Standard Summary Project Fiche

Project number: TR 0305.02

Basic Information

1.1 **Title:** Regional Development in Samsun (Amasya, Çorum, Samsun and Tokat), Kastamonu (Çankırı, Kastamonu and Sinop) and Erzurum (Erzurum, Erzincan and Bayburt) NUTS II regions

1.2 **Sector:** Regional development

1.3 **Location:** Turkey (Samsun, Kastamonu and Erzurum NUTS II regions)

2. Objectives

2.1 **Overall Objectives:**

To support the Turkish Government in implementing an integrated regional development policy in three NUTS II regions, by means of projects aiming (1) to promote the sustainable economic development of the regions concerned, and (2) to provide experience at the regional level in conducting locally appropriate EU co-funded grant schemes.

2.2 **Project purpose:**

To establish in the target NUTS II regions: (1) a grant scheme for local development initiatives, (2) a grant scheme for SMEs, (3) a small scale infrastructure grant scheme, (4) technical assistance to support the implementation of the project.

A. Support to local development initiatives

This component will support small scale interventions to be implemented exclusively by non-governmental, non-profit organizations and provincial and local authorities in the target regions. Activities in this field could include small “soft” projects targeting collective groups, such as the improvement of the system for delivering vocational training, entrepreneurial training, enhancing business advisory and support organizations, conducting research activities, promoting the image of the region as a business or tourist destination with emphasis on local products and heritage.

The eligible institutions in this component will be provincial and local authorities, regional development agencies or service unions, NGOs, universities and research institutions, vocational training institutions, associations, chambers, etc.

B. Support to SMEs

This component will address the needs of the private sector, especially small and micro enterprises, in agriculture, manufacturing and the service sector, including tourism. It will enhance the ability of businesses in the targeted regions to successfully deal with market competition by providing management and technological advice and investment support in order to foster innovation and modernization, entrepreneurship and business culture, and thus improve the competitiveness of local companies, increasing job supply and incomes.

C. Support for the construction of small scale infrastructure

This component will address issues of the availability and quality of collective amenities and infrastructure that contribute to the quality of life, or are required for business development. Only provincial and local authorities will be eligible for funding.

D. Technical assistance
This component refers to the provision of TA to institutions at the central and regional levels for the smooth implementation of the whole project.

In addition to the direct economic impact, the implementation of the project will have a substantial learning and capacity building effect. It will allow for administrative, management and monitoring structures to be set in place, tested and improved through practical experience and will serve as a pilot for EU funded programmes at NUTS II level in Turkey.

2.3 Accession Partnership (AP) and NPAA priority

According to the 2003 Accession Partnership, the short term priorities in the field of regional policy include: Start to develop a national policy for economic and social cohesion aimed at reducing regional disparities through a National Development Plan, and the Establishment of regional development plans at the NUTS 2 level; and, Strengthen the administrative structures for managing regional development.

By operating at regional level, the three grant schemes can be seen as tools to support a regional approach to economic development. Both the project and the strategies developed during the planning exercises in the regions fit well in the framework of the Accession Partnership priorities. The supporting schemes will transpose successfully tried tools of regional policy to the regions. They involve the introduction of regional criteria in the selection of projects, strong emphasis on monitoring and evaluation and an overall focus on strengthening economic and social cohesion through support to lagging regions. The project further contributes to the Accession Partnership by giving impetus to the ongoing process of establishing operational implementation structures at regional level.

Furthermore, the project is in full compliance with the following measures highlighted in the chapter of the National Programme for the Adoption of the Aquis dealing with regional policy: 1) define target regions using NUTS standard classification, 2) harmonize regional state aid with EU criteria, 3) define regional potential through the participation of local actors, and 4) implement projects to exploit this potential.

2.4 Contribution to National Development Plan

The National Development Plan is currently under preparation and a first draft version is expected to be available at the end of 2003.

The basic priority included in the chapter on Regional Development of the eighth Development Plan for 2001 to 2005 is reducing interregional imbalances by implementing regional policies taking into account the principles of sustainability, interregional integration, improved quality of life, equal opportunities, and participation. The need to adjust regional policy in Turkey with regional policy as implemented in EU and to set up planning regions are both emphasized. In the same chapter, the need to consider the social and economic structure and potential of the regions when deciding upon investment aid is also highlighted.

2.5 Cross Border Impact

Not applicable

3. Description

3.1 Background and justification:

The project covers three NUTS II level regions in Turkey. These are Samsun (Amasya, Çorum, Samsun and Tokat provinces), Kastamonu (Çankırı, Kastamonu and Sinop) and Erzurum (Bayburt, Erzincan and Erzurum provinces). Samsun and Kastamonu are located to the North of
Ankara with a Black Sea coastline, while Erzurum is located to the East of Ankara, is mountainous in character and has harsh climatic conditions. Two of the regions (Kastamonu and Samsun) were the objects of a framework contract pilot planning exercise carried out in 2002. This project was developed in response to a recommendation from this exercise. The third region (Erzurum) was chosen in addition because it is one of the poorest regions of Turkey and is included in the Eastern Anatolia Programme.

Although the detailed circumstances of the regions are different, as set out below, they nevertheless also share some common characteristics. Each of the regions suffers from low incomes with GDP per head considerably below the national average. In addition, there are shared problems of outmigration, declining rural populations, and the need to address problems of the rural economy. The performance of the SME sector varies between the regions, but in each case further development of this sector is constrained by lack of investment. There is an urgent need to develop new market opportunities.

All three regions suffer from poor communications (within and between regions) and many public services are lacking or are in need of improvement. Unemployment levels appear to be low in comparison with EU member states, but this reflects outmigration, subsistence rural economies and also failure to register. The need for further attention to improving access and participation in human resource development is also a common feature. It should be noted that all provinces in the three targeted regions are among the 49 designated by the Government of Turkey as priority regions for development.

Pilot EU regional development planning exercises were carried out in all three regions in 2002-2003 by the SPO with technical assistance provided by the EU. These initiatives, which included broad-based consultation and participative SWOT analysis, highlighted the particular problems facing the regions concerned and provided the basis for the design of the initiatives proposed in the present project fiche. Consultations involved discussions with local and regional partners within the public, private and NGO sectors (including district and provincial governors, municipalities, chambers of commerce, representatives of tourism and farmers associations as well as NGOs. During this process the major constraints and problems of the regions were identified.

a. Samsun NUTS II region

The Samsun NUTS II region is situated north east of Ankara, stretching from the Central Anatolia plateau to the Black Sea Coast. The NUTS II region, recently introduced, includes four provinces, Amasya, Çorum, Samsun and Tokat, with a total area of 38,000 square km, encompassing a variety of scenery, climate and vegetation. Çorum in the West, although situated on the plateau, enjoys relatively high rainfall, while Amasya and Tokat provinces include mountains and fertile valleys leading down towards the sea. The northern-most province, Samsun, is made up of well-watered foothills and a narrow strip of coastal plain, broken up by the outlets of the Yesilirmak and Kizilirmak rivers.

