1. Basic Information

1.1 Title: Regional Development in TRA2, TR72, TR52 and TRB1 NUTS II Regions*
1.2 Sector: Regional development
1.3 Location: Turkey (TRA2 ( Ağrı), TR72 (Kayseri), TR52 (Konya) and TRB1 (Malatya) NUTS II regions)
1.4 Duration: 2 Years

2. Objectives

2.1 Overall Objectives:

To support the objective set out in Preliminary National Development Plan (pNDP) of reducing interregional disparities in Turkey and build institutional capacity at both central and regional level.

2.2 Project purpose:

The project will follow a twin-track purpose:

a) To contribute to the economic development of four of the priority regions targeted by the pNDP for support under economic and social cohesion measures,
b) To improve the implementing capacity at the central and regional level.

2.3 Accession Partnership (AP) and NPAA priority

The project addresses the following priorities of the 2003 Accession Partnership (Chapter 4, Short-term Priorities- Regional policy and coordination of Structural Instruments) and the National Programme for the Adoption of the Acquis (Chapter IV-21, regional policy and coordination of structural instruments):

- 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 NUTS II level.
- Strengthen the administrative structures for managing regional development.

The project contributes to the Accession Partnership and NPAA through capacity building at both central and regional level in conducting regional development programme and project cycle management while providing a strong basis for harmonization with acquis. This project, co-financed by EU, will be a significant step for sustainable development in the regions concerned with an overall focus on strengthening economic and social cohesion, thus reducing regional disparities.

* TRA2 ( Ağrı) : Ağrı, Ardahan, Iğdır and Kars provinces
TR72 (Kayseri) : Kayseri, Sivas and Yozgat provinces
TR52 (Konya) : Karaman and Konya provinces
TRB1(Malatya) : Bingöl, Elazığ, Malatya and Tunceli provinces
2.4 Contribution to National Development Plan

Preliminary National Development Plan (pNDP) was prepared and submitted to European Commission in 2003. In this plan, Turkey’s Regional Development Strategy at National Level (Chapter 5.1) has been developed. Priority areas of this medium-term Strategy are as follows:

- Supporting existing SMEs and SMEs to be established and increasing their competitiveness by increasing their cooperation-partnership potential in the form of network style organizations,
- Strengthening human resources and, particularly, increasing self-employment potential,
- Supporting physical and social infrastructure, which are important for the new investments and the quality of urban life,
- Ensuring diversified economic activities in rural areas,
- Strengthening institutional structure by new local governance models, which will increase local participation, improve common enterprise areas and regulate collective intervention of local actors to local economic development.

In the framework of pNDP, 12 NUTS II regions (including TRA2 ( Ağrı), TR72 (Kayseri), TR52 (Konya) and TRB1 (Malatya) NUTS II regions) are selected as priority regions among 26 NUTS II regions by taking into account the suggestions of the EU. Within this framework, in pNDP, it is aimed at reducing interregional development disparities by raising employment level and competitiveness of the 12 NUTS II regions targeted in the scope of the fourth development axis (Regional Development Axis).

Within the scope of the Development Axis 4 of pNDP (Increasing the Economic Power of Regions, Reducing the Interregional Development Disparities, and Accelerating Rural Development), the following are defined as priorities. (Chapter 5.2)

- Supporting and strengthening of SMEs,
- Supporting small-scale infrastructure construction,
- Supporting local initiatives,
- Building and strengthening institutional capacity.

2.5 Cross Border Impact

Not applicable

3. Description

3.1 Background and justification:

The project covers four NUTS II regions in Turkey. These are TRA2 ( Ağrı, Ardahan, Iğdır and Kars provinces), TR72 (Kayseri, Sivas and Yozgat provinces), TR52 (Karaman and Konya provinces) and TRB1 (Bingöl, Elaziğ, Malatya and Tunceli provinces). Those regions are among the twelve priority regions envisaged by pNDP. A baseline survey of the economic and social conditions and a needs analysis have been carried out respectively in all four regions in 2004. These studies are considered important to envisage a basis for the determination of most appropriate delivery mechanisms for the components of the programme and identification of reliable indicators for the performance of the programme. Baseline survey and needs assessment analysis has been conducted in a participatory way. During regional studies, several interviews were held with relevant institutions and stakeholders.
Anal Region is located to the northeastern part of the country and has a mountainous character and harsh climatic conditions. Kayseri region is located to the east of Ankara and Konya region is located to the south of Ankara lying on the wide Konya Plain. Malatya region is also situated east of Ankara and the region is a transition point between eastern and western parts of the country.

