Standard Summary Project Fiche

Project Number TR 0303.08

1. Basic Information

1.1 Title: Setting up a well-equipped Investment Promotion Agency to fulfill promotion functions

1.2 Sector: Industry and Services

1.3 Location: Turkey-Ankara

2. Objectives

2.1 Overall objective

The overall objective is to increase foreign direct investment inflow to Turkey.

2.2 Project purpose

The project has two purposes:

- To set up a well-equipped Investment Promotion Agency to fulfill promotion functions (i.e. image building, investment generation, investor servicing and policy advocacy).

- To review national legislation and practice related to foreign direct investment with a view to compare it to EU member states and to assess the impact on the investor community.

2.3 Accession Partnership and NPAA priority

Accession Partnership 2003:

Short Term: Remove all restrictions affecting foreign investments (originating from the EU) in all economic sectors in Turkey.

Medium Term: Remove all restrictions affecting the acquisition of real estate in Turkey by EU citizens and legal persons.

Regular Report 2002:

p. 59 - “Foreign Direct Investment inflows have remained negligible. During recent years, annual inflow of foreign direct investment has remained below ½ % of GDP, which is significantly below Turkey’s potential. The accumulated stock of FDI accounts for about 15% of GDP. The failure to attract foreign investment is a major impediment to Turkey’s growth potential, as it represents a missed opportunity to modernise the Turkish capital stock and to improve market access in particular in view of Turkey’s low level of research and development activities, the lack of foreign know-how is particularly disadvantageous.”

p. 61 - “The inflow of FDI has to be encouraged by simplifying bureaucratic procedures and by removing barriers.”
p. 111 - “In 2002, also because of the difficult economic situation, Turkey did not succeed in attracting FDI.”

p. 112 - “The low level of FDI remains a cause for concern….Turkey has indicated plans to establish a Foreign Investment Promotion Agency as a step towards promoting the country as an investor destination. However, no concrete progress can be reported yet.”

NPAA:

Economic criteria 3.1.3 : While foreign direct investments have generally been at a low level, taking into account the capacity and opportunities in Turkey, an increase was observed in foreign capital investments during 2000, compared to the previous years. The total amount of the actual foreign capital inflow in 2000 was 1,7 billion dollars. Efforts are being made on a new foreign capital draft law and on decreasing bureaucracy in order to attract more foreign direct investment to Turkey.

3. Description

3.1. Background and justification

After the official declaration of Turkey’s candidacy at the Helsinki Summit, Turkey has been preparing itself for EU membership. One of the major challenges during the preparation phase is to harmonize Turkish legislation with EU Acquis as well as creating and improving administrative structures to properly implement all legislation.

Despite the lack of a “Foreign Direct Investment” Chapter in either the AP or the NPAA, the importance of FDI for the efficient functioning of a market economy has been implied in various parts of these documents. In fact, from the 1980s onwards, increasing the inward flow of FDI has always been an important goal for the Turkish Government in order to strengthen the production base, to increase the capabilities of the Turkish industry, and to develop the country’s competitive power.

As a result of the concrete steps made towards liberalisation of the economy and particularly the foreign investment regime, Turkey witnessed a gradual increase in inward FDI figures by the mid-1990’s. Nevertheless, Turkish FDI level has thereafter stagnated, and despite its strong potential, Turkey has not benefited much from the global flow of FDI.

Within the administrative structure of the Turkish state system, the General Directorate of Foreign Investments (GDFI) within the Undersecretariat of Treasury is the sole governmental body responsible for FDI issues. No similar set-ups exist in EU bodies. Its main tasks include:

- Authorisation and registration (of foreign companies and foreign staff)
- Preparation of relevant legislation
- Allocation of state aids
- Promotion of inward FDI
- Keeping inward FDI statistics
- Advisory services for foreign investors

Suffering from bureaucratic obstacles (red tape) the GDFI, to date, has not been able to design FDI promotion activities as part of an overall strategy. Nevertheless, the department has been focusing on the investment promotion activities over the last 4
years. Due to budget constraints, investment promotion activities have been concentrated on the investor servicing and policy advocacy functions. Investment generation and image building functions could not be implemented properly due to the large budget requirements (See table).

<table>
<thead>
<tr>
<th>IPA Annual Budget (US $)</th>
<th>Promotional Budget per Annum (US $)</th>
<th>Total Professional Staff</th>
<th>Number of Overseas Offices</th>
<th>Number of Regional Offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>OECD Average</td>
<td>2,000,000</td>
<td>600,000</td>
<td>22</td>
<td>7</td>
</tr>
<tr>
<td>Developing Countries Average</td>
<td>1,500,000</td>
<td>400,000</td>
<td>29</td>
<td>4</td>
</tr>
<tr>
<td>Turkey (General Directorate of Foreign Investment (GDFI) / Department of Investment Promotion)</td>
<td>Investment Promotion Department Share in total GDFI Budget</td>
<td>An appropriation of approximately 50,000-60,000 US $ reserved in the budget of GDFI</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>1999 = 78,000</td>
<td>2000 = 81,000</td>
<td>2001 = 51,000</td>
<td>4</td>
<td>0</td>
</tr>
</tbody>
</table>

- GDFI Records

Due to the fact that the failure to attract foreign investment is a major impediment to Turkey’s growth potential, the Turkish authorities have undertaken steps to create a body responsible for developing and implementing an FDI promotion strategy.