The total population of the region in 2000 was 2,994,000, as compared with 2,848,000 in 1990. Samsun with 1,204,000 inhabitants in 2000 is the most important province in terms of population, followed by Tokat with 828,000, Çorum with 597,000 and Amasya with 365,000. Between 1990 and 2000 a population decline of 11,595 was recorded in Çorum, whereas Tokat registered the most significant population increase - 109,289. The most densely populated province is Samsun, with 133 inhabitants per square km, well above the national average of 88. The remaining three provinces fall short of the national figure, with Çorum having the lowest density (47).

The urban population slightly exceeds the rural one in all provinces except Tokat. However, throughout the region the ratio of the rural population to the total is significantly higher than the national average.
Pronounced intraregional differences exist in the characteristics of the major urban centres. Commerce and industry in the north are dominated by Samsun, a major port and home to some 330,000 people. Important as an industrial centre is Çorum, with a population of 150,000, benefiting from proximity to Ankara and its position on the route from the capital to Samsun and the Black Sea coast. Amasya with a population of 63,000 and Tokat with 100,000 are primarily commercial centres.

Agricultural production is an important activity in the region. It amounts to 34% of the GDP in Amasya, 28% in Tokat, 23% in Samsun and 22% in Çorum. Çorum is a major centre for the production of wheat and chickpeas, Amasya and Tokat are known for fruit production, while the coastal plain around Samsun produces a variety of agricultural and horticultural products. Manufacturing activity in the region is largely focused on processing the products of local agriculture.

In terms of gross domestic product per capita, all four provinces are below the national average. In 2000, Çorum with a figure equal to 83% of national average ranked 32nd among all provinces, while Samsun ranked 33rd, Amasya 42nd, and Tokat 51st - with 56% of the national average.

Although no specific survey has been made among SMEs in the region, it can be reasonably assumed that the conclusions in the 2002 Progress Report for Turkey are applicable. According to this report, SMEs in Turkey face problems relating to outmoded production methods, lack of access to modern technology, workforce qualifications, credit and investment capital and poor understanding of foreign markets. These factors adversely affect their competitiveness.

The figure for those officially registered as unemployed in 2000 was 7,884 in Amasya, 14,204 in Çorum, 35,900 in Samsun and 23,384 in Tokat. However, the true figures are likely to be considerably higher. The absence of a system of unemployment benefits means that the jobless have little reason to register. Moreover, the official figures mask a high level of underemployment and informal work, and thus understate the real size of the workforce, particularly the number of economically active women. In fact, the majority of the registered unemployed persons in all four provinces are male.

High school schooling rates were in 2001/2002 higher than the national average of 34 in Amasya (36) and Samsun (35), but lower in Çorum (29) and Tokat (22). The rates for vocational and technical high schools are all below the national average of 15, Tokat with a rate of 9 being in the worst position. Samsun University with its campus in the city and branches in other provinces, is the main institution of public education. There are also a number of research institutions situated in the main urban centres.

As far as infrastructure is concerned, Samsun province falls below the national average in terms of supply of rural settlements with potable water. When it comes to the ratio of asphalted roads in rural settlements, Amasya and Çorum are better served than the country as a whole, whereas Tokat and Samsun are lagging. In electricity, consumption per capita in all four provinces is well below the national average.

The region faces a number of significant threats and opportunities, which were identified through a regional SWOT exercise carried out in November 2002 as part of the EU funded pilot regional planning exercise involving a wide range of public, private and NGO bodies. Important weaknesses highlighted by the SWOT analysis which need to be at the centre of a strategy for promoting development in the region include:

- Very few large enterprises, a poorly developed SME sector and a serious lack of modern management skills and entrepreneurial spirit
- Poor communication connections within the region and with other regions.
- Problems of rural development and the need to diversify activities in the countryside.
- Limited access to major markets and sources of capital and materials, modern services and innovative ideas.
Limited tourism development due to the distance from major destinations, poor infrastructure and lack of marketing of the region’s natural and cultural attractions.

Shortage of intermediate skills, hindering business development.

Environmental degradation including erosion, deforestation and pollution from residential, industrial and agricultural sources.

Poor infrastructure and public services.

Lack of experience in working together and pooling resources caused by the limited development of NGOs and cooperative structures.

Opportunities identified through the SWOT process include developing the potential of the tourism sector and the SMEs sector, and the potential for improving the quality of life through economically sustainable measures to protect the natural and man-made environment. While unlikely to become a focus for mass tourism, the region has considerable potential to increase visitor numbers and spend. It combines coastline and mountains with a remarkable and unique collection of historical monuments, including Hittite sites in the Province of Çorum, Pontic and Ottoman monuments in Amasya and an important collection of Seljuk buildings in Tokat.

b. Kastamonu NUTS II region

Kastamonu NUTS II region comprises the provinces of Çankırı, Kastamonu and Sinop and has a total population of 871,000 (2000). The region lies to the North of Ankara, it includes considerable areas of mountain landscapes as well as a significant Black Sea coastline and covers a total surface area of 26,000 square km. Communications are poor, with road access (especially to Kastamonu and Sinop) difficult, no air services within the region and very limited rail access. Communications are problematic, both within the region and to Ankara and Istanbul. Sinop has fishing and some cargo handling facilities.

Since 1990, the population of the region has fallen by some 10% due to outmigration, the problem being most severe in Sinop province, which has lost some 15% of its inhabitants. The problem is especially pronounced in rural areas. In total, the region has lost around 33% of its rural population during the last decade. In particular rural communities had seriously declined, as younger and more skilled people leave for urban areas within the region, but more frequently for Ankara, Istanbul or abroad. In total, the skill and enterprise base of the region has been seriously undermined.

Another regional characteristic is low incomes. The current GDP/capita for the region as a whole is just 68% of the Turkish average, although there are considerable variations among provinces, ranging from 54% (Çankırı) to 80% (Kastamonu). Although disaggregated statistics are not available, low incomes prevail in rural areas, sometimes disguised by subsistence level agriculture and remittances from family members working elsewhere.

The problems of rural areas are further underlined by the fact that this sector has seen growth of less than 1% over the past 5 years as compared with moderate growth of 3.8% in the service sector and 9% in manufacturing. Besides agriculture, significant sectors include mining and minerals, forestry and forest products, food processing, metal products and clothing and textiles.

The rates of registered unemployment are not high by EU standards, with an overall regional rate of 4.5% (men 5.8% and women 2.8%), the problem being most pronounced in Çankırı with 5.5%. The low level of recorded unemployment reflects outmigration as a response to lack of economic opportunity, the reliance on subsistence farming in rural areas and lack of motivation to register as unemployed due to the lack of unemployment benefits.

In education the level of participation is less than the national average, although overall regional figures are not available. In high school education the situation is problematic, with schooling rates of 19% in Çankırı, 25% in Kastamonu and 29% in Sinop in comparison with 37% for Turkey as a whole. Paradoxically, in technical and vocational level education all three
provinces exceed the national average of 20%, with Kastamonu demonstrating a schooling rate of 27%. Investment in human resources within the region is therefore a matter of concern. Although no specific figures are available, the problem is likely to be much more pronounced in rural areas.