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 capita considerably below the national average. In addition, there are shared problems of outmigration, declining rural population, 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. It can be reasonably assumed that the conclusions in the 2003 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. There is an urgent need to develop new market opportunities. These factors adversely affect their competitiveness.

All four regions suffer from poor communications and networking skills (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, except Konya and Kayseri provinces, all provinces in the four targeted regions are among the priority regions for development designated by the Government of Turkey.

Detailed information about the target regions is given in Annex 8 (Detailed Background and Justification)

3.2 Results:

The interventions foreseen will be (1) Economic and social development in the regions concerned promoted by interventions assisting promotion of agriculture and livestock, community development through local initiatives, the sustainable growth of SMEs, and improvement of quality of life, (2) Key national and local institutions have the capacity to design and manage regional development programmes, including grant schemes in the framework of the EU approach to regional development with practical experience; and (3) target regions have the capacity to generate qualified projects in compliance with EU norms.

- **Agriculture / Livestock**: This component will contribute to the improvement in agricultural production and diversification of income generating activities. Indicatively, expected results are as follows:
  - Income generating activities through training and provision of supplies and materials will be diversified
  - Number of farmers utilizing modern agricultural techniques through training and provision of supplies or materials to selected applicants will be increased
  - Proper techniques for productivity increase in stock breeding and husbandry will be spread
Best practices will be extended/spread in agriculture by means of training farmers, extension staff of the Ministry of Agriculture and Rural Affairs and other relevant institutions.

- **The Local Development Initiatives Grant Scheme** will promote measures regarding collective benefits, stimulate locally driven responses for development, especially rural development and contribute to the diversification of income generating activities in the regions concerned. Capacity building for local stakeholders will be realized by supporting small scale soft measures of collective importance for the regions such as promoting the image of the region, agro tourism, eco-tourism, cultural tourism, support to micro scale and small and medium sized enterprises advisory and training services, processing and marketing of local products, afforestation, handicrafts, carpet making.

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

- **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 targeted regions.

Expected results are indicatively as follows:

- Capacity of local public institutions in conducting proper infrastructure projects improved
- Vital local services (e.g. water treatment and purification, waste disposal and recycling) to population and local businesses provided and improved
- Capacity of the region in urban renewal and restoration projects improved
- Physical tourism investments supported (e.g. information centres, tourist accommodation facilities)
- Existing industrial sites improved or refurbished

- **Capacity Building** component will provide support for the implementation of the whole project through Technical Assistance and also will satisfy the essential needs of management structures in capacity building in terms of equipment and materials.

Taken together, the components of this integrated intervention will provide valuable experience for local and national institutions, directly involved in promoting development in regions of Turkey facing particular difficulties; and improve socio-economic conditions in the four regions by improving their competitiveness.

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

### 3.3 Activities

All components of this integrated intervention were organized with respect to the basic needs and priorities of the regions and characteristics of the target groups. This multisectoral approach prerequisites strong interrelations among components.
**A. Agriculture / Livestock**

This component will address the needs of the rural population working in agriculture in order to increase both their economic security and their income. The relevant activities in this field will be designed to support Ministry of Agriculture and Rural Affairs, farmer associations, cooperatives and farmers and other relevant institutions. This will have the advantage of not only improving the base for subsistence farming, but also of diversifying income generating activities. In this field, training to farmers and extension staff of Ministry of Agriculture and Rural Affairs will be provided. Training packages with supplies provided to farmers will help them make start-ups regarding new income generating activities or to improve their ongoing agricultural activities.

Provisions of supplies and materials will be dependent on some conditions such as cooperation in the dissemination activities and preliminary training.

The training to farmers and to extension staff of the Ministry of Agriculture and Rural Affairs will frequently go hand in hand. Indicatively, training packages, taking priorities, needs and potentials of the regions into consideration will cover:

- **Improvement of Livestock Rearing and Grazing Land**
  - Genetic improvement of herds
  - Animal health
  - Development of livestock farms
  - Wool production
  - Fodder production
  - Combating soil erosion via pasture and grazing land amendments

- **Diversification of income generating activities**
  - Organic farming
  - Poultry farming
  - Aquaculture
  - Bee keeping
  - Mushroom production
  - Fruit and vegetable growing
  - Apricot, almond and walnut production
  - Planting of vineyards
  - Medicinal and cosmetic plant production

**B. Local Development Initiatives Grant Scheme**

This component will support small-scale interventions to be implemented exclusively by public bodies and non-governmental organizations in the target regions. Activities in this field will be designed to support provincial and local authorities and their unions, NGOs, associations, chambers, cooperatives, etc.