For this purpose, a number of studies were conducted in co-operation with FIAS (World Bank & IFC) in order to find out why Turkey has been underperforming in terms of attracting FDI.

The “Diagnostic Study of the FDI Environment” (February 2001) revealed that the low level of FDI in Turkey was caused by three major factors, namely the macroeconomic instability of the country, the complexity and opacity of administrative procedures, and insufficient promotion.

Tackling the macroeconomic instability through a comprehensive reform program, the Turkish government launched a project entitled “Administrative Barriers to Investment Project” (September 2001). The project was carried out with a strong political will from the government as well as the support from public institutions and the private sector. It diagnosed various aspects of the Turkish investment environment.

Consequently, two further studies were conducted in order to develop an “Appropriate Legal Framework for FDI” (May 2002) and an “Investment Promotion
Strategy and Organization” (May 2002). These studies provided recommendations for a new FDI law in conformity with international best practice and for the establishment of an Investment Promotion Agency to carry out investment promotion functions in an efficient manner.

In line with the results of these studies, the Government of Turkey initiated a comprehensive reform programme to modernise and streamline the legal, regulatory and administrative framework. For this purpose, the Council of Ministers enacted a Decision on December 11th 2001, which set up the following key areas and the structure of the reform programme process:

- company registration
- employment of foreigners
- sectoral licensing
- land access and site development
- taxation and state aids
- customs and technical standards
- intellectual property rights
- foreign direct investments legislation
- investment promotion.

Following the Council of Ministers’ Decision, nine Technical Committees corresponding to the above nine key reform areas were set up and the work on regulatory reform was coordinated under the auspices of the Co-ordination Committee for the Improvement of the Investment Climate (CCIIC). One more technical committee on small and medium sized enterprises has recently been established upon the Council’s decision in March 2003. The General Directorate of Foreign Investment is acting as Secretariat for the Council.

After the first meeting of the CCIIC, held on March 22nd 2002, all technical committees began their work, which included the detection and elimination of obstacles to FDI.

The current stage of the improvements can be summarized as follows:

- **Company registration** procedures have been simplified and streamlined. The relevant law, drafted by the Ministry of Industry and Trade, has been submitted to Parliament on 25th April, 2003.

- The law simplifying procedures for the **Recruitment of Expatriates** has been approved by Parliament and published in the Official Gazette on March 6th, 2003. The same technical committee also drafted a law on compulsory recruitment of special groups (i.e. handicapped, ex-convict, terror victim).

- A new draft law on Mining, simplifying **Licencing** procedures for exploration and extracting, has been submitted to Parliament on 7th January, 2003.

- A law has been issued in the Official Gazette in order to facilitate automatic implementation of investment allowance (a major example of **state aids**) on 24th April, 2003.

- The Undersecretariat of **Customs** has been implementing a reform program to improve its administrative efficiency and effectiveness. Important steps have
been taken to harmonize customs laws, regulations and procedures in line with European Union legislation;

- Legislation to strengthen the capacity and infrastructure of the Turkish Patent Institute has been drafted and submitted to the Parliament on 7th January, 2003.

- A new Foreign Direct Investment Law has been drafted, taking into consideration international best practices and recommendations of the FIAS study. The draft law has been submitted to Parliament on 26th December 2002.

- The technical committee on Investment Promotion has developed a model for a Turkish IPA and drafted the Law on Establishment of the Investment Promotion Agency. The Law will be submitted to Parliament by the beginning of May and is foreseen to be approved by the third quarter of 2004.

The goal of this project is to set up a well-equipped IPA in line with the subcommittee’s proposal to fulfill promotion functions.

The IPA will have the power to formulate investment promotion strategies of the country and to carry out activities fostering investment. Headquartered in Ankara, the IPA will be related to the Undersecretariat of Treasury with administrative and financial autonomy. The IPA will also have a representation in Istanbul and may set up representations in the rest of Turkey and overseas in the future.

The IPA’s Board will be composed of nine members. The Ministry responsible for the Undersecretariat of Treasury, Ministry of Industry and Trade, the Undersecretariat of Treasury, and the Undersecretariat of State Planning Organization, shall be represented with one seat each on the Board. The remaining five seats will be appointed by the The Union of Chambers of Commerce, Industry, Maritime Trade and Commodity Exchanges of Turkey (TOBB). (See Annex 6: Organigramme). (TOBB is the broadest body that represents the private sector in Turkey. In fact, all YASED members are also members of the TOBB.

