.85 % on average between 2000-2004. In this period, the highest growth rate with an increase of 34.9 % *was realised* in Greece. Turkey, which ranks 12<sup>th</sup> among the OECD Member Countries with its 459.8 billion US \$ GDP in 2000, has increased its GDP by 20 % and *preserved its rank* with 551.9 billion US \$ GDP in 2004 despite the 2001 economic crises.

When these figures are assessed comparatively, it is seen that *the gap* between Turkey and the OECD Member Countries *has not been reduced* in the period of 1970-2004 according to *purchasing power parity (PPP)*. This rate, corresponded to 27.7 % of the OECD average in 1970, *has decreased to 27 %* in 2004. *Likewise*, GDP per capita with current prices in Turkey in 2004 was 26.7% of EU-15 average, while this ratio was 28.1% in 1970.

Briefly, when Turkey is compared with the EU-15 and OECD Member Countries, it is seen that Turkey could not decrease the gap in GDP per capita (PPP) in the last 35 years, on the contrary, this gap has increased and "*convergence*" between Turkey and developed countries has not been achieved.

When the *GDP per capita rates* are considered, Turkey is in the group of the countries having lower-middle income. GDP per capita at current prices *was* 2,879 US \$ in 2000 and reached 5,042 US \$ in 2005.

According to the 9<sup>th</sup> Development Plan (2007-2013), it is foreseen that GDP per capita at current prices will *reach* 10,099 US \$ by 2013 *with an average increase of 9.9%* and GDP per capita (PPP) will reach 15,332 US \$ with an average increase of 8.3 %.

On the other hand, when the *GDP per capita* is taken into account comparatively, as of 2005 data, the average GDP per capita of Turkey *corresponds to* 15 % of the EU-15 average<sup>12</sup>.

When the *purchasing power parity* is taken into account, Turkey is *relatively* in a better position compared to the EU-15 and GDP per capita corresponds to 25.8% of the EU-15 average<sup>13</sup>. When the OECD data is considered, Turkey has the lowest GDP per capita among the OECD countries with 7,687 US \$<sup>14</sup> according to purchasing power parity.

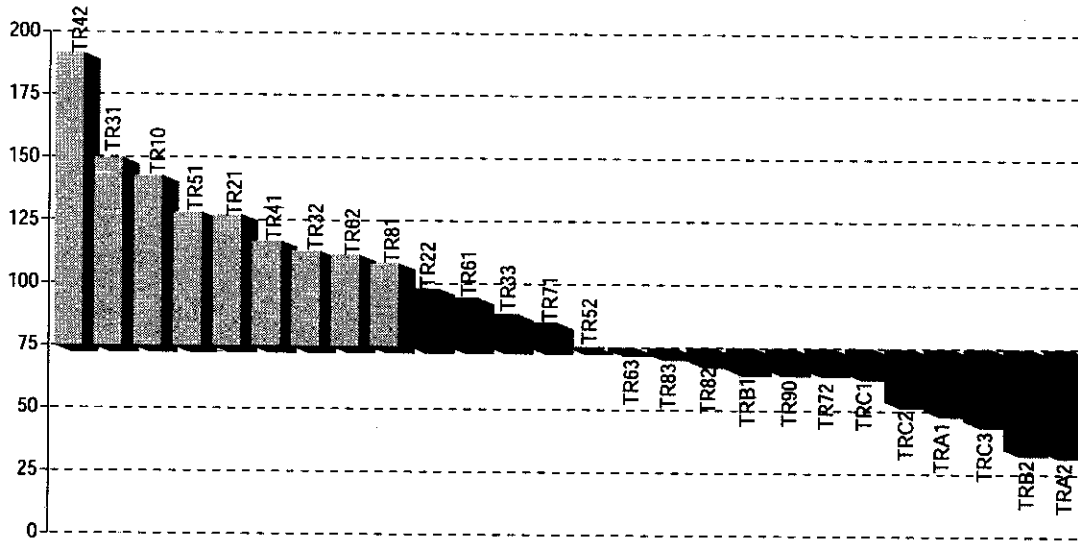
The distribution of GDP per capita (PPP) by NUTS II level is shown at the graphic below. According to this graphic, there are three different types of regions in Turkey in terms of GDP per capita. NUTS II regions having a per capita income *above* the Turkish average (Orange), NUTS II regions having a per capita income *below* the Turkish average whereas *above* 75% of the average (Green) and NUTS II regions having a per capita income *below* the 75% of Turkish average (Red).

<sup>12</sup> Average GDP per capita of EU-15 is 33,517 US \$ in 2005. (EUROSTAT)

<sup>13</sup> Average GDP per capita PPS of EU-15 is 31,503 US \$ in 2005.

<sup>14</sup> According to purchasing power parity in 2004, OECD Fact Book 2006

**Figure 1: GDP per capita According to Purchasing Power Parity by NUTS II Level (2001, TR=100)**



Source: EUROSTAT

The number of *NUTS II* regions having a GDP per capita below 75 % of Turkish average has increased from 11 in 1995 to 12 in 2001 with the inclusion of **TR-63**.

According to 2001 data, there are five times difference between **TR-42** (Kocaeli, Sakarya, Düzce, Bolu, Yalova - 191.45) having the highest GDP per capita income (PPP) and **TR-A2** (A•r•, Ardahan, I•d•r, Kars - 34.00) having the lowest GDP per capita income.

When the target regions (red) are assessed in terms of GDP per capita, it appears that there are significant differences in GDP per capita among these NUTS II regions. **TR-63** (Hatay, Kahramanmara•, Osmaniye) has the highest per capita income with 74.51 ratios, whereas **TR-A2** (A•ri, Ardahan, I•d•r, Kars) is the lowest with 34 ratios among these 12 NUTS II regions.

As it can be seen from the **Table 4**, there are important differences between the NUTS II and NUTS III levels in terms of GDP per capita. Certain NUTS III regions introduced as *Growth Centres* (*Samsun, Elaz• and Kayseri*), which are in NUTS II regions having GDP per capita below the 75% of Turkish average, are above the 75% threshold.

**Table 4: Geographical Concentration in GDP per capita according to 12 NUTS II Regions and 15 Growth Centres**

NUTS II Regions	GDP Per Capita Ranking, 2001 (by 26 NUTS II)	GDP Per Capita, 2001 (TR=100)	GDP Per Capita Ranking, 2001 (by 81 NUTS III)	GDP Per Capita, 2001 (TR=100)	Growth Centres
TR-42 (Kocaeli, Sakarya, Düzce, Bolu, Yalova)	1	191,4	1	287,3	Kocaeli
TR-31 (-zmir)	2	149,8	2	196,5	Bolu
TR-10 (-stanbul)	3	142,7	3	167,3	Kırklareli
<b>Turkish National Average</b>	-	<b>100</b>	-	<b>100</b>	
TR-63 (Hatay, K. Maraş, Osmaniye)	15	74	41	73,8	K. Maraş
TR-83 (Amasya, Gocum, Samsun, Tokat)	16	72,6	37	78,3	Samsun
TR-82 (Çankır, Kastamonu, Sinop)	17	69,8	33	82,9	Kastamonu
TR-B1 (Bingöl, Elazığ, Malatya, Tunceli)	18	66,6	36	79,4	Elazığ
			51	66,0	Malatya
TR-90 (Artvin, Giresun, G. Hane, Ordu, Rize, Trabzon)	19	66,5	45	70,2	Trabzon
TR-72 (Kayseri, Sivas, Yozgat)	20	66,3	31	84,2	Kayseri
			52	65,2	Sivas
TR-C1 (Adıyaman, G. Antep, Kilis)	21	65,1	39	74,2	Gaziantep
TR-C2 (Diyarbakır, - Urfa)	22	53,9	54	61,2	Diyarbakır
			67	47,0	- ant-urfa
TR-A1 (Bayburt, Erzincan, Erzurum)	23	50,4	64	49,6	Erzurum
TR-C3 (Batman, Mardin, -mak, Siirt)	24	46,3	56	56,7	Batman
TR-B2 (Bitlis, Hakkari, Muş, Van)	25	34,9	72	40,0	Van
TR-A2 (Ağrı, Ardahan, Iğdır, Kars)	26	34	71	41,3	Kars

Source: TURKSTAT, 2001 (15 Growth Centres figures are on NUTS III level)

### Demography

According to the census of 2000, Turkey's population was registered as 67.803.927. In that period of time, 65% of the population was living in the urban area while 35 % was living in the rural areas. In accordance with the same data, population density was measured as 86 people per square kilometre. Nonetheless, it is predicted that Turkey's population was around 72.065.000 in the middle of 2005.

In 2000, the average birth rate of Turkey's population was 1.66 %, whereas this ratio decreased to 1.49 % in 2004. The 9<sup>th</sup> Development Plan foresees that a recognizable improvement in the demographic index will be recorded and that the birth rate will come closer to the one in developed countries. According to this projection, in the year of 2013, the birth rate in Turkey will be brought down to 1.01 % and total population will be estimated at 79 million.

Turkey is among the 20 most populous countries in the world. Besides, the proportion of the youth in the population is the same as in developing countries. Turkey's demographical structure is much younger than OECD and EU countries. (Table 5)

**Table 5: Demographic Projection (2015)**

	Annual population growth rate (%)		Population under age 15 (as % of total population)		Population age 65 and above (as % of total population)		Fertility Rate (%)		Urban population (as % of total population)		
	1975-2001	2001-2015	2001	2015	2001	2015	1970-1975	2000-2005	1975	2001	2015
<b>Turkey</b>	<b>2.0</b>	<b>1.20</b>	<b>31.20</b>	<b>25.00</b>	<b>5.60</b>	<b>6.70</b>	<b>5.20</b>	<b>2.40</b>	<b>41.60</b>	<b>66.20</b>	<b>71.80</b>
OECD	0.80	0.50	20.40	17.90	13.10	16.00	2.50	1.80	70.40	77.10	80.40
OECD - High Income	0.70	0.40	18.30	16.50	14.60	18.00	2.20	1.70	73.70	79.10	82.30
World	1.60	1.10	29.80	26.10	7.00	8.30	4.50	2.70	37.90	47.70	50.70

Source: UNDP – Human Development Report – 2003

The population in the 12 NUTS II regions, where the RCOP will be implemented, accounts for 37 % of Turkey's total population. On the other hand, the 15 Growth Centres, which will be the basis for geographical concentration of the RCOP, cover only 19.9 % of the total population. For a detailed population analysis, see Table 6.

In some of the NUTS II regions to be covered by the RCOP, birth rate of population is over Turkey's average and net immigration rate is negative.

However, these significant ratios that have been derived from the tables below can be one of the most important reasons for Turkey's lagging behind position in terms of competitiveness.

**Table 6: Population in 12 NUTS II Regions and 15 Growth Centres**

NUTS II Regions	Total Population	Population	Growth Centres
TR-63 (Hatay, K.Maraş, Osmaniye)	2,704,242	998,915	K.Maraş
TR-83 (Amasya, Çorum, Samsun, Tokat)	2,995,433	1,208,000	Samsun
TR-82 (Çankır, Kastamonu, Sinop)	874,312	377,437	Kastamonu
TR-B1 (Bingöl, Elazığ, Malatya, Tunceli)	1,764,188	567,277	Elazığ
		848,589	Malatya
TR-90 (Artvin, Giresun, G.Hane, Ordu, Rize, Trabzon)	3,122,890	969,024	Trabzon
TR-72 (Kayseri, Sivas, Yozgat)	2,498,442	1,056,690	Kayseri
		755,921	Sivas
TR-C1 (Adıyaman, G. Antep, Kilis)	2,011,087	1,275,768	Gaziantep
TR-C2 (Diyarbakır, Şanlıurfa)	2,781,433	1,353,585	Diyarbakır
		1,427,849	Şanlıurfa
TR-A1 (Bayburt, Erzincan, Erzurum)	1,348,720	934,585	Erzurum
TR-C3 (Batman, Mardin, Şırnak, Siirt)	1,765,935	452,813	Batman
TR-B2 (Bitlis, Hakkari, Muş, Van)	1,941,210	869,113	Van
TR-A2 (Ağrı, Ardahan, Iğdır, Kars)	1,154,318	326,325	Kars
<b>Total of 12 NUTS II Regions</b>	<b>24,955,805</b>		
<b>Total of 15 Growth Centres</b>		<b>13,421,891</b>	
<b>Total of TURKEY</b>	<b>67,420,000</b>		

12 NUTS II Regions as % of Turkey

## Employment

According to 2005 TURKSTAT's employment figures, the *total labour force* in Turkey is approximately 24.5 Million and *total employment* is about 22.1 Million. According to 2006 EUROSTAT's data, with its 45.9 % *labour force participation rate* on an average, Turkey is relatively lagging behind compared with the EU Member States.

On the other hand, when 2006 EUROSTAT general unemployment figures are taken into account, Turkey ranks 3<sup>rd</sup> with 9.9 % general unemployment rate after Poland (13.8 %) and Slovakia (13.4%)

**Table 7: Indicators Related to Employment (%)**

	2000	2002	2005
<b>Sectoral Breakdown of the Employment</b>			
Agriculture	36.0	34.9	29.5
Industry	17.7	18.5	24.7
Services	46.3	46.6	45.8
<b>Unemployment</b>			
Unemployment Rate	6.7	10.6	10.5
Non-agricultural Unemployment Rate	9.4	15.0	13.6
Young Unemployment Rate	13.1	19.2	19.3
Educated Youth (Over Lycee) Unemployment Rate	28.2	38.0	30.9
<b>Labour Force Participation Rate</b>			
Women	28.0	29.5	26.5
Men	76.9	75.1	76.2
<b>Employment Rate</b>	<b>48.9</b>	<b>46.7</b>	<b>45.9</b>

Source: TURKSTAT

As is seen from the Table 7, the major problems of Turkish labour market are structural unemployment, low labour force participation rate especially low female labour force participation and the low level of educational attainment.

Because of the decrease of employment in the agriculture sector and the effect of the 2001 crises, the general unemployment rate has reached up to 10.5 % in 2005 while it was 6.5 % in year 2000. *Non-agricultural unemployment rate* was 9.4 % in 2000, 15 % in 2002 and 13.6 % in 2005. *Young unemployment rate* which is two fold higher than the general unemployment rate remains very importance. (Table 7)

Another structural problem of Turkish labour market is low labour force participation rate compared to the EU Member States. Most important is women's low participation to labour force compared to men. *In 2005*, the labour force participation rate was 76.2 % for men and 26.5 % for women. (Table 7)

When the labour force participation rates of women in Turkey are compared with the EU Member States, it is clearly seen that there is a huge gap between Turkey and the EU in terms of female labour force participation rates. For the 15-64 age group, in Turkey, male labour force participation rate of 76.2 % is close to EU25 average of 77.9 % whereas female labour force participation rate of 26.5 % is substantially lower than the EU25 average of 62.9 %.

Low level of educational attainment and unregistered employment are the other major structural



When the employment figures of *the 12 NUTS II regions* are analysed it is seen that **44.4 %** of the employment in *these regions* is concentrated on the **agriculture** sector while the average rate of the labour force employed in **services** sector is **41 %**. It is approximately **15 %** in the **industry** sector. (Table 8)

**51.8 %** of the labour force employed in the agriculture sector in all Turkey takes place in the 12 NUTS II regions. In spite of this factor, when it is taken into consideration that **37 %** of the total population of Turkey lives in these 12 NUTS II regions, it can easily be stated that economic activities in these regions are, to a considerable extent, dependent on an agricultural structure.

According to this analysis, it is obvious that the NUTS II regions chosen for the concentration of the intervention axis of the RCOP, have low GDP and employment creation capacity since the agricultural activities have low added value production potential.

In **Table 8**, it can be understood that the general unemployment rate in some NUTS II regions in which industry and services sectors are relatively developed is higher than the average rate of the country. Within this framework, since there are not enough data regarding the **TR-A1** (Erzurum City Centre), **TR-B1** (Malatya and Elazır City Centre), **TR-B2** (Van City Centre), **TR-C1** (Gaziantep City Centre), **TR-C2** (Diyarbakır and Şanlıurfa City Centre), **TR-72** (Kayseri and Sivas City Centre), **TR-90** (Trabzon City Centre), a detailed analysis couldn't be done on the basis of employment.

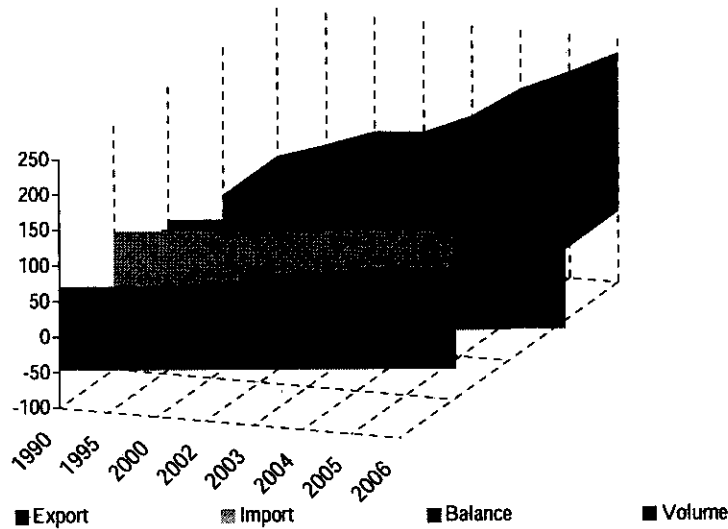
**Table 8: Employment Figures of 12 NUTS II Regions (2005)**

NUTS II REGIONS	Total Labour Force (000)	Employment (000)	Agriculture (000)	Industry (000)	Services (000)	Agriculture (%)	Industry (%)	Services (%)	Unemployed (000)	Labour Force Participation Rate (%)	Unemployment Rate (%)
TR-A1 (Erzurum, Erzincan, Bayburt)	466	444	276	23	146	62,2	5,2	32,9	22	53,5	4,7
TR-A2 (Aksaray, Kars, Iğdır, Ardahan)	337	326	201	18	107	61,7	5,5	32,8	11	49,6	3,2
TR-B1 (Malatya, Elazır, Bingöl, Tunceli)	542	445	192	61	192	43,1	13,7	43,1	98	44,8	18
TR-B2 (Van, Muş, Bitlis, Hakkari)	457	417	200	49	168	48,0	11,8	40,3	40	40,8	8,8
TR-C1 (Gaziantep, Adıyaman, Kilis)	577	497	103	167	227	20,7	33,6	45,7	80	42	13,8
TR-C2 (Şanlıurfa, Diyarbakır)	615	551	210	77	264	38,1	14,0	47,9	64	35,5	10,4
TR-C3 (Mardin, Batman, Şırnak, Siirt)	366	325	95	48	182	29,2	14,8	56,0	41	33,7	11,1
TR-63 (Hatay, K. Maraş, Osmaniye)	904	763	263	166	334	34,5	21,8	43,8	141	47,8	15,6
TR-72 (Kayseri, Sivas, Yozgat)	776	690	250	151	289	36,2	21,9	41,9	86	44,1	11,1
TR-82 (Kastamonu, Çankırı, Sinop)	242	221	97	36	87	43,9	16,3	39,4	21	39,1	8,6
TR-83 (Samsun, Tokat, Çorum, Amasya)	1,190	1122	643	132	347	57,4	11,8	31,0	68	56,2	5,7
TR-90 (Trabzon, Ordu, Giresun, Rize, Artvin, G. Hane)	1,531	1,446	834	136	475	57,7	9,4	32,8	85	65,4	5,6
<b>Total of 12 NUTS II Region (000 Per)</b>	<b>8,003</b>	<b>7,247</b>	<b>3,364</b>	<b>1,064</b>	<b>3,165</b>	<b>44,4</b>	<b>14,9</b>	<b>40,7</b>	<b>757</b>	<b>46</b>	<b>9,7</b>
<b>TURKEY TOTAL (000 Person)</b>	<b>24,565</b>	<b>22,046</b>	<b>6,493</b>	<b>5,452</b>	<b>10,101</b>	<b>30,5</b>	<b>24,7</b>	<b>45,8</b>	<b>2,520</b>	<b>49,3</b>	<b>10,2</b>

**Foreign Trade and Tourism Revenues**

One of the most important indicators in determining the "*competitiveness and development*" is *foreign trade figures*. Turkish total exports progressed from 12,9 Billion Dollars in 1990 to 85,5 Billion Dollars in 2006, an increase of *166 %*.

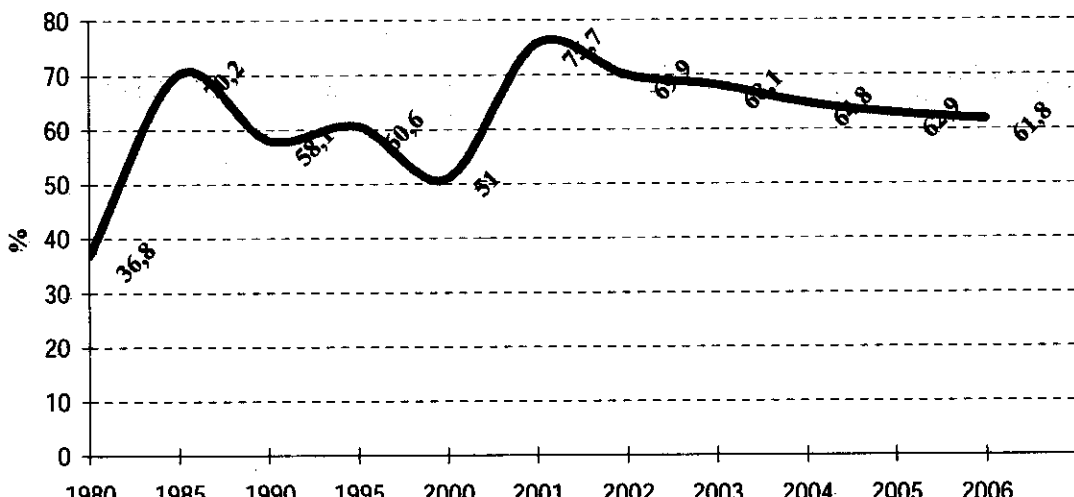
**Figure 2: Total Export-Import, Volume and Balance of Foreign Trade**



Source: UoFT

The *export compensation rate* progressed from 36.8 % in 1980 to 61.8 % in 2006, an increase of approximately 62 %. (Figure 3)

**Figure 3: Export Compensation Rate**



deficit has reached - 52.8 Billion Dollars, an increase of 97.3 % in 2006. In summary, increasing foreign trade volume *has not contributed positively* to foreign trade balance of the country.

Tourism revenues, on the other hand, have a significant share in the foreign revenues of the country as well as exports. The tourism sector is an important instrument in meeting the foreign trade deficits and improving the balance of payments by contributing with a significant amount of foreign exchange. (Table 9)

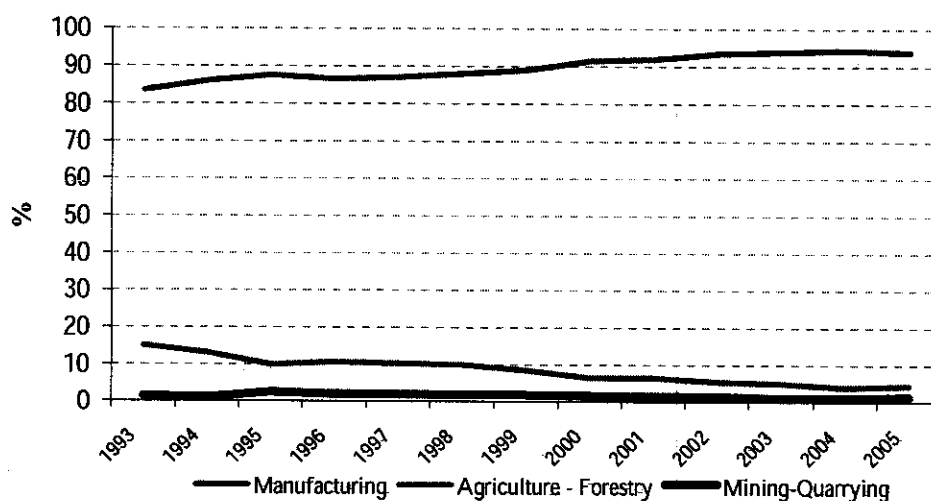
**Table 9: The Compensation Rate of the Tourism Revenues to the Foreign Trade Deficits**

Year	Foreign Trade Deficits (billion \$)	Tourism Revenue (billion \$)	The Compensation Rate (%)
2000	26.6	7.6	28,6
2001	9.3	10,1	107
2002	15.7	11,9	76,3
2003	21.8	13,6	62,5
2004	34,3	15,9	18,4
2005	42,6	18,0	24,6

Source: CBRT

Over the same period, structural changes have occurred in the composition of exports as a result of the new development and growth model based on exports and the share of the industrial goods in exports has reached to 93.7 % in 2005 from 36 % in the beginning of the 1980s.

**Figure 4: Composition of Export**



Source: TURKSTAT

Between 2001-2005, food, textile-clothing and iron and steel sectors have preserved their importance in the manufacturing industry while automotive, machinery, electronic, metal goods, petroleum products and rubber-plastic sectors have increased their share. The main export items of Turkey can be seen in Table 10.

**Table 10: Major Export Items**

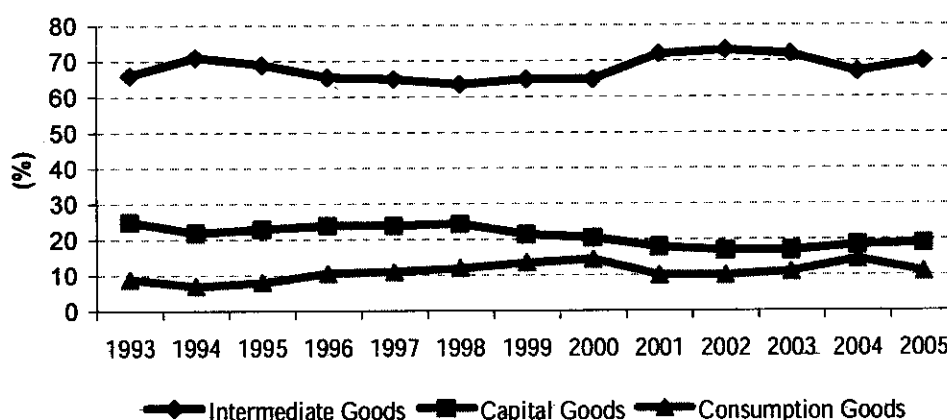
Top Ten Chapters In Exports – According to value in 2006 (000 USD)			
	2004	2005	2006
Vehicles Other Than Railway Or Tramway Rolling-Stock and Parts	8.288.799	9.566.435	11.885.549
Articles of apparel and clothing accessories, knitted or crocheted	6.259.222	6.590.352	6.937.140
Electrical machinery and equipment and parts thereof	4.793.599	5.426.197	6.324.491
Nuclear reactors, boilers, machinery and mechanical appliances, parts ..	4.122.641	5.243.569	6.515.552
Iron and steel	5.359.512	4.973.475	6.272.831
Articles of apparel and clothing accessories, not knitted or crocheted	4.536.829	4.862.368	4.709.132
Articles of iron or steel	2.226.923	2.731.357	3.334.507
Mineral fuels, mineral oils & products of their distillation,	1.429.186	2.641.145	3.567.424
Edible fruit and nuts, peel of citrus fruit or melons	1.902.515	2.501.025	2.387.052
Other made up textile articles, sets, worn clothing and worn textile artic.	1.856.536	1.969.748	1.920.219
<b>LIST TOTAL</b>	<b>40.775.761</b>	<b>46.505.672</b>	<b>53.853.897</b>
<b>TOTAL EXPORTS</b>	<b>63.167.153</b>	<b>73.475.881</b>	<b>85.502.238</b>
<b>PERCENTAGES IN TOTAL EXPORTS</b>	<b>64,6</b>	<b>63,3</b>	<b>62,9</b>

Source: TURKSTAT

However, foreign trade deficit has not declined substantially due to the decrease in the export in the traditional sectors and increasing demand for imports. Increase in the importation of intermediate goods has reached 30 % from 9.5 % in the period of 1981-2001.

When the developments in foreign trade are considered from the point of imports, it is seen that Turkish imports recorded an increase of 19.7 % and 18.4 % in 2005 and 2006, respectively. Turkish imports have reached up to 138.3 billion US \$ in 2006 from 54.5 billion US \$ in 2000, an increase of 154.2%. This significant rise in imports stemmed from strong domestic demand, high oil prices, revaluation of Turkish Lira and growth in demand for Turkish export products which are highly dependent on imported inputs in production. According to the main commodity groups, the share of capital goods in total imports was 17 %, an increase of 15 % over 2004.