Eligible activities in this component will include small-scale local development initiatives aiming to promote measures regarding collective benefits and diversification of income-generating activities, as well as building capacity of local stakeholders through strong partnership. These soft measures will cover activities such as public training, promoting the image of the region, agro tourism, eco-tourism, cultural tourism, vocational training,
enhancing business advisory and support organizations, conducting research activities, processing and marketing of local products, afforestation, handicrafts, carpet making etc.

The projects within this component are all expected to have a regional and local impact, in line with economic and social cohesion objectives. Therefore, the activities will have strategic nature and ensure participatory approaches to achieve sustainable results.

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. Direct beneficiaries must make a 10% contribution in cash or kind.

**Eligible Beneficiaries**

Applicants this grant scheme will, as a general rule, be non-profit institutions and organizations such as; provincial and local administrations, NGOs (e.g. Chambers of Agriculture, Chambers of Commerce, unions, farmer associations, voluntary organizations and charities), cooperatives, universities and research institutions. Direct support to corporate enterprises or groups of enterprises will not be permitted. The programme will also fund activities and services carried out by business support organisations present and active in the regions, such as KOSGEB (Small and Medium Industry Development Organization).

**C. SME Grant Scheme**

This component aims to develop the capacity of SMEs in the target regions for generating and conducting qualified projects and to address the needs of the private sector, especially small and micro enterprises, in agriculture, manufacturing and the service sector, including tourism.

Regarding the well functioning of the SMEs, the regions face a couple of financial problems including; inadequacy of funds for productive sectors (illustrated in terms of the low bank deposits per capita and credits per capita compared to the national figures); inadequacy in financial management of SMEs and lack of access to various sources of funds and foreign financial markets. Therefore it is essential for the SMEs in these regions to be provided by required support for improvement in terms of grants.

Activities in this component 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. Activities under this component will aim to foster innovation and modernization, entrepreneurship and business culture, expand existing business information, and thus improve the competitiveness of local companies, increasing job supply and incomes.

The assistance will be provided in the form of an appropriate mix of training, 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, transporting and installing equipment, machinery and associated investment (such as construction related to the investment), intangible investment (including training and consultancy services for implementing the project), 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.
- Providing business support in food processing and marketing activities to go hand in hand with the diversification of income generating activities in the agricultural sector of the four regions.

Grants may also support investment to introduce modern production technology with a view both to increasing production capacity and, more importantly, 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 information 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.

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.

**Eligible Beneficiaries**

The beneficiaries of this scheme will be privately owned small and medium sized enterprises 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.

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.
Eligibility for SMEs 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.

D. Small Scale Infrastructure Grant Scheme

This component will address issues of the availability and quality of collective amenities and infrastructure that contribute to the quality of life and protection of the environment, or are required for business development and tourism. Capacity of provincial and local authorities who will be eligible for funding under this component will be improved in conducting small-scale infrastructure projects.

Investments in infrastructure will be supported to improve living conditions and quality of environment in the targeted regions. Examples of eligible activities may include:

- Improving existing industrial estates, including site preparation or refurbishment of existing buildings and connection to public utility networks
- Improvements to trade fair sites
- Construction or improvement of access roads to these sites
- Provision of vital local services (e.g. water treatment and purification, waste disposal and recycling) to population.
- Construction and improvement of roads connecting areas of productive activity.
- Small scale public infrastructure related to tourism (including tourist information posts)
- Reconstruction / renewal of state owned buildings to be used for tourist purposes, for example, as museums/cultural centres
- 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 of national and regional programming exercise. As far as possible, the expected impact of the investment will be quantified (number of enterprises to be affected, regional and local impact of the facility, temporary and/or permanent jobs created and/or maintained).

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.

**Eligible Beneficiaries**

The direct beneficiary is a public authority, which is responsible for providing the services and will normally be the legal owner of the infrastructure constructed or improved. The direct beneficiary will procure the works according to EU rules in cooperation with CFCU.