The IPA will conduct the following activities (See Annex 5: Draft Law on the establishment of Investment Promotion Agency of Turkey):

a) To formulate and implement national investment promotion and development strategy consistent with Turkey’s foreign direct investment policy;

b) To contribute to the reform process concerning the improvement of investment environment; hence to develop recommendations on assistance to be provided to facilitate positive investment decisions and to submit recommendations regarding necessary legislative arrangements to the Prime Minister;

c) To make evaluations on the basis of industry, company and project with a view to raise efficiency of investment promotion and development activities; to undertake initiatives with the relevant authorities for formulation of policies necessary for measures to be taken, incentives, assistance, easement, immunities and exemptions to be provided according to the result of evaluations made;
d) To determine potential obstacles and problems that investors may face; thereupon to undertake initiatives with the relevant authorities on solutions for the problems;

e) To provide coordination of investment promotion and development activities carried out by various public and private institutions;

f) To create or gather from relevant organizations and institutions any information and data that contribute to foster investments in Turkey; to update and disseminate these information and data.

To perform the stated duties the IPA shall have the power:

a) To carry out all types of activities related to positive image building for the country as an investment location in Turkey and abroad;

b) To render services which potentially sustain the investors’ decisions to invest in or expand their investments in Turkey including also, when deemed necessary, to have recourse to organizations of central and local administration having the authority of issuing permission and license, and to monitor the settlement of applications for permissions within the periods specified by Law with a view to raise the efficiency and productivity of public services offered to investors;

c) To carry out specific and/or general investment promotion and development programs with the aim of fostering the investments;

d) To have recourse to the relevant organizations and institutions for necessary measures to be taken with a view to create an attractive investment environment; within this framework to work and form cooperations with these organizations and institutions;

e) To convey views to be taken into consideration in formulation of the foreign direct investment policy;

f) To carry out the coordination of investment promotion and development activities conducted by various organizations and institutions;

g) To purchase professional services and make expenditures which it deems necessary for carrying out duties specified in the Law;

h) To submit claim to the relevant public institutions for temporary designation of expert public personnel to the Agency in the necessitated fields.

3.2 Linked Activities

As part of the CCIC works to improve the investment climate, a project package was submitted to TAIEX under the coordination of the Undersecretariat of Treasury. These include 7 workshops, an expertise mission and 3 study visits. Within the project package the issues covered are: Trade registration, protection of topographies of the integrated circuits, licensing of industrial investments, employment and social security, combat against piracy in the field of intellectual property, data exclusivity, free zones and inward processing.

3.3 Results
• Major legislative acts related to FDI reviewed and benchmarked in comparison to similar legislations of U member states and acceding countries.

• Impact analysis of the enacted legislation having an effect on FDI is made.

• A proactive Investment Promotion Strategy, which will determine how and when the investment promotion functions (i.e. image building, investment generation, investor servicing and policy advocacy) are to be carried out, will be adopted.

• A Media Strategy will be adopted, in line with the investment promotion strategy. Within this frame, IPA will be equipped with necessary investment promotion material, which are of vital importance for image building, investment generation and investor servicing functions.

• Installed Information system, including customised subsystems (i.e. investor tracking, client relations management, intranet and website management), which will ensure efficient fulfillment of the investment promotion functions.

• Approximately 40 IPA staff (to be recruited by the Board) are well trained to fulfill investment promotion functions and to conduct daily operations of the IPA.

3.4 Activities

To achieve the objectives mentioned above, the following activities should be undertaken:

Component 1: Legislative Assistance

1. Assistance in comparing the national legislation and its implementation/practice affecting the FDI in comparison with best practice in EU member states and acceding countries

This activity will include a review of the Turkish legislation related to FDI and provide suggestions from the point of the EU member states’ best practices, with a view to improve the investment climate in Turkey.

2. Assistance in analysing the impact on the investor community of the enacted legislation and its implementation

This activity will cover the impact analysis of the legislative changes and their implementation in practice, which are to be made within the framework of the Improvement of the Investment Climate Reform Program.

Component 2: Support to improve the IPA’s operational capacity

1. Assistance in formulating a National Investment Promotion Strategy

This activity shall be supported by jointly agreed research and analysis of the Turkish investment environment and will include support to the IPA while formulating the investment promotion strategy.
2. Assistance in developing the relevant IT support

2 a. Assistance in establishing a database that would facilitate cooperation between IPA and stakeholders such as organizations and associations representing Turkish private sector, regional development initiatives as well as municipalities and relevant central authorities;

2 b. Assistance in designing website;

2 c. Assistance in clarifying investment needs, and preparing investment plans to improve the IT infrastructure of the IPA.

3. Assistance in developing a sustainable Training Programme for IPA’s staff on investment generation, investor servicing, policy advocacy and image building

3 a. Developing training curricula for the staff of the IPA. The training curricula will be designed as appropriate in the areas of investment promotion techniques. The curricula will be designed for the continuous assessment, evaluation and quality control;

3 b. Training on basic and advanced investment promotion techniques and project cycle management;

To this end, key areas (listed below) will be covered within the context of a vocational training and career development planning to be determined in the Inception Report.