**Figure 5: Composition of Import**



Source: TURKSTAT

The imports of intermediate goods on the other hand constituted 71.5% of total imports. An increase

**Table 11: Major Import Items**

<b>Top Ten Chapters in Imports - According to value in 2005 (000 USD)</b>			
	<b>2004</b>	<b>2005</b>	<b>2006</b>
Mineral fuels, mineral oils & products of their distillation,	14.407.288	21.255.575	28.584.028
Nuclear reactors, boilers, machinery and mechanical appliances, parts ...	13.411.276	16.335.800	18.802.316
Vehicles other than railway or tramway rolling-stock and parts	10.237.024	10.552.792	11.332.974
Electrical machinery and equipment and parts thereof	8.417.452	9.728.045	10.790.709
Iron and steel	8.031.522	9.457.831	11.298.563
Plastics and articles thereof	4.763.094	5.795.491	6.856.093
Pearls, precious stones and metals, coin	3.763.424	4.226.881	4.370.647
Organic chemical products	3.014.784	3.528.805	3.621.658
Pharmaceutical Products	2.710.136	2.849.272	3.016.152
Optics, photograph, cinema, measurement, control and adjustment equipments, medical devices	1.927.983	2.472.698	2.702.914
<b>LIST TOTAL</b>	<b>70.683.983</b>	<b>86.203.190</b>	<b>101.376.054</b>
<b>TOTAL IMPORTS</b>	<b>97.539.766</b>	<b>116.773.061</b>	<b>138.295.379</b>
<b>PERCENTAGES IN TOTAL IMPORTS</b>	<b>72,5</b>	<b>73,8</b>	<b>73,3</b>

Source: TURKSTAT, UoFT

When the export figures in the 12 NUTS II regions are taken into account, the export figure of these regions is **6.175 billion US \$** as of 2006, which accounts for **7.2 %** of total export. (See Table 12)

It is noteworthy to mention that export performance of these 12 NUTS II regions is above the Turkish average and it has recorded an increase of **186.8%** in the period of 2001-2005

On the other hand, the export figures of the 12 NUTS II regions having a GDP per capita (PPP) below 75% of Turkish average, are not stable. As can be seen from the table below, these regions having approximately **37 %** of Turkish population have **7.2 %** and **3.7 %** share in total export and import respectively. (Table 12)

There are three NUTS II regions (**TR-63, TR-90, and TR-C1**) whose export percentages in total export are higher than 1%. However, their relatively good export and import performance stems from their logistic superiorities but not from their indigenous potential. Existence of ports having developed export and import infrastructure in **TR-63** and **TR-90** has led to especially different export figures of these regions.

Table 12: Foreign Trade Statistics of 12 NUTS II Regions

NUTS II REGIONS	Total Export (000 USD)	Share in Total Export (%)	Total Import (000 USD)	Share in Total Import (%)	Foreign Trade Volume (000 USD)	Share in Total Foreign Trade Volume (%)	Balance of Foreign Trade (000 USD)
TR-63 (Hatay, K.Mara, Osmaniye)	983,973	1.15	1,493,298	1.07	2,477,271	1.1	-509,325
TR-83 (Amasya, Corum, Samsun, Tokat)	220,686	0.25	402,143	0.29	622,829	0.27	-181,457
TR-82 (Çankır, Kastamonu, Sincop)	71,070	0.08	75,490	0.05	146,360	0.06	-4,420
TR-B1 (Bingöl, Elazığ, Malatya, Tunceli)	187,496	0.21	92,899	0.06	280,395	0.12	94,597
TR-90 (Arvin, Giresun, G.Henk, Ordu, Rize, Trabzon)	1,611,855	1.88	208,605	0.15	1,820,460	0.81	1,403,250
TR-72 (Kayseri, Sivas, Yozgat)	728,955	0.85	974,649	0.7	1,703,604	0.76	-245,694
TR-C1 (Ad-yaman, G.Antep, Kilis)	1,654,382	1.93	1,730,018	1.25	3,384,400	1.51	-75,636
TR-C2 (Diyarbakır, Urfa)	89,273	0.1	134,595	0.09	223,868	0.1	-45,322
TR-A1 (Bayburt, Erzincan, Erzurum)	22,773	0.02	16,386	0.01	39,159	0.01	6,387
TR-C3 (Batman, Mardin, Şanlıurfa, Siirt)	471,898	0.55	51,238	0.03	523,136	0.23	420,660
TR-B2 (Bitlis, Hakkari, Muş, Van)	59,104	0.06	9,239	0.006	68,343	0.03	49,865
TR-A2 (Ağrı, Ardahan, Iğdır, Kars)	72,601	0.08	45,219	0.03	117,820	0.05	27,382
<b>TOTAL OF 12 NUTS II</b>	<b>6,174,066</b>		<b>5,233,779</b>		<b>11,407,845</b>		<b>940,287</b>
<b>TOTAL OF TURKEY</b>	<b>85,502,238</b>		<b>138,295,379</b>		<b>223,797,617</b>		<b>-52,793,141</b>
The Share of 12 NUTS II Regions to Turkey (%)		7.2		3.7		5.09	

Source: UoFT (2006 – including only city centres total)

On the other hand, there are significant differences between the export figures of NUTS II and III regions. As an example, Gaziantep NUTS III region in TR-C1 NUTS II region has important share in total export (1.93%). However 98.2 % of total export of this NUTS II region is realised by Gaziantep, while other regions forming part of the same TR-C1 region (Ad-yaman, Kilis) have a small share (1.8%) in the export of the region. This situation is also valid for the import. When TR-C1 region is considered in terms of import, it is seen that 97.8% of the total import of the region is realised by Gaziantep. To sum up, Gaziantep is the major driving force of the industry and foreign trade of the TR-C1 region.

For detailed foreign trade indicators of 15 Growth Centres, see Table 13.

The total exports of the 15 Growth Centres represented 4.2 billion US \$ in 2005, which accounts for 4.96 % of total Turkish exports. However, the export capacity of these 15 Growth Centres has shown great performance with an increase of 205.1% in the period of 2001-2005. Gaziantep, Kayseri and Trabzon provinces being major driving forces in the 15 Growth Centres have realised 88.7% of the total export of 12 NUTS II regions in 2005.

Table 13: Foreign Trade Figures of 15 Growth Centres

Growth Centres	Total Export (000 USD)	The Share in Total Export (%)	Total Import (000 USD)	The Share in Total Import (%)	Foreign Trade Volume (000 USD)	The Share in the Foreign Trade Volume (%)	Balance of Foreign Trade (000 USD)
Samsun	158,329	0.18	346,691	0.25	505,020	0.22	-188,36
Elazığ	68,265	0.07	85,400	0.06	153,665	0.06	-17,135
Malatya	149,586	0.17	43,893	0.03	193,479	0.08	105,693
Trabzon	728,710	0.85	74,421	0.05	803,131	0.35	654,289
Kayseri	751,085	0.87	1,093,252	0.79	1,844,337	0.82	-342,167
Sivas	21,701	0.03	77,096	0.05	98,797	0.04	-55,395
G. Antep	1,856,942	2.17	1,834,350	1.32	3,691,292	1.64	22,592
Diyarbakır	66,942	0.07	37,518	0.02	104,460	0.04	29,424
Urfa	45,922	0.05	149,176	0.1	195,098	0.08	-103,254
Erzurum	20,546	0.02	15,424	0.01	35,970	0.01	5,122
Van	15,306	0.01	10,372	0.01	25,678	0.01	4,934
Kastamonu	59,381	0.06	59,770	0.04	119,151	0.05	-389
Kars	1,945	0.002	1,082	0.001	3,027	0.001	863
Kahramanmaraş	286,213	0.33	435,705	0.31	721,918	0.32	-149,492
Batman	17,991	0.01	11,488	0.01	29,479	0.01	6,503
<b>TOTAL OF 15 GROWTH CENTRES</b>	<b>4,248,864</b>		<b>4,275,640</b>		<b>8,524,504</b>		<b>-26,776</b>
<b>TOTAL OF TURKEY</b>	<b>85,502,238</b>		<b>138,295,379</b>		<b>223,797,617</b>		<b>-52,793,141</b>
<b>The Share of 15 Growth Centres to Turkey (%)</b>		<b>4.96</b>		<b>3.09</b>		<b>3.8</b>	
<b>The Share of 15 Growth Centres to 12 NUTS II Regions (%)</b>		<b>68.8</b>		<b>81.6</b>		<b>74.7</b>	

Source: UoFT (2006 – including only city centres total)

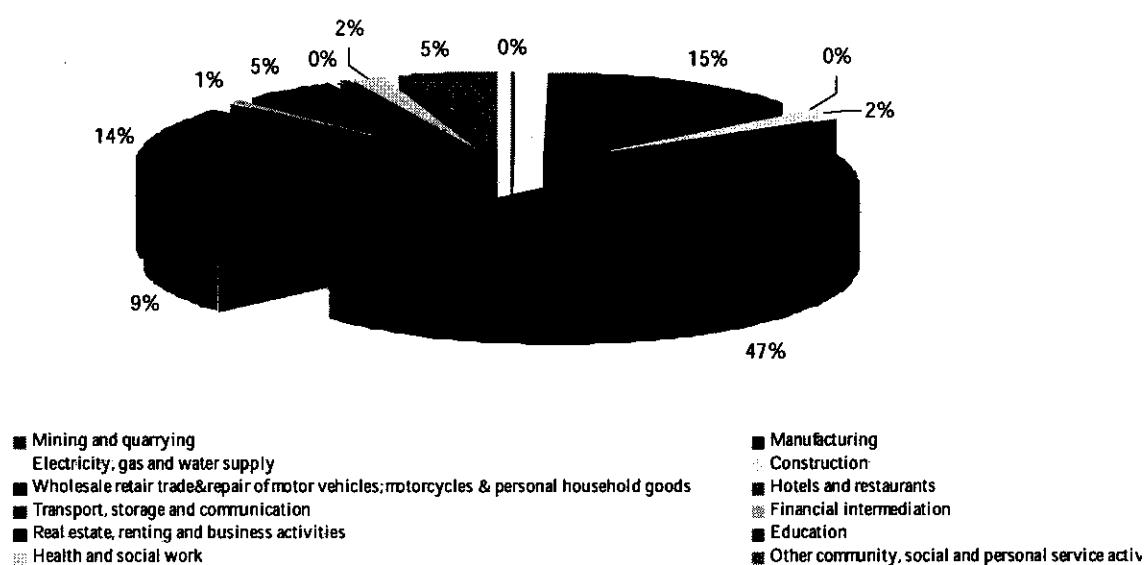
### 2.1.2. Enterprises

In Turkey, enterprises are represented by the Turkish Artisans and Craftsmen Confederation (TESK) and the Union of Chambers and Commodity Exchanges of Turkey (TOBB). TESK and TOBB with their large number of members are the highest legal entities in Turkey representing the private sector. Today, there are *13 Professional Federations, 82 Unions of Tradesmen and Craftsmen Chambers and 3,166 Chambers of Tradesmen and Craftsmen affiliated to the TESK*. Furthermore, TOBB has 364 members in the form of local chambers of commerce, industry, commerce and industry, maritime commerce and commodity exchanges. In this framework, the major function of the TOBB and TESK is to guide and lead the Turkish entrepreneurs.

#### Number of Enterprises and Sectoral Distribution

According to TURKSTAT data in 2002, there were 1,858,191 enterprises in Turkey. This number excluded rural enterprises and individual farmers.

**Figure 6: Breakdown of enterprises by sectors (2002)**



The breakdown of these enterprises by sectors is given in **Figure 6**. The breakdown of the enterprises in Turkey constitutes a consistent distribution in terms of the components of Turkish GNP and the characteristics of the developing countries. At the same time, from the point of entrepreneurship, the economic and political developments directly affect the decisions of enterprises in setting up new businesses and/or shifting their sectoral distributions.

However, even though Turkey is still under the effect of an agriculture based industrialisation process, the manufacturing sector is considered as the locomotive sector in order to provide the sustainable development in GNP growth, increase in export and employment rates, and balance income distribution by taking into account its employment generating capacity.

A similar approach can be seen in countries undergoing a transition process from agriculture based society to industrialised society from there to the information society in line with the normal development processes.

In Turkey, even though the number of enterprises in the service sector is 3,5 times higher than those of the manufacturing sector, with regard to job-creation the manufacturing sector has the same capacity of service sector. Therefore, creation of new start-ups in the manufacturing sector and supporting of existing ones will have important effects on job-creation and decrease in unemployment rate.

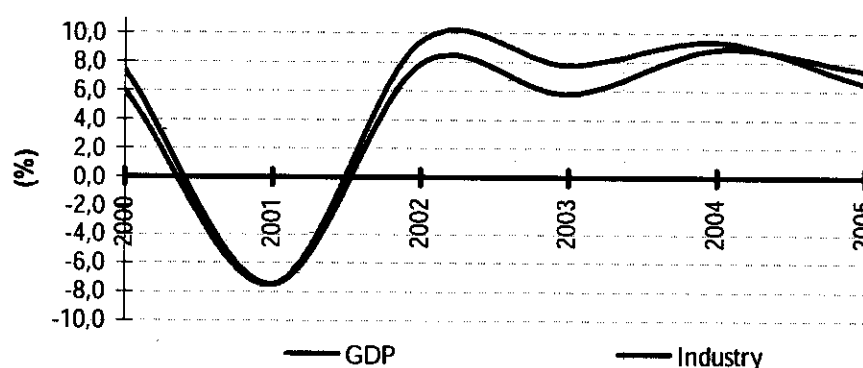
When the regional distribution of enterprises is considered, it is seen that **25.7% of the enterprises in Turkey are located in the 12 NUTS II regions** which are below the 75% threshold and **14% of them are in 15 Growth Centres**. When the sectoral distribution of these enterprises is taken into account, wholesale and retail trade, manufacturing industry and hotels and restaurants are the important sectors for the 12 NUTS II Regions and 15 Growth Centres. Wholesale and retail trade ranks first among other sectors. Approximately 50% of the total enterprises in the 12 NUTS II Regions and the Growth Centres operate in the wholesale and retail trade. Manufacturing industry and hotels and restaurants



### 2.1.2.1. Manufacturing Industry

The Turkish economy has demonstrated a significant performance in the last 25 years owing to the substantial achievements in the manufacturing industry. It can be said that, the driving force behind the growth performance of the Turkish economy is the development in the industry sector. This development has not only contributed positively to the expansion of the service sector but has also demonstrated a higher growth than total GDP. (Figure 7)

Figure 7: Growth Rates (%)



Source: TURKSTAT

The growth rates in the industry sector have been more than 4 % in four consecutive years. (Figure 7, Table 14). The productivity increase which has come up after this process has a vital effect in this continuous growth. However, it is noteworthy to mention that the growth which occurred after the 2001 crises stemmed from the fact that firms have decided to increase their productivity by adjusting their labour force structures according to the new conditions.

When the added value created in the manufacturing industry is considered, the average annual growth rate has been 6.6 % in 1980-1990 period, 4.2 % in 1990- 2000 and 5.1 % in 2000-2005 periods.

Table 14: Manufacturing Industry Indicators

Indicators (%)	2000	2005	2001-2005 Average	EU (2004)
The Share in the GDP	19.2	20.8	20.4	20.5 (1)
Production Increase (With Constant Prices) (2)	6.5	4.8	4.9	2.8(3)
Export Increase (With Current Prices)	6.7	15.2	21.9	9.5(4)
Import Increase (With Current Prices)	29.8	16.6	16.3	8.8(4)
The Share in the Private Sector Investments	26.5	41.4	35.5	-
Private Sector Capacity Usage Rate	74.6	78.9	74.6	-
Partial Productivity Increase Per Employee	8.8	5.6	6.0	-0.3(5)

Source: TURKSTAT-EUROSTAT

(1) EU-25 Industry Data

(2) Increase rate in the Industry Production Index is used.

(3) EU-25 Manufacturing Industry 2005 Figure

**Table 15: Distribution of the Enterprises in the Manufacturing Industry**

Number of Employee	Number of Enterprise	%	Employment	%
1 – 9	245.789	90.2	588.31	27
10 – 49	21.236	7.8	444.694	20.3
50 – 150	3499	1.3	298.009	13.6
151 – 250	875	0.3	168.31	7.7
251 +	1083	0.4	683.94	31.4
<b>Total</b>	<b>272.482</b>	<b>100.00</b>	<b>2.183.286</b>	<b>100.00</b>

Source: TURKSTAT (2002)

About 98 % of the enterprises in the manufacturing industry are small scale enterprises which employ 1-49 workers. (Table 15) Small and medium sized enterprises constitute 99.6 %, medium scale enterprises constitute 1.6 % and large scale enterprises constitute 0.4 % of the manufacturing industry. This structure brings with it some problems such as lack of institutionalization, low productivity and difficulties of the public administration in making long term sectoral policies. Micro scale enterprises which have to operate under free market conditions lack information regarding the production processes and demand and this situation causes to the withdrawal of too many enterprises from the market. In a nutshell, this is the cause of the short-lived enterprises.

The concentration of the micro-scale enterprises in low value added sectors where global competition intensified rapidly (Table 16) has negative effects on their profitability. From this perspective, low profitability restricts the growth demands of the firms in terms of increasing their business and investment capital on one hand and hinders the operations of the enterprises for long years on the other.

The productivity, technology level and export capacities of small scale enterprises also remain at a very low level. In order to enhance their competitiveness, firms should adapt to demand movements and establish cooperation networks with big scale firms and among the institutions giving service to these firms.

When the sectoral distribution and scales of the enterprises in Turkey are taken together into consideration, it appears that total demand is below the internal production capacity in macro level and that competition becomes destructive due to the fact that total supply is above the total demand in some specific sectors.

As a result of the harsh competition environment to which enterprises are exposed in the free market conditions, besides their scale problems, enterprises prefer to meet the demand which is below the production cost; this kind of demand does not give rise to additional employment opportunities to micro-scale enterprises.

**Table 16: Breakdown of Manufacturing Industry Sectors which employ 50.000 and more Workers**

Production Area	Number of enterprises	%	Employment	%
Manufacturing of Textile Products	20.432	8,28	400.026	19,31
Manufacturing of Clothing; Fur Processing etc.	31.592	12,8	302.219	14,59
Manufacturing of Food and Beverage	27.781	11,25	257.037	12,41
Information Management System Manufacturing of Eq. & Mac.	17.643	7,15	139.525	6,73
Metal Industry excluding Equipment and Machinery	33.304	13,49	137.163	6,62
Production of Other Mineral Products other than metals	11.130	4,51	131.485	6,35
Manufacturing of Furniture, Inf. Management System and other	31.695	12,84	115.200	5,56
Manufacturing of motor vehicles and trailer etc.	3.798	1,54	84.171	4,06
Manufacturing of plastics and Plastic and rubber	7.950	3,22	83.746	4,04
Manufacturing of wood and cork products (excluding furniture )	26.861	10,88	78.120	3,77
Manufacturing of chemicals and its products	3.786	1,53	76.497	3,69
Metal Industry	5.616	2,27	75.467	3,64

Source: TURKSTAT - 2001

**Table 17: Production and Exportation Structure of the Manufacturing Industry (%)**

Technology Intensity (1)	TURKEY						EU Export (4) 2003
	Production			Export			
	2000(2)	2002	2005 (3)	2000	2002	2005	
High	5.9	5.1	6.3	7.8	6.2	6.0	21.5
Medium High	22.5	18.2	25.3	20.4	24.3	28.5	41.9
Medium Low	30.4	26.7	27.0	20.5	22.8	26.9	15.9
Low	41.2	50.0	41.4	51.3	46.8	38.7	20.7
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: TURKSTAT, OECD STAN Database

(1) OECD Science, Technology and Industry Scoreboard Classification,

(2) Covers 10+Employees,

(3) SPO Estimation with 2002 Prices,

(4) EU Countries which are OECD members

The share of the medium and high technology sectors in the manufacturing industry has increased to a substantial level due to the increases in the production and exportation during the 2002-2005 period. However, when compared with the EU countries, the share of these sectors remains still low. On the other hand, despite the high level of imported input dependency in these sectors, the increase of added value can not reach to an expected level (Table 17).

Despite the relative increase of the competitiveness of Turkish manufacturing industry, this ratio still remains low when compared with the countries which can be deemed as the competitors in the process of EU-integration. Turkish market share has reached from 1.7 % to 2.5 % in the group of 20 products whose import figures have increased most rapidly in the last 10 years in the EU. However, the same increase has been realized much more in the competing countries.

Today, the research and development expenditures in the high-tech sectors are extremely high. Information and technology production in high tech sectors and the cost of the labour force in the low

However, it is observed that while some sector's competitiveness is increasing, competitiveness of some others which have substantial share in production and employment is decreasing. Growth does not create a symmetric effect in all sectors of the manufacturing sector.

When the 12 NUTS II Regions are analyzed on the base of "*number of employees and enterprises in the manufacturing industry*", it is estimated that 21.5 % of the enterprises and 15.2 % of the employees are in these 12 NUTS II regions. (See Annex 4 - Table 52)

On the other hand, when the 15 Growth Centres are analyzed on the bases of "*number of employees and enterprises in the manufacturing industry*", these centres cover 12.7 % of the enterprises and 8.5 % of the employees in Turkey. Moreover, when these 15 Growth Centres are compared with the 12 NUTS II regions, it is observed that 59% of the enterprises and 56% of the employees are in 15 Growth Centres. (See Annex 4 - Table 52)

When the 12 NUTS II level is considered, the region, which has the highest share of employee employed in the manufacturing industry, is the TRC1 region with its 2.9% share within the total employment and the regions which have the smallest share of employee are TR-A2 and TRC3 regions with their 0.2% share.

When the Growth Centre level are taken into consideration, the Growth Centres in which the number of employee employed in the manufacturing industry is the highest, is Gaziantep with its 2.6 % share and the Growth Centres, in which the number of employee employed in the manufacturing industry are the lowest, are Batman and Kars with their 0.1 % share.

In the previous chapters it was mentioned that macro level figures of the manufacturing industry are at a very low level when compared with those of the developed countries. Although Turkey has natural resources and raw materials for certain industrial sectors, the value added produced from these resources is not sufficient and this situation is one of the reasons of the low competitiveness level of Turkey compared to the EU Member Countries.

### **Sectoral Breakdown and Concentration**

When the 26 NUTS II Regions throughout the country are examined in terms of sectoral concentration in manufacturing industry, it is seen that there are accumulations in food processing, products of wood, non-metallic mineral products and basic metal products (Annex 4 - Map 8). Reluctance on high technology usage and qualified work, production to meet basic needs, easy and cheap access to raw material and realisation of investments by relatively small amounts of capital are the main reasons behind these sectoral concentrations.

In spite of this, printing and publishing, cooking coal, refined petroleum products, nuclear fuel production, office equipments and computer production, manufacture of electrical machinery and equipments n.e.s and recycling are the sectors which are not concentrated in any region. However, notably in the provinces like Istanbul (TR-10), Izmir (TR-31), Ankara (TR-51), Kocaeli (TR-42), Adana (TR-63) and Bursa (TR-41) where there is sectoral diversity and extent, these sectors provide significant contributions to the industrial developments of their regions. Yet these sectors have not emerged as leading sectors in medium or less developed regions, particularly in the 12 NUTS II regions, as these sectors require specialisation, high tech usage, qualified labour force and large scale investments that are lacking in less developed regions.

On the other hand, when the sectoral concentration is examined in the less developed regions (12 NUTS II Regions) where the aforementioned infrastructures and potentials are not sufficient for medium and high-tech production, it can be detected that the most concentrated sector is the food processing and beverages. Following this sector, textile, clothing and wearing apparel production sector is the second in almost all 12 NUTS II Regions. The products of wood and corks and furniture production are highly common in notably TR-A1, TR-90, TR-A2, TR-82 and TR-B2 levels. Likewise, other non-metallic mineral products are widespread in TR-C2, TR-A1, TR-83 and TR-C3 levels. (See **Annex 4 – Table 53**)

In the same way, when the sectoral concentration in the 15 Growth Centres is analysed (See **Annex 4– Table 54**), it can be noticed that the food processing and beverages sector is highly concentrated in all Growth-Centres. In addition to this sector, textile and wearing apparel production is another leading sector in Gaziantep, Malatya, Sanliurfa, Kahramanmaraş, Kayseri and Kastamonu. Other mining and quarrying products are highly widespread in Diyarbakır, Sivas, Elazığ, Trabzon, Van and Kastamonu. Manufacture of machinery and equipments n.e.s are concentrated in Samsun, Kayseri and Sivas.

As mentioned in the Foreign Trade section, the share of 12 NUTS II-Regions in export revenues of Turkey is 8.4%. The major export items of both 12 NUTS II Regions and 15 Growth Centres are food processing and beverages, manufacture of machinery and equipments n.e.s and textile products. (See **Annex 4 / Table 53 – 54**)

Sectoral clustering is crucial in current competition conditions, particularly for the regions whose development level is less than national average or at around average. If the potentials, development orientations, sectoral concentration structures, bonds of these sectors in the production chain and the basic roles of regions within economic activities are determined through regional and sectoral strategy documents, the competitiveness of these less developed regions can be strengthened by implementation of the policies defined in strategy documents.

Sectors which show high geographical concentration rate in Turkey are given in **Annex 4– Map 8**.

### **Physical Infrastructure of Manufacturing Industry**

When the spatial distribution of the manufacturing industry throughout the country is examined, the concentration can be seen around the big cities and major harbours. The big cities like Istanbul (TR-10), Ankara (TR-51), and Izmir (TR-31) keep their central positions in manufacturing and services sectors through developed socio-economic potentials and facilities such as highways, railways, airport and harbours, qualified human resources and capital accumulation. Furthermore, in the regions around these big cities like TR-42, TR-41, TR-21, TR-33 the manufacturing industry have developed due to the positive effect of these big cities. Similarly, in certain cities of Anatolia such as Gaziantep (TR-C1), Denizli (TR-32), Konya (TR-52), manufacturing industry have found the ground to develop and these cities have become the driving forces of their regions by the added value and employment capacity they produce.

In all those regions, Organized Industrial Zones (OIZs) and Small Scale Industrial Estates (SSIE) have presented a proper environment for the industrial development through their common infrastructure

proper investment areas are presented to the investors by the establishment of OIZs and SSIES, attracting investments to those zones requires the existence of other socio-economic infrastructures in the region. Therefore, establishment of physical industrial infrastructure is not merely enough in less developed regions without supporting and ensuring complementarity by other policy areas.

The distribution of OIZs and SSIEs in the 12 NUTS II Regions and 15 Growth Centres is given in Table 18 and Table 19.

**Table 18: Distribution of Organized Industrial Zones (OIZs)**

Turkey (81 Provinces)		12 NUTS II Regions				Growth Centres		
Comp.	On-going		Comp.	On-going		Comp.	On-going	
93	108	TR-63 (Halay, K.Maraş, Osmaniye)	3	3	K.Maraş	-	1	
		TR-83 (Amasya, Çorum, Samsun, Tokat)	5	11	Samsun	1	-	
		TR-82 (Cankır, Kastamonu, Sınop)	3	5	Kastamonu	1	-	
		TR-B1 (Bingöl, Elazığ, Malatya, Tunceli)	4	5	Malatya	1	1	
						Elazığ	2	2
		TR-90 (Artvin, Giresun, G.Hane, Ordu, Rize, Trabzon)	2	7	Trabzon	-	-	
		TR-72 (Kayseri, Sivas, Yozgat)	3	4	Kayseri	1	-	
						Sivas	1	2
		TR-C1 (Adıyaman, G. Antep, Kilis)	5	5	G. Antep	3	2	
		TR-C2 (Diyarbakır, Şanlıurfa)	1	3	Diyarbakır	-	1	
						Şanlıurfa	1	1
		TR-A1 (Bayburt, Erzincan, Erzurum)	3	3	Erzurum	1	2	
		TR-C3 (Batman, Mardin, Muş, Siirt)	2	3	Batman	-	1	
		TR-B2 (Bilis, Hakkari, Muş, Van)	-	4	Van	-	1	
TR-A2 (Ağrı, Ardahan, Iğdır, Kars)	1	4	Kars	1	-			
<b>TOTAL</b>		<b>32</b>	<b>57</b>		<b>13</b>	<b>14</b>		

Source: MOLT, 2007

**Table 19: Distribution of Small Scaled Industrial Estates (SSIEs)**

Turkey (81 Provinces)		12 NUTS II Regions				Growth Centres		
Comp.	On-going		Comp.	On-going		Comp.	On-going	
		TR-63 (Halay, K.Maraş, Osmaniye)	14	6	K.Maraş	3	1	
		TR-83 (Amasya, Çorum, Samsun, Tokat)	25	3	Samsun	2	-	
		TR-82 (Cankır, Kastamonu, Sınop)	19	1	Kastamonu	2	-	
		TR-B1 (Bingöl, Elazığ, Malatya, Tunceli)	12	3	Malatya	3	-	
						Elazığ	4	-
		TR-90 (Artvin, Giresun, G.Hane, Ordu, Rize, Trabzon)	19	5	Trabzon	3	-	
		TR-72 (Kayseri, Sivas, Yozgat)	22	6	Kayseri	2	-	

As is seen from **Tables 18 and 19** there are completed 32 OIZs and 166 SSIE and on going 57 OIZs and 44 SSIEs projects in 12 NUTS II Regions. While in the 15 Growth Centres there are completed 13 OIZs and 42 SSIEs and on going 14 OIZs and 4 SSIEs projects. In terms of the number of completed and on going OIZs and SSIEs, the highly developed NUTS II regions are TR-83, TR-72 and TR-C1 whereas TR-A2, TR-B2, TR-A1, TR-C2 and TR-C3 are the less developed NUTS II Regions among 12 NUTS II levels. In 15 Growth Centres the provinces such as Gaziantep and Sivas are the ones that have the highest numbers of OIZs and SSIEs while in Van, Diyarbakır and Trabzon there is sufficient numbers of OIZs and SSIEs as the interest of investors to these provinces is modest and the occupancy rates in existing ones is low. As can be seen from **Table 18-19**, each NUTS II Region and each Growth Centre (except Trabzon city centre, though, their counties have completed or on-going OIZs) has at least one completed or on going OIZs and SSIEs which are established depending on the demand from the investors.