The region was the focus for a pilot regional development planning exercise in the second half of 2002, which included an exercise in participative SWOT analysis. This indicated that the region faces a number of significant constraints hindering its future development that need to be addressed. These include:

- Lack of commercialisation and added value within the agricultural and food production sectors and a need to develop new products and new markets.
- A need for greater investment possibilities and understanding of market awareness to permit the expansion of the SME sector.
- Poor transport and communications (especially road and rail) both within the region as well as to Ankara and Istanbul.
- Poor living standards, reflecting lack of, and outdated, local infrastructure and facilities and, to an extent, lack of environmental awareness.
- Potential loss of cultural and natural assets within the region (including forest landscapes and old Ottoman buildings).

Alongside these problems, the region has a number of opportunities which can be developed through this intervention:

- The SME sector is small and has limited access to finance or expertise, yet there is capacity for the production of products for markets elsewhere in Turkey and beyond.
- Although transport links are currently not of high quality, distances to markets in Ankara and Istanbul are not very great. Furthermore, the region has port facilities giving access, for example, to markets in the former Soviet Union.
- Considerable potential for tourism activities (rural and coastal) exists, which could be further developed with limited improvements to infrastructure.
- The exercise demonstrated the strong commitment of partners within the region to the development process.

c. Erzurum NUTS II region

The region lies to the East of Ankara and includes extensive mountain landscapes as well as valleys and mountain plains. The total population is 1,355,000 (2000) and the total surface is 41,000 square km. The population density is very low (33 inhabitants per square km), as compared to the national average of 88 inhabitants per square km.

Although the region is situated on the major crossroads of West-East and North-South transportation corridors, in general transport communications are poor with difficult road access to the provincial capital of Bayburt. There is limited rail access but there are two major airports. Erzurum region has an extreme climate, with long and severe winters which hinder development, for example by impeding transportation, constraining agricultural production and raising energy costs for businesses and households.

Erzurum has experienced heavy out-migration especially in rural areas with a decline in population of about 15% since 1990. This trend has affected mostly younger and more qualified individuals. In addition, the region suffers from extremely low incomes with GDP per capita being only 36% of the Turkish average. This figure reflects low value added within the economy, the very restricted nature of the productive and service sectors and the near subsistence nature of much of the rural economy. Low income also acts as a constraint for the domestic market for goods and services within the region.
Growth over the past five years has been low in agriculture (1%), moderate in the service sector (3.8%) and more pronounced in manufacturing (9%).

Participation levels in education are much lower than the national average, as are all other social indicators such as health, health benefits and retirement benefits. Much local infrastructure is outdated and in need of replacement, except in the areas affected by earthquake damage.

The registered rate of unemployment is only 6.5% but it is believed that the real rate is considerably higher, due to a widespread failure to register.

The basic needs and development gaps were identified in an EU funded regional planning exercise undertaken in March 2003. This highlighted the fact that the region is in urgent need of support to reduce migration, increase incomes and stop the loss of cultural and natural assets. Local stakeholders were consulted as the present project fiche was elaborated at a meeting and workshops in the region in as part of this exercise.

The region suffers from major weaknesses which compound the problems concerning the future development of the region. These include:

- Significant outmigration, especially of better qualified and more able individuals
- Low incomes and a limited range of economic and employment opportunities
- Poor quality of life in relation to lack of investment and development of public services and facilities within the region, especially in rural areas.
- Limited SME development and enterprise creation.
- Peripherality within Turkey and on an international basis, which has been compounded by instability on Turkey’s eastern borders in recent years.
- Poor communications especially in relation to road and rail connections.

Despite these constraints, Erzurum region has significant potential, in areas such as agriculture and food products, universities and research activities and a limited but significant enterprise sector. The regional has potential to increase activity in the field of summer tourism and winter sports. The region has a wide range of potential stakeholders and partners in the public and private sectors committed to local development.

### 3.2 Linked activities:

Among the four major regional development projects planned by the Government of Turkey, the most ambitious is the Southeastern Anatolia Plan (GAP), covering nine provinces with a total population of 6.2 million. This is a multi-dimensional, intersectoral and decentralized planning effort aiming to mobilize regional resources, create employment opportunities, increase income, develop urban centres and thus ensure economic development and social stability in the region. The majority of the expenditure necessary for its implementation comes from national funds.

**Turkish Government Initiatives**

The Zonguldak – Bartin – Karabuk regional development project was initiated as a response to the process of restructuring that the coal extraction and iron and steel sectors are undergoing in this area.

The Eastern Anatolia Project - Master Plan (DAP) covering sixteen provinces (including the Erzurum NUTS II region), was initiated by the SPO in response to serious underdeveloped of this part of the country compared with the national average. The plan and accompanying feasibility studies for individual investment projects was prepared by a consortium of universities located in the region.
Finally, the Eastern Black Sea Regional Development Plan (DOKAP) covering seven provinces was drafted by the Japan International Cooperation Agency under SPO coordination.

In deciding the allocation of public investments, projects in the geographic areas covered by the four plans have priority. Activities of such a nature are described in the publication “Profiles of Turkish public sector projects for foreign funding in 2002, SPO General Directorate of Economic Sectors and Coordination, April 2002”.

Besides the four regional plans, UNDP and Ataturk University have been involved in conducting a number of rural development projects covering one or two provinces each. These have been designed to improve living conditions and increase the income of the local population, raise agricultural and animal production and enhance the management of land, water, animal and forest resources.

EU support
The European Union is currently financing activities within the South Eastern Anatolia Programme (GAP). This project has a duration of 5 years and a total cost of 45 million euros with an EU contribution of 44 million euros. In addition, the EU is about to allocate 45 million euros to the Eastern Anatolia Development Programme. This forthcoming intervention, focusing on the NUTS II region of Van, will apply a participatory approach in support of an environmentally sustainable model of local economic development. It will be made up of four components addressing agriculture and rural development, SME support, tourism and the environment and social development.

In addition, the EU is supporting a number of large scale development programmes addressing priority needs across the whole of Turkey. These include programmes to support active labour market strategy; promote reproductive health; strengthen the vocational education and training system; provide support for basic education; and support women entrepreneurs.

In the three targeted regions, discussions and consultations indicate that the level of activity by international and bilateral donor programmes is very limited. Mechanisms will be put into place to ensure harmonization with other donors and programmes during the implementation phase.

3.3 Results:

The interventions foreseen will (I) help to promote economic and social development in the regions concerned by supporting small scale infrastructure projects, assisting the growth of sustainable SMEs, and promoting community development through local initiatives; and (2) provide key local and national organizations with practical experience of initiating and managing small scale donor funded grant schemes in the framework of the EU approach to regional development.

- The Local Development Initiatives grant scheme will promote locally driven responses for development and the delivery of collective services, corresponding to locally defined needs and will foster partnerships between public authorities, NGOs and universities.
- The SME Grant Scheme will stimulate entrepreneurial activity by providing privately owned small businesses with resources for physical investment and for strengthening human resources and management through such things as business training, counseling and improved access to information.
- Grants for Small Scale Infrastructure will help to address priority needs in terms of infrastructure and hence to provide services vital for the local population and local businesses and thus raise the standard of life in the region.
- The initiative will also provide Technical Assistance to support the implementation of the three grant schemes.
Taken together, the components of this integrated intervention will improve socio-economic conditions in the three regions and will provide valuable experience for public institutions, local and national, directly involved in promoting development in regions of Turkey which face particular difficulties.

Detailed attainment indicators are included in the logframe matrix annexed to the project fiche.