E. Capacity Building

E.1. Technical Assistance

This component refers to the provision of TA to institutions and stakeholders at the central and regional levels for the smooth implementation of the whole project. The TA will support more than just implementation of grant schemes, but will also provide training in general:
1. “Capacity building” type training
2. Training related to various components of the project
3. Training related to grant scheme implementation (training of local authorities and training of final beneficiaries)

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.

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 in the management of the grant schemes effectively. TA team will help national and local authorities to prepare feasibility studies and impact analysis and other required specifications. TA team will also be expected to prepare some sample feasibility studies for learning by doing effect on relevant local staff as well as helping procurement procedures in accordance with EU rules.

E.2. Support to Management Structures at NUTS II Level

This component will address the needs of the Service Unions∗ to be established in each region and general coordination unit at central level in terms of equipment and material, which are essential for capacity building purposes.

The Service Union, which will provide the basis for future Regional Development Agencies at NUTS II level, will be responsible for the proper and timely implementation of the programme activities. In fulfilling its tasks, the Service Union will be supported by the international and local experts recruited under the TA component and will also benefit from several training sessions delivered within the programme by the TA.

So the existence of a stable and professional staffing structure with a suitable office setting for the management units is a crucial factor for the timely and proper implementation of the programme.

Within this framework, provisions of the following activities are indicative:

- Office hardware and software, management information systems,
- Office furniture for the Service Unions,
- Furnishing of training venues including computer (hardware and software), data show, photocopy, printer
- All kinds of required training material and equipment,
- Organization of seminars and conferences,
- Promotion and awareness raising activities, provision of visual and written materials (handbooks, booklets, brochures etc.), media announcements other relevant publicity work, technical documentation, web page design, printing and publishing services,
- Support regional planning and analysis activities

3.4 Linked activities:

Turkish Government Initiatives

∗ It is envisaged that Service Unions are considered to be transformed into Regional Development Agencies (RDAs), which will be responsible for the management and implementation of EU co-funded regional development programmes. State Planning Organization is preparing a draft law for the establishment of RDAs within the scope of Urgent Action Plan of Turkish Government and commitment in NPAA to establish strong regional administrative structures for managing regional development.
In 8th Five Year Development Plan of Turkey, the basic objectives of regional development strategy are defined as improving national resources so as to ensure the highest economic and social benefit and reducing interregional disparities to the minimum. In implementation of regional development policies, the principles of sustainability, interregional integration, provision of social and economic balances, improving life quality, equal opportunities, cultural development and participation shall be taken as basis. In this manner several development projects have been initiated.

Southeastern Anatolian Project (GAP) supported with adequate financing can primarily be mentioned as the most successful project among the current regional development plans. Main purpose of GAP covering Gaziantep, Şanlıurfa, and Mardin NUTS II regions, is converting Southeastern Anatolian Region to an agriculture-based exporting region. Despite the fact that GAP was initiated as a project based mainly on energy and irrigation, it became an integrated multidimensional development project in time especially with GAP 2010 Integrated Plan. The Zonguldak – Bartın – Karabük 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 project aims at determining new investment alternatives for private sectors, preparing a development plan, which is applicable in medium and long term, and identifying new investments, which can be made in the region.

The Eastern Anatolia Project (DAP) - Master Plan covering sixteen provinces (including the Ağrı and Malatya NUTS II regions), was initiated by the State Planning Organisation (SPO) in response to serious underdevelopment of this region 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 prepared by the Japan International Cooperation Agency under the coordination of SPO.

Besides the four regional plans, within the scope of the Yeşilirmak River Basin Development Project, a Regional Development Master Plan study has been initiated to define basic strategies to solve important problems and cover all sectoral objectives.

Furthermore, UNDP and Atatürk 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. This project has duration of 5 years and a total cost of 47 million euros with a EU contribution of 44 million euros. In addition, the EU has allocated 45 million euros to the Eastern Anatolia Development Programme (EADP). This intervention, focusing on the NUTS II region of Van, applies a participatory approach in support of an environmentally sustainable model of local economic development. Four components within this programme addresses agriculture, SME support, tourism and the environment and social development.

‘Regional development programme for the Kastamonu, Samsun and Erzurum NUTS II Regions’ is another EU co-funded regional development programme with a budget of 52,33 million Euros. The programme aims to support the Turkish Government in implementing an integrated regional development policy in three NUTS II regions, by means of projects aiming to promote the sustainable economic development of the regions concerned, and to
provide experience at the regional level in conducting locally appropriate EU co-funded grant schemes.