As it is understood from **Table 18 and 19**, in the 12 NUTS II Regions and in the 15 Growth Centres there are enough numbers of completed and on going OIZs and SSIEs which present proper mutual infrastructure facilities for the SMEs' investments. The main problem in those regions for on going OIZ and SSIE projects is the completion of the infrastructure constructions and reaching the optimum occupancy rates of these zones by attracting the interest of investors and creating new entrepreneurs. Otherwise, those zones and estates would be idle and the transferred scarce public resources to build these zones can not be exploited for the fullest. Therefore, the promotion of new investments and entrepreneurship in the 12 NUTS II Regions and in the 15 Growth Centres is important to make profitable investments in the OIZs and SSIEs and increase their occupancy rates.

When the figures are analyzed in terms of OIZs and SSIEs on the bases of provinces, it is clear that the number of these zones and estates are sufficient in Turkey. On the other hand, when it comes to the completed OIZs and SSIEs, it is important to ensure support and consultancy mechanisms for the enterprises located in OIZs and SSIEs. This support should particularly be concentrated on management and business administration, quality and standardisation, clustering and networking, exporting and marketing, technology transfer, R&D and innovation to keep their business in competition conditions and to improve their skills and capacities.

Moreover, it is an urgent need of enterprises to access consultancy and support services through Enterprise Development Centres (IGEMs) and Business Development Centres (ISGEM)<sup>16</sup>, incubators or to common usage laboratories and workshops rather than establishment of new OIZs and SSIEs infrastructures.

KOSGEB provides training, consultancy, infrastructure and superstructure, exporting, technology development and start-up services and support in accordance with the changing business conditions and the needs of SMEs through Regional Industry Development Centres.

The Incubation Centres which are called as ISGEMs are established under the coordination of KOSGEB. They provide working space to SMEs whose property rights belongs to the local or private entities, machinery and equipment for common usage, secretariat, training, consultancy for business

Growth Centres because the occupancy rates of those zones is low and the number of enterprises located in the zones and taking benefit from the services of IGEMs and ISGEMs is not substantially high. The awareness of the companies on the services of the IGEMs and ISGEMs should be raised by basic information and consultancy support to stimulate the establishment of IGEMs and ISGEMs in the target regions.

**Table 20: The Distribution of IGEMs and ISGEMs**

Region	Province	EXISTING			Growth Centers			
		Number	Value (TL)	Employment (Person)	PROVINCE	ISGEM (Incubation Centres for SMEs)		IGEM/ Regional Industry Development Centers
						Existing	At the planning Stage	
E	K. Maraş	-	-	-	K. Maraş	-	-	1
	Samsun	1	-	-	Samsun	1	-	1
	Kastamonu	-	-	-	Kastamonu	-	-	-
	Malatya	-	-	-	Malatya	-	-	1
	Elazığ	1	-	-	Elazığ	1	-	-
	Trabzon	-	-	-	Trabzon	-	-	1
	Kayseri	-	-	-	Kayseri	-	-	1
	G. Antep	-	-	-	G. Antep	-	-	1
	Diyarbakır	1	-	-	Diyarbakır	1	-	2
	Erzurum	-	-	-	Erzurum	-	-	1
	Batman	-	-	-	Batman	-	-	-
	Van	1	-	-	Van	1	-	1
	Kars	-	-	-	Kars	-	-	-
		4	-	-				11

Source: KOSGEB, 2007

**2.1.2.2. Small and Medium Size Enterprises (SMEs)**

SME definition in Turkey has been aligned with the EU definition and put into force on 18 May 2006 (Table 21). It is a single definition for all institutions and organizations. Although the number of workers is the basic determinant in this new SME definition, the value of fiscal balance, annual net sale revenue, etc. have also been taken into consideration. Furthermore, the scale of enterprises will be decided upon to examination of the data acquired after three years period.



medium sized enterprises are described as SMEs and when their share in total enterprises is taken into account together, the share of *SMEs* in total enterprises reaches to **99.9%**. The total number of SMEs (1-249 employees) in Turkey is **1,856,340**

When the regional distribution of the SMEs in the target regions, where the RCOP will be implemented, is taken into account, **25.7% of SMEs (0-250 employees) in Turkey are in 12 NUTS II Regions** and created employment in these SMEs is 1,186,187 which corresponds to **22.1%** of total employment created by SMEs in Turkey. When 15 Growth Centres are considered, **12.5% of SMEs and 11.8% of total employment** created by SMEs in Turkey are in Growth Centres. (See Table 22) Food processing, machinery and textile are the main sectors for these SMEs.

**Table 22: Number of SMEs and Employment Generated by SMEs in 12 NUTS II Regions and 15 Growth Centres**

NUTS II REGIONS	Number of SMEs	Employment	Growth Centres	Growth Centres	
				Number of SMEs	Employment
TR63 (Hatay, K.Maraş, Osmaniye)	60 298	141 472	K.Maraş	18 078	39 877
TR83 (Samsun, Tokat, Çorum, Amasya)	75 494	185 433	Samsun	34 076	90 475
TR82 (Kastamonu, Çankır, Sinop)	22 380	49 152	Kastamonu	11 837	24 683
TRB1 (Malatya, Elazığ, Bingöl, Tunceli)	32 073	81 909	Elazığ	12 398	31 751
			Malatya	14 325	39 595
TR90 (Trabzon, Ordu, Giresun, Rize, Artvin, Gümüşhane)	69 790	175 366	Trabzon	21 080	56 261
TR72 (Kayseri, Sivas, Yozgat)	48 470	142 959	Kayseri	22 714	85 328
			Sivas	15 239	35 222
TRC1 (Gaziantep, Adıyaman, Kilis)	47 178	135 160	Gaziantep	34 411	109 769
TRC2 (Şanlıurfa, Diyarbakır)	41 594	95 115	Diyarbakır	17 297	44 772
			Şanlıurfa	24 297	50 343
TRA1 (Erzurum, Erzincan, Bayburt)	20 658	50 670	Erzurum	14 168	34 885
TRC3 (Mardin, Batman, Şırnak, Siirt)	20 063	44 725	Batman	4 460	13 281
TRB2 (Van, Muş, Bitlis, Hakkari)	22 073	49 418	Van	12 102	28 749
TRA2 (Ağrı, Kars, Iğdır, Ardahan)	17 450	34 808	Kars	5 068	10 792
<b>Total of 12 NUTS II Regions</b>	<b>477 521</b>	<b>1 186 187</b>			
<b>Total of 15 Growth Centres</b>				<b>233 884</b>	<b>631 833</b>
<b>Total of Turkey</b>	<b>1 856 340</b>	<b>5 352 627</b>			
<b>The Share of 12 NUTS II Regions to Turkey (%)</b>	<b>25.7</b>	<b>22.1</b>			
<b>The Share of 15 Growth Centres to Turkey</b>				<b>12.5</b>	<b>11.8</b>

According to EUROSTAT, in the EU, 89,1% of enterprises are micro enterprises and 11,3% are small and medium sized enterprises. According to the distribution of the number of workers, the share of big enterprises is 33,1 %, micro scale is 27,8 % and small and medium sized is 38,9 %. In the EU, the added value is 40,3 % in enterprises which have more than 250 workers, the share of micro enterprises is 20,8 %, the share of small and medium sized firms is 38,9 %. The added value created by firms described as SME is approximately 59,7 %. Export rate of EU SMEs is approximately 41 %.

When the export rates, technology usage and value added created by Turkish and European SMEs are compared, competition with the European SMEs is rather difficult for Turkish SMEs with their current capital structure. Therefore, SMEs competing in the global markets have to be aware of the market information such as the position of their competitor, demand, product price and marketing activities, and financial issues such as selffinance, foreign finance, leasing, factoring, venture capital and credits along with the technical information such as product development, product design, technology, production and investment planning, modernisation-renovation, standards and scale economies.

The studies on the need assessments for Basic Information Support and Consultancy Services for SMEs conducted by the National Productivity Centre in some of the provinces of the target regions (Rize, Kahramanmaraş, Ordu, Batman, Mardin, Diyarbakır, Şanlıurfa, Yozgat, Malatya, Elazığ ve Adıyaman) by 353 SMEs and according to the Field Study conducted by KOSGEB covering 50.000 companies throughout the country have shown that training and consultancy needs of SMEs concentrate in the areas of: production planning and control, sale-marketing and consumer satisfaction analysis, productivity, quality management systems, human resources management, foreign trade, health and security at work place, institutionalisation, management skills, CE marking, standardisation and certification and accounting.

Within the framework of the concepts such as "clustering", "partnership", "public-private sector cooperation", "good governance", "technological innovation", "globalisation", the dialog and collaboration between the public sector and the private sector is highly important and needs to be improved.

#### **On-going SME support activities**

On this account, the Istanbul Textile and Apparel-Exporters' Associations (ITKIP) has launched the EU funded cluster project called 'Fashion and Textile Cluster' in 2003, to increase networking among SMEs in the textile and clothing sector, at local, national and European levels, as well as with business support organisations and structures. At the end of the first phase of the Project, a Cluster Analysis has been conducted, a Cluster Co-ordination Agency, a Textile R&D Centre and a Fashion Institute have been established and Institutional capacity of ITKIB and other relevant business organisations increased. The second phase of this project started in 2005 and the necessary "common use equipment" infrastructure for a Cluster Coordination Agency, Fashion Institute, R&D Centre, Consultancy Centre and Joint Projects will have been supplied and operational. The support services of Fashion and Textile Cluster for SMEs will have been formed, developed and functional.

Furthermore, the Undersecretariat for Foreign Trade (IİFT) has launched a EU funded Project in 2005

project, executed by UNDP in cooperation with GAP Regional Development Administration) on cluster analysis for the sectors like marble, textile and confection and organic agriculture. These studies have clearly presented that sectoral clustering and building networks among different regions is highly important so as to improve those sectors in the relevant provinces and also to keep track with the tough regional and global competition environment.

The outcomes of above mentioned EU funded clustering projects and the studies conducted in some provinces of the target regions will be a basis for supporting clustering and networking projects in the 12 NUTS II Regions, to lower transaction costs, to develop new skills, to overcome (or create) entry barrier in markets, to use a common infrastructure, resource and labour pool advantage and eventually to speed up the learning process.

The Small and Medium Industry Development Organisation (KOSGEB), which was established to support SMEs operating in the manufacturing industry, provides services in the fields of raising competitiveness, opening up to the world market, technology production and/or usage of new technologies, development of human resources, involving e-business by means of ICT to SMEs through its countrywide centres. Within this framework, there are 20 Enterprise Development Centres, 18 Technology Development Centres, 15 Regional Industry Development Centres, and 8 Incubators Without Wall. Besides, initiatives towards the establishment and operation of "Synergy Focuses" have been launched in 2004 to generalise services and supports given to the SMEs. Synergy Focuses are established in cooperation with the Chambers of Industry/Commerce, Commodity Exchanges, Unions of Artisans, Cooperatives of Artisans, Management Boards of Organised Industrial Zones and Small Scale Industrial Estates and SME foundations and associations as an example of a new cooperation model. Municipalities and universities may also participate in this model. As of September 2006, Synergy Focuses are in function in 75 provinces/districts.

Technology Development Centres (TDC) functions as "Business Incubation Centres" aiming to support technology oriented development. The main goal of TDC is to decrease the initial costs of start-ups and failure risk of a developing enterprise. The major objective is integration of developed enterprises which can cope with the market conditions to the market and creation of technology oriented enterprises. The Public (KOSGEB)-University-Chambers of Industry Cooperation Model has been applied in TDC. Management of TDC and decisions on SME and R&D projects which will be supported are carried out by the Boards composed of representatives of the KOSGEB, University and Chambers of Commerce. It is planned that TDC will be specialised on sectoral bases later on. Furthermore, Incubation Centres without Wall provide TDC services excluding office allocation.

Provinces appropriate for clustering have been defined based on the branches of business of 48.000 enterprises which have been defined as a result of the field survey conducted in the countrywide by KOSGEB. In this respect, branches of business and clustering potential have been determined for 34 provinces.

When the problems of Turkish SMEs and possible solutions to these problems are evaluated the following issues are important:

good governance. Within this, it is also important to provide interaction and coordination with other policy areas by considering the effects of the local characteristics which provide competitiveness.

#### **Access to Finance**

Another problem of SMEs in Turkey is *insufficient access to the financial instruments*. This problem stems from the unwillingness of micro sized enterprises to use financial tools due to the harsh conditions and insufficient numbers of financial instruments are available to support SMEs.

The results from a field survey on "*Small Enterprises Finance in Turkey*", which was supported by the European Union and *Kreditanstalt für Wiederaufbau (KfW)* and conducted by Banakademie International in March 2005, highlighted the supply and demand side obstacles in SME finance. The survey is very relevant in terms of its target group, region and theme thus the outputs of the survey are extensively used in the relevant parts of RCOP.

The survey region (Batman, Diyarbakır, Elazığ, Erzurum, Gaziantep, Kahramanmaraş, Kayseri, Samsun, Siirt, Sivas, Trabzon, Şanlıurfa and Van) substantially coincides with the target regions of RCOP. All the cities except Siirt are Growth Centres.

The study was conducted on 653 enterprises in thirteen pre-selected cities using a semi-structured questionnaire. The focus was on small enterprises with less than 50 employees. The small enterprises in the sample employ 9 people on average. A large majority of the surveyed enterprises (72 percent) are micro enterprises with 1 to 9 employees.

The study identifies the below mentioned obstacles in accessing finance:

- The collateral requirements by commercial banks clearly are the most striking barrier. An overwhelming 83 percent of the enterprises quoted this obstacle either as the first, second and third rank.
- Interest rates are the second major obstacle mentioned by over half (54 percent) of the enterprises. The general view was that the interest rates were too high.
- Bureaucratic and cumbersome procedures on the side of the commercial banks were mentioned as third major obstacle by 26 percent of the respondents.

Therefore, SMEs in Turkey are in need of additional financial resources to follow up new technologies and implement modern business administration and management skills. Particularly, SMEs in the manufacturing industry have difficulty in obtaining sufficient capital for their investments. This is also relevant for the enterprises which are at the start-up phase. In this initial phase, the enterprises have to provide equity capital from their own savings in the short run. In this context, insufficient capital appears to be the fundamental bottleneck for start-ups.

However, SMEs generally do not opt to use financial instruments since strong collateral amounts are

Nevertheless, financial institutions and banks consider that the risk of SME financing is high whereas its profit is low in Turkey. This leads to an *ineffective and insufficient* number of financial instruments to support SMEs.

For instance, in terms of *venture capital*, there are 2 operational Venture Capital Investment Trusts in Turkey. “**I Venture Capital Investment Trust**” (ISRISK) is a private company operational since 2001. The other one is a public incorporated company, **KOBI Venture Capital Investment Trust Inc. Co.**, which acts as an efficient risk capital intermediary in the Turkish financial market by providing financial instruments for promising SMEs. According to the figures obtained from these Trusts, the utilisation of venture capital by SMEs in Turkey is 2 % which is very low.

On the other hand, in terms of *credit guarantee systems*, the *Credit Guarantee Fund Operating & Research J.S.C.* (KGF) is the single fund operating in Turkey since 1994. The main objective of this Fund is to support SMEs by providing a guarantee for their financing and increasing the credit usage. KGF acts as an intermediary organization and makes it possible for SMEs with inadequate collaterals to apply for bank credits, increasing the number of customers for the banks and minimizing their risks. By the end of 2005, KGF granted 81.8 million Euro worth of guarantees for 982 firms. According to KGF figures, in 2005 85 % of the guarantees were granted for *manufacturing industry* while 5 % of the total guarantees were demanded for the Eastern Anatolian Region of Turkey.<sup>17</sup>

Another important SME financing instrument operating in Turkey is the *Union of Turkish Artisans and Craftsmen Credit and Guarantee Cooperatives (TESKOMB)*. There are 921 Artisans and Craftsmen Credit and Guarantee Cooperatives affiliated to TESKOMB. TESKOMB gives guarantees to credits which are allocated to the artisans and craftsmen by Halkbank. The share of enterprises given guarantees by TESKOMB to all enterprises is 12%.

There is not any micro loan mechanism operating in Turkey.

When all these aspects are taken into account not only from the SMEs point of view but also from financial instruments in Turkey, it is clear that there is a need to improve the conditions of enterprises in terms of access to financial instruments, by establishing and/or supporting financing mechanisms.

### **Research and Development**

Achievements realised in the industrial property rights are also important for ensuring competitiveness and technological development. However, when the number of trademarks, patent and utility model taken by the Turkish and European SMEs is taken into account, there are significant differences between both parties.

Almost all patent applications are composed of foreign applications and the registration rate of

**Table 43: Public Services Provided Electronically**

<b>e-Services for Business</b>		
<b>Public Services</b>	<b>Application in Turkey</b>	
1	Income taxes (Declaration, Notification of Assessment)	e-Tax Return application (Notification, Accrual, Payment)
2	Job search services by labour offices	Access to information (Job notification is provided but no interactive services)
3	Public procurement	Publication of call for tenders
4	Social contribution for employees	e-Declaration (Sending Declaration, Collection Information, Debt, Accrual, Online Payment)
6	VAT (Declaration, Notification)	e-Declaration (Notification, Accrual, Payment)
7	Registration of a new company	-
8	Submission of data to statistical offices	-
9	Customs declarations	Notifications can be made via BILGE-EDI system except for the documents requested by other public sector bodies
10	Environment-related permits (including reporting)	Some required documents can be downloaded
11	Portal for Investment Advisory services	Invest in Turkey Portal (Investment advisory service for foreign investors). It will be available online soon.
12	SME portal	KOBINET' by KOSGEB (Information services, advice and assistance services are provided for the business cooperation services of SMEs by intermediary organization, namely Information Providers)

In the light of above-mentioned issues, the main bottlenecks and shortcomings of Turkey in the field of information society with regard to SMEs can be summarized as follows:

- Usage of the ICT has not been supported sufficiently to increase the economic development and competitiveness of the SMEs.
- In order to contribute to the participation of the SMEs in the global markets, e-business and e-commerce practices have not been highly introduced to the enterprises and awareness in this field has not been developed.

### 2.1.5. Key Points of Socio-economic Analysis

The findings derived from the current socio-economic situation analysis are as follows:

- Macro-economic balances, which have significant effects on the development and the competitiveness of the industry, have been developed independently from the priorities of the industry.
- Investors do not possess sufficient information on target markets, investment areas and production selection to participate in the value chain due to the weakness in the information production in the public-private sector and in the communication mechanisms.
- Rival economies create competition pressure on the sectors which are the driving forces of the export and employment of Turkey and constitute the competitiveness advantage of the some regions.
- Imbalances in the spatial distribution of the manufacturing industry enterprises affect regional development disparities, it is necessary to support the factors which create the competitiveness in each region by mobilising their indigenous potential.
- Imported raw material demand of the production structure is increasing; technological progress and productivity increases based on the innovation have not been spread.
- Positive externality relationship does not represent a common structure in the integration of the main-supply industry, positive correlation has not been ensured between the production increases and the employment.
- Institutionalisation and cooperation networks have not been used at the level of firms in order to exploit economies of scale.
- There are deficiencies in the physical and social infrastructure which are the main instrument of the regional development and creation of the competitiveness.
- Productivity and the value added produced by the SMEs are low compared to the EU member countries, the number of SMEs providing qualified goods and services in compliance with the standards and using modern marketing tools is insufficient.
- There is insufficient infrastructure, personnel and capital in terms of the R&D, innovation and high tech usage of the public and the private sector.
- The usage of financial instruments among SMEs is very low and there is an urgent need for the development and strengthening of the financing instruments towards SMEs.
- SMEs, which can/cannot compete, have not been supported sufficiently taking into account their regions, sector and conditions, supports to the starts-up are insufficient.
- Clusters aiming at the development of cooperation networks among SMEs and between SMEs and large firms have not been broadened.
- Enterprises have difficulty in compliance with the environment, work safety, and hygiene rules of the EU.
- Usage of ICT can not be supported sufficiently to increase the economic development and competitiveness of the SMEs.
- In order to contribute to the participation of the SMEs to the global markets, e-business and e-commerce practices have not been highly introduced to the enterprises and awareness in this field has not been developed.
- Insufficient protection, enhancement and commercialisation of natural and historical heritage.
- Lack of adequate infrastructure for diversification and geographical expansion in tourism and economic benefits of tourism have not spread to all regions.
- Lack of effective promotion and marketing activities in the tourism sector.
- Tourism SMEs and facilities have difficulty in meeting the needs of their infrastructure.

In light of these findings, the analysis of the existing situation has identified intervention areas for supporting the manufacturing and tourism enterprises. The issues in the scope of the Regional Competitiveness Component have been assessed not only for whole Turkey but also for the 12 NUTS II Regions and 15 Growth Centres in accordance with the geographical and sectoral concentrations and eligibility criteria.

As provided for in the MIPD and SCF, assistance under the RCOP will concentration on NUTS II Regions having a per capita income below 75% of Turkish average. Within these, the geographical concentration will be based on 15 Growth Centres which are selected among the 12 NUTS II Regions. In this regard, the socio-economic situation has been elaborated in the scope of the macro-economic background, demography, employment, foreign trade and enterprises for both the whole of Turkey and also for the 12 NUTS II Regions and 15 Growth Centres. In the same way, at the sectoral level the general picture of the manufacturing industry and tourism sector have been drawn and in thematic terms R&D, innovation and knowledge society have been discussed by taking into account the geographical, strategic and integrated approaches of national priorities, MIPD and SCF. In general terms, the contribution of the 12 NUTS II Regions and 15 Growth Centres to Turkey's economic indicators, and industrial development efforts have been discussed in this chapter. Furthermore, the sectoral and scale based similarities and bonds between production structures of those Regions and Growth Centres have been evaluated in the socio-economic analysis section.

**Map 5: 15-Growth Centres and 12 NUTS Regions**



As a result of those assessments, the set of medium-term needs and objectives of Turkey are as follows:

- Improving the Competitiveness of Turkey
- The establishment of networks and cooperation to provide positive externalities between relatively developed regions and less developed ones
- More efficient usage of local potentials in order to reduce the emigration pressure stemming from less developed regions over developed ones
- Reducing regional disparities among different development levels
- The establishment of infrastructure to ensure the transition from low added value production to medium and high production structure
- Improving existing capacity usage and productivity of the enterprises
- Development of infrastructure regarding R&D, innovation and technology usage and transformation activities
- Providing the maximum benefit from R&D, innovation and technology transformation activities and commercializing those projects
- Increasing the interest of SMEs in R&D, technology and innovation activities
- Establishment of networks and clusters among enterprises and institutions serving them
- Promotion of new investments and entrepreneurship activities so as to increase the work force participation rates



- 
- Improvement of tourism promotion and marketing activities and strengthening of tourism infrastructure
  - Facilitating the access to finance
  - Using the potential for historical, cultural and eco-tourism so as to revitalise the economic and social potential of the regions

In addition, the set of medium-term needs and objectives considering regional, sectoral, thematic and geographical concentrations for the 12 NUTS II Regions including the 15 Growth Centres are as follows:

- Increasing the numbers of manufacturing and tourism enterprises in the region
- Promotion of employment generating activities
- Providing support services to start-ups through consultancy and seminar activities
- Improvement of necessary physical industrial infrastructure
- Providing information and consultancy services to the existing enterprises in the areas of management, organisation, exporting, marketing, quality management, standardisation, certification, productivity, branding etc.
- Establishment of clusters and networks among the enterprises and institutions serving them
- Establishment of infrastructure for the usage of R&D, innovation and technology transformation activities
- Promotion of networking activities among universities, institutions and enterprises
- Commercialisation of R&D and innovation projects conducted among universities, R&D institutions and enterprises
- Wide spreading of internet, websites and computer usage in business operations and transactions
- Promotion and supporting of new and existing financing instruments for enterprises, start-ups and Business Representative Organisations
- Strengthening the different potentials of regions so as to create cooperation among different NUTS II Levels and consequently ensuring the establishment of instruments for convergence of regions to each other.
- Ensuring the effective promotion and marketing activities in the tourism sectors
- Supporting the renewal and landscaping activities of the tourism attraction points

**2.1.6. SWOT ANALYSIS (Regional Approach)**

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>Market advantages of the region (R&amp;D, financial resources, human resources)</li> <li>Competitive advantages of the country (R&amp;D, financial resources, human resources)</li> <li>Support from various government agencies</li> <li>Financial support from the region</li> <li>Successful human resources</li> <li>Existence of strong government projects (SME, etc.)</li> <li>Governmental support (SME, etc.)</li> <li>Support from various government agencies</li> <li>Existence of various government projects (SME, etc.)</li> <li>Governmental support (SME, etc.)</li> <li>Support from various government agencies</li> <li>Existence of various government projects (SME, etc.)</li> <li>Governmental support (SME, etc.)</li> <li>Support from various government agencies</li> <li>Existence of various government projects (SME, etc.)</li> <li>Governmental support (SME, etc.)</li> <li>Support from various government agencies</li> <li>Existence of various government projects (SME, etc.)</li> <li>Governmental support (SME, etc.)</li> <li>Support from various government agencies</li> <li>Existence of various government projects (SME, etc.)</li> <li>Governmental support (SME, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Low income level in the country particularly in the target regions</li> <li>Imbalance of the distribution of the enterprises in the regions</li> <li>Lack of entrepreneurial and innovative culture, and start-ups</li> <li>Low level of competitiveness and productivity of the enterprises</li> <li>Lack of physical infrastructure</li> <li>Insufficient utilization of financial resources by SMEs</li> <li>Lack of alternative financial instruments for SMEs</li> <li>Lack of providing guarantee or collateral for financial sources</li> <li>Lack of dialogue and guidance among the enterprises and public-private institutions</li> <li>Weak communication and cooperation among firms, firms and the universities, industry, governmental agencies</li> <li>Weak clustering among SMEs and deficiencies in the supply chain</li> <li>Insufficient assistance towards the firms and new entrepreneurs</li> <li>Insufficient institutionalisation and qualified labour force of SMEs</li> <li>Insufficiency of SMEs in complying with the international standards</li> <li>Lack of harmonisation of the enterprises in the norms of the EU such as environment, work safety, and hygiene</li> <li>Inability in meeting the quality and branding, and export for different brand names, can not use their own brand</li> <li>Lack of developing modern marketing strategies such as analyzing target market, market positioning, promotion and product diversification</li> <li>Unwise investment decisions of enterprises</li> <li>The sectoral concentration in low technology usage, cheap labour force sectors</li> <li>Lack of R&amp;D Infrastructure</li> <li>Low level of R&amp;D expenditure</li> <li>Low level of applying technological innovations in SMEs and low level of innovation awareness</li> <li>Insufficient usage of R&amp;D, innovation and technology</li> <li>Lack of awareness in intellectual property rights</li> <li>Lack of cooperation, coordination and communication in R&amp;D and innovation governance system</li> <li>Low utilization rate from FP6</li> <li>Insufficient usage of ICT technologies by SMEs, e-business and e-commerce practices have not been highly used</li> <li>Insufficient on-line services of the public administrations directed towards enterprises</li> <li>Insufficient infrastructure/renovation of the tourism sites</li> <li>Lack of promotion and marketing supports in tourism</li> <li>Lack of sufficient protection and commercialization of natural and historical heritage</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>Financial support from various government agencies</li> <li>Existence of various government projects (SME, etc.)</li> <li>Governmental support (SME, etc.)</li> <li>Support from various government agencies</li> <li>Existence of various government projects (SME, etc.)</li> <li>Governmental support (SME, etc.)</li> <li>Support from various government agencies</li> <li>Existence of various government projects (SME, etc.)</li> <li>Governmental support (SME, etc.)</li> <li>Support from various government agencies</li> <li>Existence of various government projects (SME, etc.)</li> <li>Governmental support (SME, etc.)</li> <li>Support from various government agencies</li> <li>Existence of various government projects (SME, etc.)</li> <li>Governmental support (SME, etc.)</li> <li>Support from various government agencies</li> <li>Existence of various government projects (SME, etc.)</li> <li>Governmental support (SME, etc.)</li> <li>Support from various government agencies</li> <li>Existence of various government projects (SME, etc.)</li> <li>Governmental support (SME, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Political instability and its negative effects</li> <li>Labour and economic instability</li> <li>Low level of progress of the global economy</li> <li>Change in the economic in the international market, especially from the industrialized countries</li> <li>Insufficient support from various government agencies</li> <li>Insufficient assistance towards the firms and new entrepreneurs</li> <li>Insufficient institutionalisation and qualified labour force of SMEs</li> <li>Insufficiency of SMEs in complying with the international standards</li> <li>Lack of harmonisation of the enterprises in the norms of the EU such as environment, work safety, and hygiene</li> <li>Inability in meeting the quality and branding, and export for different brand names, can not use their own brand</li> <li>Lack of developing modern marketing strategies such as analyzing target market, market positioning, promotion and product diversification</li> <li>Unwise investment decisions of enterprises</li> <li>The sectoral concentration in low technology usage, cheap labour force sectors</li> <li>Lack of R&amp;D Infrastructure</li> <li>Low level of R&amp;D expenditure</li> <li>Low level of applying technological innovations in SMEs and low level of innovation awareness</li> <li>Insufficient usage of R&amp;D, innovation and technology</li> <li>Lack of awareness in intellectual property rights</li> <li>Lack of cooperation, coordination and communication in R&amp;D and innovation governance system</li> <li>Low utilization rate from FP6</li> <li>Insufficient usage of ICT technologies by SMEs, e-business and e-commerce practices have not been highly used</li> <li>Insufficient on-line services of the public administrations directed towards enterprises</li> <li>Insufficient infrastructure/renovation of the tourism sites</li> <li>Lack of promotion and marketing supports in tourism</li> <li>Lack of sufficient protection and commercialization of natural and historical heritage</li> </ul>

## 2.2. Strategic Priorities

The set of medium-term needs and objectives derived from the socio-economic and SWOT analysis forms the main intervention areas and strategies of the Regional Competitiveness Operational Programme.