### 3.4 Activities

The precise activities to be covered will be under each component will be defined in detail in their respective eligibility criteria. The activities described below are, therefore, indicative.

#### A. Local Development Initiatives Grants Scheme

Eligible activities in this component include small scale soft measures of collective importance for the region, such as:

1) Support for vocational institutions for improving premises and equipment, developing new curricula in accordance with labour market requirements, training staff (trainers and administrators), strengthening links with stakeholders.

2) Support to local institutions for setting up, or improving, SME advisory and training services. Emphasis will be given to non-profit initiatives that provide business advice as well as training and coaching to entrepreneurs, particularly those at the very beginning of their business effort, in order to minimize the failure risk, which is high for start-ups.

3) Investments for the development of the tourist sector focusing on the promotion of the image of the region as a tourist destination in the areas of sport, adventure, and historic and leisure activities.

4) Rural development projects aiming to improve agricultural techniques and to diversify income generating activities

5) Promotional activities for local products

The projects within this component will be diverse, targeting different needs and groups, but are all expected to have a regional impact, in line with economic and social cohesion objectives. Applicants to this scheme will, as a general rule, be non-profit institutions and organizations, such as local administrations, Service Unions, Vocational Schools, Universities and Research Institutes, Chambers of Commerce, Business Support Centres, information centres, unions and farmers associations. These organizations will be required to prove that they have the necessary human and material resources and the organizational structure necessary to implement the project and to provide services to the final beneficiaries.

**General eligibility criteria**

- The direct beneficiary must be a local public authority or non-governmental organization serving the public interest, which will be responsible for providing the services necessary and managing the facility created or supported.
- Direct support to individual commercial enterprises or groups of enterprises will not be permitted.
- Access to the facilities created or supported must be guaranteed for all potential users on equal terms.
- The budgeted costs in project applications do not exceed the actual market costs for the services to be provided.
- Direct beneficiaries must make a 10% contribution in cash or kind.
- Projects which are purely infrastructure investment are not eligible under this grant scheme (but may qualify under of the SME scheme or the small infrastructure scheme).

**Project selection criteria**
1. Strategic nature and integration

- Demand driven project, reflects the situation in the region and the priorities identified through the consultation and SWOT analysis initiatives carried out in the three regions
- Integration to the national and regional development strategies
- Links, coherence and synergy between the project and other interventions

2. Outcomes

- Enhancement of human resources in the region
- Strengthening of human infrastructure in the region by promoting voluntary sector association and by improved collaboration between local authorities and NGOs
- Provision of quality services to a group of final beneficiaries in region
- Contribution to increasing the number of new businesses and spin-offs, to altering attitudes towards entrepreneurship and to promoting cluster development
- Contribution to increasing the effectiveness of the vocational training system.
- A net positive quantified impact on the economy of the region, including job creation and retention.
- Stimulation of the general economic climate in the region

3. Ensure participatory approaches

- Cooperation and partnership networking in the planning and implementation phase.
- Encouragement of local development through the participation of people from local communities in the implementation of a local strategy and action plan.

4. Sustainability of results

- The proposed activities should result to outputs which are sustained into the future.

**Eligible Expenditures**

Expenditures should be directly linked to achieving the purpose of the grant and appropriately accounted for. The following list of eligible expenditures is indicative and not exhaustive:

- training for staff of local authorities and NGOs
- networking between NGOs in different parts of the region or between regions
- development of participative activities involving groups such as women or young people
- exchange of experience and networking between local public administrations
- development of new forms of public consultation
- organisation of consumer groups and consumer cooperatives
- provision of public information services
- small scale construction works and purchase of equipment that is directly associated with to activity to be carried out

**Identification, Appraisal, Selection and Implementation:**

Potential projects will be solicited through a call for proposals conducted according to standard EU procedures.

Projects that are in compliance with the eligibility criteria will be selected according to standard EU procedures. The final decision will be taken by the contracting authority on the recommendation of the Evaluation Committee, taking account of conformity of the project with the priorities and criteria established in this project fiche and the operational guide, the availability of the required co-financing and the prospect for implementation of linked activities.
General Conditions:
The maximum contribution to projects under this grant scheme will be up to 100,000 euros. Usually budgets for such projects (particularly those proposed by NGOs) should be small, reflecting the provisions of the Phare Programming Guide for grant schemes.

In general only “soft” measures will be eligible except, as stated above for any small scale construction works and purchase of equipment that constitutes a part of an activity that is eligible and is fully associated with it. Pure infrastructure projects or pure investment projects may be covered by one or other of the other two grant schemes.

Selection of projects to be financed under this component will take account of other projects financed from different sources in the targeted regions.

B. SME Grant Scheme

The SME support scheme will be accessible to all SMEs meeting eligibility criteria as defined with respect to the aims of interventions. The regulations and the opportunity to avail of the support will be made public and the selection procedures will be competitive. The assistance will be provided in the form of an appropriate mix of services and financial support to SMEs, in terms of grants covering integrated company development plans.

Indicatively, a business support package may include the cost of procuring equipment, machinery and associated investment (such as construction related to the investment), intangible investment (including training and consultancy services for implementing the project), transport of equipment, installation and other works related to equipment purchase, building and rehabilitation of buildings, software and licences.

Professional advice and guidance may be given on identified key issues affecting SME business competitiveness, such as business planning (notably for business start-ups and new enterprises), marketing and market development, product design and development, new technologies, introduction of quality assurance and certification systems, managerial and organizational improvement, financial management, market research, marketing and advertising strategy (including product placement in foreign markets), access to finance, human resources development and staff training. Although the content of the assistance will be tailored to each beneficiary, the main elements of an advisory package would schematically be targeting the following business development domains:

- Technology transfer and innovations
- Management and organizational development
- Financial management
- Marketing and advertising (including the establishment of export contacts)
- Human resources development

Notably, priority services will be granted for:

- Obtaining finance, including support for development of investment projects, screening possible financing sources, preparing applications and business plans, negotiating terms, etc.

- Accessing markets and especially enhancing export activities, including access to databases and market information, taking part in fairs, exhibitions and company visits, preparation of marketing plans, etc.

Grants may also support investment to introduce modern production technology with a view both to increasing production capacity and, more important, to improving quality, productivity, and therefore the marketability of the products or services concerned. Grants will provide seed capital for new production units as well as permitting existing small and medium enterprises to expand and modernize their production capacity.
Indicatively, financial support will be provided for investment necessary for obtaining quality certification under international technical and quality standards or for promoting clean technologies. Support will also be made available for investment related to R&D, innovation, transfer of technology, and IT technology.

The expenditures to be covered will include the procurement of equipment and machinery together with any related hardware and software. Construction works will also be funded if directly associated with the installation and proper functioning of the equipment or the improved functioning of the business.

Eligibility for the grant scheme will be dependent upon the approval of a business plan justifying in full the use of resources to be made available to the applicant and must be in line with restructuring recommendations resulting from it. Selection criteria will be the foreseen quality and productivity improvements resulting in competitiveness increase, and proof of adequate business and managerial skills to make best use of the allocated grant. The beneficiaries should also demonstrate their ability to contribute their share of the proposed investment cost.