- Project Cycle Management Training program

- Training in promotion and management techniques, such as:
  - Investment targeting
  - Pre-entry investor servicing
  - Aftercare services
  - Investment intelligence
  - Marketing skills
  - Effective presentation techniques
  - Roadshow organization
  - Effective website maintenance
  - Investor tracking
  - Project profile preparation
  - Sectoral analysis
  - Intercultural communication
  - Project management
  - Event management
  - Investment promotion strategy review
  - Building partnerships

3 c. Designing and implementing a ‘training-the-trainers’ programme for selected staff of the IPA, in order to ensure sustainable in-house training activities.

4. Assistance in Preparing PR and Media Strategy for Promotion and Image Building in line with the Investment Promotion Strategy
In line with the investment promotion strategy, a media and public relations strategy should be adopted. Within this frame, following activities will take place:

4 a. Assistance in developing a series of promotional literature and exhibition materials combined with a long-term strategic public relations campaign via appropriate media with assistance from appropriate external experts;

4 b. Assistance in developing graphic designs for IPA’s printed and electronic publications;

4 c. Assistance in preparing promotional posters, leaflets, brochures, IPA presentations, and legal brochures.

Component 3: Assistance in Setting up an Information System including Customised Subsystems

As an organization, which to a large degree will be in the information business, it is essential that the IPA has an effective information technology system. Thus, a basic computer network has to be installed within the IPA and customized softwares and databases should be developed.

The IPA’s IT system including investor tracking, client relations management, intranet and website management templates will ensure efficient fulfillment of investment promotion functions (i.e. image building, investment generation, investor servicing and policy advocacy).

The assistance will include the purchase of:

- Work Stations & Software Licenses
- Notebooks
- Projectors
- In-house Intranet System
- Standard Copier Machine
- Big Copier Machine
- Information Data Base / Publications Subscriptions /Services
- Big Color Laser Printer
- Customized Software (Investor Tracking System & Customer Relationship Management System)
- Customized Software (Website Related Database Maintenance Systems)
- Knowledge Management System
- Management Information System
- Software - Project Management (Local Area Network Version)
- Software - Investment Project Analysis (Local Area Network Version)

Necessary Inputs

Component 1:

Component 1 will be implemented through a Twinning Covenant.

Pre-Accession Adviser (PAA) for 12 months
Background of the PAA:

The PAA must be highly qualified in all subject matters covered by the twinning arrangement, and must possess good management skills. He/She must be well acquainted with investment, more specifically FDI, as well as with best practice in EU member states or acceding countries on legislation having direct impact on the investment climate. Experience in conducting impact analysis of legislation and practice in this field is an advantage.

More specifically, the PAA

- Shall have sound theoretical knowledge and practical experience in legislative aspects of investment climate,
- Shall have broad international contacts, particularly in the EU Member States,
- Shall be fluent in English.

Tasks of the PAA

- To coordinate the programme, including other components,
- To mobilize the short-term experts,
- To ensure the proper quality of outputs,
- To provide detailed report on the impact of the programme

Short-term experts for 12 man/months of assistance (indicative)

Areas not directly covered by the PAA can be taken over by short-term experts within the limits of the budget. Short-term experts are expected to cover, among others, the tasks listed below (for indicative purposes):

- To prepare benchmark study comparing EU Member State practices with that of Turkey,
- To review major legislation affecting FDI to Turkey,
- To make impact analysis of the enacted legislation and its implementation/practice on the investor community.

Experts’ studies’ legal assistance and experts on ad hoc basis

To reach all results of the project, experts’ studies’ legal assistance and experts on ad hoc basis will be provided within the limits of the budget.

Component 2:

Component 2 will be carried out by a technical assistance contract.

All the experts will have the following qualifications beside the requirements specified below:

- Advanced university degree in relevant fields,
- Good written and oral command of English,
- Good teamworkers and ability to work in different cultural settings.

Long-Term Expert (Project Leader) – 24 man/month
The Project Leader must be highly qualified in all subject matters covered by institution building activities and must possess good management skills. He/she must be well acquainted with the investment promotion activities and relevant policies. Experience in organising training programmes is a comparative advantage.

More specifically, the Project Leader

- Shall have minimum 15 years international experience in relevant fields,
- Shall have sound theoretical and practical experience in formulating and implementing investment promotion strategies and relevant policies,
- Shall have broad international contacts.

Tasks of the Project Leader

- To mobilise short-term experts,
- To ensure proper quality of outputs,
- To provide detailed report on the impact of the project.

Short-Term Experts (Strategy Designing) – 12 man/month

- Shall have sound theoretical and practical experience in competitiveness and or industrial clusters,
- Shall have theoretical and practical experience in conducting individual sectoral analysis,
- Shall have working experience in similar projects,
- Shall have minimum 10 years relevant international experience.