In the process of determining strategic priorities, key points of socio-economic analysis have been identified and transformed into the SWOT analysis. Afterwards, the issues in the SWOT analysis have been categorised to clarify Asset Clusters from strengths and opportunities and Problem Clusters from weaknesses and threats.

As this categorisation can be seen from **Figure 16** some of those assets of the 12 NUTS II Regions are export capacity, market diversification and proximity to developing global markets, young population as well as tourism potential and alternatives. These assets give rise to a strategy to maximise opportunities based on promotion and diversification of production, marketing and exporting activities of enterprises, increasing number of start-ups through spreading of entrepreneurial culture, supporting clustering activities among the enterprises and institutions, enhancing promotion and marketing activities of institutions and enterprises engaged in tourism, establishment of linkages between the activities of universities and enterprises particularly for R&D and innovation, increasing usage of ICT and e-commerce in business operations of enterprises.

As regards problems of the 12 NUTS II Regions the main categorisation is in the areas of physical infrastructure, utilisation of financial resources by SMEs and start-ups, weak clustering and networking, insufficient consultancy services to SMEs and start-ups, deficient R&D, innovation activities, insufficient infrastructure/renovation supports in the tourism sites, inadequate promotion, marketing and commercialisation activities in tourism, low level of ICT usage in business operations, unemployment and population growth rates. Similarly, these problems generate a strategy to minimise threats leaning on promotion and improvement of industry, R&D, innovation, ICT and tourism infrastructure in the Region, development and promotion of new and existing financing instruments, strengthening of skills and entrepreneurial capacities of enterprises through ensuring information and consultancy supports.

Strategies to maximise opportunities and to minimise threats based on strengths and weakness have been converted into objectives. As can be seen from **Figure 16** the main problem, but at the same time the asset of the 12 NUTS II Regions is the young but unemployed population. The other key issue of the Region is the inadequate number of business stock to employ this human capital and a low level of added value produced from the existing ones. These facts of the Region have been developed into a Global Objective of Regional Competitiveness Operational Programme as **‘Increasing Regional Competitiveness by Supporting Enterprises.’**

Under this Global Objective, the specific objectives of the Regional Competitiveness Operational Programme, which have been developed in the light of issues emerging from socio-economic and SWOT analysis have come out as follows:

- 1-Enhancement of Physical and Financial Infrastructure**
- 2-Increasing the Business Stock**
- 3-Increasing Employment Creation Capacity of the Productive Sector**
- 4-Enhancing Added Value of Production Base**

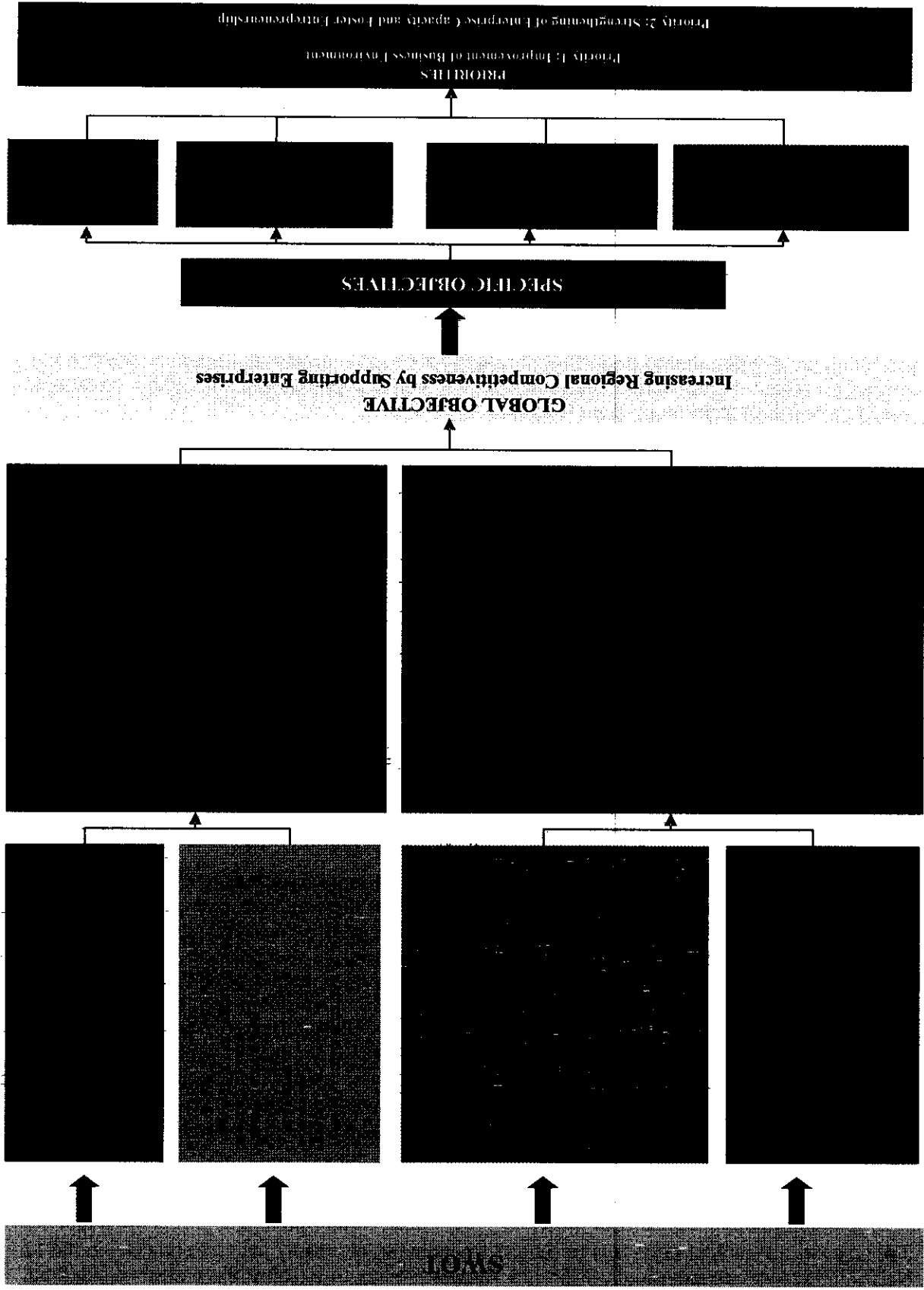


Figure 16: Flow Diagram

These objectives targeting the NUTS II Regions having a per capita income below 75% of Turkish average and the 15 Growth Centres are in accordance with the eligibility criteria of the MIPD and the SCF. Although these objectives have been designed for a specific group of regions of Turkey, they are consistent with national policies and supports aiming at improving the overall competitiveness of Turkey in global markets.

The primary national strategy document is the 9<sup>th</sup> Development Plan (2007-2013) which draws a more general framework on policies and strategies and determines priorities including industry and enterprise related issues, and the Medium-term Programme (2007-2009). Increasing competitiveness is determined as one of the five development axis in the 9<sup>th</sup> Development Plan (2007-2013). In this context, ensuring the shift to high value-added production structure in industry is targeted as a main priority and related policies are specified.

The manufacturing industry is aimed to be the basic sector to drive economic growth, within an outward oriented structure. In the Plan, specific elements of the policy are increasing exports, promoting investments, raising technological capacity and R&D, increasing quality and productivity, increasing skilled labour force, enhancing SMEs and entrepreneurship, achieving sustainable development and strengthening competitiveness.

Besides, these objectives are coherent with 'Industrial Policy for Turkey (Towards EU membership)' document and the 'SME Strategy and Action Plan', which are in line with EU's enterprise, industrial and SME policies and principles and The 9<sup>th</sup> Development Plan.

Likewise these objectives are in line with the strategies and objectives of the MIPD and SCF. (Table 44) As stated in the SCF, the priorities of Regional Competitiveness Operational Programme are as follows:

**Priority 1: Improvement of Business Environment**

**Priority 2: Strengthening of Enterprise Capacity and Foster Entrepreneurship**

The main aim is reaching the global and specific objectives through these priorities and measures illustrated in Figure 16. These priorities targeting chiefly manufacturing and tourism sectors enterprises, notably SMEs located in lagging behind regions of Turkey conceive assistance so as to create employment and to increase the number of enterprises and added value produced by them and finally to establish certain mechanisms to reduce regional disparities.

The priorities defined for implementation in less developed regions of Turkey aiming at reducing internal regional disparities are tools for providing positive contributions to the strengthening of external competitiveness of Turkey. As these tools are supported primarily by focusing on the 15 Growth Centres to create multiplying and driving positive effects on surrounding regions, the gaining of efficient results is more probably provided by expending their employment and business stock capacity. The driving effect of Growth Centres is expected to be result in the establishment of similar capacities and skills in the 12 NUTS II Regions by exploiting the experiences of Growth Centres. In the general picture, the employment of human capital and improvement of business skills of enterprises in the Region bring about an acceleration to increase the competitive level of the Region and to lessen regional disparities. Consequently, these targeting developments in the Region can be interpreted as the instruments to ensure the convergence of these regions with the developed ones and finally convergence of Turkey with the EU.

**“Macro” Scale Intervention Axis**

The objective of the first priority is to support the activities of notably public institutions in the 12 NUTS II Regions and particularly in the 15 Growth Centres to establish the necessary industrial, R&D, innovation, ICT and tourism infrastructure that is essential to provide appropriate ground to new investments.

In this way, well established infrastructure facilities for the local and foreign investors in the manufacturing sector, proper environment for R&D and innovation activities, promotion and marketing supports for tourism investments will be presented. The new financing models and promotion of existing ones will be ensured to the investors desiring to set up new businesses in the Region or to the enterprises intending to expanding their business or to the ones demanding to produce new products and processes. The measures under the first priority will be in line and will be implemented in coordination with the industry, tourism and competition policies and activities applied in other regions of Turkey.

#### **“Micro” Scale Intervention Axis**

As regard the second priority, it is directly related with the activities of enterprises and comprises the consultancy services to the enterprises in the areas of management and organisation, internalisation, quality and standardisation, marketing, exporting, setting up a business and entrepreneurship, access to finance, branding, patent, technology transfer and utilisation etc.

The second priority aims to develop enterprises which are export-oriented, keep track with the developments in global markets, intent to increase productivity and profit rates, are aware of the importance of creating brands and providing certain quality, utilise marketing techniques and information technologies in business operations.

The fundamental objectives of both priorities are to attract new investments to the Region, to increase the number of enterprises and start-ups, to escalate the employment rates, to reduce the emigration from the region, and finally to strengthen the competitiveness of the region and hence decrease the disparities.

9<sup>th</sup> DEVELOPMENT PLAN

MULTI-ANNUAL INDICATIVE PLANNING DOCUMENT (MIPD)

The main priorities under regional competitiveness are:

- Support business investment through enhancement of the regions' capacity to retain and to create new and sustainable business in manufacturing and service sectors
- Enhancing of SMEs competitiveness through modernisation of management and production processes, and adoption of international best practices and standards
- Upgrading SMEs technology basis, innovation and environmental practices

The objectives to be pursued are:

- improve the business environment in which SMEs operate and raise overall business competitiveness
- improve quantity, quality and productivity of employment and business stock in the manufacturing and services sectors
- Increase SMEs contribution to medium and high technology export goods and services.

Expected results

- New business will be created in the manufacturing and services sectors and existing business will be reinforced.
- New jobs will be created and the quality of existing jobs will be upgraded.
- SME turnover generated by manufactured goods and services will be improved.
- Turkish exports of medium and high technology manufactured goods and services will be increased.

STRATEGIC COHERENCE FRAMEWORK (SCF)

Overall Objective: To contribute both to the Turkey's approximation to the EU and to the economic and social development of Turkey by reducing the regional

REGIONAL COMPETITIVENESS OPERATIONAL PROGRAMME:  
Global Objective: To increase regional competitiveness by supporting enterprises and improving business environment

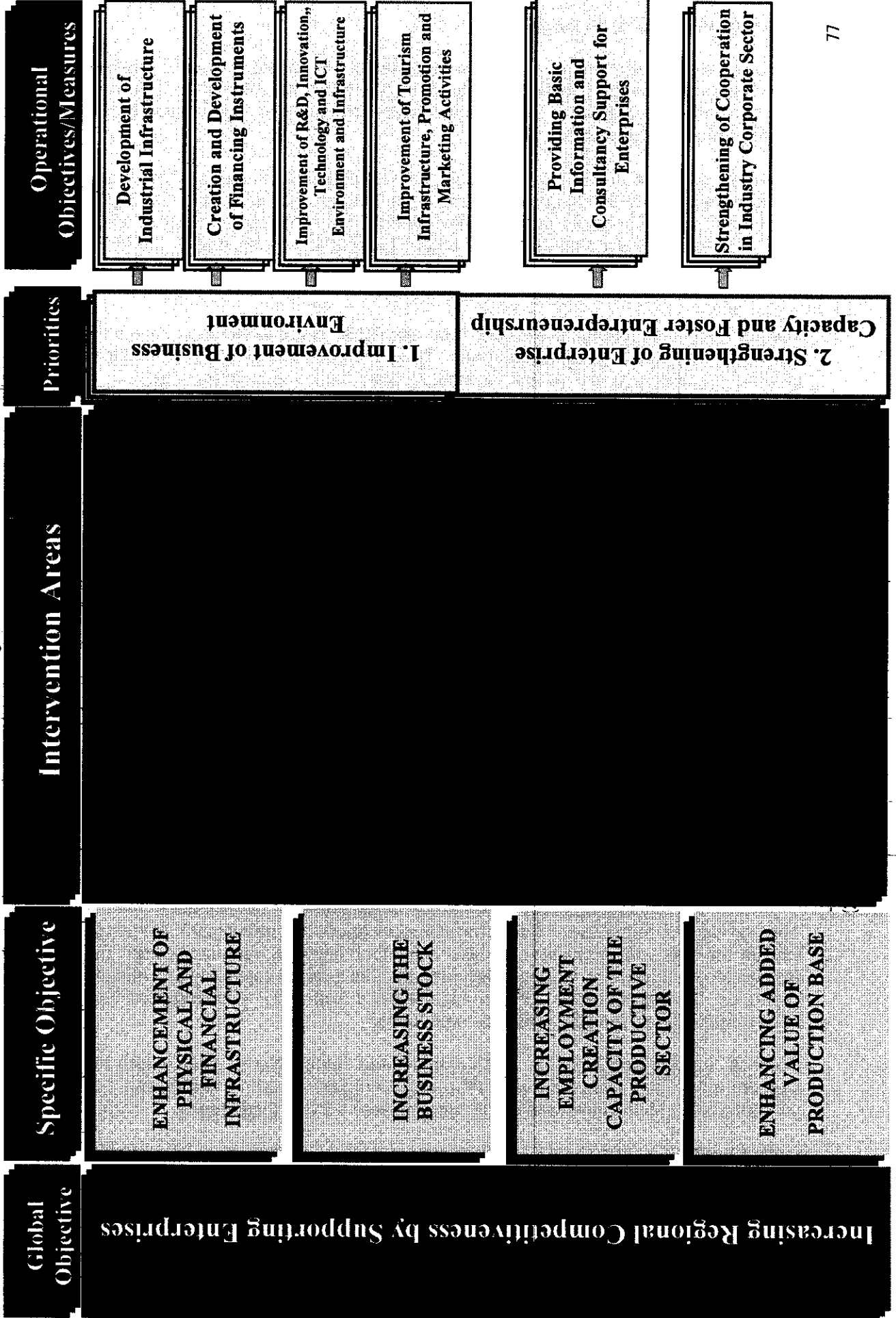
Priority 1: Improvement of Business Environment

Specific Objective 2: Increasing the

Specific Objective: Increasing the

Specific Objective: Encouraging Added Value of

**Table 45: Objectives and Priorities**





### **Concentration Strategy of the RCOP**

In the process of determining strategic priorities, key points of socio-economic analysis have been identified and transformed into the SWOT analysis. Afterwards, the issues in the SWOT analysis have been categorised to clarify the Asset Clusters from strengths and opportunities and the Problem Clusters from weaknesses and threats.

Within the context of its logical flow, the RCOP identifies a global objective and a set of specific objectives addressing the diagnosis derived from the socio-economic and the SWOT analysis. Accordingly, a set of priorities, measures and eligible actions in compliance with the "9<sup>th</sup> Development Plan", "Industrial Policy Document for Turkey (Towards EU membership)", "SME Strategy and Action Plan", and EU policies on enterprises, industry and SMEs as well as the strategies and objectives defined in the MIPD and the SCF documents.

However, the volume of funds available under the RCOP is not sufficient to have a direct macro-economic impact on regional development. Thus, it is essential to ensure a strong sectoral and geographical concentration to achieve the highest impact in the areas of intervention.

The RCOP takes particular care therefore to ensure a strong selectivity on the interventions, sectors and regions to be supported in order to reinforce the efficient and effective use of funds through sustainable measures.

In this regard, the concentration strategy of the RCOP is based on three pillars namely: the "*Competitiveness Map*", the "*Sectoral Concentration Tables*" and "*Growth Centre Classification*" which set out the principles for identification of criteria to be used in the selection of projects.

In addition to these three pillars, the RCOP attaches extensive importance to *inter-regional cooperation* and identifies two principles to prioritize this issue in the project selection level, the *interaction of growth centres' with their hinterland* and the *interaction of the target regions with the rest of the country* particularly on R&D, innovation and networking issues.

For all the measures under the RCOP, the call for project proposals will be non-restrictive and open to all regions in the target area. However, during the project selection phase, projects will be prioritized according to the detailed project selection criteria based on the concentration strategy of the RCOP.

#### **Competitiveness Map and Concentration Strategy for Interventions**

The strategy for the concentration of interventions under the RCOP has been derived from the *Competitiveness Map of Turkey* which was developed as an outcome of a common econometric model.

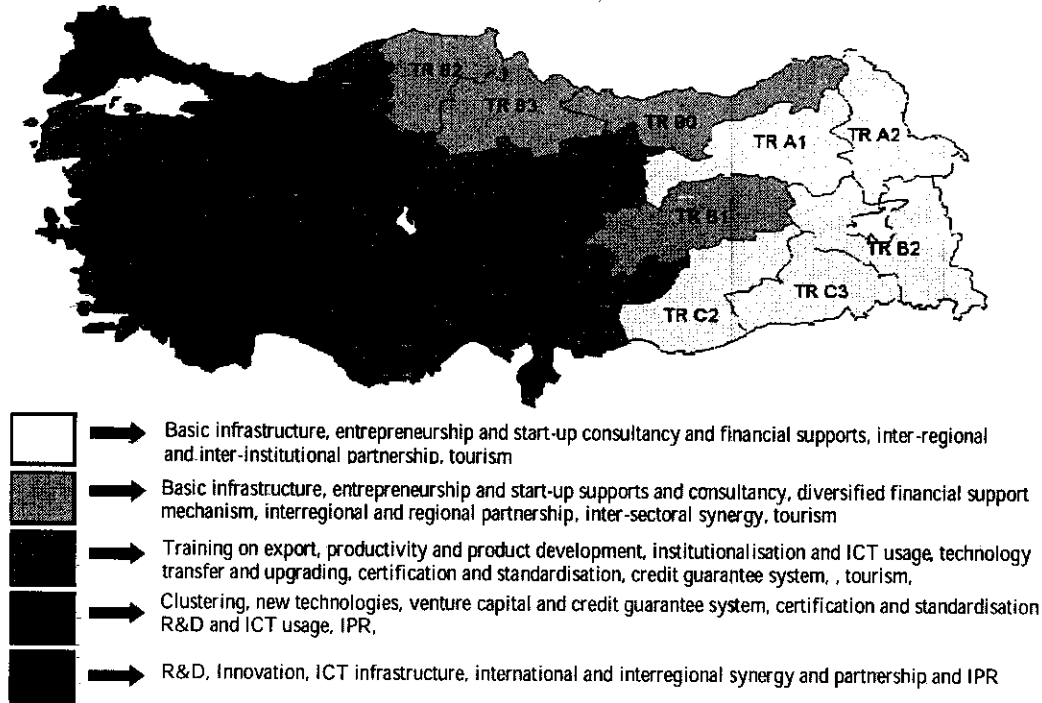
This econometric model uses 42 different indicators (economic, demographic, social, employment, tourism and other socio-economic indicators) in NUTS II level and identifies a competitiveness index for each NUTS II region by weighing each indicator with a certain coefficient according to its relative impact on the competitiveness concept. As a result, a map which demonstrates different-level of regions with different competitiveness has been formed.

The map, showing each NUTS II region with a colour from lighter to darker which represents the competitiveness level from the lower index value to higher, is used to identify five different areas consisting of NUTS II regions with similar competitiveness levels. (See **Map 6**)

Different maps, comparing NUTS II regions in terms of specific indicators individually like number of manufacturing enterprises or number of projects submitted to 6<sup>th</sup> FWP and group of indicators like financial or tourism indicators, have also been developed and analysed together with the

competitiveness map in order to get an idea about the potentials and needs of regions as well as the eligible interventions to be supported in those regions.

**Map 6: Competitiveness Map of Turkey**



Taking into account the competitiveness index and map, and the indicators regarding the "Leading Industry Sectors in Provinces" (See **Annex 4 / Tables 53-54** "The Sectoral Concentration in Manufacturing Industry in the 12 NUTS II regions and 15 Growth Centres) and income per capita (**Figure 1**) for each NUTS II region; it can be stated that the target regions of the RCOP is lagging behind from rest of the country in terms of industrialisation. Besides, there is a huge dependency of the industrial enterprises on agricultural and raw material products in the target regions. (See **Annex 4 / Tables 53-54**)

When the structural unemployment, low employment generation capacity, low level of skilled labour force, low level of export, high dependency on imported inputs, insufficient usage of R&D, innovation and technology, insufficient utilisation of financial resources, production patterns and created added value of the target regions are taken into account together, it is clear that the region has lagged behind the rest of the country in terms of regional development and competitiveness and is subjected to the inter sectoral destructive competition.

Input costs are still high in production costs with strong predominance of low added value product segments.

Even though the high dependency on the agricultural industrialisation has a high potential in job creation, difficulties in capital formation still persist. Furthermore, the share of low technology products both in total manufacturing industry production and in exports is still very high.

At the same time, technologic improvements/upgrading in the production process cause unemployment in the target regions.

### Concentration Strategy for Interventions

In order to establish the concentration strategy for the interventions of the RCOP, the competitiveness map has been modified to show solely the target regions which consists of the NUTS II Regions having a per capita income below 75% of Turkish average and three groups of regions having similar competitiveness level have been identified. (See Map 7)

**Map7: The Group of Target regions in terms of Intervention**



These three groups of NUTS II regions have been classified according to their level of competitiveness, from the lower competitiveness index value to the higher, in order to identify specific measures and interventions eligible for each group of regions.

Within this framework the RCOP initially re-defined the target regions as,

- |       |   |   |
|-------|---|---|
| TR-A1 | } | Low Competitiveness ( <b>red</b> )      |
| TR-A2 |   |   |
| TR-B2 |   |   |
| TR-C2 |   |   |
| TR-C3 |   |   |
| TR-B1 | } | Medium Competitiveness ( <b>green</b> ) |
| TR-82 |   |   |
| TR-83 |   |   |
| TR-90 |   |   |
| TR-C1 | } | High Competitiveness ( <b>blue</b> )    |
| TR-63 |   |   |
| TR-72 |   |   |

This re-definition forms the basis for the concentration of certain measures of the RCOP in certain areas.

Even though the development levels (current situation and potential) of the regions are not homogeneous, classifying similar needs for different regions by using the above mentioned

methodology will lead to implement the measures in a similar way in the regions which have similar problems.

Within this framework, the interventions of the Competitiveness Map, which cover "basic infrastructure, entrepreneurship and start-up, consultancy and financial supports, inter-regional and inter-institutional partnership activities", will be intensively used in the low competitiveness regions. Nonetheless, in order to increase the business stock, tourism activities shall be used as an alternative method in the regions which do not have meaningful potential in terms of industry especially in manufacturing.

Besides, the interventions of the Competitiveness Map which aim to increase "the capacity of the business representative organisations and inter relations among these organisations" will be supported in order to meet the needs of the region. The establishment and improvement of networks among the NUTS II regions or provinces in the low competitiveness regions such as common production or marketing processes will be supported.

Interventions which cover institutionalisation of enterprises, consultancy services on business and product improvement, interregional and regional partnership which help sectoral transformation will be intensively used. The activities regarding inter-sectoral partnership having potential for development will be supported if they do not have a destructive competition character. According to the tourism potential of the regions, tourism activities may be supported in the rest of the NUTS II regions in the low competitiveness regions.

In the high competitiveness regions, the measures aiming to increase added value and to cope with international competition will be intensively used. The consultancy activities on increasing the productivity, export capacity and basic infrastructure which will serve these kinds of measures will also be supported.

The approach which is developed for the first programming period (2007-2009) may be reformulated in future programmes, taking into consideration sectoral and regional needs. One of the major aims of the intervention strategy is to support the regions by using different measure for different periods in a complementary manner.

From this point of view, it is foreseen that a mixture (combination) of the different measures shall be used in a common region in order to improve the sectors and to increase the capacity of the enterprises to cope with the market conditions and sectoral transformation as well.

Besides, it will not be the right approach to put aside projects which are not in the intervention sector or eligible region for the measures concerned, but have utmost importance in achieving the targets set out in the RCOP.

The regional and measure basis intervention strategy of the RCOP is set out in the below mentioned matrix. (See **Table 46**) Contributions of the sectoral, regional and local stakeholders have been also taken into account and reflected in regional and measure basis intervention strategy of the RCOP. (See **Annex 2**) With the development of this strategy, geographical concentration of the RCOP's measures has been ensured. According to this strategy, all the measures of the RCOP can not be implemented in all regions. In the geographical and sectoral strategy development process, the socio-economic analysis of the Programme was also taken into consideration.

In order to provide sectoral concentration, by using the NACE code system (not in sub sectoral definition) the target sectors are listed in terms of NUTS II and province level in the tables mentioned hereunder.

Therefore, the measures which are eligible for the related region will be intensively used by keeping in view the sectoral intensity for each NUTS II region and provinces including Growth Centres.