**Eligible Beneficiaries**

The beneficiaries of this scheme will be privately owned small and medium sized enterprises (according to the EU definition) from all sectors of the economy including services, agriculture, tourism and manufacturing. In principle, units will need to be registered and have their headquarters, or at least their facilities, within the targeted regions, investments in all sectors will be eligible, with certain exceptions clearly stated.

Eligible grantees should be:
- small and medium sized enterprises (according to the EU definition) properly registered and active in the regions concerned

**General eligibility conditions:**
- Must have a sound, independently verifiable, business plan
- Established enterprises must have shown a profit in the fiscal year preceding the date of grant application. This regulation will not however apply for start-ups.
- In order to qualify, start-up businesses must have been established at least two months prior to the call for proposals.
- No previous non-paid overdue liabilities, overdue social charges and tax payment, defaulted loans.
- Keeping regular accounting records, and a full record of the expenditures that would be considered eligible under the grant scheme.
- Must be fully privately owned.

Grant support may be up to a maximum of 100,000 euros for each project. Each beneficiary will have to match grant funds with an own contribution amounting to at least 50% of the cost of the project.

**De minimis rule**
Beneficiaries must notify in the application form the amount of any grant they have received in the past, as well as any grant they have applied for and for which an answer is pending. Direct grants from public funds (EU plus national co-financing) to a given SME will be allocated with a ceiling of euro 100,000 over a three-year period beginning when the first de minimis aid is granted.

**Project Selection Criteria**
The scale of new business activities arising from the implementation of the project leading to significantly increased turnover and jobs
- Involvement and participation by business units with significant potential for growth
- Sustainability of company change in terms of quality, volume of sales, value added and jobs over a 3 to 5 year period
- Appropriate match funding

**Eligible Expenditures**

Expenditures should be directly linked to achieving the purpose of the grant and appropriately accounted for. The following list of eligible expenditures is indicative and not exhaustive:

- investment costs to procure and install new equipment and/or machinery
- adoption of modern technology, including software and licenses and associated training expenditures
- verification and other works related to equipment or IT purchases
- construction works related to the investment (e.g. purchase of equipment), storage facilities and warehouse improvements
- transport vehicles related to the investment, such as small trucks, vans, etc.
- investment in all sectors of agro-business
- investment to improve crops in use by introducing new crop varieties or growing/processing methods (focus on innovative methods, including organic farming)
- investment in cattle breeding and apiculture
- renovation or construction of hotels and rented rooms, B&B and boarding houses
- restoration and rehabilitation of traditional buildings to be used for tourist purposes
- intangible investment, including small scale training and technical assistance, permits, designs, brochures etc, necessary to implement the project

Purchase or rent of land, VAT, other taxes, costs already incurred, currency exchange losses, as well as non-project related expenditures will not be eligible for funding.

**C. Small Scale Infrastructure Grant Scheme**

Investment in infrastructure designed to improve living conditions in the targeted regions and facilitate investment. Examples of eligible activities may include:

1) Improving existing industrial estates, including site preparation or refurbishment of existing buildings and connection to public utility networks
2) Improvements to trade fair sites
3) Construction or improvement of access roads to these sites
4) Construction or enhancement of sewers and wastewater treatment plants
5) Construction and improvement of roads connecting areas of productive activity.
6) Small scale public infrastructure related to tourism (including tourist information posts)
7) Reconstruction / renewal of state owned buildings to be used for tourist purposes, for example, as museums/cultural centres
8) Restoration of historical and cultural monuments

The projects will meet regional needs which are not in contradiction with national development plans. The concrete economic impact of the investment foreseen will have to be established in line with the priorities selected during the relevant regional planning exercise. As far as possible, the expected impact of the investment will be quantified (number of enterprises to be affected, regional importance of the facility, temporary and/or permanent jobs created and/or maintained).

**General Eligibility Criteria**

- The direct beneficiary is a local public authority, which will be responsible for providing the services and will normally be the legal owner of the infrastructure to be constructed or improved
- Access to the infrastructure must be guaranteed for all potential users on equal terms
Infrastructure constructed with support from the grant scheme will remain in the ownership of the public sector for at least 5 years after completion of the construction works. If privatization occurs before, the conditions of privatization will be subject to formal approval from the EC Representation.

Environmental Impact Assessment shall be designed following EU Directive n° 85/337/EEC and technical design will be in compliance with EU standards.

**Project Selection Criteria**

1. Policy criteria
   - The project will contribute to the achievement of general EU and national goals for upgrading infrastructure in the country
   - The project meets a need identified by the local community and reflects the priorities identified through the SWOT analysis for the region concerned
   - The project interacts with other projects or measures
   - The project improves the overall image of the region where it is situated

2. Public health and safety
   - The project addresses a health or safety hazard
   - The project reduces the incidence of illness and deaths

3. Quality of the environment
   - The project reduces pollution (air, noise, water or solid waste)
   - The project contributes to the safeguarding of the natural or man-made environment
   - Adverse environmental impacts of the project are reduced to a minimum in the most cost-effective way.
   - In case of impacts severely detrimental for the environment, appropriate rehabilitation is included in the planned activities.

4. Quality of life
   - The project positively affects the quality of life of a large number of citizens

5. Institutional issues
   - The existing or foreseen institutional framework is capable of dealing with the implementation and the operation of the project.
   - The project will foster empowerment of the local community and be based upon partnership (including partnership with the private sector where relevant).

6. Technical issues
   - The project should be developed in a flexible way that will meet current and future needs
   - Generally accepted codes of practice should be used during the project implementation, with appropriate exceptions made to accommodate local conditions and characteristics.
   - Least-cost techniques should be used wherever possible.

7. Economic development
   - The project promotes new capital investment, boosts business activities and enhances overall economic development in the area
   - The project creates significant job opportunities during the construction and operation phases (use of small local contractors and local personnel to manage and staff the utility).
   - The project has a considerable demonstration effect and provides training opportunities.
   - The overall social benefit of the project is significant, rendering it socially acceptable to all affected parties

8. Financial
   - The implementation of the project will (in the long run) result in a significant decrease in operations and maintenance costs
The revenues associated with the project should be equal to, or exceed, the expenditures when the project is implemented.

The project will be sustained beyond the duration of grant scheme funding

Any financial risks are identified and considered manageable.

9. Distributional effects
   Any adverse distributional effects associated with the implementation of the project are minimal

10. Documentation
    The project’s technical and financial documentation is complete and accurate

11. Phasing
    The project is a part of an on-going phased infrastructure intervention for which construction has already begun, or for which there is an approved funding, or at least a request for funding.
    The project is to be delivered within the duration of the grant scheme

12. Inter jurisdictional effects
    The project extents to the jurisdiction of several administrative units (municipalities or provinces).

13. Maturity
    The project should be fully developed and costed and supported by appropriate feasibility and (if appropriate) environmental impact studies

**Identification, Appraisal, Selection and Implementation:**
Potential projects will be solicited through a call for proposals conducted according to standard EU procedures.

When the relevant technical and economic studies have been completed, the procedure for approving the projects will start, taking account of the results of the feasibility studies, the conformity of the project with the priorities and criteria established, the availability of co-financing for the project and the prospect for implementation of linked activities.

**General Conditions:**
The budget for a small infrastructure project should indicatively range between 100,000 and 2,000,000 euros. Both construction works and purchase of equipment will be eligible.