Also, Trabzon NUTS II Regional Development Program is envisaged to be included in the framework of 2005 Financial Cooperation Programme. Together with Ağrı, Kayseri, Konya and Malatya Regional Development Program and Trabzon NUTS II Regional Development Program, all of 12 NUTS II regions determined in pNDP (2004-2006) as priority regions will be covered by EU Regional Programmes.

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 labor market strategy; promote reproductive health; strengthen the vocational education and training system; provide support for basic education; and support women entrepreneurs.

In the four 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.

3.5 Lessons learned

Although there is limited experience of grant schemes in Turkey, Phare has implemented grant schemes in other candidate countries since the early 1990s. These were initially targeted at the NGO sector and civil society programmes, but since 2000, Phare support has shifted from project-based to a programmatic approach. This has involved greater reference to the National Development Plan (NDP to identify the needs, gaps, strategies and action plans to improve socio-economic development and living standard in the medium term). The programmatic approach was designed as a bridge to post accession cohesion support under Structural Funds, the term grant scheme being akin to the term measure under Structural Funds. The adoption of the programmatic approach has been accompanied by increased Phare funding to economic and social cohesion, the majority of which as been grant scheme based includes both investment and institution building, spanning the range of soft and hard sectors. The grant scheme mechanism has been found to be an efficient way of delivering relatively small amounts of finance at the local level and to develop local capacity to engage in the EU funding mechanism. Experience has shown the importance to the success of grant schemes to provide adequate assistance at the preparation stage not only with the formalities, but also in developing project concepts and mentoring support during implementation. One key area of weakness, however, is the ability for many of the projects receiving grant funding to continue without it by attracting alternative sources of funding. The sustainability issue of many projects should therefore a key to their selection. Where the infrastructure grant scheme is concerned experience in Turkey has shown that one key area of weakness is the securing the budget necessary to operate or maintain the infrastructure built or upgraded through the grant scheme. This issue should be addressed at the project selection stage.

More directly relevant lessons will be learned from the implementation of grant schemes under the South Eastern Anatolia (GAP) and Eastern Regional Development Programmes (EADP) implementation of which began in 2004. This will provide useful guidance in the preparation of guidelines for applicants under the 2004 regional programme grant schemes and in the design of training programmes for the farming sector.

4. Institutional Framework
The Contracting Authority will be the Central Financing and Contracting Unit (CFCU), which will be responsible for tendering, administration, accounting, and 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 and the regional level within which the project will have to operate. Service Unions are now being set up at NUTS II regional level.

**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 four components with relevant grant schemes. Securing the operation of necessary structures, including regional bodies and implementation units and monitoring 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

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* In cases of co-financing only

Note: expenditure on equipment should be included under investment
The total budget of 81.67 million euros will indicatively be allocated to the four components as: 10% to supporting Agriculture/Livestock, 15% to local development initiatives, 30% to SMEs, and 45% to small scale infrastructure. Indicative allocation of the budget to regions is given in Annex 7 with respect to their needs, priorities and absorption capacity based on both qualitative and quantitative estimates. Budget reallocation among regions and schemes may be considered during the course of the implementation, depending on absorption capacity realized. Finally, 9 million euros will be allocated for capacity building, 8 million euros of which will be used for TA for smooth implementation of the project and 1 million euros for the support to management structures at NUTS II level.

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 CFCU and the Technical Assistance team, required background documentation for the project content. Background documentation will be established following the models provided by the Practical Guide for External Aid. All documentation will be submitted to the Representation of the European Commission for approval.

**Service Unions**

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 Service Unions, 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.

Service Unions will take the responsibility on implementation of projects for each region under the supervision of, and in close coordination with the SPO. Service Unions are associations set up at the regional level to bring together local authorities.

Technical Assistance will be provided to the Service Unions from the TA component.

6.2 Detailed Implementation arrangements

6.2.1 **Call for Proposals**: The CFCU will conduct calls for proposals addressing potential beneficiaries in the target regions, in line with the Practical Guide.
6.2.2 **Guidelines for Applicants:** The Guidelines will include a standard application format and detailed eligibility and project evaluation (selection) criteria. The Service Unions, assisted by the experts of the TA component of the project, will ensure publicity and awareness among potential beneficiaries.

6.2.3 **Eligibility Criteria:** In line with the Practical Guide, eligibility criteria will be stated in Guidelines for Applicants according to the type of project.