The Concentration Strategy with its justifications is detailed further in **Annex 5 - Table 55**.

### **Strategy for Sectoral Concentration**

The below mentioned Tables are prepared with the grouping approach of the intervention strategy. The Table on *Prioritized Sectors in the Target regions* (See **Table 47**) covers the NUTS II regions which are grouped in the low, medium and high competitiveness regions.

### **Strategy for Regional Concentration**

Another critical issue on geographical concentration is to allocate the 70-80 % of the resources through the 15 Growth Centres (*K.Maraş, Samsun, Kastamonu, Malatya, Elazığ, Trabzon, Kayseri, Sivas, G.Antep, Diyarbakır, •Urfa, Erzurum, Batman, Van, and Kars*) as mentioned in detail in the SCF document.

### **Inter-Regional Concentration Strategy**

In order to ensure close inter-regional cooperation within the target regions and between the target regions and rest of the country, the RCOP has developed an Inter-regional Concentration Strategy based on two different principles. These are given below:

- Interaction of Growth Centres' with their hinterland
- Interaction of the target regions with the rest of the country particularly on R&D, innovation and networking issues.

These principles will be prioritized during the project selection phase.

As stated in the MIPD, while the RCOP measures will be mainly implemented in the 12 NUTS II regions giving particular importance to the 15 Growth Centres, this concentration shall not preclude the implementation of measures supporting national policies and institutions or projects which have a regional dimension and which contribute to enhance the competitiveness of the less developed regions. Therefore, each region in the 12 NUTS II regions as well as the rest of the country will be eligible under Measure 2.2.

Within this framework, during the project selection phase, priority will be given to integrated regional development projects aiming to improve co-operation, networking and clustering between the target regions and relatively developed regions of the country, especially in the fields of R&D, innovation and technology usage under the RCOP measures "Improvement of R&D, Innovation, Technology and ICT Environment and Infrastructure", "Providing Basic Information and Consultancy Support for Enterprises", "Strengthening of Cooperation in Industry Corporate Sector".

**Table 46: Regional and Measure Basis Intervention Strategy of the RCOP**

Measures	NUTS II REGIONS											
	LOW COMPETITIVENESS		MEDIUM COMPETITIVENESS			HIGH COMPETITIVENESS						
	TR-A1	TR-A2	TR-B2	TR-C2	TR-C3	TR-B1	TR-82	TR-83	TR-90	TR-C1	TR-63	TR-73

✓ : Eligible Measures  
 ∅ : Non eligible Measures

Principles explaining the Concentration Strategy of the RCOP on interventions and data given in Table 46 indicating the measures vs. regions will be extensively used while preparing the project selection criteria and projects will be assessed and graded in accordance with the limitations for interventions as described in Table 46.

Note: This table should be analysed by considering both horizontal and vertical axes.

**Table 47: Prioritised Sectors in the Target regions**

SUTS II		SECTORS – LOW COMPETITIVENESS					
Provinces		1 <sup>st</sup> Prioritized Sector	2 <sup>nd</sup> Prioritized Sector	3 <sup>rd</sup> Prioritized Sector	4 <sup>th</sup> Prioritized Sector	Other	Non-prioritized Sector
TR-A1	Erzurum	Manufacture of food products and beverages	Manufacture of wood and wood products	Manufacture of furniture	Manufacture of chemical products	--	--
	Erzincan	Manufacture of food products and beverages	Mining and quarrying	Growing of vegetables,	--	--	--
	Bayburt	Manufacture of plastics	Manufacture of food products and beverages	Mining and quarrying	--	--	--
TR-A2	Ardıçan	Manufacture of food products and beverages	Manufacture of wood and wood products	--	--	--	--
	Kars	Manufacture of other non-metallic mineral products	Manufacture of food products and beverages	Manufacture of wood and wood products	--	--	--
	İğdir	Manufacture of food products and beverages	Mining and quarrying	Manufacture of wood and wood products	--	--	--
	Ardahan	Manufacture of food products and beverages	Manufacture of wood and wood products	--	--	--	--
TR-B2	Van	Manufacture of food products and beverages	Manufacture of wood and wood products	Manufacture of other non-metallic mineral products	--	--	--
	Muş	Manufacture of food products and beverages	Manufacture of leather and leather products	Manufacture of wood and wood products	--	--	--
	Bitlis	Manufacture of food products and beverages	Mining and quarrying	--	--	--	--
	Hakkari	Manufacture of food products and beverages	Manufacture of wood and wood products	Manufacture of basic metals and fabricated metal products	--	--	--
TR-C2	Diyarbakır	Manufacture of food products and beverages	Manufacture of textile and wearing apparel	Mining and quarrying	Manufacture of other non-metallic mineral products	Manufacture of chemicals and chemical products	Manufacture of machinery
	Şanlıurfa	Manufacture of food products and beverages	Manufacture of textile and wearing apparel	Manufacture of basic metals and fabricated metal products	Growing of vegetables, nuts	--	--
TR-C3	Mardin	Manufacture of other non-metallic mineral products	Manufacture of food products and beverages	Manufacture of basic metals and fabricated metal	--	--	--
	Batman	Manufacture of food products and beverages	Manufacture of other non-metallic mineral products	Mining and quarrying	Manufacture of chemicals and chemical products	Manufacture wearing apparel	--
	Şırnak	Manufacture of food products and beverages	Mining and quarrying	Manufacture of other non-metallic mineral products	--	--	--
	Siirt	Manufacture of other non-metallic mineral products	Manufacture of food products and beverages	Manufacture wearing apparel	--	--	--

**SECTORS – MEDIUM COMPETITIVENESS**

NUTS II Provinces		1 <sup>st</sup> Prioritized Sector	2 <sup>nd</sup> Prioritized Sector	3 <sup>rd</sup> Prioritized Sector	4 <sup>th</sup> Prioritized Sector	Other	Non-prioritized Sector
TR-B1	Malatya	Manufacture of food products and beverages	Manufacture of textile and wearing apparel	--	--	--	--
	Elazır	Manufacture of food products and beverages	Mining and quarrying	Manufacture of other non-metallic mineral products	Manufacture of machinery and equipment n.e.c.	--	--
	Bingöl	Manufacture of food products and beverages	Manufacture of other non-metallic mineral products	Farming of Animals	--	--	--
	Tunceli	Manufacture of food products and beverages	Manufacture of basic metals and fabricated metal products	--	--	--	--
TR-82	Kastamonu	Manufacture of wood and wood products	Manufacture of wearing apparel	Manufacture of food products and beverages	Mining and quarrying	--	--
	Çankır	Manufacture of food products and beverages	Manufacture of machinery and equipment n.e.c.	Manufacture of textile and wearing apparel	Mining and quarrying	--	--
	Sinop	Manufacture of other non-metallic mineral products	Manufacture of food products and beverages	Manufacture of wood and wood products	--	--	--
TR-83	Samsun	Manufacture of food products and beverages	Manufacture of basic metal	Manufacture of machinery and equipment n.e.c.	Manufacture of wood and wood products	--	--
	Tokat	Manufacture of food products and beverages	Manufacture of wood and wood products	Mining and quarrying	Manufacture of wearing apparel	--	--
	Çorum	Manufacture of food products and beverages	Manufacture of machinery and equipment n.e.c.	Manufacture of other non-metallic mineral products	--	--	--
	Amasya	Manufacture of food products and beverages	Mining and quarrying	Manufacture of machinery and equipment n.e.c.	--	--	--
TR-90	Trabzon	Manufacture of food products and beverages	Manufacture of wood and wood products	Manufacture of other transport equipment n.e.c.	--	--	--
	Ordu	Manufacture of food products and beverages	Manufacture of wood and wood products	Mining and quarrying	Manufacture of other non-metallic mineral products	--	--
	Giresun	Manufacture of food products and beverages	Manufacture of wood and wood products	Manufacture of machinery and equipment n.e.c.	--	--	--
	Rize	Manufacture of food products and beverages	Manufacture of other non-metallic mineral products	Manufacture of wood and wood products	--	--	--
	Artvin	Manufacture of food products and beverages	Manufacture of wood and wood products	Manufacture of machinery and equipment n.e.c.	--	--	--
	Gümüşhane	Manufacture of food products and beverages	Manufacture of furniture	Manufacture of wood and wood products	--	--	--



NUTS II	Provinces	SECTORS – HIGH COMPETITIVENESS					
		1 <sup>st</sup> Prioritized Sector	2 <sup>nd</sup> Prioritized Sector	3 <sup>rd</sup> Prioritized Sector	4 <sup>th</sup> Prioritized Sector	Other	Non-prioritized Sector
TR-C1	<b>Gaziantep</b>	Manufacture of textiles and textile products	Manufacture of food products and beverages	Manufacture of rubber and plastic products	Manufacture of fabricated metal products	Manufacture of chemicals and chemical products	Mining and quarrying
	Ad-yaman	Manufacture of textiles and textile products	Manufacture of food products and beverages	Manufacture of chemicals and chemical products	--	--	--
	Kilis	Manufacture of food products and beverages	Manufacture of textiles and wearing appeals	Manufacture of fabricated metal products	--	--	--
TR-63	Hatay	Manufacture of food products and beverages	Manufacture of basic metals	Manufacture of wood and wood products	Manufacture of basic-metals and fabricated metal	Manufacture of rubber and plastic products	--
	<b>K.Mara*</b>	Manufacture of textiles and wearing appeals	Manufacture of food products and beverages	Manufacture of fabricated metal products	--	--	--
	Osmaniye	Manufacture of food products and beverages	Manufacture of textiles and textile products	Manufacture of wood and wood products	--	--	--
TR-72	<b>Kayseri</b>	Manufacture of Furniture	Manufacture of textiles and textile products	Manufacture of machinery and equipment n.e.c.	--	--	--
	<b>Sivas</b>	Manufacture of other non-metallic mineral products	Mining and quarrying	Manufacture of food products and beverages	Manufacture of machinery and equipment n.e.c.	--	--
	Yozgat	Manufacture of food products and beverages	Manufacture of other non-metallic mineral products	Manufacture of textiles and textile products	Manufacture of basic metals and fabricated metal	--	--

\* The provinces shown in bold marks are Growth Centres.

### 3. Programme Strategy

In this chapter the priorities and measures of the Operational Programme for Regional Competitiveness are analyzed in detail in terms of *aim, specific objectives, rationale, description, targeting, measures and delivery of the priority, eligible actions and selection criteria*. The term "target regions" which is used in this chapter corresponds to the 12 NUTS II regions including the 15 Growth Centres which are mentioned in the previous chapters.

#### 3.1 Priority Axes and Measures

##### Priority 1: Improvement of Business Environment

###### Aim

The purpose of this priority will be to create a better business environment, to increase the number of new enterprises, enhance the productivity and the competitiveness of the existing enterprises and contribute to the overall rate of employment, by improving physical infrastructure and creating a supportive environment for SMEs in the target regions.

###### Specific Objectives

The specific objectives of this priority are:

- Enhancement and modernization of business infrastructure for enterprises to conduct business activities in a better and convenient environment.
- Improving the conditions of enterprises in terms of access to financial instruments by establishing and/or supporting convenient financing mechanisms.
- Promoting R&D, Innovation and usage of technology, including ICT and transfer of knowledge, through infrastructure.
- Diversification and enhancement of tourism activities by means of supply and demand side interventions, like revitalising, landscaping and promotion/marketing activities.

###### Rationale

Recalling from the study carried out in the previous chapter analyzing the socio-economical indicators, the current situation is briefly defined as: the non-agricultural employment rate and the business stock in the target regions are insufficient, except some special cases, and the existing enterprises are operating with low added value and low technology base.

The diagnosis, reached as an outcome of the socio-economical analysis and the SWOT analysis, indicates a quantitative and qualitative insufficiency in the physical and industrial infrastructure, low utilization of technology and innovation in the management and production processes, low cooperation, clustering and networking within and among the regions, low tourism activities, when compared with the real potential, and inadequacy (and even market failure in some cases) in accessing the financial instruments and consultancy services.

And finally, the intervention strategy of the Operational Programme, designed in line with the outputs of the socio-economic analysis including the SWOT and the strategic priorities, sets out two axis of priorities. This strategic configuration classifies the interventions under these two priorities according to the type of intervention rather than their themes or sectors. Thus, both of the priorities include all the target themes and sectors, however, this priority focuses on the business environment itself in a macro scale, while the second priority deals with the enterprises individually.

In line with that strategic configuration and rationale, this priority consists of four measures on business environment and addresses the problems identified in the diagnosis on the target themes and sectors of the OP. It is intended to provide a synergy among the priorities by means of macro scale interventions of this priority and the micro scale interventions of the second priority.

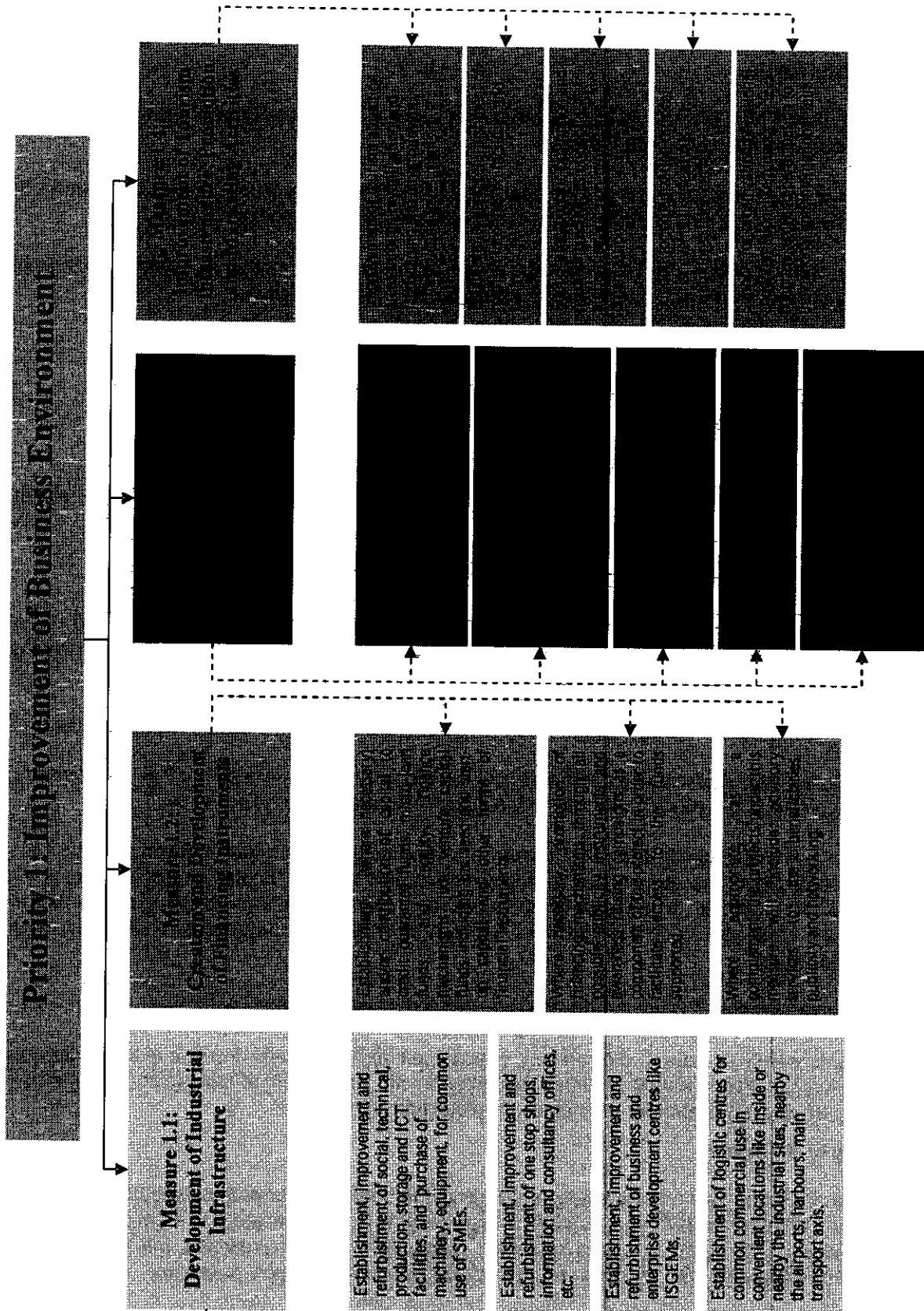
### **Description**

This priority will focus on the SMEs, particularly those operating in the manufacturing industry and tourism sector in the target regions, to enhance the business environment by establishing a state of the art industrial infrastructure, promoting R&D, innovation, usage of technology including ICT and transfer of knowledge, supporting clusters, networking and cooperation activities between different NUTS II levels and supporting various financial mechanisms, commercialization of tourism attraction areas and promotion/marketing activities in tourism sector.

Within the aim of improvement of business environment with macro scale interventions, the eligible interventions under this priority will be,

- Establishment of supportive industrial infrastructure, such as business and enterprise development centres,, a broad variety of shared utility facilities for SMEs,, one stop shops, information and consultancy offices, training facilities,, ICT infrastructure and equipment as well as logistic centres, etc.
- Establishment and/or supporting micro-loan funds, credit guarantee funds and equity finance mechanisms, such as venture capital funds, including seed capital and start-up capital.
- Establishment and/or supporting structures operating on the base of high technology, R&D and innovation, like Technology Development Zones (TDZs) and Technology Development Centres (TDCs) and other special supportive structures like Technology Incubators without Wall (DTI), Incubation Centres, Technology Transfer Centres, Excellence Centres, Innovation Relay Centres, etc., as well as supporting the cooperation mechanisms like clusters of excellence and networks of R&D, innovation and technology.
- Establishment and development of basic tourism infrastructure, through revitalising, landscaping and commercialization of selected areas having potential for tourist attraction in terms of natural and historical values, eco-tourism, health and sports activities, etc., as well as supporting promotion and marketing activities. Competitiveness-oriented infrastructure activities having direct impact on the tourism attraction of the region and having a substantial effect to increase the tourist arrivals will also be supported.

The flowchart for the activities of this priority is illustrated below.



**Targeting**

This priority is targeted at SMEs operating particularly in the,

- Manufacturing industry and
- Tourism sector

located in the 12 NUTS II regions having a GDP per capita (PPP) below 75 % of the national average and particularly in the 15 Growth Centres.

Joint projects and networking activities implemented outside the target regions which support the competitiveness of the target regions will also be eligible within the scope of this priority.

The concentration strategy for interventions, sectors and regions described in the Chapter on Strategic Priorities will be utilized as a strategic base for establishing selection criteria.

**Measures**

Measures under this priority are,

**1. Development of Industrial Infrastructure**

The aim of the measure is to improve the business environment by upgrading the quality of existing business sites to intensify their use and to bring their supply more in line with demand.

**2. Creation and Development of Financing Instruments.**

The aim of this measure is to improve the conditions of enterprises in the lagging behind regions suffering from insufficient access to finance by establishing and/or supporting adequate financing mechanisms.

**3. Improvement of R&D, Innovation, Technology and ICT Environment and Infrastructure**

The purpose of this measure is to promote R&D, Innovation, and usage of technology and transfer of knowledge, to improve productivity and build a dynamic knowledge based economy.

The main intervention areas under this measure are: development of adequate infrastructure for R&D, creation of a supportive environment for innovation, promotion of technology transfer and provision of support for business to use new technologies, and commercialization of research, particularly through the development of stronger links between business and Universities, R&D Centres and among the regions.

**4. Improvement of Tourism Infrastructure, Promotion and Marketing Activities.**

This measure aims to develop the competitiveness and employment and decrease regional disparities through tourism diversification activities, revitalisation and landscaping of tourism attraction areas for commercial use, and support for promotion and marketing activities.

**Delivery of the Priority**

The measures under this priority will be implemented through calls for proposals and/or procurement contracts. As described in Article 158 of IPA Implementing Regulation, projects submitted by national public bodies and project proposals submitted following a call for proposals will be assessed or selected in accordance with the below mentioned admission and selection principles.

**Strategic Criteria for Selection**

- Intervention Strategy - Projects will be assessed and graded in accordance with the concentration strategy and limitations for interventions as described in *Table 46 of the Chapter on Strategic Priorities*.
- Sectoral Strategy - Projects will be assessed and graded in accordance with the concentration strategy for industrial sectors as described in *Table 47 of the Chapter on Strategic Priorities*.
- Regional Strategy - Projects will be assessed and graded in accordance with the regional concentration strategy as described under the heading *Regional Concentration Strategy of the Chapter on Strategic Priorities*.
- Inter-Regional Cooperation Strategy - Projects will be assessed and graded in accordance with the Inter-Regional Cooperation Strategy as described under the heading *Inter-Regional Cooperation Strategy of the Chapter on Strategic Priorities*.

**Other Criteria for Selection**

- Project maturity and readiness level.
- Projects and applications from the Growth Centres will be given priority in order to achieve the strategic target set out in the SCF to allocate 70-80 % of the total budget of OP Regional Competitiveness for Growth Centres.
- Actions on networking activities and joint actions between the target regions and rest of the country and operations taking place outside the target regions will also be financed provided that the target regions, particularly Growth Centres are the main direct beneficiaries from these actions and operations.

Measure specific criteria for selection are given under each measure.

**Targets and Indicators**

The indicators for this priority are the sum of the indicators identified for the measures under this priority.

**Total Public Expenditure: 138,330,670 (euro) (2007-2009)**

**EU Support: 103,748,000 (euro) (2007-2009)**

Indicators	Base Line	Target	Definition and assumptions
<b>Outputs</b>			
1-Area of shared facilities established or supported	75.000 m <sup>2</sup> (the area of technical and social facilities in 32 OIZs, 166 SSIEs and also the area of 10 IGEMs and 7 ISGEMs in the target regions)	10.000 m <sup>2</sup> (additional)	Shared facilities like labs, workshops, packaging facilities, machinery, training/education facilities, logistic facilities, etc.
2-Number of service facilities established or supported	6 (incubators in the target regions of the RCOP)	10 (additional) (Incubators, one-stop shop, etc.)	Service facilities like one stop shops, information offices, business and enterprise development centres.
3-Amount of credit guarantee supplied for enterprises	63.842 Million EUR. awarded from credit guarantee fund	30 Million EUR. (additional)	Base line data is from Credit Guarantee Fund Operating and Research J.S.C. (KGF)
4-Amount of micro-loans supplied for enterprises	2.9 Million EUR.	5 Million EUR. (additional)	Data is collected from the statistics of Provinces which have allocated micro-credit schemes
5- The number of R&D and innovation related business sites rehabilitated or supported	4 TDZs,	2	Technology Development Zones (TDZs) are established by the assistance of MoIT
6- Number of R&D related service facilities rehabilitated or supported	3 TDCs	2	Technology Development Centres (TDCs) by the assistance of KOSGEB
7-Number of enterprises involved in assisted R&D projects	-	60	-
8-Number of joint projects realized by R&D institutions and enterprises	-	15	-
9-Number of tourism sites enhanced through renovation, rehabilitation or restoration	0	3	Tourism attraction points/areas, excluding historical and archaeological sites
<b>Results</b>			
1-Number of artisans and SMEs benefiting from shared facilities established or supported	16.600 artisans and 3500 SMEs taking benefit from common facilities of OIZs and SSIEs, and ISGEMs in the target regions	300 artisans and 400 SMEs (additional)	Base line data is from the General Directorate for OIZs and SSIEs in MoIT.

2- Number of SMEs benefiting from service facilities established or supported	350	400 (additional)	As a base line, 175 out of 350 are only located in existing ISGEMs. There are also laboratories and regional industry development centres for common usage of SMEs in the target regions
3- Number of new enterprises established inside industrial sites which are supported	0	300 (additional)	Approximately 30 new enterprises located in each existing ISGEMs/incubation centres
4-Number of the employment generated in OIZs, SSIEs, ISGEMs and incubators supported by IPA.	0	1000	The employment in existing 6 ISGEMs is 645.
5-Number of new enterprises setting up a business via new financial instruments	57 new SMEs set up a business thanks to the credit guarantee fund in the target regions of the RCOP  Around 1000 people awarded by the micro-credits in the target regions of the RCOP	60 new SMEs (additional)  500 (additional)	The breakdown of Credit Guarantee for Start-ups constitutes 22% in total amount, the rest for the existing firms.
6-Amount of credit guarantee allocated for investments	13.267 Million EUR.	8 Million EUR. (additional)	The breakdown of credit guarantee for the investments is 43% in total amount
7- Number of R&D and innovation related new enterprises established inside business sites supported.	0	70	-
8-Number of patent applications resulted from assisted projects	-	10	The data can be followed from the statistics of Turkish patent Institute
9-Number of tourists visited the tourism-attraction points enhanced	2. 233. 673	1000 (additional per tourism attraction points enhanced)	Base line is the number of arrivals in Qualified Establishments Licensed by the Municipalities in the target regions
10-Number of new tourism enterprises established in the region supported	0	10 per tourism sites enhanced	Number of tourism SMEs established in the city or cities as a result of increased touristic attraction through supporting touristic aspects in those city or cities.



**Measure 1.1: Development of Industrial Infrastructure**

The aim of the measure is to create a more favourable investment environment for SMEs by upgrading the quality of existing business sites, bringing their supply more in line with demand and supporting the establishment of Common Facilities for SMEs in convenient locations.

**Specific Objectives**

The specific objectives of this measure are,

- To enhance the industrial infrastructure for enterprises to conduct business activities in a better environment, through establishment of common utility social, technical, production, storage and ICT facilities,
- To increase occupancy ratio inside the business sites, through attracting the enterprises to benefit from the enhanced synergy and the comparative advantage of common use of advanced infrastructure and high quality services inside the business sites,
- To contribute to the establishment of start-ups and increase the competitiveness of existing enterprises, through establishment of business and enterprise development centres as well as one stop shops, information and consultancy offices.

**Rationale**

This measure, which is one of the most significant intervention tools of the OP in terms of expected impacts and budget, tackles with the improvement of industrial infrastructure which contributes to facilitate establishment, development and expansion of new and existing business.

In the previous chapters it was mentioned that macro level figures of the manufacturing industry are at a very low level when compared with those of the developed countries. Although Turkey has natural resources and raw materials for certain industrial sectors, the value added produced from these resources is not sufficient and this situation is one of the reasons of the low competitiveness level of Turkey compared to the EU Member States.

As mentioned in the socio-economic analysis, Organized Industrial Zones (OIZs) and Small Scale Industrial Estates (SSIE) have presented a proper environment for industrial development through their common infrastructure and waste water treatment facilities. There are 12 completed and 14 on going OIZs and 41 completed and 4 on going SSIEs, 9 IGEMs and 6 ISGEMs in Growth Centres.

Additionally, substantial evidence is given in the socio-economic analysis on the fact that there are enough numbers of completed and on going OIZs and SSIEs which present proper mutual infrastructure facilities for SMEs' investments in the 12 NUTS II Regions and in 15 Growth Centres. The main problem in those regions for on going OIZ and SSIE projects is the completion of the infrastructure construction and reaching the optimum occupancy rates of these zones by attracting the interest of investors and creating new entrepreneurs. Otherwise, those zones and estates would be idle and the transferred scarce public resources to build these zones can not be exploited to the fullest. The promotion of new investments and entrepreneurship in the 12 NUTS II Regions and in 15 Growth Centres is important to take advantage of these investments in the OIZs and SSIEs, by increasing their occupancy rates.

As a result of this diagnosis coming from the socio economic analysis, in order to create a more favourable investment environment for SMEs and to increase the added value produced and business stock as well in the target regions, the RCOP will focus on upgrading the quality of existing business sites, bringing their supply more in line with demand and supporting the establishment of business and enterprise development centres, logistic centres and common utility facilities in various locations.

Such an approach will on one hand enhance the efficient and effective utilisation of the existing infrastructure and on the other hand prevents the risk of financing investments with IPA which are already being or that would otherwise be financed with national funds.

### **Description**

This measure will be a supply side measure for upgrading the industrial infrastructure to provide an advanced environment and high quality services for the enterprises to invest and operate.

The area of intervention for this measure will be to enhance “**supportive infrastructure**” inside or outside industrial sites, including soft actions where necessary, rather than supporting the establishment of new industrial estates like OIZs and SSIEs.

The main purpose of the industrial infrastructure is to provide better quality services and support mechanisms in order to attract entrepreneurs to invest inside the industrial zones and increase the occupancy ratios.

In this regard the main interventions of this measure will include the establishment of “**supportive infrastructure**” like business and enterprise development centres,, a broad variety of shared utility facilities for SMEs,, one stop shops, information and consultancy offices, training facilities,, ICT infrastructure and equipment as well as the logistic centres, etc.