Priority will be given to projects which are part of an integrated plan, including environmental rehabilitation, environmental protection, economic development and job creation. In particular, the construction of basic environmental infrastructure (solid waste and waste-water treatment), can only be eligible when these investments are part of an ecological rehabilitation plan which directly facilitates business and/or tourism development.

**D. Technical Assistance**
A T.A. component will be contracted following standard EU selection procedures and will be made available to support the implementation of the project at central and regional level. Given the number of project proposals likely to be submitted in each grant scheme, it is absolutely necessary that the assistance of a team of experts, including at central level one team leader and one procurement / contract / finance manager, and at regional level one resident expert coupled by one local project supervision assistant, is used.

The team will be complemented by a pool of short term experts, to be mobilized particularly for supporting the grant schemes (e.g. engineers to assess technical proposals, environmental assessments, etc). The TA project should include a considerable formal and on the job training
aspect, to enable local stakeholders to prepare sound project proposals and for the staff involved
to manage the grant schemes effectively.

3.5. Lessons learned

There is limited experience in Turkey as regards implementing grant schemes at NUTS II
regional level. Experience from the candidate countries demonstrates the potential of such
schemes in promoting regional economic development – provided that transparent and efficient
selection, implementation and monitoring / evaluation structures are established.

Lessons learned are, therefore, largely limited to the involvement of the beneficiary in the
programming process. The SPO as well as local stakeholders including local authorities, the
private sector and local community organisations participated in a series of workshops in all
NUTS II regions and thus contributed to the programming process leading to the Outline
Regional Development Programmes and the subsequent Project Fiche. Workshops allowed for
the discussion of implementation structures and content of the schemes thus raising awareness
with regard to the grant scheme requirements.

4. Institutional Framework

Contracting Authority
The Contracting Authority will be the Central Financing and Contracting Unit (CFCU), which
will be responsible for tendering, administration, accounting, payment,

Beneficiary
The beneficiary for the programme will be the State Planning Organization (SPO. The SPO will
be responsible for sound administrative management as well as monitoring and reporting during
the implementation phase.

The institutional framework will include a two tier organization structure accommodating the
National / Central Level and the regional level within which the project will have to operate.
Service Unions are now being set up at NUTS II regional level, encom
passing a partnership of local stakeholders. Regional Service Unions (see below) will be invited
by the SPO to take on the responsibility of acting as PIU for the region in question.

Central level

CFCU: Approval of procedures and general rules referring to contracting, documentation,
monitoring. Approval of the list of projects selected, contractual matters and disbursement of
funds
SPO: Establishment and management of the three grant schemes. Securing the operation of
structures necessary, including regional bodies and implementation units, monitor committee,
evaluation committee. Participation in project selection and monitoring.

Regional level

Service Unions: Day to day implementation of the project. Interface with final beneficiaries,
preliminary screening of projects of local importance, publicity, reception of project proposals.
5. Detailed Budget

<table>
<thead>
<tr>
<th>Support</th>
<th>Institution Building</th>
<th>Total EC (=I+IB)</th>
<th>National Co-financing*</th>
<th>IFI*</th>
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<tr>
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<tr>
<td>Technical assistance</td>
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<td></td>
<td></td>
<td>3.0</td>
</tr>
<tr>
<td>Total</td>
<td>37</td>
<td>3.0</td>
<td>40.0</td>
<td>12.33</td>
<td>52.33</td>
</tr>
</tbody>
</table>

* In cases of co-financing only

Note: expenditure on equipment should be included under Investment

The total budget of 52.33 million euros will indicatively be allocated equally to the three regions and the three grant schemes supporting local development initiatives, SMEs and small infrastructure will correspond to 20%, 30% and 50% of the available budget respectively. Budget reallocation among regions and schemes may be considered during the course of the implementation, depending on absorption capacity demonstrated. Finally, 3.0 million euros will be allocated for a TA project.

6. Implementation Arrangements

6.1 Implementing Agency

Contracting authority
The Central Financing and Contracting Unit (CFCU) will be the Contracting Authority and will be the Implementing Agency responsible for all procedural aspects of the project’s implementation, contracting matters (contracts with applicants/beneficiaries) and financial management (including payments to beneficiaries). The CFCU will be responsible for setting up an Evaluation Committee and projects will be selected according to standard EU procedures.

Beneficiary
The State Planning Organization (SPO) will be the beneficiary and will be responsible for preparing, with support from the Technical Assistance team, all required background documentation for the project (Guidelines for applicants for calls for proposals, Project contracts, Evaluation Grid and Monitoring templates). Background documentation will be established following the models provided by the Practical Guide to Phare, Ispa and Sapard. All documentation will be submitted to the Representation of the European Commission for approval.

Project Implementation Units
The SPO, as the beneficiary, will be responsible for the establishment of appropriate arrangements for supporting the implementation of the project at the regional level. Important aspects of the implementation of the project will be devolved to regional Project Implementation Units (PIUs), including publicity of the grant schemes, awareness raising and guidance of potential beneficiaries and monitoring. This will be an essential prerequisite due to the distances involved in the country and the expected number of project proposals.

Under the supervision of, and in close coordination with the SPO, Service Unions will take on the responsibility of acting as PIU for each region. Service Unions are associations set up at the
regional level to bring together provincial administrations, local authorities, NGOs and other local interests. A Service Union was set up embracing the four provinces now included in the Samsun NUTS 2 region in 1999. A Service Union was set up in Kastamounu region in March 2003. One will be established in the Erzurum region in mid-2003. Each Service Union has a supervisory board consisting of the governors of the provinces and the mayors of the major municipalities in the region concerned. NGOs and other local organizations are represented on a consultative committee. A chief executive is responsible for day to day management and is supported by specialist full-time staff seconded from local directorates of line departments of the Provincial Administrations. The unions are funded from provincial and local authority sources.

In order to provide the services of PIU for the particular region, the Service Union concerned will have a fully equipped office with staff (4-5 persons), initially seconded from the provincial administrations, complemented where necessary by staff coming from other state institutions. The SPO as the beneficiary will oversee the development of the necessary capacity at regional level.

Technical Assistance will be provided to the regional PIUs from the TA component.

6.2 Detailed Implementation arrangements

6.2.1 Call for Proposals: The CFCU will conduct a call for proposals addressing potential beneficiaries in the target regions, in line with the Practical Guide.

6.2.2 Guidelines for Applicants: To be prepared by the SPO, using the support of experts made available under the on-going framework contract (AMS 451 2002 52819), and issued to potential applicants by the SPO and the regional PIUs. The Guidelines will include a standard application format and detailed eligibility and project evaluation (selection) criteria. The regional PIUs, assisted by the experts of the TA component of the project, will ensure publicity and awareness among potential beneficiaries.

6.2.3 Eligibility Criteria: According to the type of project and as specified for each activity in 3.4.

6.2.4 Evaluation Criteria: Evaluation criteria will include the following: Readiness of the project to be implemented; Relevance of the project and its coherence with the objectives of the schemes; Quality, expected impact and sustainability of the project as well as its cost-effectiveness. Priority will be given to projects with a regional character (i.e. projects with a target area including all of the regions’ provinces) and a strong potential for replication.