Short-Term Experts (IT) – 6 man/month

- Shall have sound practical experience in formulating IT strategy and preparing investment plans for improving IT infrastructure,
- Must be acquainted with IT systems used investment promotion activities,
- Shall have working experience in similar projects,
- Shall have minimum 10 years international experience.

Short-Term Experts (Training) – 12 man/month

- Shall have sound theoretical and practical experience in investment promotion techniques and policies,
- Shall have theoretical and practical experience in project cycle management,
- Shall have working experience in similar projects,
- Shall have experience in delivering training,
- Shall have minimum 10 years relevant international experience.

Short-Term Experts (Media Strategy) - 12 man/month

- Shall have sound theoretical and practical experience in formulating PR and Media strategy for investment promotion,
- Shall have theoretical and practical experience in graphic design for promotional materials for investment promotion,
- Shall have experience in delivering trainings on media and image building policies,
- Shall have working experience in similar projects,
• Shall have minimum 10 years relevant international experience.

**Organisation of Training Seminars:**

Advanced training seminars that could be repeated periodically, in particular on investment promotion techniques and project cycle management, are expected to be held. Furthermore, it is expected to develop a training-the-trainers programme for a limited number of the staff of the IPA.

Also, comprehensive-training seminars, in particular on media and image building techniques on investment promotion and graphic design for preparing promotional materials, could be repeated periodically.

**Study visits and short secondments in the EU Member State institutions:**

Study visits can be organised, specified in consultation with the project leader, to visit Investment Promotion Agencies of Member States and Candidate Countries, or other related institutions in the EU, for a limited number of the IPA’s staff within budget limits.

**Component 3:**

This component will be carried out by a supply contract.

**Operating Environment for Twinning**

The PAA will be placed at the offices of Undersecretariat of Treasury and will provide expert advice for effective implementation of the twinning arrangements. The PAA will also be responsible to identify short-term experts with the assistance of his/her delegating institution. The responsible staff of the GDFI will cooperate in identifying needs and will fully cooperate during the PAA’s mission.

3.5. Lessons Learned

The study conducted by World Bank/FIAS on Investment Promotion Strategy and Organization for Turkey has demonstrated that major investment promotion functions to be installed in the IPA include image building, investment generation, investor servicing and policy advocacy and that these functions are lacking in the existing institutional framework in Turkey. Moreover, coordination between relevant public and civil agents has been mentioned as the key to success for investment promotion. Thus, the model for IPA institutional framework has been developed in accordance, and this project seeks assistance with full awareness of these advices.

4. Institutional Framework

4.1. Steering and monitoring

The GDFI will assign staff who will be responsible for management and co-ordination of the component 1 of the programme. A project management unit established by the IPA will be responsible for management and co-ordination of the component 2 through 4 of the programme. A joint steering committee will be set up for steering and monitoring of the project at national level. The Committee will be chaired by GDFI and, will include representatives of IPA, other relevant public and private sector institutions or associations, as well as the EC Representation as observer.
4.2. Implementation

The implementation of the project will be secured by the GDFI and the IPA in Turkey.

4.3. Beneficiaries

The main beneficiaries of this project are the GDFI (component 1) of the Undersecretariat of Treasury and the IPA (component 2 and 3).
5. **Detailed Budget**

<table>
<thead>
<tr>
<th>Component</th>
<th>Investment Support</th>
<th>Institution Building</th>
<th>Total EC (=I+IB)</th>
<th>National Co-financing</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning</td>
<td>1,000,000 €</td>
<td>1,000,000 €</td>
<td>1,000,000 €</td>
<td></td>
<td>1,000,000 €</td>
</tr>
<tr>
<td>Technical Assistance Contract</td>
<td>2,400,000 €</td>
<td>2,400,000 €</td>
<td>2,400,000 €</td>
<td></td>
<td>2,400,000 €</td>
</tr>
<tr>
<td>Supply Contract</td>
<td>351,000 €</td>
<td>351,000 €</td>
<td>150,000 €</td>
<td>501,000 €</td>
<td>501,000 €</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>3,901,000 €</strong></td>
</tr>
</tbody>
</table>

Co-financing will be jointly provided by the EU and Turkey.

Turkish contribution to the Twinning will cover provision of office equipment and space for PAA and other costs non-eligible for funding as specified in the “Reference Manual on Twinning Projects”.

5.1 **Implementing Arrangements**

5.2 **Implementing Agency**

The Implementing Agency for the proposed project will be the Central Finance and Contracts Unit (CFCU).

Responsibility for the administration related to the procedural aspects of procurement, contracting and accountancy will rest upon the CFCU. The tendering and contracting will be carried out by the CFCU and shall follow standard DIS rules.