The support under this measure will consist of investments on infrastructure and equipment like establishment, improvement and refurbishment of buildings and purchase of laboratory devices, machinery, ICT and office equipment etc. However, in order to increase the impact of the intervention, advisory/consultancy services and publicity activities related with the implementation of project itself will also be eligible to a certain proportion of the budgets of projects.

Establishment of shared social, technical, production and storage facilities directly relevant to the environment of SMEs on a wide range of areas like common production, processing, packaging or training workshops including machinery,, shared warehouses, design centres, common utility laboratories or test equipment regarding the products or production processes, common social facilities, training and internet access points, etc., shared ICT usage possibilities including software and equipment regarding the production processes will also be financed under this measure.

This intervention may be implemented through larger projects financing the establishment of integrated centres consisting of a convenient combination of the above mentioned facilities and equipment inside the industrial sites or in the locations where SMEs are relatively condensed.

Such an intervention will, on one hand, allow SMEs to benefit from the synergies produced by the shared utilization of local infrastructure/services and develop a cooperation culture and, on the other hand, contribute to facilitate establishment, development and expansion of new and existing business.

Establishment of business and enterprise development centres (like IGEMs and ISGEMs) integrated with support facilities for SMEs will be financed as well under this measure for increasing the business stock and added value produced by SMEs and supporting start-ups.

Establishment of one stop shops, basic information support and consultancy centres inside the industrial sites or in the locations where SMEs are relatively condensed will be another intervention under this measure.

Establishment of logistic centres for common commercial use in convenient locations like inside or nearby industrial sites, nearby airports, harbours, main transport axis, etc. will also be supported under this measure.

Establishment of training and education facilities in order to provide necessary trainings on the development of entrepreneurial knowledge and skills for SMEs will be supported in coordination and close cooperation with the HRD OP through a Technical Committee which has been established with the participation of the Operating Structures of both OPs.

### **Eligible Actions**

This measure will include the following indicative activities,

- Establishment, improvement and refurbishment of social, technical, production, storage and ICT facilities, and purchase of machinery, equipment, for common use of SMEs.
- Establishment, improvement and refurbishment of one stop shops, information and consultancy offices, etc.
- Establishment, improvement and refurbishment of business and enterprise development centres like ISGEMs,
- Establishment of logistic centres for common commercial use in convenient locations like inside or nearby industrial sites, nearby airports, harbours, main transport axis,

### **Admission Criteria**

Projects will be analyzed in terms of the nature of the interventions, project maturity and readiness, eligibility of actions, eligibility of the region, budgetary limitations, eligibility of applicant or beneficiaries, etc. as defined in the relevant parts of the RCOP and ineligible projects will be eliminated prior to the qualification and grading process which will be carried out in accordance with the selection principles.

The project proposals which pass the admission process successfully will be graded in accordance with the below mentioned selection principles,

### **Strategic Criteria for Selection**

*The Strategic Criteria for Selection indicated for the priority will be applied.*

### **Other Criteria for Selection**

In addition to the criteria for selection indicated for the priority, the following measure specific criteria will be applied for the prioritization of the project proposals:

- Project maturity and readiness
- Projects supporting the facilities intended to be used commonly by a wider range of beneficiary enterprises.
- Projects enhancing the occupancy ratio inside the industrial sites, particularly the establishment of common technical and social facilities inside the industrial sites.
- Projects contributing to the overall employment capacity
- Projects supporting the innovative and high technology sectors.

- 
- Projects contributing to the overall synergy with other measures, particularly the establishment of common technical and social facilities encouraging the creation of clusters and networks as described in measure 2.2.
  - Projects with environmental sustainability namely contributing to energy efficiency and use of renewable energy.
  - Projects supporting women and young entrepreneurs, disadvantaged persons and start-ups.
  - Involvement of TOBB, TESK, sectoral foundations and associations, regional chambers of industry and commerce, craftsmen and artisans.
  - The administrative and technical capacity of the beneficiary to achieve the targets and the risks faced by project.
  - Projects seeking complementarity and synergy with the other Community Programmes namely 7<sup>th</sup> FWP and CIP.

**Final Beneficiaries**

Public institutions/agencies, business and enterprise development institutions/centres managing authorities of OIZs and SSIEs, national and regional chambers of industry and commerce, unions, foundations and associations.

**Monitoring Indicators**

**Total Public Expenditure : 34,582,668 (euro) (2007-2009)**  
**EU Funding : 25,937,000 (euro) (2007-2009)**  
**Maximum Intervention-Rate : 75%**

Indicators	Base Line	Target	Definition and assumptions
<b>Outputs</b>			
1-Area of shared facilities established or supported	75.000 m <sup>2</sup> (the area of technical and social facilities in 32 OIZs, 166 SSIEs and also the area of 10 IGEMs and 7 ISGEMs in the target regions)	10.000 m <sup>2</sup> (additional)	Shared facilities like: Labs, workshops, packaging facilities, machinery, training/education facilities, logistic facilities, etc.
2-Number of service facilities established or supported	6 (ISGEMs in the target regions of the RCOP)	10 (additional) (Incubator, one-stop shop, etc.)	Service facilities like one stop shops, information offices, business and enterprise development centres, etc.
<b>Results</b>			
1-Number of artisans and SMEs benefiting from shared facilities established or supported	-16.600 artisans and 3500 SMEs taking benefit from common facilities of OIZs and SSIEs, and ISGEMs in the target regions	300 artisans and 400 SMEs (additional)	Base line data is from the General Directorate for OIZs and SSIEs in MoIT.
2-Number of SMEs benefiting from service facilities established or supported	350	400 (additional)	As a base line, 175 out of 350 are only located in existing ISGEMs. There are also laboratories and regional industry development centres for common usage of SMEs in the target regions
3- Number of new enterprises established inside industrial sites which are supported	0	300 (additional)	Approximately 30 new enterprises located in each existing ISGEMs/incubation centres
4-Number of the employment generated in OIZs, SSIEs, ISGEMs and incubators that supported by IPA.	0	1000	The employment in existing 6 ISGEMs is 645.

**Measure 1.2: Creation and Development of Financing Instruments**

The aim of this measure is to improve the conditions of enterprises in the lagging behind regions suffering from insufficient access to financial instruments and inadequate financing resources by establishing and/or supporting adequate financing mechanisms.

**Specific Objectives**

The specific objectives of this measure are:

- To enhance the financial environment in the target regions through supporting credit guarantee funds, micro-loan funds and equity finance mechanisms like venture capital funds including seed and start-up capital and other forms of financial instruments serving the enterprises.
- To support the enterprises' business development projects and level of investment through increasing their access to financial resources.
- To modernize the production infrastructure of enterprises through increased utilization of financial mechanisms.

**Rationale**

The results from the field survey on "Small Enterprises Finance in Turkey", conducted by Banakademie International in March 2005, highlights the supply and demand side obstacles in SME finance as described in Chapter 2.1.2 on SMEs. The survey is very relevant in terms of its target group, region and theme, thus the outputs of the survey are extensively used in the relevant parts of the RCOP.

The study identifies the obstacles in accessing finance as follows: the collateral requirement by the commercial banks is clearly the most striking barrier (an overwhelming 83 percent of the enterprises quoted this obstacle either as the first, second and third rank), interest rates are the second major obstacle (mentioned by 54 percent of the enterprises, the general view was that interest rates were too high), and bureaucratic and cumbersome procedures on the side of commercial banks (mentioned as third major obstacle by 26 percent of the respondents).

As described in chapter 2 in the SMEs part and in the SWOT analysis, SMEs have difficulties in providing the required guarantee or collateral because of their size, capital, organizational structure and low levels of production. They prefer credit schemes applying low interest rates, requesting more simple procedures and enough guarantees for credits. Naturally, this situation leads to a low level of bank credit utilization rates of SMEs. According to these figures, the amount of credits received by SMEs in 2000 was 6 % while this figure has reached 24 % in 2006 thanks to the adjustments in the regulations and SME definition made in the last 6 years. Considering the high costs and tough conditions of obtaining credit, as well as insufficient banking offer for small and medium-sized enterprises, especially micro-enterprises, financial support for development of credit guarantee funds and loan funds as well as equity finance and venture capital are of a major importance.

Limited access to institutional finance and technical assistance make it difficult for SMEs to improve their operations. The existing incentive systems appear to be biased in favour of large-scale industries and administrative complexities make it difficult for smaller firms to take advantage of such benefits.

It is also difficult to increase fixed capital investments due to moderate earnings, and since SMEs possess small proprietary capitals, foreign sources are not easily accessible for them to obtain credit. Even when they succeed in accessing external finance, interest rates are so high that they annul the advantages of borrowing money.

Due to limited reserves of personal savings, inadequacy of the capital market and lack of venture companies in the target regions, it is very difficult for SMEs to find investment capitals. Most of SMEs work in risky areas with abundant competition. As a result, profitability is low, thus SMEs operate with low stock turnover ratios. This increases their demand for operating capital, in other words, for short term funds. Another reason is that they generally have to provide credit to customers.

Due to the above reasons, SMEs are in need of short and long term credit. However there are main factors that restrict utilization of credit, such as collateral requirements and high cost.

In Turkey, banks tend to lend money not only on the basis of feasibility studies or work plans of the start up companies but they also ask to secure the return of the credit by guaranty. Because start up companies usually do not have resources to give those guaranties this constitutes a major obstacle to business development.

On the other hand, since banks favour commercial credit, there is limited credit available for fixed capital investments by SMEs. In addition commercial banks are reluctant to give loans to SMEs since they find them risky and the majority of SMEs are not strong enough to meet the mortgage claims of credit lending banks.

Another problem concerns securities. Since most of the SMEs do not maintain regular financial records, commercial banks are not eager to provide them with guarantee letters in which case the enterprises have to make cash deposits to secure transactions.

### **Description**

The aim of this measure is to improve the conditions of enterprises in the lagging behind regions facing insufficient access to finance and inadequate financial instruments, through the establishment of and/or support to existing micro-loan funds, credit guarantee funds and equity finance mechanisms, including venture capital funds, seed capital and start-up capital.

Financial resources allocated to these funds will be available for small and medium-sized enterprises, particularly those operating in the manufacturing industry and tourism sectors in the target regions, which have difficulties in accessing financial resources with affordable conditions. Thus, the regional, sectoral and intervention strategy of the RCOP as explained in the Chapter on Strategic Priorities will also be taken into account by the funds supported under this measure while selecting the SMEs to be supported.

As explained in the intervention strategy in the Chapter on Strategic Priorities, the financial instruments supported under this measure will operate in the whole target regions

Also in order to increase the effectiveness of the financial instruments introduced, particularly credit guarantee and micro-loan mechanisms, and to encourage enterprises to use these tools, appropriate precautions will be sought while designing the financial projects.

In order to increase the impact of this intervention, where necessary, advisory/consultancy services and publicity activities related with the implementation of project itself will also be eligible to a certain proportion of the budgets of the projects.

### **Eligible Actions**

This measure will include the following indicative activities:

- Carrying out a needs assessment study to identify the mechanisms best suited to the needs of the enterprises in the target regions.

- 
- Establishment (where necessary) and/or contribution of capital to credit guarantee funds, micro-loan funds and equity finance mechanisms like venture capital funds including seed and start-up capital and other forms of financial instruments.
  - Where necessary, promotion of financing mechanisms through publicity instruments and awareness raising campaigns as a component of the project in order to facilitate access to the funds supported.
  - Where appropriate, the projects under this measure will include advisory services to the beneficiaries, publicity and networking.

#### ***Admission Criteria***

Projects will be analyzed in terms of interventions, project maturity and readiness eligibility of actions, eligibility of region, budgetary limitations, eligibility of applicant or beneficiaries, etc. as defined in the relevant parts of the RCOP and ineligible projects will be eliminated prior to the qualification and grading process which will be carried out in accordance with the selection principles.

- Contribution of IPA to the financing instruments will be allocated to SMEs established in the 12 NUTS II Regions, particularly the ones in the Growth Centres.

The project proposals which pass the admission process successfully will be graded in accordance with the below mentioned selection principles,

#### ***Strategic Criteria for Selection***

*The Strategic Criteria for Selection indicated for the priority will be applied.*

#### ***Other Criteria for Selection***

In addition to the criteria for selection indicated for the priority, the following measure specific criteria will be applied for the prioritization of the project proposals:

- Project maturity and readiness
- Supporting the existing market-oriented funds where they pursue objectives compatible with the objectives of the RCOP
- Where necessary, establishing new market oriented funds to pursue the objectives of the RCOP
- Existence of adequate administrative and technical capacity of the beneficiary to implement the project.
- Involvement of TOBB, TESK, sectoral foundations and associations, regional chambers of industry and commerce, craftsmen and artisans.
- Projects seeking complementarity and synergy with the other Community Programmes
- Projects supporting women and young entrepreneurs, disadvantaged persons and start-ups.

#### **Final Beneficiaries**

Credit guarantee funds, micro-loan funds and equity finance funds like venture capital funds, seed capital funds and start-up capital funds.



**Monitoring Indicators**

**Total Public Expenditure : 48,415,734 (euro) (2007-2009)**

**EU Funding : 36.311,800 (euro) (2007-2009)**

**Maximum Intervention Rate : 75%**

Indicators	Base Line	Target	Definition and assumptions
<b>Outputs</b>			
1-Amount of credit guarantee supplied for enterprises	63.842 Million EUR. awarded from credit guarantee fund	30 Million EUR. (additional)	Base line data is from Credit Guarantee Fund Operating and Research J.S.C. (KGF)
2-Amount of micro-loans supplied for enterprises	2.9 Million EUR.	5 Million EUR. (additional)	Data is collected from the statistics of Provinces which has allocated micro-credit schemes
<b>Results</b>			
1-Number of new enterprises setting up a business via new financial instruments	57 new SMEs set up a business thanks to the credit guarantee fund  Around 1000 people awarded by the micro-credits in the target regions of the RCOP	60 new SMEs (additional) (start-ups will have priority in allocation of the fund)  500 (additional)	Credit Guarantee for Start-ups constitutes 22%, the rest for the existing firms.
2-Amount of credit guarantee allocated for the investments	13.267 Million EUR.	8 Million EUR. (additional)	The rate of credit guarantee for the investments is 43%

**Measure 1.3: Improvement of R&D, Innovation, Technology and ICT Environment and Infrastructure**

The purpose of this measure is to promote R&D, Innovation and usage of technology and transfer of knowledge to improve productivity and built a dynamic knowledge based economy.

Developing convenient infrastructure for R&D, creating a supportive environment for innovation, promoting technology transfer and creating incentives for business to use new technologies and the commercialization of research particularly by developing stronger links between business and Universities, R&D Centres, etc. in the target regions are the principal issues focused under this measure.

**Specific Objectives**

The specific objectives of the measure are,

- To contribute the commercial-oriented R&D activities of public and non-profit making organizations and increase the utilization of shared R&D, Innovation and Technology Infrastructure providing advanced environment and high quality services to enterprises,
- To promote the collaboration on R&D and innovation, transfer of technology through establishment, development and operation of corporate networks and clusters among the public sector, universities, R&D Centres and enterprises and connecting them to international networks.
- To contribute to the creation of new R&D jobs and products for commercial purposes, increase investments of enterprises on R&D, innovation, technology and knowledge.
- To improve the capacity of enterprises to utilize R&D results, innovation and technology commercially for products, processes and services.

**Rationale**

One of the most effective tools to enhance business competitiveness and its sustainability is to support R&D, innovation and technology due to their multiplication effect on the added value produced. Developing a convenient infrastructure for R&D, creating a supportive environment for innovation, promoting technology transfer, and commercialization of research particularly by developing stronger links between Universities, R&D Centres and Business, and transfer of these capacities into the lagging behind regions are the crucial areas to be focused on by policymakers in countries engaged in technology-related development.

Establishment of a knowledge-driven and competitive business environment based on R&D, innovation and technology through enhancing the physical infrastructure and cooperation activities like networking/clustering and supporting technology based innovative enterprises aimed in that measure will lead to a higher stream of revenue, productivity and profitability of enterprises and thus contribute to increase competitiveness, employment creation, new technology generation, improvement in living standards and long-term economic growth.

As described in chapter 2 in the research and innovation part and in the SWOT analysis, the capacity of private and public sector for R&D, innovation and technology based activities is relatively low and the number of enterprises, public and private institutions/agencies/research centres/universities etc. carrying high-tech activities is insufficient in the target regions. Most of the R&D activities are performed by universities and public research institutions.

Inadequate infrastructure and low number of enterprises engaged in R&D activities lead to low participation of SMEs in Community Programmes such as 7<sup>th</sup> FP. On this account, supporting the establishment of R&D and innovation infrastructure is of the utmost importance to provide complementarity among different Community Programmes implemented in Turkey.

Similarly, cooperation between universities and enterprises are low and usually university and other scientific institutions intensify their studies on theoretical subjects rather than commercially applicable ones. Correspondingly, commercialization of research studies and joint projects are not supported properly to obtain maximum profits. Another problem is that in the target regions there are not enough R&D, innovation and technology infrastructure, human capital and enterprises using technology. The enterprises in the target regions are very much depended on classic production methods.

Therefore, establishment of networks and cooperation between the western regions where relatively developed infrastructure exists and the target regions so as to transfer existing experiences, knowledge and capacity to the lagging behind regions is of the utmost importance. Certain R&D and innovation projects supported outside the target regions, which contribute to building networks between different capacities and potentials of different regions to the benefit of the target regions should be supported.

### **Description**

The interventions within the context of this measure will mainly focus on the industrial sites operating on the base of high technology, R&D and innovation like Technology Development Zones (TDZs) and Technology Development Centres (TDCs) and other special supportive structures established inside or outside of those sites like Technology Incubators without Wall (DTI), Incubation Centres, Technology Transfer Centres, Excellence Centres, Innovation Relay Centres, etc.

Broadening, improving and rehabilitation of the infrastructure in these sites and supportive structures and enhancing the quality of the services supplied through infrastructure and refurbishment investments will be supported.

Establishment and modernization of technical facilities (like labs, workshops, etc.) not only inside these sites but also in other possible locations (like Universities, etc.) will also be supported.

Support for cooperation mechanisms like clusters of excellence and networks of R&D, innovation and technology among business and between businesses and public research/higher education institutions in regional, national and international level will be eligible within the scope of this measure.

Infrastructure and refurbishment investments and activities supporting cooperation mechanisms, clusters and networks and other possible interventions will be applied outside the target regions provided that the activity is a cooperation, networking or joint project supporting the competitive position of the target regions.

Support under this measure will consist mainly of investments in infrastructure and equipment like establishment, improvement and refurbishment of buildings and purchase of laboratory devices, machinery, ICT and office equipment and networks etc. However, in order to increase the impact of the intervention, advisory/consultancy services and publicity activities related with the implementation of the project itself will also be eligible to a certain proportion of the project budget.

Establishment, improvement and refurbishment of training and education facilities in order to provide necessary trainings on the development of entrepreneurial knowledge and skills like innovation, technology and R&D for SMEs will be supported in coordination and close cooperation with HRD OP through a Technical Committee which has been established with the participation of the Operating Structures of both OPs.

**Eligible Actions**

This measure will include the following indicative activities:

- Establishment, improvement and modernization (including refurbishment and ICT infrastructure) of R&D, technology and innovation facilities like Technology Development Centres (TDC), Technology Development Zones (TDZ), technology incubators without wall (DTI), incubation centres, technology transfer centres, excellence centres, etc.
- Supporting activities of public and non profit making institutions regarding commercial-oriented R&D as well as collaboration on technology transfer, R&D and ICT usage through establishment (including infrastructure, refurbishment), development and operation of corporate networks and technology platforms among public sector, universities, R&D Centres and enterprises and connecting them to international networks.
- Establishment and modernization of social, technical and production facilities like labs, workshops, machinery, training/education facilities, etc. in Technology Development Zones and Technology Development Centres, Universities and in other possible locations.
- Establishment of one stop shops, information, consultancy, patent offices and other possible common service facilities in Technology Development Zones, Technology Development Centres, Universities, and other possible locations.
- Operations and investments outside the target regions provided that the activity is a networking or joint project supporting the competitive position of the target regions.

***Admission Criteria***

Projects will be analyzed in terms of interventions, project maturity and readiness, eligibility of actions, eligibility of the region, budgetary limitations, eligibility of the applicants or beneficiaries, etc. as defined in the relevant parts of RCOP. Ineligible projects will be eliminated prior to the qualification and grading process which will be carried out in accordance with the selection principles.

The project proposals which passes the admission process successfully will be graded in accordance with the below mentioned selection principles,

***Strategic Criteria for Selection***

*The Strategic Criteria for Selection indicated for the priority will be applied*

***Other Criteria for Selection***

In addition to the criteria for selection indicated for the priority, the following measure specific criteria will be applied for the prioritization of the project proposals:

- Project maturity and readiness,
- Projects supporting facilities intended to be used commonly by a wider range of beneficiary enterprises
- Projects enhancing the occupancy ratio inside sites like TDZs and TDCs, particularly the establishment of common technical, social and production facilities inside the sites
- Projects having high commercialization potential and joint projects between private sector, universities and public institutions for R&D, innovation and technology transfer

- Projects with environmental sustainability namely contributing to energy efficiency and use of renewable energy
- Projects supporting women and young entrepreneurs, disadvantaged persons and start-ups.
- Involvement of TOBB, TESK, TUBITAK, TTGV, universities, public research institutions, foundations and associations for R&D; innovation and technology, regional chambers of industry and commerce, craftsmen and artisans.
- Administrative and technical capacity of the beneficiary to achieve the targets and the risks faced by the project.
- Projects seeking complementarity and synergy with other Community Programmes like 7<sup>th</sup> FWP and CIP-

**Final Beneficiaries**

Public institutions/agencies, managing authorities of Technology Development Centres and Technology Development Zones, universities, scientific institutes and research centres, national and regional chambers of industry and commerce, sector associations, foundations.

**Monitoring Indicators**

**Total Public Expenditure : 34,582,668 (euro) (2007-2009)**  
**EU Funding : 25,937,000 (euro) (2007-2009)**  
**Maximum Intervention Rate : 75%**

Indicators	Base Line	Target	Definition and assumptions
<b>Outputs</b>			
1- Number of R&D and innovation related business sites rehabilitated or supported	4 TDZs,	2	Technology Development Zones (TDZs) are established by the assistance of MoIT
2- Number of R&D related service facilities rehabilitated or supported	3 TDCs	2	Technology Development Centres (TDCs) by the assistance of KOSGEB
3-Number of Enterprises involved in assisted projects	-	60	Data can be detected from the project reports
4-Number of joint projects realized by R&D institutions and enterprises	-	15	-
<b>Results</b>			
1- Number of R&D and innovation related new enterprises established inside business sites supported.	0	70	-
2-Number of patent applications resulted from assisted projects	-	10	The data can be followed from the statistics of Turkish patent Institute

**Measure 1.4: Improvement of Tourism Infrastructure, Promotion and Marketing Activities**

This measure aims to develop competitiveness and employment and to decrease regional disparities through diversification of tourism activities, revitalising and landscaping of tourism attraction areas for commercial use and support for promotion and marketing activities.

**Specific Objectives**

The specific objectives of this measure are:

- To contribute to the competitiveness of Turkey through diversification of tourism
- To contribute to the employment rate, added value produced and the overall business stock by creating a convenient environment for tourism enterprises
- To decrease regional disparities and enhance socio-economic development by creating a favourable environment for tourism enterprises
- To provide a social and economic interaction inside and among the regions

**Rationale**

Geographical, thematic and seasonal diversification of tourism, particularly by enhancing the alternative tourism activities and creating a consumer demand for regions having tourism potential other than and in parallel with the Mediterranean and Aegean coastal line is of great importance for increasing the overall competitiveness of Turkey and convergence of the less developed regions.

Tourism is a cross-cutting sector, involving a large diversity of services and professions, linked to many other economic activities. It impacts on sectors such as transport, construction, retail and on numerous sectors that produce holiday products or provide leisure and business travel related services. Although some large international companies contribute to this sector, it is mainly dominated by SMEs.

Utilization of the tourism potential of Turkey particularly in the lagging behind regions will contribute to a balanced regional development and decrease the regional disparities significantly. Due to its unique nature in terms of high employment generation capacity and social interaction-effect within and outside the region, the tourism sector is an effective and efficient tool to create a multiplier effect on the economical and social development of the lagging behind regions.

However, public intervention is of great importance for preparing the potential tourism areas for commercial use and developing their basic infrastructure, taking in to account the sustainability and environmental aspects and creating a core entrepreneurial environment.

**Description**

This measure will have two main components, consisting of supply side and demand side interventions.

Establishment and development of basic tourism infrastructure, revitalising and commercialization of selected areas having potential for tourist attraction in terms of natural and historical values, eco-tourism, health and sports activities, etc. will be supported on the supply side. This component will include preparation of these attraction areas for sustainable commercial utilization taking care of environmental aspects. This intervention will have a significant impact to increase the touristic

attractiveness of the regions and this supply side support will lead to an increase in touristic arrivals and as a consequence of this the business stock and employment in the tourism sector will broaden. However, under this measure activities like archaeological infrastructure works, restoration of historical ruins and buildings and similar activities which do not have direct impact on the competitiveness of the target regions are ineligible.

Competitiveness-oriented infrastructure activities having a direct impact on the tourism attraction of the region and having a substantial effect to increase tourist arrivals will be supported. Sound evidence to achieve these goals will be important criteria for the selection of tourism infrastructure projects.

The second component, on the demand side, includes support for promotional and marketing activities to create a public awareness and tourist attraction regarding natural and historical values, eco-tourism, health and sports facilities, etc. of the target regions in national and where possible international level. Demand side measures will be carried out mostly outside the target regions where the tourist demand is strong however; the target regions will still remain the beneficiaries of such actions.

Where appropriate, as a complement, the projects under this measure will include advisory services to the beneficiaries, publicity and networking activities in order to increase the impact of interventions under this measure.

During the implementation of this measure, the projects will be prioritised in accordance with the priorities and long term plans of the Ministry of Culture and Tourism.

#### **Eligible Actions**

This measure will include the following indicative activities,

- Improvement of tourism attraction areas through revitalisation and landscaping and other relevant infrastructure investments.
- Establishment and refurbishment of tourism information facilities and centres.
- Support for promotion and marketing activities of public authorities and non-profit making organizations including the utilization of all possible information and communication tools.
- Support for the organization of local tourist events like festivals, exhibitions, fairs, etc.
- Support for the organization of national and international seminars, congress, etc. and participation in national and international fairs.

#### **Admission Criteria**

Projects will be analyzed in terms of interventions, project maturity and readiness, eligibility of actions, eligibility of the region, budgetary limitations, eligibility of applicants or beneficiaries, etc. as defined in the relevant parts of the RCOP. Ineligible projects will be eliminated prior to the qualification and grading process which will be carried out in accordance with the selection principles.

Project proposals which pass the admission process successfully will be graded in accordance with the below mentioned selection principles,

#### **Strategic Criteria for Selection**

*The Strategic Criteria for Selection indicated for the priority will be applied. (The sectoral strategy is not applicable for this measure)*

**Other Criteria for Selection**

In addition to the criteria for selection indicated for the priority, the following measure specific criteria will be applied for the prioritization of the project proposals:

- Project maturity and readiness,
- Competitiveness-oriented infrastructure and promotion/marketing activities having direct impact on the tourism attraction of the region and having a substantial effect to increase the tourist arrivals.
- Taking into account of the priorities and long term plans of the Ministry of Culture and Tourism
- The existence of adequate administrative and technical capacity of beneficiary authorities.
- Projects with environmental sustainability namely contributing to energy efficiency and use of renewable energy.
- Projects supporting women and young entrepreneurs, disadvantaged persons and start-ups.

**Final Beneficiaries**

Ministry of Tourism and Culture, public institutions/agencies, national and regional chambers of industry and commerce, sector associations, foundations.

**Monitoring Indicators**

**Total Public Expenditure : 20,749,600 (euro) (2007-2009)**  
**EU Funding : 15,562,200 (euro) (2007-2009)**  
**Maximum Intervention Rate : 75%**

Indicators	Base Line	Target	Definition and assumptions
<b>Outputs</b>			
1-Number of tourism attraction points enhanced	0	3	Tourism attraction points/areas are excluding historical and archaeological sites
<b>Results</b>			
1-Number of tourists visited the tourism attraction points enhanced.	2. 233. 673	1000 (additional per tourism attraction points enhanced)	Base line is the number of arrivals in Qualified Establishments Licensed by the Municipalities in the target regions
2-Number of new tourism enterprises established in the region thanks to supplying support	0	10 per tourism attraction points enhanced	Number of tourism SMEs established in the city or cities as a result of increased touristic attraction through supporting touristic aspects in those city or cities.