6.2.5 Evaluation Committee: Proposals will be evaluated by an Evaluation Committee set by the CFCU. In line with the Practical Guide, the entire evaluation procedure will be recorded in an evaluation report, which will be submitted to the European Commission for approval.

6.2.6 Grant Awards: Grants will be awarded following the standard procedures set down in the Practical Guide). Individual grants will not be required to be endorsed by the European Commission, but a copy of the contract will be required to be provided to it.

6.2.7 Monitoring Committee: The SPO will establish a monitoring committee to follow the progress of the schemes’ implementation (using monitoring indicators as defined in the logframe). The monitoring committee will include representatives from the targeted regions, the Service Unions, provincial administrations, municipalities and any organizations representing the interests of agriculture, tourism and SME. The monitoring committee will meet twice a year. Meeting reports will include monitoring data and will be used to inform decisions related to the schemes’ implementation and future programming.
6.3 Twinning
No twinning activities are included as part of the grant schemes and the individual investment projects.

6.4 Non-standard aspects
Not applicable.

6.5 Contracts
There will be a number of small contracts financed through the three grant schemes. Contracting each infrastructure project will remain under the responsibility of the central and regional structures implementing the programme. The public authority being the final beneficiary will be responsible for contracting the individual construction works. In addition, a TA contract with a consulting firm is foreseen.

7. Implementation Schedule

Start of tendering/call for proposals 3Q/2003
Start of project activity 1Q/2004
Project completion 4Q/2005

8. Equal Opportunity

Through all the implementation phases specific provisions will be put in place to guarantee equal opportunity of access to activities and benefits accruing from the grant schemes. Gender related indicators will be adopted and monitored when individual projects are selected for funding.

9. Environment

All individual projects and activities supported through the grant schemes will be assessed during the evaluation procedure from the point of view of possible environmental risks and compliance with regulations in use. Only environmentally compatible projects will be supported, while the introduction of environmentally friendly technologies, processes or products will be considered an asset. Equipment to be procured under the private productive sector scheme will conform to environmental standards. A full environmental impact assessment according to EU legislation will be worked out for investment projects (works contracts) under the small scale infrastructure component.

10. Rates of return

Rates of return will be calculated for each grant being awarded. More specifically:
1) Rates of return will be calculated for individual projects within the local development initiatives component
2) All business projects supported under the relevant scheme will assessed from the point of view of their sustainability and longer term business planning. Only projects demonstrating market competitive rates of return will be deemed eligible.
3) Full feasibility studies for projects within the infrastructure component will be required. The eligible projects should demonstrate a considerable social rate of return and proven sustainability by securing funds necessary to cover the operation costs.

11. Investment criteria

11.1 Catalytic effect:
The project will have a significant positive effect on economic and social conditions in the three regions as well as on the capacity of national institutions to manage regional development schemes.

**Local development initiatives**
Funding made available through the relevant grant scheme will allow the implementation of small “soft” activities that will serve the general aim of regional development but more important, will also facilitate partnership building and allow the public authorities and the NGO sector to become familiar with EU funded interventions.

**SMEs**
Limited access to investment capital and lack of training and counselling support are inhibiting the development of the business units in the regions. Therefore, a combination of advisory services and financial aid would foster start-ups as well as improve the market potential and the competitiveness of operating businesses, thus helping in maintaining jobs in the long run.

**Small scale infrastructure**
In all three regions targeted by the programme, transport, environmental and business related infrastructure bottlenecks call for interventions aiming at upgrading the services provided to the general population, improving the business climate, and attracting investments.

**11.2 Co-financing**:
A detailed description of the management mechanisms including maximum/minimum EU contribution, and indications as to the level of beneficiary co-financing, will be given in the respective operational guidelines which will be submitted along with all required documents for the final approval of the grant schemes to the European Commission. The EC co-financing contribution to the proposed grant schemes will be 40 million euros or 75% of the total.

The proposed EC contributions to individual projects supported under the grant scheme and small-scale infrastructure scheme are based on an analysis of existing project ideas in the regions and their respective budget estimates. The proposed overall funding of the project is:

Local Development Initiatives:
Project budget up to 100,000 euro,
90% funded from the grant scheme. A 10% local contribution will be required in cash or kind.

SME Grant Scheme:
Grant up to 100,000 euro per project
50% from public funds (EU, national), the remaining 50% contributed by the beneficiary SME

Small scale infrastructure
Project budget from 100,000 to 2,000,000 euro
90% funding from the grant scheme. A 10% local contribution will be required in cash or kind.

**TA**
100% funded from the grant scheme.

**11.3 Additionality**:
The implementation of the project will not compete or displace any private service providers or financial sources. The final beneficiaries’ needs will be those not covered otherwise. All eligible projects under the grant schemes will respect the additionality principle. EU support will only supplement other sources and will on no account replace investment from national sources allocated for development support of the region. The resulting rates of return shown by the financial appraisal of the individual projects must demonstrate the impossibility of obtaining private or IFI finance.
11.4 Project readiness and size:

All components of the project reflect the existing situation in the three regions and the interventions proposed are in line with the gaps, deficiencies and development priorities endorsed by the local stakeholders.

Day to day implementation will be carried out by regional structures, under the overall supervision, guidance and monitoring of the SPO. Both regional and central institutions directly involved at the implementation of the project will be supported by a Technical Assistance team working on a continuous basis with them.

It will be the responsibility of applicants through feasibility studies, business plans or other documentation to demonstrate that their individual projects are in compliance with EU norms and standards, are financially sustainable and have no adverse effects on the environment.

11.5 Sustainability:
The project supports the implementation of regional development policies already agreed upon with central and regional stakeholders. This will secure the interest of all the partners and will contribute towards the sustainability of the project’s outcomes. The measures included comply with EU member state and candidate country best practice.

The sustainability of individual projects and of project applicants will be among the selection criteria in all three grant schemes. In particular, infrastructure facilities will be owned by state authorities and subsequently run and maintained by them.

11.6 Compliance with state aids provisions
Support provided under the three grant schemes respect state aid provisions. The project is in accord with Article 92(3)(a) of the treaty of Rome with respect to regional aid in the EU.

11.7 Contribution to NDP
See above under point 2.

12. Conditionality and sequencing

-conditionality
EU financing of the project will be dependant on a set of preconditions. Contracts under the three grant schemes in each region cannot be signed until the following two conditions are met: The technical assistance team is in place to provide support for implementation and monitoring The PIUs in all three regions are fully established and staffed as described in section 6.1

-Sequencing:
Sequencing is indicated in the timetable under point 7 above.3Q/2003: Required technical documentation for funded scheme projects prepared End of 2003: Draft operational guidelines to the funding Schemes along with all required documents submitted for approval to EC

ANNEXES TO PROJECT FICHE
1. Logical framework matrix in standard format (compulsory)
2. Detailed implementation chart (compulsory)
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period) (compulsory)
4. Reference to feasibility/pre-feasibility studies. For all investment projects, the executive summary of the economic and financial appraisals, and the environmental impact assessment should be attached (compulsory)
5. List of relevant Laws and Regulations (optional)
6. Reference to relevant Government Strategic plans and studies (may include Institution Development Plan, Business plans, Sector studies etc) (optional)
### LOGFRAME PLANNING MATRIX FOR Project