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 (e.g. projects with a target area including all of the regions’ provinces) and a strong dissemination potential.

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 whole project’s 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 target groups and/or covered sectors. The monitoring committee will meet twice a year. Meeting reports will include monitoring data and will be used to inform decisions related to whole project’s implementation and future programming.

6.2.8 **Delivery Mechanisms:** In Local Development Initiatives, SME and Small Scale Infrastructure components, grant scheme mechanism will be used. Agriculture / Livestock component will comprise training packages with supplies and materials. Provisions of supplies and materials will be dependent on some conditions such as cooperation in the dissemination activities and preliminary training. Also there will be supply tenders for the supplies and materials under Agriculture / Livestock component and the equipment and materials under Support to Management Structures at NUTS II Level component.

6.3 **Twinning**

No twinning activities are included as part of the grant schemes and the individual investment projects.

6.4 **Non-standard aspects**

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 following
procurement according to PRAG rules under the supervision of CFCU. The award of all contracts above €300,000 will be subject to ex-ante control by ECR.

In addition, a service contract for TA with a consulting firm, supply contract(s) for support to management structures at NUTS II level and several supply contracts for supplies to be provided under Agriculture / Livestock component as a part of training packages are foreseen.

7. Implementation Schedule

Start of tendering/call for proposals 4Q/2004
Start of project activity 2Q/2005
Project completion 4Q/2007

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.

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 be 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 in line with Accession Partnership and NPAA priorities will have a significant positive effect on economic and social conditions in the four regions as well as on the capacity of institutions at national and regional level to manage regional development schemes.

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 70 million euros or 75% of the total.

11.3 Additionality:

The implementation of the project will not compete or displace any private service providers or financial sources. 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 four 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.

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.

12. Conditionality and sequencing

Conditionality:

EU financing of the project will be dependant on a set of preconditions. Contracts under the four components 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 Service Unions or RDAs in all four regions are fully established. After RDAs in the regions concerned are established, equipment that is purchased for the benefit of Service Unions will be transferred to RDAs of related region.
Sequencing:

Sequencing is indicated in the timetable under point 7 above. 4Q/2004: Required technical documentation for funded projects prepared End of 2004: 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
2. Detailed implementation chart
3. Indicative contracting and disbursement schedule by quarter
4. Reference to feasibility/pre-feasibility studies.
5. Reference list of relevant laws and regulations
6. Reference list of relevant strategic plans and studies
7. Indicative Allocation Of The Budget Among Regions
8. Detailed Background and Justification
9. Institutional Framework
### Annex 1: Logframe Planning Matrix

**Regional Development in TRA2, TR72, TR52 and TRB1 NUTS II Regions**

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| To support the objective set out in Preliminary National Development Plan (pNDP) of reducing interregional disparities in Turkey and build institutional capacity at both central and regional level. | - Number of start ups  
- Percentage contribution of programme to regional GDP  
- Percentage contribution of programme to regional exports  
- Number of people employed  
- Degree of response to call for proposals  
- Number of submissions for training and grant schemes  
- Ratio of acceptable projects to submitted projects under each grant scheme  
- Number of beneficiaries and staff of intermediary organisations trained | - Progress reports by the SPO and TA  
- Monitoring and evaluation reports of projects  
- Project selection notes/reports | - Operational regional administration in place  
- EU policy & procedures applied  
- National funds available  
- Commitment of all related partners |

| Contracting period expires | Total budget: 91.67 million euros | EC budget : 70 million euros |

* TRA2 (Ağrı) : Ağrı, Ardahan, Iğdır and Kars provinces  
TR72 (Kayseri) : Kayseri, Sivas and Yozgat provinces  
TR52 (Konya) : Karaman and Konya provinces  
TRB1 (Malatya) : Bingöl, Elazığ, Malatya and Tunceli provinces
### Results

**AGRICULTURE / LIVESTOCK**
- Income generating activities through trainings and provision of supplies and materials will be diversified
- Number of farmers utilizing modern agricultural techniques through training and provision of supplies or materials to selected applicants will be increased
- Proper techniques for productivity increase in stock breeding and husbandry will be spread
- Best practices will be extended/spread in agriculture by means of training farmers, extension staff of the Ministry of Agriculture and Rural Affairs and other relevant institutions.