**Priority 2: Strengthening of enterprise capacity and entrepreneurialship****Aim**

This Priority aims to improve the efficiency and added value produced by enterprises, enhance their entrepreneurial capacity and increase the employment rate and overall competitiveness of the regions through the provision of basic information support and consultancy activities to SMEs, particularly start ups and strengthening the clustering and networking activities in the target regions.

**Specific Objectives**

- Strengthening entrepreneurial culture and skills of enterprises and start-ups in a wide range of themes by providing information support and consultation systems and organizing direct information supply activities like seminars, workshops and business oriented specific trainings.
- Encouraging and strengthening cooperation in industry corporate sector through basic information support, consultation activities and clustering and other possible forms of cooperation.
- Improvement of R&D and innovation capabilities of enterprises and ICT usage in business process through basic information and consultancy supports.
- Creating new jobs, increasing the business stock and added value in the target regions through supporting SMEs particularly start-ups.

**Rationale**

The diagnosis, reached as an outcome of the socio-economical analysis and the SWOT analysis shows a quantitative and qualitative insufficiency in utilization of technology and innovation in the management and production processes, insufficient access to basic information support and consultancy services, insufficient access and use of financial instruments due to inappropriate financial conditions, low level of start-ups due to insufficiency in entrepreneur culture and business skills, low level of cooperation, clustering and networking opportunities within and among the regions.

Information support and consultancy services are effective tools which create a leverage effect and concrete outputs for increasing the efficiency and added value produced by enterprises and enhancing their entrepreneurial and institutional capacities. Thus, public interventions to provide basic information support and commercial consultancy services to individual enterprises will contribute to the achievement of the global and specific objectives of the RCOP.

The studies on the needs assessment for Basic Information Support and Consultancy Services for SMEs conducted by the National Productivity Centre in some of the provinces of the target regions (Rize, Kahramanmaraş, Ordu, Batman, Mardin, Diyarbakır, Şanlıurfa, Yozgat, Malatya, Elazığ and Adıyaman) comprising 353 SMEs and according to the Field Study conducted by KOSGEB covering 50.000 companies throughout the country have shown that training and consultancy needs of SMEs concentrate on the areas of: production planning and control, sales-marketing and consumer satisfaction analysis, productivity, quality management systems, human resources management, foreign trade, health and security at the work place, institutionalisation, management skills, CE marking, standardisation, certification and accounting.

The role of the state in cluster development initiatives is quite important and the state may play a catalytic role, to create an enabling environment/framework condition, and to facilitate exchange of information between companies, universities, R&D institutes and NGOs. Cluster-based initiatives

provide governments with a better perspective on the economic reality of their territory as well as a better understanding of the industry needs and direct dialog channels with the cluster firms. They also represent a new way to create awareness of existing support programs to firms, business representative organizations and associations in industrial sector, designing tailor made support for the industry, involving private sector in their financing and management and coordination within different Government departments to support the industry.

According to the intervention strategy of the Operational Programme, designed in line with the outputs of the socio-economic analysis including the SWOT analysis and the strategic priorities, this priority consists of two measures on strengthening of enterprise capacity and foster entrepreneurship. They addresses the problems identified in the diagnosis on the target themes and sectors of the OP and are intended to provide a synergy among the priorities by means of micro scale interventions of this priority and the macro scale interventions of the first priority.

Activities under this priority will enhance the ability of businesses in the targeted regions to successfully deal with market competition, by providing management, technological advice and investment support. Activities under this priority will aim to foster innovation and modernization, entrepreneurship and business culture, expand existing business information and thus improve the competitiveness of local companies, increasing job supply and incomes as well as to play a catalytic role for clustering and networking activities of groups of enterprises.

#### **Description**

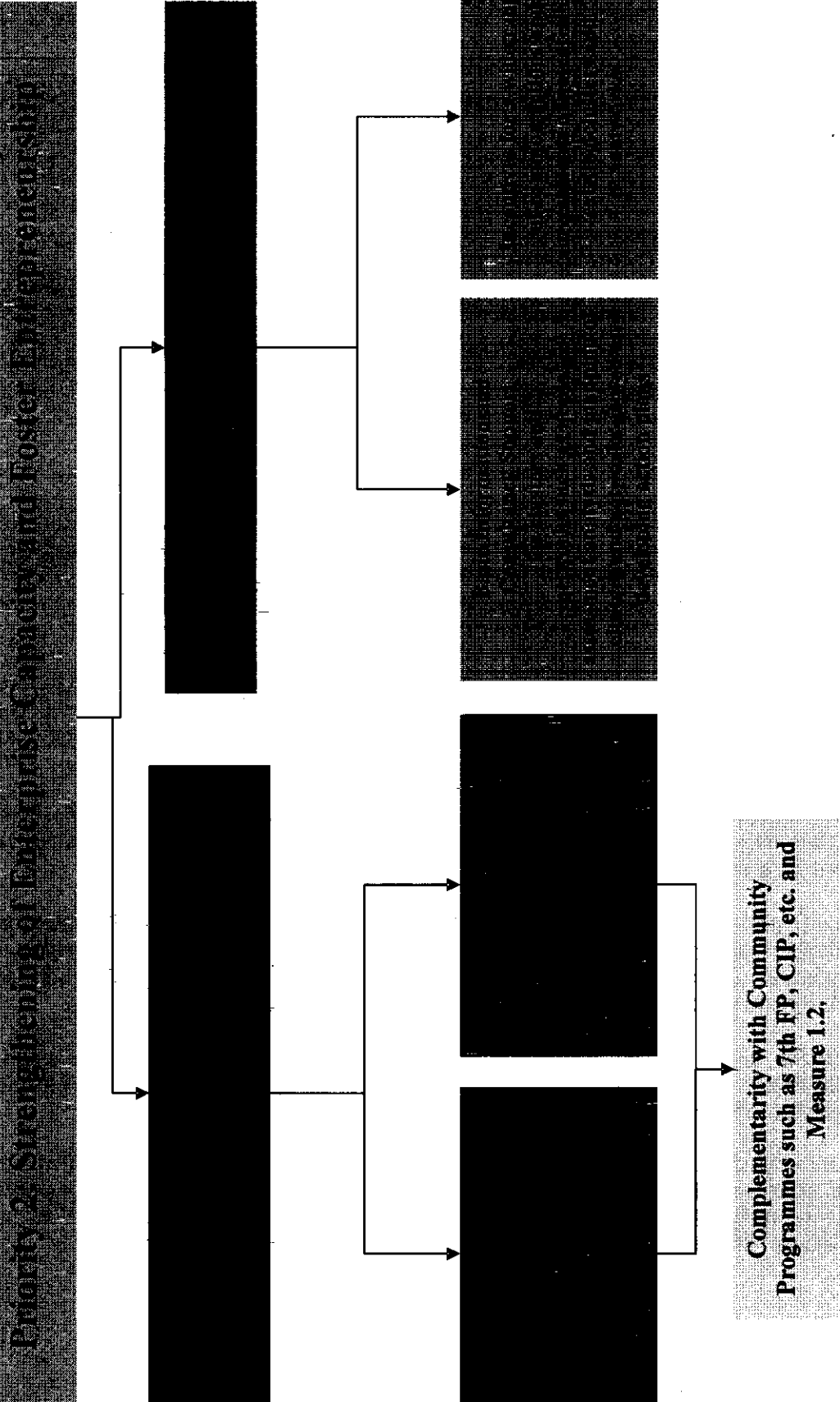
This priority consists of two measures, "Providing Basic Information and Consultancy Support for Enterprises" and "Strengthening of Cooperation in Industry Corporate Sector". They are composed of two main types of interventions, basic information support and consultancy interventions. These supports will be available to individual SMEs under Measure 2.1 and to clusters, networks and business representative organizations under Measure 2.2.

This priority will serve the creation of an entrepreneurial culture among SMEs and help them to take advantage of external support on the basis of solid projects and work plans in their daily and future business. These supports will contribute to higher participation rates of SMEs in other Community and National Programmes.

Basic information support and consultancy support under this priority will focus on a wide range of themes (an indicative list is given under the description of the measures). However, an extensive importance will be given to,

- financial management, access to finance, development of investment projects, preparing applications and business plans to access financial support, Community and national Programmes and revolving finance instruments, screening possible financing sources negotiating terms, etc. for individual SMEs in case of Measure 2.1 and
- successful clustering and networking practices, clustering and networking analysis, preparation of action plans and preparation of the clustering and networking projects including investment components, etc. for groups of SMEs in case of Measure 2.2

These themes for basic information support and consultancy will enhance enterprises' utilization rate of available public support as well as other Community Programmes. Thus, an extensive complementarity among different components of this priority and the RCOP in a broader sense will be provided as shown in the flowchart below.



### **Targeting**

This priority is targeted at the SMEs operating particularly in the:

- Manufacturing industry and
- Tourism sector

located in the 12 NUTS II regions having a GDP per capita (PPP) below 75 % of the national average and particularly in the 15 Growth Centres.

Joint projects and networking activities implemented outside the target regions which support the competitiveness of the target regions will also be eligible within the scope of this priority.

The concentration strategy for interventions, sectors and regions described in the Chapter on Strategic Priorities will be utilized as a strategic base for establishing selection criteria.

### **Measures**

#### **1. Providing Basic Information and Consultancy Support for Enterprises**

The aim of this measure is to strengthen the entrepreneurial culture and skills through consultancy and information support activities for SMEs, particularly start-ups, on a set of themes.

#### **2. Strengthening of Cooperation in Industry Corporate Sector.**

The aim of this measure is to strengthen horizontal and vertical cooperation in industry corporate sector through consultancy and information support activities for clustering, networking and cooperation activities, carried out by public institutions, business representative organizations and sector associations.

### **Delivery of the Priority**

The measures under this priority will be implemented through calls for proposals and/or procurement contracts. As described in Article 158 of IPA Implementing Regulation, projects submitted by national public bodies and project proposals submitted following calls for proposals will be assessed or selected in accordance with the below mentioned admission and selection principles.

#### ***Strategic Criteria for Selection***

- Intervention Strategy - Projects will be assessed and graded in accordance with the concentration strategy and limitations for interventions as described in ***Table 46 of the Chapter on Strategic Priorities.***
- Sectoral Strategy - Projects will be assessed and graded in accordance with the concentration strategy for industrial sectors as described in ***Table 47 of the Chapter on Strategic Priorities.***
- Regional Strategy - Projects will be assessed and graded in accordance with the regional concentration strategy as described under the heading "***Regional Concentration Strategy***" of ***the Chapter on Strategic Priorities.***
- Inter-Regional Cooperation Strategy - Projects will be assessed and graded in accordance with the Inter-Regional Cooperation Strategy as described under the heading "***Inter-Regional Cooperation Strategy***" of ***the Chapter on Strategic Priorities.***

**Other Criteria for Selection**

- Project maturity and readiness
- Projects and applications from the Growth Centres will be given priority in order to achieve the strategic target of the SCF to allocate 70-80 % of the total budget of OP Regional Competitiveness for Growth Centres.
- Actions on networking activities and joint actions between the target regions and the rest of the country and operations taking place outside the target regions will also be financed provided that the target regions, particularly Growth Centres, directly benefit from these actions and operations.

Measure specific criteria for selection are given under each measure.

**Targets and Indicators**

The indicators for this priority are the sum of the indicators identified for the measures under this priority.

**Total Public Expenditure: 37,386,668 (euro) (2007-2009)**

**EU Support : 28,040,000 (euro) (2007-2009)**

Indicators	Base Line	Target	Definition and assumptions
<b>Outputs</b>			
1-Number of basic information support events held	27 (held in the framework of Grant Scheme Programme implemented by SPO in the target regions of the RCOP)	15 (additional)	Base line is from grant scheme programmes implemented through <i>Eastern Anatolia Development Programme (EADP) and TRA2, TR72, TR52 and TRB1 NUTS II Regions Development Programme</i>
2-Number of interested people participated in basic information support events	1886 (in the framework of Grant Scheme Programme implemented by SPO in the target regions of the RCOP)	500 (additional)	Base line is from grant scheme programmes implemented through <i>Eastern Anatolia Development Programme (EADP) and TRA2, TR72, TR52 and TRB1 NUTS II Regions Development Programme</i>
3-Number SMEs assisted through consultancy supports	162 (in the target regions of the RCOP)  Around 55 SMEs per year (in the target regions of the RCOP)	100 (additional)	Base line is from the KOSGEB's data only for the year 2006.  Base line is from the National Productivity Centre's data

4-Number of interested people from Unions, Business Representative Organisations and NGOs participated in basic information support events	1737 (in the framework of Grant Scheme Programme implemented by SPO in the target regions of the RCOP)	500 (additional)	Base line is from grant scheme programmes implemented through <i>Eastern Anatolia Development Programme (EADP) and TRA2, TR72, TR52 and TRB1 NUTS II Regions Development Programme</i>
5-Number of consultancy activities for existing or potential clusters/networks, and Business Representative Organisations.	-	3	
<b>Results</b>			
1- Number of SMEs prepared business and investment plans through information and consultancy support	-	100 business and investment plans prepared each year	-
2-Number of start-ups set up their businesses after participating in information support and consultancy services	-	50	-
3- Number of networks/ clusters started to operate thanks to provided support	0	2	-
4- Number of enterprises participating in the supported or newly established networks and clusters	-	40	

**Measure 2.1: Providing Basic Information and Consultancy Support for Enterprises**

The aim of this measure is to strengthen the entrepreneurial culture and skills through consultancy and information support activities and to increase the investment capacity through facilitating access to finance for SMEs, particularly start-ups, on a set of themes.

**Specific Objectives**

- To support and improve the entrepreneurial skills of SMEs so as to assist them in the establishment of new business and expanding existing businesses, increasing the added value they produce and thus strengthening their competitiveness.
- To improve the services and capacity of public institutions and non-profit making organizations supplying information and consultancy services to SMEs.
- To promote the investments of SMEs in order to enhance their production, marketing, standardisation, branding, etc.
- To support enterprises to participate in Community Programmes so as to provide consistency and complementarity with other Community Programmes and to increase the abilities of enterprises for developing and implementing EU funded projects.

**Rationale**

As mentioned in the socio-economic analysis and in the SWOT analysis entrepreneurial and business skills of enterprises are low. Most of them are family business suffering from quantitative and qualitative insufficiency in utilization of technology and innovation, in management and production processes, insufficient access to basic information support and consultancy services, insufficient access and use of financial instruments due to inappropriate financial conditions, leading to a low level of start-ups due to insufficiency in entrepreneur culture and business skills.

This measure addresses the above mentioned shortcomings and uses basic information support and consultancy services for SMEs in order to tackle these problems.

Information support and consultancy services are effective tools which create a leverage effect for increasing the efficiency and added value produced by enterprises and enhancing their entrepreneurial and institutional capacities. Thus, public intervention for providing basic information support and commercial consultancy services for individual enterprises will contribute to the achievement of the global and specific objectives of the RCOP.

SMEs in the target regions face financial problems including, inadequacy of funds for productive sectors (illustrated in terms of the low bank deposits per capita and credits per capita compared to the national figures), inadequacy in financial management of SMEs and lack of access to various sources of funds and foreign financial markets. Therefore it is essential for the SMEs in these regions to receive adequate support for improvement of their standing in terms of access to finance.

Facilitating access to finance will increase the investment capacity of small and medium sized and micro scale enterprises, namely through training and practical experience in generating and conducting projects, improve their access to information sources and consultancy services. It will also stimulate entrepreneurial activity by supporting start-ups through training and providing privately owned small businesses with resources for physical investment and business support packages, including marketing, management, technology transfer and innovation.

**Description**

As explained in the intervention strategy in the Chapter on Strategic Priorities, under this measure basic information support and consultancy support will be extensively used in the target regions of the RCOP

Within the context of basic information and consultancy support intervention, the activities of public institutions, SME support and development agencies and non profit making organizations will be supported. Supply of equipment and external expertise related with the implementation of projects for these institutions and non-profit organizations will also be provided.

This basic information support (seminars, workshops, awareness raising activities, etc.) and consultancy activities will focus on a wide range of themes. Special emphasis will be given to the activities on obtaining finance, development of investment projects, preparing applications, business and investment plans for participation in Community Programmes and access to revolving finance instruments, to increase the internal consistency of the RCOP.

The awareness and knowledge of SMEs about Community and National Programmes as well as their participation is intended to be enhanced through basic information support and consultancy activities regarding those programmes.

An indicative list of eligible themes for the basic information support and consultancy activities is given below:

- Obtaining finance, development of investment projects, preparing applications, business and investment plans for accessing Community Programmes and revolving finance instruments, screening possible financing sources negotiating terms, etc. for individual SMEs
- R&D, intellectual property rights, innovation, technology transfer and usage, access to finance, business plan preparation, strategic planning, management skills, marketing and market development, branding, joint image, market research, access to market, advertising strategy (including product placement in foreign markets), product design and development, EU technical legislation and free movement of goods, preparation of applications to EU projects/programmes/schemes, business planning (notably for business start-ups and new enterprises), completion of audits and preparation of feasibility studies, exporting, new technologies, introduction of quality assurance, quality infrastructure, and certification systems, conformity assessment and certification, e-business, ICT Usage in Business Process, environment, efficiency awareness, productivity, quality management, standardization, innovative human resources management, legal requirements on workers' safety and health, obtaining certificates of conformity for products, raw material, machines and equipment, control-measurement apparatus and personnel, finance and all kinds of engineering applications for manufacturing industry, etc and tourism as well.

These main activities will be carried out independent from each other and the execution of one activity will not be a prerequisite for the execution of the other activity. Also at implementation level, participating in the basic information support activities or getting consultancy support is not a precondition for an SME to get investment support under measure 1.2.

**Eligible Actions**

This measure will include the following indicative activities,

- Supporting projects of public institutions and non-profit making organizations to supply basic information support for SMEs and particularly start-ups.
- Providing consultancy support for individual SMEs and particularly start-ups



- Facilitate direct investment support for SMEs and particularly start-ups through consultancy assistance for accessing financing schemes under measure 1.2 (advice with money).

#### ***Admission Criteria***

Projects will be analyzed in terms of interventions, project maturity and readiness, eligibility of actions, eligibility of the region, budgetary limitations, eligibility of applicants or beneficiaries, etc. as defined in the relevant parts of the RCOP. Ineligible projects will be eliminated prior to the qualification and grading process which will be carried out in accordance with the selection principles. Project proposals which pass the admission process successfully will be graded in accordance with the below mentioned selection principles,

#### ***Strategic Criteria for Selection***

*The Strategic Criteria for Selection indicated for the priority will be applied*

#### ***Other Criteria for Selection***

In addition to the criteria for selection indicated for the priority, the following measure specific criteria will be applied for the prioritization of the project proposals:

- Project maturity and readiness.
- Basic information support projects contributing the overall employment capacity and supporting the innovative and high technology sectors.
- Involvement of the Union of Chambers and Commodity Exchanges of Turkey, TUBITAK, TTGV, universities, the foundations and associations for R&D, innovation and technology, the sectoral associations and regional chambers of industry and commerce in the basic information support projects.
- Consistency and complementarity of the basic information support projects with other Community Programmes and OPs.
- Projects having high commercialization potential and joint projects between private sector, universities and public institutions for R&D, innovation and technology transfer.
- Basic information and consultancy support projects will particularly focus on the below mentioned enterprises, entrepreneurs and aspects:
  - Enterprises operating in the Growth Centres in order to achieve the strategic target to allocate 70-80 % of the total budget of the OP Regional Competitiveness for Growth Centres.
  - Start-ups
  - Enterprises established inside the industrial sites
  - Enterprises using high technology having R&D and innovation potential
  - Projects having high employment generating capacity
  - Women, young and disadvantaged entrepreneurs and other disadvantaged persons

- Projects having elements/components for the environmental sustainability namely contributing to energy efficiency and use of renewable energy will have priority.
- The administrative and technical capacity of the beneficiary enterprise to implement the project will be taken into account

**Final Beneficiaries**

Public institutions, agencies, research centres, universities, non-profit organizations, national and regional chambers of industry and commerce, unions, associations and foundations, etc. and SMEs.

**Monitoring Indicators**

**Total Public expenditure : 22,432,000 (euro) (2007-2009)**  
**EU Funding : 16,824,000 (euro) (2007-2009)**  
**Maximum Intervention Rate : 75%**

Indicators	Base Line	Target	Definition and assumptions
<b>Outputs</b>			
1-Number of basic information support events held	27 (held in the framework of Grant Scheme Programme implemented by SPO in the target regions of the RCOP)	15 (additional)	Base line is from grant scheme programmes implemented through <i>Eastern Anatolia Development Programme (EADP) and TRA2, TR72, TR52 and TRB1 NUTS II Regions Development Programme</i>
2-Number of interested people participated in basic information support events	1886 (in the framework of Grant Scheme Programme implemented by SPO in the target regions of the RCOP)	500 (additional)	Base line is from grant scheme programmes implemented through <i>Eastern Anatolia Development Programme (EADP) and TRA2, TR72, TR52 and TRB1 NUTS II Regions Development Programme</i>
3-Number of SMEs assisted through consultancy supports	162 (in the target regions of the RCOP)  Around 55 SMEs per year (in the target regions of the RCOP)	100 (additional)	Base line is from the KOSGEB's data only for the year 2006  Base line is from the National Productivity Centre's data
<b>Results</b>			
1- Number of SMEs prepared business and investment plans through information and consultancy support	-	100 business and investment plans prepared each year (additional)	-
2-Number of start-ups set up their businesses after participating in information support and ensuring consultancy services	-	50	-

**VI.1.1.1. Strengthening of Cooperation in Industry Corporate Sector**

The aim of this measure is to strengthen horizontal and vertical Cooperation in Industry Corporate Sector through consultancy and information support activities for clustering, networking and cooperation activities.

**Specific Objectives**

- Promoting the establishment of services and counselling activities assisting the launching and development of sectoral and regional clusters and networks among enterprises.
- To enhance the productivity and added value of the enterprises and business representative organisations through horizontal and vertical cooperation among the firms manufacturing similar or complementary products inside the business sites
- Supporting and stimulating the establishment of cooperation and networks among public and private institutions/universities/NGOs/Unions serving SMEs.
- Providing services and counselling activities to follow-up and mentoring of networks, extension of existing networks as well.
- Providing information on networking and clustering to increase the awareness and knowledge of enterprises, private and public institutions.

**Rationale**

Clustering and networking activities are not highly developed in Turkey as mentioned in the socio-economic analysis and in the SWOT analysis. Enterprises are not aware of the benefits of sectoral and regional clusters. There is no efficient mechanism to stimulate networking among enterprises and institutions. Although particularly in the 15 Growth Centres there are sectoral concentrations in OIZ and SSIEs within enterprises located in the same area, the networking among these enterprises has not been stimulated. Similarly, there are some universities in the 12 NUTS II regions, but their cooperation with each other and with other universities outside the target regions is too weak. Likewise, cooperation between universities and institutions serving SMEs need to be developed. Even networking between large companies and SMEs and also between suppliers and producers need to be improved to increase the added value they produce.

The impact of clusters on the performance of SMEs is one of the issues that are extensively studied in the literature on SMEs. The advantages of having similar enterprises at the same location are considered as motivating information exchange and subcontracting relations, transfer of experiences, exchange of qualified personnel, and opportunities for provision of production inputs. In case that the location is an industrial estate, these advantages will also include a better infrastructure, cheaper energy usage and lower rents offered for workplaces.

Clustering and networking activities, as described in the inter-regional cooperation strategy in the Chapter on Strategic Priorities, between the target regions and rest of the country as well as the networking activities between the growth centres and their hinterlands will also be supported under this measure.

Therefore, by means of this measure cooperation in industry corporate sector will be promoted. The launching, establishment, continuity and extension of networks with other regions and countries, notably with EU networks will be supported through providing consultancy services and investment supports. The awareness of the enterprises and institutions on the advantages and importance of clusters and networking activities to develop their business and to have power in policy making processes will be promoted.

**Description**

The main type of operations for this measure will be basic information support, consultancy services and incentives to stimulate the establishment and improvement of networks and clusters among enterprises, business representative organisations, universities, public and non-profit making organizations serving SMEs including supporting and organizing seminars and workshops to increase awareness and knowledge of enterprises, private and public institutions on the importance of networking and on Community networking programmes.

Support will be provided to encourage public and non-profit making organizations both at national and regional level as well as groups of enterprises through chambers of industry and trade, exporters' unions sectoral enterprise associations and other possible collaborative organizations, to establish and/or participate in the clustering and networking activities for common investments.

In addition to basic information support and consultancy services for identified potential and existing clusters and networks, external expertise will be supplied for activities like identification, need assessment, analysis and mapping of clusters and networks as well as developing roadmaps under the projects.

These soft actions will be complemented with other incentives for a wide range of common actions and investments of potential or existing clusters or networks like (indicatively) collaborative promotion and marketing activities, branding activities, publishing catalogues and preparing websites, participation in fairs, investments for software, equipment and common utility facilities, etc.

**Eligible Actions**

This measure will include the following indicative activities:

- Supporting activities of public institutions and non-profit making organizations to supply basic information support and consultancy on clustering, networking and collaborative activities.
- Supporting activities of public institutions and non-profit making organizations on surveys and identification, need assessment, analysis and mapping of clusters and networks as well as developing cluster and networking roadmaps under the projects.
- Direct incentives for common actions and investments of potential or existing structures of business and industrial collaboration like clusters, networks and business representative organisations etc.

**Admission Criteria**

Projects will be analyzed in terms of interventions, project maturity and readiness, eligibility of actions, eligibility of the region, budgetary limitations, eligibility of applicants or beneficiaries, etc. as defined in the relevant parts of the RCOP. Ineligible projects will be eliminated prior to the qualification and grading process which will be carried out in accordance with the selection principles. Project proposals which pass the admission process successfully will be graded in accordance with the below mentioned selection principles.

**Strategic Criteria for Selection**

*The Strategic Criteria for Selection indicated for the priority will be applied*

**Other Criteria for Selection**

In addition to the criteria for selection indicated for the priority, the following measure specific criteria will be applied for the prioritization of the project proposals:

- Project maturity and readiness.
- Projects aiming at establishment and improvement of networks and clusters between the target regions and the rest of the country as well as between the growth centres and their hinterland .
- Projects aiming at establishment and improvement of networks and clusters in the Growth Centres in order to achieve the strategic target of SCF to allocate 70-80 % of the total budget of OP Regional Competitiveness for Growth Centres.
- Basic information support projects which support the sectors showing a high geographical concentration in the target regions.
- Involvement of the Union of Chambers and Commodity Exchanges of Turkey, TUBITAK, TTGV, universities, sectoral associations and regional chambers of industry and commerce in basic information support projects.
- Projects seeking complementarity and synergy with the other Community Programmes.
- Projects targeting the establishment and extension of networks with EU Networks.
- Projects with environmental sustainability namely contributing to energy efficiency and use of renewable energy.
- Projects including women and young enterprises and disadvantaged persons.

**Final Beneficiaries**

Public institutions, agencies, research centres, universities, non-profit making organizations, national and regional chambers of industry and commerce, unions and associations, etc. as well as clusters, networks for enterprises and organisations of SMEs.

**Monitoring Indicators**

**Total Public expenditure : 14,954,668 (euro) (2007-2009)**

**EU Funding : 11,216,000 (euro) (2007-2009)**

**Maximum Intervention Rate : 75%**

Indicators	Base Line	Target	Definition and assumptions
<b>Outputs</b>			
1-Number of interested people from Unions, Business Representative Organisations and NGOs participated in basic information support events	1737 (in the framework of Grant Scheme Programme implemented by SPO in the target regions of the RCOP)	500 (additional)	Base line is from grant scheme programmes implemented through <i>Eastern Anatolia Development Programme (EADP), TRA2, TR72, TR52 and TRB1 NUTS II Regions Development Programme</i>
2-Number of consultancy activities for existing or potential clusters/networks, and Business Representative Organisations.	-	3	

<b>Results</b>			
1-Number of networks/ clusters started to operate thanks to provided support	0	2	-
2-The number of enterprises participating in the supported or newly established networks and clusters	-	40	

**3.2 Technical Assistance****Aim**

The main aims of the Technical Assistance priority of the RCOP are to ensure the sound and efficient implementation of the RCOP in accordance with IPA Implementing Regulation and to improve the administrative capacity of the Operating Structure and the other institutions involved in the implementation of the RCOP by supporting the preparation, management, implementation, monitoring, evaluation, control, publicity and communication of the RCOP as well as to prepare sector studies and a project pipeline necessary for planning interventions and future OPs.

**Specific Objectives**

- Provision of technical assistance in the preparation, management, implementation, monitoring, control and evaluation of the RCOP,
- Preparation of a project pipeline both to be implemented under the present RCOP and the preparation of OPs for the next programming period,
- Creating capacity of the Operating Structure and beneficiaries to manage and implement the OP,
- Providing IT infrastructure necessary for the management, implementation, monitoring and controlling of the RCOP,
- Carrying out necessary activities to publicise the RCOP.