5.3 **Twinning**

Component 1 will be implemented in form of a Twinning covenant between Turkey and an EU Member State. The twinning partner will manage all aspects of execution in close cooperation with the GDFI. The twinning partner will provide a PAA and secure a pool of international experts for the purpose of advisory services and training according to the work plan that will be prepared for the covenant.

Member States may form a consortium, which will result in a wide range of qualified senior experts gathered from procurement regulatory authorities, different national administrations, universities, major specialised consulting and engineering firms or renowned independent experts from more than one Member State, provided that national approaches can be harmonised within the consortium.

The beneficiary institution for the Twinning arrangement will be the GDFI, which will also assume responsibility for the administration related to the preparation, technical control and implementation.

The contact person for the Twinning covenant will be:

5.4 **Non-standards aspects**

The manual on Twinning Projects will be governing component 1. The DIS Manual provisions will strictly be followed for the supply component.
5.5 **Contracts**

1 Twinning Covenant: \(1,000,000 \, \text{€}\)

1 Technical Assistance contract: \(2,400,000 \, \text{€}\)

1 Supply contract: \((501,000 \, \text{€})\)

---

6. **Implementation Schedule**

<table>
<thead>
<tr>
<th>Component</th>
<th>Start of negotiation of twinning covenant</th>
<th>Start of Project Activity</th>
<th>Project Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning</td>
<td>III Quarter 2003</td>
<td>II Quarter 2004</td>
<td>II Quarter 2005</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Component</th>
<th>Start of Tendering</th>
<th>Start of Project Activity</th>
<th>Project Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Assistance</td>
<td>III Quarter 2003</td>
<td>II Quarter 2004</td>
<td>I Quarter 2006</td>
</tr>
<tr>
<td>Supply</td>
<td>III Quarter 2003</td>
<td>II Quarter 2004</td>
<td>II Quarter 2004</td>
</tr>
</tbody>
</table>

7. **Equal Opportunity**

Equal opportunity principles and practices in ensuring equitable gender participation in the project will be guaranteed. Male and female participation in the project will be based on the relevant standards of the EU and will be assured by official announcements published to recruit staff needed for the project. The main criteria for staff recruitment will be appropriate qualifications and experience in similar projects, not sex or age. Both men and women will have equal opportunities and salaries.

8. **Environment**

N/A

9. **Rates of Return**

N/A

10. **Investment Criteria**

N/A

11. **Conditionality and Sequencing**

The project is conditional upon the adoption of the “Draft Law on Foreign Direct Investment” and the “Draft Law on Amendment of the Turkish Company Law, Tax Procedure Law, Stamp Tax Law, Labour Law and Social Insurance Law “.

The service and supply contracts will not start until the Twinning Covenant is signed by the GDFI.
The implementation of the project is also conditioned upon the adoption of the Draft Law on Establishment of the Investment Promotion Agency of Turkey by the Parliament and upon the establishment of the Agency with a necessary office facility provided, board members appointed and adequate staff recruited. The technical assistance concerning media strategy will only begin once the investment promotion strategy has been adopted by the IPA.
ANNEXES TO THE PROJECT FICHE

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)
4. Cost Estimations for the activities
5. Draft Law on Establishment of the Investment Promotion Agency of Turkey
6. Governance structure of the Investment Promotion Agency of Turkey to be established
### Annex 1 Logical Framework Matrix

**LOGFRAME PLANNING MATRIX FOR “Setting up a well-equipped Investment Promotion Agency to fulfill promotion functions”**

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>To increase FDI inflow to Turkey.</td>
<td>Upward tendency of FDI inflow to Turkey by 2006</td>
<td>FDI statistics of the GDFI, the Central Bank of Turkey, and of International Organizations (i.e. UNCTAD, OECD, IMF, WB, etc.)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project purpose</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>To set up a well-equipped Investment Promotion Agency to fulfill promotion functions (i.e. image building, investment generation, investor servicing and policy advocacy). To review national legislation and practice related to foreign direct investment with a view to compare it to EU member states and to assess the impact on the investor community.</td>
<td>Office building provided by end 2003 Board appointed and staff recruited by end 2003 IT structure installed by end 2004 IPA started to fulfill its tasks by end 2004 Review Report on Legislative Acts prepared by end 2004 Benchmarking study completed by end 2004 Report on the results of the impact analysis prepared by early 2005</td>
<td>IPA Annual and semi-annual reports Interim and Final evaluation reports IPA Annual and semi-annual reports Interim and Final evaluation reports</td>
<td>IPA Law is passed by the Parliament IPA is established in a building to be provided by the Turkish Government IPA management appointed and staff is recruited The “Draft Law on Foreign Direct Investment” is passed by the</td>
</tr>
</tbody>
</table>
The “Draft Law on Amendment of the Turkish Company Law, Tax Procedure Law, Stamp Tax Law, Labour Law and Social Insurance Law” is passed by the Parliament.