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>To support the Turkish Government in implementing an integrated regional development policy in three NUTS II regions, by means of projects aiming (1) to promote the sustainable economic development of the regions concerned, and (2) to provide experience at the regional level in conducting locally appropriate EU co-funded grant schemes.</td>
<td>–</td>
<td>EC Regular Report on Turkey</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 establish in the target NUTS II regions: (1) a grant scheme for local development initiatives, (2) a grant scheme for SMEs, (3) a small scale infrastructure grant scheme, (4) technical assistance to support the implementation of the project.</td>
<td>– Degree of response to call for proposals: applications for grant to total more than double funds available  – Number of projects submitted for each grant scheme exceeding funds available by factor of 2  – Quality (including maturity) of proposals submitted  – 270 projects successfully completed and achieving individual targets by end 2006</td>
<td>– Progress reports by the SPO and TA Monitoring and evaluation reports of projects  – Operational regional administration  – EU policy &amp; procedures applied  – National funds available  – national and regional development strategies enhanced and amended</td>
<td></td>
</tr>
<tr>
<td><strong>LDI grant scheme</strong></td>
<td><strong>SME grant scheme</strong></td>
<td><strong>Small scale infrastructure</strong></td>
<td></td>
</tr>
<tr>
<td>----------------------</td>
<td>----------------------</td>
<td>-----------------------------</td>
<td></td>
</tr>
<tr>
<td>Promotion of locally driven responses for development and delivery of collective services in line with priorities identified in the regional SWOT analyses. Foster partnerships between public authorities and NGOs (including universities).</td>
<td>Stimulation of entrepreneurial activity. Strengthening human resources and management. Improving counseling and access to information (e.g., on markets).</td>
<td>Priority needs addressed. Provision and improvement of vital local services to population and local businesses.</td>
<td></td>
</tr>
<tr>
<td><strong>LDI grant scheme</strong></td>
<td><strong>LDI grant scheme</strong></td>
<td><strong>Small scale infrastructure</strong></td>
<td></td>
</tr>
<tr>
<td>Number of communities and individuals reached by individual projects. Number and quality of new services offered through the scheme. Additional Income generated by diversified activities. Level of public/private (NGO) partnership. By end 2004: 90 projects successfully completed.</td>
<td>Number of new jobs created. Number of SMEs (including start-ups) supported. Number of firms and of individuals receiving training through the scheme. Number of firms benefiting from advisory services through the scheme. Amount of investment made by SMEs benefiting from grants. Increase in level of output and or profitability through new investments co-financed by grant. By end 2004, 120 projects successfully completed.</td>
<td>Number of facilities built, renovated or improved. Length of constructed / reconstructed roads. Capacity of infrastructure constructed. Impact on economic activity, tourism and environment. By end 2004, 60 projects successfully completed.</td>
<td></td>
</tr>
<tr>
<td><strong>Monitoring and assessment reports</strong></td>
<td><strong>Programme evaluation reports</strong></td>
<td><strong>Statistics maintained by agriculture and tourism directorates</strong></td>
<td></td>
</tr>
<tr>
<td>Number of communities and individuals reached by individual projects. Number and quality of new services offered through the scheme. Additional Income generated by diversified activities. Level of public/private (NGO) partnership. By end 2004: 90 projects successfully completed.</td>
<td>Number of new jobs created. Number of SMEs (including start-ups) supported. Number of firms and of individuals receiving training through the scheme. Number of firms benefiting from advisory services through the scheme. Amount of investment made by SMEs benefiting from grants. Increase in level of output and or profitability through new investments co-financed by grant. By end 2004, 120 projects successfully completed.</td>
<td>Monitoring and assessment reports. Programme evaluation reports. Service Union reports. Statistics compiled by local chambers of Commerce and Industry. Statistics maintained by agriculture and tourism directorates. Project reports and evaluation. Construction administration approval of each sub - project. Tourism statistics (occupations of hotels/beds camping grounds). Entry fees to monuments/sites. Revenues registered by catering establishments.</td>
<td></td>
</tr>
<tr>
<td>Strong response and from SME’s, NGOs and local authorities - regional administration structures staffed with well trained and committed people. Strong regional partnership developed. Service Unions in all three NUTS II region established.</td>
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</table>

By end 2004, 60 projects successfully completed.
indicators listed in the Logframe Planning Matrix will be developed by the Technical Assistance team after receiving the grant scheme applications.

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local development initiatives</td>
<td>Local development initiatives</td>
<td>– Effective publicity campaign informing potential beneficiaries</td>
</tr>
<tr>
<td>– small scale soft measures of collective importance for the region such as improving vocational schools, promoting the image of the region, tourism, local products, setting up SME support centres</td>
<td>– Funding to public and/or to non-profit, non-governmental bodies for collective support projects</td>
<td>– Sound project proposals (i.e. well prepared projects incl. all requested technical documentation) addressing the measures selected for support</td>
</tr>
<tr>
<td>B. Support to SMEs through advice and direct funding of investment projects</td>
<td>Assistance to SMEs</td>
<td>– Beneficiaries’ co-financing for individual projects available</td>
</tr>
<tr>
<td>C. Small scale infrastructure</td>
<td>– Advisory and consulting services provided</td>
<td>– Structures at regional level available</td>
</tr>
<tr>
<td>– Transport infrastructure</td>
<td>– Investment projects co-financed</td>
<td>– Efficient project management at the sector/regional and national/ regional level during implementation is established and trained (e.g. financial flows, monitoring, reporting)</td>
</tr>
<tr>
<td>– Business related infrastructure</td>
<td>– Selection of projects improving the business environment or improving the quality of life in the target regions</td>
<td>– Availability of well trained staff of regional executives and adequate institutional support</td>
</tr>
<tr>
<td>– Environmental Rehabilitation and Protection of Industrial Sites and Areas with Economic and Tourist Potential</td>
<td>– Co-finance for the projects selected</td>
<td>– Funds allocated to projects beneficiaries available without delays</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Good quality consultancy services at the regional level available</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Tender documentation in line with the Practical Guide prepared</td>
</tr>
</tbody>
</table>

Preconditions

- Beneficiaries' co-financing for individual projects available
- Set of clearly defined criteria for selection of projects eligible for the programme
- Required technical documentation for individual projects and scheme sub-projects prepared
- Documentation for the project, including Operational Guidelines completed and approved by the EC
- Appointment of the SPO as managing authority Service Unions in the regions established and activated, experienced helping intermediaries in the region established
- Well developed working relationship between SPO (Central Level) and Service Unions (Regional Level) secured
- TA operational
## Detailed Implementation Chart

<table>
<thead>
<tr>
<th>Action</th>
<th>2003</th>
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### Annex 3  Contracting and Disbursement

(Phare sources only)

#### Cumulative Quarterly Contracting Schedule (MEUR)

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#### Cumulative Quarterly Disbursement Schedule (MEUR)

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Annex 4  Reference to feasibility/pre-feasibility studies

1 Outline Regional Development Programmes for the target NUTS II regions
2. Profiles of Turkish public sector projects for foreign funding in 2002, SPO
3. General Directorate of Economic Sectors and Coordination, April 2002
4. Long Term Strategy and Eighth Five Year Development Plan 2001-2005