**Rationale**

The institutions in charge of the programme preparation, management, implementation, monitoring, evaluation and control must be sufficiently prepared to ensure effective implementation of the RCOP measures. The development of human resources to carry out tasks at all stages of management and implementation is of paramount importance.

On the other hand, in order to be prepared for the next programming period and to increase project absorption capacity particularly for the target regions, the preparation of sectoral studies and a concrete project pipeline is crucial. Within this framework, under this priority, the establishment of systems of management, implementation, monitoring, control and evaluation of the RCOP including soft and hard IT infrastructure will be supported and concrete project pipeline will be prepared.

**Description**

This priority will consist of two measures and three main types of interventions: establishment and maintenance of the systems necessary for management, implementation, monitoring, controlling and evaluation of the RCOP including soft and hard IT infrastructure, provision of training, consultancy and expertise, and covering the costs incurred during the programme and/or project promotion and implementation processes.

As is mentioned in the Rationale, human resources, administrative and technical capacity of the Operating Structure and other institutions involved in the implementation of the RCOP and solid project pipeline should be developed in order to ensure the effective implementation of the RCOP.

Within this framework, support for the activities of the Operating Structure and other institutions involved in the RCOP implementation will be the core of this priority. Training, consultancy and

expertise support and where necessary equipment supply for the institutions involved in the RCOP implementation will be provided.

**Measures**

**Measure 3.1:** Support to the OP Preparation, Management, Implementation, Monitoring, Control and Evaluation

**Measure 3.2:** Publicity, Information and Promotion of the OP Measures

**Delivery of the Priority**

This priority will be delivered by the provision of training, consultancy and expertise, support for the setting up of a computerised system for the Operating Structure and the other institutions involved in Programme implementation, expert support for thematic selection and evaluation of applications, financing the activities of the Monitoring and Project Selection Committees, providing funds for information and promotion activities and expert support for the Evaluation Team established within the Operating Structure.

<b>Total Public Expenditure</b>	<b>: 11,216,000 (euro) (2007-2009)</b>
<b>EU Funding</b>	<b>: 8,412,000 (euro) (2007-2009)</b>
<b>Maximum Intervention Rate</b>	<b>: 75 % (2007-2009)</b>



**Measure 3.1: Support to the OP Preparation, Management, Implementation, Monitoring, Control and Evaluation****Specific Objectives**

The specific objectives of this measure are to provide technical and financial support for the preparation, implementation, monitoring, control and evaluation processes of the RCOP in order to ensure effective implementation of the programme and effective use of the IPA resources.

This measure will also aim to develop a concrete project pipeline, which will be eligible for financing under the RCOP, in accordance with the demand and needs of the SMEs (bottom-up approach) and to increase the project absorption capacity especially for the target regions.

Furthermore, this measure will support the accreditation preparations of the Operating Structure which will be carried out after the transition period.<sup>20</sup>

**Rationale**

One of the major barriers in the preparation process of the RCOP is the lack of a solid and concrete project pipeline, which contributes to determine intervention areas and measures of the RCOP and corresponds to the actual needs of SMEs.

On the other hand, local public and private institutions, sectoral associations, NGOs do not have the necessary capacity in the development and implementation of the projects. Enhancement of the capabilities of the future beneficiaries to meet the requirements concerning the preparation of projects eligible for co-financing under the RCOP measure is of significant importance.

The implementation, management, monitoring, evaluation and control of the IPA Funds utilisation require an extensive and professional administrative framework. This applies both to the RCOP Operating Structure within the MoIT, and to the other institutions involved in the RCOP implementation. Furthermore, effective tasks fulfilment connected with the implementation, monitoring and control of IPA assistance within RCOP depends substantially on providing institutions being in charge of the RCOP management and implementation with complete IT office equipment including software as well as typical office equipment.

On the other hand, after the transition period, tendering, contracting and payment functions will be carried out by the Operating Structure. In this respect, a Unit responsible for the implementation of these functions will be established within the Operating Structure. In order to properly implement these functions, the utmost importance should be given to the establishment of required institutional capacity and development of skilled human resources as well as the reaccreditation of the Operating Structure following the transition period.

**Description**

Within the framework of this measure, comprehensive support activities with regard to the preparation, management, implementation, monitoring, control and evaluation of the RCOP as well as the reaccreditation of the Operating Structure following the transition period will be provided particularly focusing on the strengthening administrative, technical and human resources capacity of the Operating Structure and other institutions involved in the implementation of the RCOP as well as the national, regional, local and sectoral stakeholders of the RCOP.

Furthermore, purchase and installation of complete IT devices and the other office equipment together with the suitable software is planned within this measure.

**Eligible Actions**

- **Support to the preparation of a project pipeline**, in particular aiming at providing:
  - Consultancy and training in project preparation and implementation
  - Support to project formulation and development
  - Appraisal of project proposals received in terms of their eligibility under the RCOP
  - Implementation of studies as may be necessary for the implementation of the current OP and for the preparation of future OPs,
  - Preparation of a list of projects eligible for financing under the RCOP
- **Carrying out researches, studies, surveys etc.** with link to the strategic priorities of the RCOP to support the implementation process of the RCOP
- **Providing assistance in the management process**, in particular aiming at providing:
  - Assistance in appraisal of operations
  - Assistance in projects' selection and verification process
  - Preparation of tender documents
  - Advice to the Operating Structure on improvements to the OP management and correctness of operations,
  - Exchange of experience for the staff involved in OP management through study visits and internships,
  - Support to the preparation of training need analyses and development of training plans,
  - Remuneration costs for civil servants transferred to the Operating Structure to implement the tasks relating to preparation, selection, verification, implementation, audit and monitoring of measures, and other employees dealing with performance of the above mentioned tasks,
- **Monitoring process**, in particular focusing on supporting:
  - Activities of the RCOP Monitoring Committee (including administrative costs, organisation of meetings and other costs related to the Committee activities),
  - Providing expert services and training for the Monitoring Committee,
  - Providing expertise on improving the effectiveness of the monitoring system,
  - Preparation of the RCOP implementation reports by the Operating Structure,
  - Collecting data from monitoring sources.
- **The Control process**, in particular aiming at:
  - Carrying out an external audit (organisational and financial) by independent auditors,
  - Carrying out on-site checks.
- **Evaluation:**
  - Covering eligible administrative costs for the operations of the Evaluation Team within the Operating Structure,
  - Costs related to the evaluations carried out by external evaluators,
  - Providing necessary trainings to the staff of the Evaluation Team.
- **Purchase and installation of hardware, software and other office equipment** required for management, implementation, monitoring, control and evaluation of the RCOP

- Preparation and updating of necessary documents for accreditation,
- Providing expert assistance and trainings for the staff of the Operating Structure.

**Final Beneficiaries**

The responsible institutions for the implementation of this measure are the RCOP Operating Structure (TA Team for RCOP within the MoIT) as well as the national, regional, local and sectoral stakeholders of the RCOP.

Final beneficiaries of the measure are given below:

- RCOP Operating Structure,
- RCOP Monitoring Committee,
- Project Selection Committees,
- MoIT
- Other institutions involved in the implementation of the RCOP
- Public Institutions,
- Universities,
- Local and regional authorities,
- Chambers of Commerce and Industry,
- OIZs, SSIEs, TDZs, TDCs etc.,
- NGOs,
- Sectoral Associations,
- SMEs

**Monitoring Indicators**

**Total Public Expenditure** : 9,366,000(euro) (2007-2009)  
**EU Funding** : 7,024,500 (euro) (2007-2009)  
**Maximum Intervention Rate** : 75 %

Type of indicators	Description	Baseline value (2006)	Target (2009)	Source of verification
<b>OUTPUT INDICATORS</b>	Number of trainings organised for project preparation, formulation and implementation	0	24	MoIT, Monitoring System, project and programme reports
	Number of Monitoring Committee's meetings assisted	0	6	MoIT, Monitoring System, programme reports
	Number of controls on the place of realisation of projects	0	45	MoIT, Monitoring System, project and programme reports
	Number of commissioned expertise, analyses and studies	0	10	MoIT, Monitoring System, final beneficiary, project and programme reports
	Number of study visits and internships	0	6/3	MoIT, Monitoring System

### Measure 3.2: Publicity, Information and Promotion of the OP Measures

#### **Specific Objective**

The objective of this measure is the implementation of the obligations arising from Articles 62 and 63 of IPA Implementing Regulation concerning the promotion of the RCOP and its operations and informing entities interested in receiving support from the RCOP, as well as the general public, about the opportunities provided by the assistance and its outcomes.

#### **Rationale**

In order to make the public more aware about the assistance given under the RCOP, information about the Programme should be disseminated to the all interested parties and effective information distribution channels should be established by the Operating Structure.

#### **Description**

Under this measure, potential and final beneficiaries of the RCOP operations will be informed about the content, selection criteria and eligibility rules of the assistance offered by the RCOP through the information events (such as conferences, seminars, fairs and exhibitions), publications (such as booklets, leaflets and newsletters), electronic means (websites, databases for potential beneficiaries) and/or audio-visual materials.

#### **Eligible Actions**

- Issuing and distributing information, promotional and educational material,
- Establishing a system for an on-going information about OP implementation, the changes made and reallocations,
- Organising conferences, training and workshops,
- Setting up an information exchange system (through the Internet, media, brochures, folders, CD etc.) for potential beneficiaries, economic, commercial, professional and other institutions on the contents of the assistance and accessibility of the IPA funds for implementation of specific projects.

#### **Final Beneficiaries**

Final beneficiaries of the measure are given below:

- RCOP Operating Structure,
- Other institutions involved in the RCOP implementation,
- Public and private institutions,
- Local and Regional Authorities,
- Universities,
- OIZs, SSIEs, TDZs, TDC, etc.
- Chambers of Commerce and Industry,
- Sectoral Associations,
- NGOs,
- SMEs

Republic of Turkey

Ministry of Industry and Trade

**Monitoring Indicators**

**Total Public expenditure : 1,850,000 (euro) (2007-2009)**

**EU Funding : 1,387,500 (euro) (2007-2009)**

**Maximum Intervention Rate : 75 %**

Type of indicators	Indicator	2007	2008	Source of information
<b>OUTPUT INDICATORS</b>	Number of publicity events (seminars, conferences, meetings, workshop etc.)	0	50	MoIT, Monitoring System, programme reports
<b>RESULT INDICATORS</b>	Number of project proposals received	0	1,500	MoIT, Monitoring System, project and programme reports

### 3.3. Horizontal Issues

The horizontal issues which will be integrated into all the priority axis and measures of the RCOP are: equal opportunities for men and women, environmental protection, participation of civil society, and geographic and sectoral concentration. The priorities and measures defined in the RCOP contribute to the attainment of these horizontal objectives.

#### Equal Opportunities for Men and Women

In recent years, Turkey has accomplished an important progress towards improving women's rights, especially in the legal framework. However an environment in which legislation can be implemented has not been fully created. The legislation should be backed up through concrete action plans, strong institutions and sufficient resources.

Despite the positive developments and the legal guarantee provided by the Constitution and relevant laws, the situation of women in Turkey, particularly in the 12 NUTS II regions, remains a source of concern especially in the fields of access to education and low participation rate in to the labour market. Women are vulnerable to discriminatory practices due to their low level of educational attainment. Full respect of women's rights remains a major problem, particularly in the poorest areas of the country.

Compared to the EU averages, in Turkey labour force participation rate and employment rate of women is quite low. According to 2005 TURKSTAT data for the 15-64 age group, the male labour force participation rate of 76.2 % is very close to EU25 average of 77.9 %, whereas female labour force participation rate of 26.5 % is substantially lower than the EU25 average of 62.9 %.<sup>21</sup>

The major reasons of this huge gap between men and women in terms of employment and labour force participation rates are:

- Long term and high unemployment rates in the country,
- The decrease in agricultural employment,
- Insufficient qualifications of women previously employed in the agricultural sectors to be employed in non-agricultural sectors in urban areas,
- Lack of opportunities to access child-care and elderly-care services.

Within this framework, women's participation in the labour force should be encouraged and substantial reduction in gender gaps in employment and unemployment rates should be achieved through measures that facilitate their access to new jobs, financial instruments and consultancy services. Women entrepreneurship will be encouraged via start-ups support and consultancy services.

Equal opportunities for men and women are addressed by all the measures of the RCOP and all the measures of the RCOP will contribute directly or indirectly to increase the employment rates of women.

The below mentioned measures will specifically address this horizontal theme:

Measure 1.2: Creation and Development of Financing Instruments

demonstrate that their projects do not infringe this horizontal theme, and special attention will be paid to women entrepreneurship and employment.

Furthermore, the Operating Structure for the RCOP shall also consider a gender balanced participation in the composition of the Monitoring Committee and Project Selection Committees.

Implementation of this horizontal issue will be monitored by the Operating Structure and the Monitoring Committee for the RCOP during all the phases of the RCOP implementation.

#### **Environmental Protection and Sustainable Development**

One of the main sources of environmental pollution is industrial enterprises. Due to the industrialisation and development, a substantial amount of industrial enterprises pollute the environment by giving solid, liquid and gas wastes to air, water and soil without taking enough preventions especially in production activities. Besides that, miscellaneous waste, residue and emission charges which are given by various sectors show many differences. Nonetheless, produced pollution shows differences according to the labour intensity, geographical concentration and the kind of used energy of the sectors in their production process.

Most of the firms working in the manufacturing industry in Turkey are located in or nearby the big cities, nearby the most suitable harbours, sea sides, river and lakeside that provide them to get rid of industrial wastes with low cost. Although Turkey had also put into operation various international and EU environmental regulations, because of the absence of sufficient waste treatment and storage plants, the implementation of legal arrangements cannot be effective.

Other main problems of Turkey with respect to protection of environment which is the main condition for sustainable development are the growth rate of Turkey, usage of relatively old technologies, the weight of labour intensive pollutant sectors like textile, leather, and chemistry in production.

One of the main tools for solving these environmental problems is to provide for the development of industrialization in controlled Organized Industrial Zones (OIZs) and Small Scale Industrial Estates (SSIEs). OIZs and SSIEs, which cover nearly 50% of the manufacturing industry enterprises in Turkey, have important functions for controlled development of industry, protection of environment and production practices compatible with EU environmental norms.

Besides, OIZs, which are important in terms of regulating the relations between urbanisation and industrialisation, offer considerable opportunities for controlling the negative effects of industry upon environment, allowing for easier and less costly production and for benefiting from less costly infrastructure services.

93 OIZs have been completed by 2006. In these zones, it is necessary to develop Environmental Management Systems based on scientific data in order to prevent the environmental pollution generated from the OIZ's wastewater.

Supporting OIZs, which are important production and investment areas, in the direction of producing environment management systems and taking into operation by establishing waste water treatment plants is essential and important for removing unfavourable effects of development of manufacturing

environmental standards will be given priority, including in improving energy efficiency and use of renewable energy.

Furthermore, during the implementation of the RCOP, especially at the project selection phase, compliance with the relevant environment acquis such as EIA, and avoiding negative impact on potential Natura 2000 Sites will also be taken into account. According to the By-law on Environmental Impact Assessment (EIA) which is in compliance with the provisions of the EIA Directive (85/337/EEC), under no circumstances, the projects that are subject to EIA receive any incentive, approval, permit, license (construction and utilization), credit or financial support unless the decision "EIA Positive" is obtained from the Ministry of Environment and Forestry. Within this framework, the projects that are subject to EIA will only be financed by the RCOP with the decision of "EIA Positive". During the implementation of the projects particularly in the implementation of the tourism development projects under Measure 1.4 (Improvement of Tourism Infrastructure, Promotion and Marketing Activities), the utmost importance will be given to the EIA and protection of potential Natura 2000 sites.

Furthermore, under Measure 2.1, the RCOP will also promote the implementation of EMAS (Environmental Management and Audit Scheme) on a voluntary basis by providing basic information and consultancy support to the enterprises in the fields of environmental issues including EMAS.

### **Civil Society Involvement**

Civil society has been involved in the preparation process of the RCOP from the very beginning. The list of the civil society organisations involved in the drafting process of the RCOP is given below:

- The Union of Chambers and Commodity Exchanges of Turkey (TOBB)
- Turkish Artisans and Craftsmen Confederation (TESK)
- Technology Development Foundation of Turkey (TTGV)
- Trade Unions (Management Board of the OIZs and TDZs, etc.)
- Sectoral Assemblies via TOBB
- Regional and Sectoral NGO's (See Annex-1)

The above mentioned organisations have taken place in the RCOP Working Group which functions to steer the OP's preparations. Furthermore, Management Boards of Organised Industrial Zones and the companies operating in the Technology Development Zones have been consulted during the preparation of the RCOP.

Furthermore, during the programming phase of the RCOP, local and regional stakeholders have been also consulted. In order to give the opportunity to the local and regional partners in the 12 NUTS II regions as well as the whole public in all over Turkey to take part in the preparation process of the OP, a consultation process has been launched by the MoIT.

During this consultation process, formal letters have been sent to all local and regional stakeholders with the template Questionnaire on the RCOP. In order to support this consultation process and to give necessary information on IPA process and the RCOP, a web page, which contains all relevant information such as executive summary of the RCOP, Turkish translation of the draft RCOP, frequently asked questions, final text of the MIPD, MIFF, SCF and IPA Regulations etc., has been



Wider involvement of civil society and local and regional partners will be ensured in the implementation of the RCOP. In this respect, relevant civil society organisations and regional partners which will participate in the RCOP Monitoring Committee are also given below:

- The Union of Chambers and Commodity Exchanges of Turkey (TOBB)
- Turkish Artisans and Craftsmen Confederation (TESK)
- Technology Development Foundation of Turkey (TTGV)
- South Eastern Anatolia Project (GAP) Regional Development Administration

#### **Geographic, Sectoral and/or Thematic Concentration**

According to the geographical concentration principle in the MIPD, the RCOP will concentrate the resources on the 12 NUTS II Regions having a per capita income below 75% of Turkish national average. According to the SCF, the majority of geographical concentration will be on 15 Growth Centres which are selected among the 12 NUTS II Regions.

In terms of the sectoral concentration principle, manufacturing industry and tourism sectors are taken into account by the RCOP because of their employment generation capacity, contribution to the business stock and foreign revenues of the country as well as their importance in the SME development in the country. Thematic concentrations of the RCOP are the SMEs operating in the manufacturing industry and tourism sectors, R&D, innovation and knowledge society. These themes are regarded as the major driving forces to increase the regional competitiveness of Turkey.

However, the volume of funds available under the RCOP is not sufficient to have a direct macro-economic impact on the regional development of the targeted region. Thus, it is essential to ensure a further sectoral and geographical concentration to achieve the highest impact in the areas of intervention.

Therefore, the RCOP attaches significant importance to ensure a strong selectivity on the interventions, sectors and regions to be supported in order to reinforce the efficient and effective-use of funds through sustainable measures.

In this regard, the regional, sectoral and thematic concentration strategy of the RCOP is based on three pillars namely, the "*Competitiveness Map*", the "*Sectoral Concentration Tables*" and "*Growth Centre Classification*" which set out the principles for identification of criteria to be used in the selection of projects.

In addition to these three pillars, the RCOP attaches extensive importance to *inter-regional cooperation* and identifies two principles to prioritize this issue in the project selection phase: the interaction of Growth Centres with their hinterland and the interaction of the target regions with the rest of the country particularly on R&D, innovation and networking issues.

As is stated in the MIPD, while the RCOP measures will be mainly implemented in the 12 NUTS II regions giving particular importance to the 15 Growth Centres, this concentration shall not preclude the implementation of measures supporting national policies and institutions or projects which have regional dimension and which contribute to enhance the competitiveness of the less developed regions. In this context, during the project selection phase, priority will be given to integrated regional

prioritized according to the detailed project selection criteria based on the concentration strategy of the RCOP.

**Good Governance**

This horizontal principle will be respected during the implementation, monitoring and evaluation of the RCOP. In this respect, transparent, objective and impartial implementation of IPA funds in the RCOP, particularly in the selection of project proposals, will be ensured.

**Non-Discrimination and Concern of Disadvantaged Persons**

Non-discrimination and equal opportunities for each individual are basically guaranteed in the Constitution. In the Article 10 of the Constitution, it is stated that "All individuals are equal without any discrimination before the law, irrespective of language, race, colour, sex, political opinion, philosophical belief, religion and sect, or any such considerations. Men and women have equal rights and the State is responsible to implement these rights."

In this respect, the utmost importance will be given to this horizontal principle in all stages of the implementation of the RCOP and the Operating Structure will guarantee the accessibility of all disadvantaged persons to the information and support to be given under the RCOP without any discrimination.

Participation of the disadvantaged persons to the implementation of the RCOP will be facilitated in the all measures of the RCOP in the same way as the equal participation of men and women.

People with disabilities will also be taken into account in all actions under the RCOP in order to facilitate their participation in full equality with all other beneficiaries and to ensure they are not discriminated because of their disability. In particular during the project selection phase, the projects taking into account the disabled persons will be graded extra score.

**Horizontal Indicators**

Monitoring mechanisms foreseen in the RCOP, where appropriate, will also assess the results achieved with regard to the relevant horizontal issues. In order to monitor the progress attained, the following horizontal indicators will be used:

Type of Indicator	Indicator	Baseline Value (2016)	Target Value	Source of verification
<b>RESULT INDICATORS</b>	Share of enterprises and start-ups receiving financial support owned by women	0	15%	MoIT, Monitoring System, final beneficiary, project and programme reports
	Share of enterprises and start-ups owned by women using services provided by granted business support institutions	0	15%	MoIT, Monitoring System, final beneficiary, project and programme reports

### 3.4. Complementarities and Synergies with Other Forms of Assistance

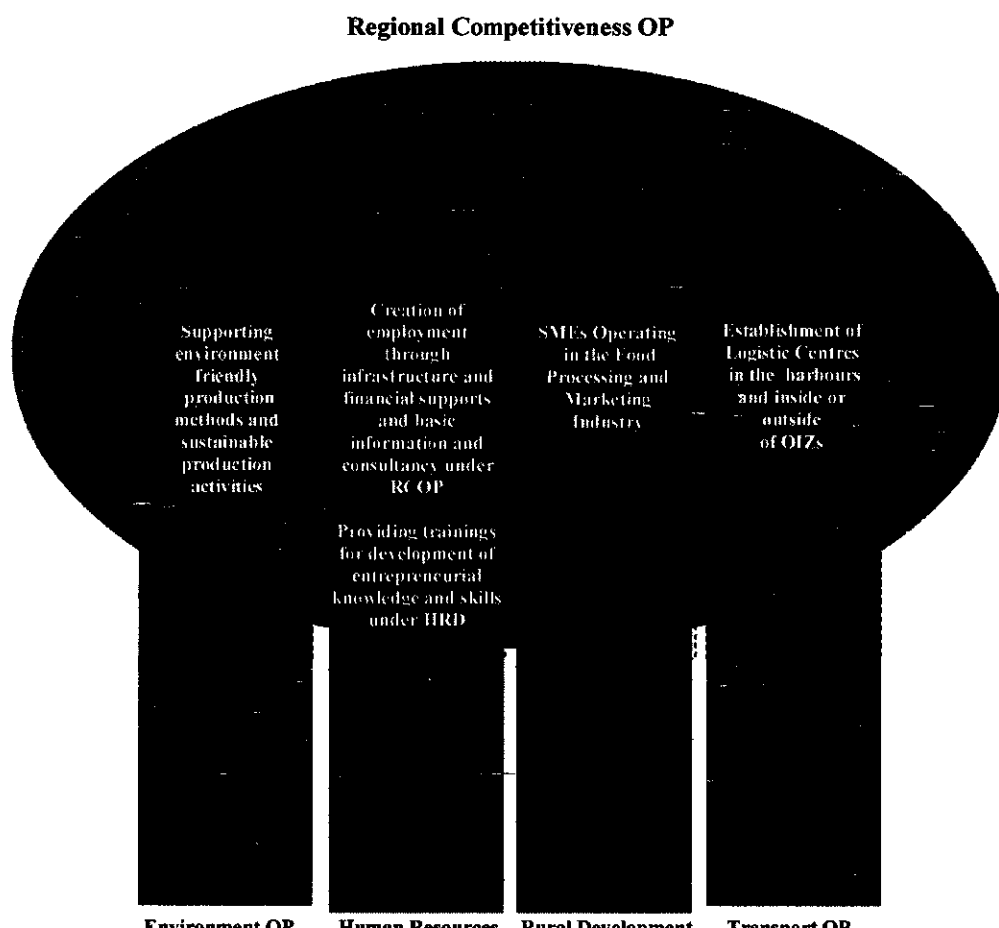
Considering the limited budget allocated from the IPA funds, it is essential to develop a selective approach while determining the regions to implement the major intervention areas of the RCOP.

Overlapping avoidance and complementarities of interventions between the RCOP and other OPs as well as the national and Community programmes are essential in ensuring coherence and efficiency in the management of financial assistance to be given under the RCOP.

#### 3.4.1. Complementarities and Synergies with Other Operational Programmes

Within the framework of the above considerations, creating a synergy with the OP Transport, the OP Environment, the OP Human Resources Development (OP HRD) and with the OP Rural Development (OP RD) is particularly essential in order to increase the effectiveness of the interventions of the RCOP. Major areas, which will ensure the complementarity and synergy between the RCOP and other OPs are given in the **Figure 17** and **Table 48**.

**Figure 17: Complementarity of the RCOP with Other OPs**



**Table 48: Complementarity with Other Operational Programmes**

Regional Competitiveness Operational Programme	Other Operational Programmes
<p><b>Priority Axis 1: Improvement of Business Environment</b></p>	<p>Establishment of Logistic Centres in the harbours and inside or outside of OIZs will be supported under <b>Measure 1.1</b> of the RCOP. This will ensure complementarity with <b>Transport OP</b>.</p> <p>Food industry will be supported in the fields of research and development under <b>Measure 1.3</b> of the RCOP. This will ensure complementarity with the <b>Rural Development OP</b>.</p> <p><b>Rural Development OP</b> will provide supports for the diversification of the rural economy which focus on micro enterprises, with special emphasis on rural tourism and to develop micro enterprises and entrepreneurship based on local knowledge and experience possessed in the context of crafts and handicrafts. On the other hand, revitalising and landscaping, promotion and marketing of the <u>tourism attraction sites, which are not in the rural settlements</u> and establishment of the <u>Tourism Information Centres</u> will be supported by the RCOP under <b>Measure 1.4</b>.</p> <p>In order to provide necessary trainings on the development of entrepreneurial knowledge and skills of SMEs by the <b>Human Resources Development OP</b>, training and education infrastructure for SMEs will be established, improved and refurbished under the <b>Measure 1.2 and 1.3</b> of the RCOP in close coordination with <b>Human Resources Development OP</b>.</p>
<p><b>Priority Axis 2: Strengthening of Enterprise Capacity and Foster Entrepreneurship</b></p>	<p>Under the <b>Human Resources Development OP</b>, training services for the development of entrepreneurial knowledge and skills will be provided at start up and development stages in order to obtain required skilled labour force. Furthermore, the HRD OP will also promote women and young entrepreneurship.</p> <p>Supporting human resource capacity of the enterprises by providing necessary trainings from <b>Human Resources Development OP</b> in cooperation with the information and consultancy support provided under <b>Measure 2.1</b> of the RCOP will create a synergy and effectiveness as well.</p>
	<p>Based on the bilateral agreement with the Ministry of Agriculture and Rural Affairs, the food industry including meat, milk, fruit and vegetable and fishery sectors will be supported by the RCOP in the fields of basic information and consultancy support under <b>Measure 2.1</b> of the RCOP. On the other hand, investment support</p>

In order to ensure complementarity and to avoid overlapping among the OPs, coordination mechanisms have been established between the MoIT and relevant Ministries responsible for other OPs.

In this framework, a *Technical Committee* has been established with the *Ministry of Labour and Social Security* to ensure regular dialogue and exchange of information on the interventions of the RCOP and the HRD OP which require close cooperation. Within the framework of the Technical Committee, three meetings have been organised to date (on 5<sup>th</sup> of October 2006, 3<sup>rd</sup> of November 2006 and 29<sup>th</sup> June 2007). This Committee will also be responsible for ensuring coordination during the implementation phase of the two OPs. In this respect, special attention will be given to ensure coordination in the implementation of Measure 1.1 and Measure 1.3 of the RCOP and Measure 3.2 of the HRD OP. Training and education infrastructure for SMEs will be established, improved and refurbished under Measure 1.1 and Measure 1.3 of the RCOP, while Measure 3.2 of the HRD OP will provide necessary trainings for SMEs. During the implementation of the OPs, coordination of these actions will be provided by the Technical Committee.

The further interaction and synergy with the HRD OP are given under **Table 49**.