<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| • Major legislative acts related to FDI reviewed and benchmarked in comparison to similar legislations of U member states and acceding countries.  
• Impact analysis of the enacted legislation having an effect on FDI is made. | • Review Report on Legislative Acts prepared by end 2004  
• Benchmarking study completed by end 2004  
• Report on the results of the impact analysis prepared by early 2005 | • Interim and Final evaluation reports  
• GDFI reports  
• Interim and Final evaluation reports  
• GDFI reports | • Full cooperation of GDFI  
• Support from other relevant institutions  
• Adequate provision from state budget |
| • A proactive Investment Promotion Strategy, which will determine how and when the investment promotion functions (i.e. image building, investment generation, investor servicing and policy advocacy) are to be carried out, will be adopted.  
• A Media Strategy will be adopted, in line | • Investment Promotion Strategy adopted and started to be implemented by mid 2005 | • IPA Annual and Semi-annual reports  
• Interim and Final evaluation reports | |
with the investment promotion strategy.
Within this frame, IPA will be equipped with necessary investment promotion material, which are of vital importance for image building, investment generation and investor servicing functions.

- Installed Information system, including customised subsystems (i.e. investor tracking, client relations management, intranet and website management), which will ensure efficient fulfillment of the investment promotion functions.
- Approximately 40 IPA staff (to be recruited by the Board) are well trained to fulfil investment promotion functions and to conduct daily operations of the IPA.

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Component 1: Legislative Assistance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Assistance in comparing the national legislation and its implementation/practice affecting the FDI in comparison with best practice in EU member states and acceding countries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>This activity will include a review of the Turkish legislation related to FDI and</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Twinning</strong></td>
<td></td>
<td>• Full cooperation of the GDFI</td>
</tr>
<tr>
<td>• Pre-Accession Adviser (PAA) for 12 months</td>
<td></td>
<td>• National co-financing for the equipments and to be ensured</td>
</tr>
<tr>
<td>• Short-term experts – 12 man/month</td>
<td></td>
<td>• Collaboration of other institutions and authorities</td>
</tr>
<tr>
<td>• Information systems and customised software developed, installed and applicable</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
provide suggestions from the point of the EU member states’ best practices, with a view to improve the investment climate in Turkey.

2. Assistance in analysing the impact on the investor community of the enacted legislation and its implementation

This activity will cover the impact analysis of the legislative changes and their implementation in practice, which are to be made within the framework of the Improvement of the Investment Climate Reform Program.

**Component 2: Support to improve the IPA’s operational capacity**

1. Assistance in formulating a National Investment Promotion Strategy

   This activity shall be supported by jointly agreed research and analysis of the Turkish investment environment and assistance in the formulation of the promotion strategy.

2. Assistance in developing the relevant IT support

   2 a. Assistance in establishing a

   - Experts studies, legal assistance and experts on *ad hoc* basis

   **Technical Assistance Contract**

   - Long Term Expert (Project Leader (24 man/month))
   - Short Term Experts (Strategy designing 12 man/month)
   - Short Term Experts (IT 6 man/month)
   - Short Term Experts (Training 12 man/month)
   - Short Term Experts (Media Strategy 12 man/month)

   **Preconditions**

   - Twinning covenant is signed by the GDFI
   - Draft Law on FDI is passed by the Parliament
   - “Draft Law on Amendment of the Turkish Company Law, Tax Procedure Law, Stamp Tax Law, Labour Law and Social Insurance Law “is passed by the Parliament
   - Draft Law on Establishment of the Investment Promotion Agency of Turkey is passed by the Parliament and the Agency is established with a necessary office facility provided, board members
database that would facilitate cooperation between IPA and stakeholders such as organizations and associations representing Turkish private sector, regional development initiatives as well as municipalities and relevant central authorities;

2 b. Assistance in designing website;

2 c. Assistance in clarifying investment needs, and preparing investment plans to improve the IT infrastructure of the IPA.

3. Assistance in developing a sustainable Training Programme for IPA’s staff on investment generation, investor servicing, policy advocacy and image building

3 a. Developing training curricula for the staff of the IPA. The training curricula will be designed as appropriate in the areas of investment promotion techniques. The curricula will be designed for the continuous assessment, evaluation and quality control;

• Organisation of Training Seminars
• Study visits and short secondments in the EU member state institutions

appointed and adequate staff recruited.
3 b. Training on basic and advanced investment promotion techniques and project cycle management;

To this end, key areas (listed below) will be covered within the context of a vocational training and career development planning to be determined in the Inception Report.

- Project Cycle Management Training program
- Training in promotion and management techniques.

3 c. Designing and implementing a ‘training-the-trainers’ programme for selected staff of the IPA, in order to ensure sustainable in-house training activities.

4. Assistance in Preparing PR and Media Strategy for Promotion and Image Building in line with the Investment Promotion Strategy

In line with the investment promotion strategy, a media and public relations strategy should be adopted. Within this frame, following activities will take place:
| 4 a. | Assistance in developing a series of promotional literature and exhibition materials combined with a long-term strategic public relations campaign via appropriate media with assistance from appropriate external experts; |
| 4 b. | Assistance in developing graphic designs for IPA’s printed and electronic publications; |
| 4 c. | Assistance in preparing promotional posters, leaflets, brochures, IPA presentations, and legal brochures. |

**Component 3: Assistance in Setting up an Information System including Customised Subsystems**

As an organization, which to a large degree will be in the information business, it is essential that the IPA has an effective information technology system. Thus, a basic computer network has to be installed within the IPA and customized softwares and databases should be developed. The IPA’s IT system including investor tracking, client relations management, intranet and website management templates will ensure efficient fulfillment of

**Supply Contract**
investment promotion functions (i.e. image building, investment generation, investor servicing and policy advocacy). The assistance will include purchases.
**Annex 2 Detailed Implementation Chart**

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Twinning</strong></td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
</tbody>
</table>

**Negotiation of Twinning Covenant**
- N

**Tendering and contracting**
- T & C

**Implementation and Payments**
- I

**CONTRACTING AND DISBURSEMENT SCHEDULE BY QUARTER FOR FULL DURATION OF THE PROGRAM**
### Cumulative Quarterly Contracting Schedule (mil. €)

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>I</td>
<td>II</td>
<td>III</td>
<td>IV</td>
</tr>
<tr>
<td><strong>Contracted</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Twinning</td>
<td>1,000,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical</td>
<td>2,400,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assistance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment</td>
<td>501,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>I</td>
<td>II</td>
<td>III</td>
<td>IV</td>
</tr>
<tr>
<td><strong>Disbursed</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Twinning</td>
<td>0,600</td>
<td>0,700</td>
<td>0,800</td>
<td>1,000</td>
</tr>
<tr>
<td>Technical</td>
<td>0,720</td>
<td>0,920</td>
<td>1,120</td>
<td>1,320</td>
</tr>
<tr>
<td>Assistance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment</td>
<td>0,300</td>
<td>0,501</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Cost Breakdown (Indicative Budget) of Twinning Covenant:

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Cost (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Accession Adviser (PAA)</td>
<td>450,000</td>
</tr>
<tr>
<td>Short-term Experts</td>
<td>360,000</td>
</tr>
<tr>
<td>Ad hoc Experts</td>
<td>90,000</td>
</tr>
<tr>
<td>Translation and Interpretation</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,000,000</strong></td>
</tr>
</tbody>
</table>

Cost Breakdown (Indicative Budget) of Service Contract:

- **Long-Term Expert:** 1,080,000 € (24 months X 30 days X 1,500 €)
- **Short-Term Experts:** 1,196,000 € (42 months X 30 days X 1,000 €)
- **Organisation of Training:** 100,000 €
- **Incidental:** 24,000 € (1% of total)

**TOTAL:** 2,400,000 €

Cost Breakdown (Indicative Budget) of Supply Contract:

**Information system and software supply**

**Estimated Cost:** 397,000€

<table>
<thead>
<tr>
<th>Computers, Software and Equipment</th>
<th>No. Units</th>
<th>Cost per Unit (€)</th>
<th>Total Cost (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Stations &amp; Software Licenses</td>
<td>40</td>
<td>3,300</td>
<td>132,000</td>
</tr>
<tr>
<td>Notebook</td>
<td>5</td>
<td>3,500</td>
<td>17,500</td>
</tr>
<tr>
<td>Projector</td>
<td>2</td>
<td>4,000</td>
<td>8,000</td>
</tr>
<tr>
<td>In-house Intranet System</td>
<td>1</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Standard Copier Machine</td>
<td>2</td>
<td>4,400</td>
<td>8,800</td>
</tr>
<tr>
<td>Big Copier Machine</td>
<td>2</td>
<td>7,600</td>
<td>15,200</td>
</tr>
<tr>
<td>Information Data Base / Publications Subscriptions / Services</td>
<td>10</td>
<td>11,000</td>
<td>110,000</td>
</tr>
<tr>
<td>Big Color Laser Printer</td>
<td>1</td>
<td>4,500</td>
<td>4,500</td>
</tr>
<tr>
<td>Customized Software (Investor Tracking System &amp; Customer Relationship Management System)</td>
<td>1</td>
<td>35,000</td>
<td>35,000</td>
</tr>
<tr>
<td>Customized Software (Website Related Database Maintenance Systems)</td>
<td>1</td>
<td>30,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Description</td>
<td>Quantity</td>
<td>Unit Price</td>
<td>Total Price</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td>----------</td>
<td>------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Knowledge Management System</td>
<td>1</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Management Information System</td>
<td>1</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Software - Project Management (Local Area Network Version)</td>
<td>1</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Software - Investment Project Analysis (Local Area Network Version)</td>
<td>1</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td><strong>Total Cost Supply Contract</strong></td>
<td></td>
<td></td>
<td><strong>501,000</strong></td>
</tr>
</tbody>
</table>