### Objectively verifiable indicators

**AGRICULTURE / LIVESTOCK**
- Number of submissions to participate in training
- Number of people receiving supplies and materials.
- Number of farmers and public institutions / NGOs staff receiving training
- Number of farmers specialized in alternative agricultural products after receiving training, supplies and materials support
- Increase in number of farmers implementing proper /modern agricultural and husbandry techniques
- Increase in value added in agriculture and husbandry

**LOCAL DEVELOPMENT INITIATIVES GRANT SCHEME**
- Capacity of the local development initiatives in the region improved
- Small scale interventions regarding collective benefits and promotion of locally driven responses for development and delivery of collective services such as promoting the image of the region, agro tourism, eco-tourism, cultural tourism, support to SME advisory and training services, processing and marketing of local products, afforestation, handicrafts, carpet making supported

**LOCAL DEVELOPMENT INITIATIVES GRANT SCHEME**
- Number of communities and individuals reached by individual projects/trainings
- Number and quality of new services offered
- Number of renovation contracts for conservation of rural heritage
- Increase in tourism receipts
- Ha of area afforested
- Number of new income generating establishments (e.g. in agrotourism, processing and marketing local products)
- Number of business support organizations staff trained
- Number of SMEs benefiting from consultancy services

**SME GRANT SCHEME**
- Capacity of SMEs and micro-enterprises improved in marketing, advertising, management and utilizing technology transfer and innovations through provision of business support packages
- Entrepreneurial activity stimulated and new self-

### Sources of Verification

**AGRICULTURE / LIVESTOCK**
- Monitoring and assessment reports
- Programme evaluation reports
- SPO reports
- Service Union reports
- SIS statistics
- Statistics compiled by local chambers of Commerce and Industry
- Statistics maintained by agriculture and tourism directorates
- Project reports and evaluation
- Tourism statistics (occupation of hotels/beds camping grounds
- Registrations of entries and visitors to monuments/sites
- Revenues registered by catering and hosting establishments

**LOCAL DEVELOPMENT INITIATIVES GRANT SCHEME**
- Strong response from the stakeholders
- Regional administration structures staffed with well trained and committed people
- Strong regional partnership developed
- Service Unions in all four NUTS II region established

**SME GRANT SCHEME**
- Number of SMEs benefiting from business support packages
- Number of start ups supported
- Number of new jobs created
SMALL SCALE INFRASTRUCTURE GRANT SCHEME
- Local public institutions’ capacity in conducting proper infrastructure projects improved
- Vital local services (e.g. water treatment and purification, waste disposal and recycling) to population and local businesses improved and provided
- Capacity of the region in urban renewal and restoration projects improved
- Physical tourism investments supported (e.g. information centers, tourist accommodation facilities)
- Existing industrial sites improved or refurbished

CAPACITY BUILDING
- Project preparation and implementation capacities of institutions and stakeholders in the region strengthened.
- The needs of management structures satisfied and capacity of Service Union strengthened.

### Activities

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>- To provide training, supplies and materials directly to the beneficiaries under the supervision of the Ministry of Agriculture and Rural Affairs. The training to farmers and to extension staff of the Ministry of Agriculture and Rural Affairs will frequently go hand in hand. (Supplies and materials for below activities will be available for beneficiaries following the training programmes.)</td>
</tr>
<tr>
<td>- Improve Livestock Rearing and Grazing Land</td>
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<tr>
<td>- Genetic improvement of herds</td>
</tr>
<tr>
<td>- Animal health</td>
</tr>
<tr>
<td>- Development of livestock farms</td>
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<tr>
<td>- Wool production</td>
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<td>- Fodder production</td>
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### Means

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<tr>
<td>- Qualified professionals for training</td>
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<tr>
<td>- Professional consultation services</td>
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<tr>
<td>- Technology, material, equipment and supplies essential to the activities of agricultural production.</td>
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</table>

### Assumptions

- Effective publicity campaign informs potential beneficiaries
- Sound project proposals (e.g. well prepared projects incl. all requested technical documentation) addressing the measures selected for support
- Beneficiaries' co-financing for individual projects available
- Structures at regional level available
- Efficient project management at the sector/regional and national/regional/local level during implementation is established and trained (e.g. financial flows, monitoring, reporting)
- Availability of well trained staff of regional executives and adequate
- Combating soil erosion via pasture and grazing land amendments

- Diversification of income generating activities
  - Poultry farming
  - Organic Farming
  - Aquaculture
  - Bee keeping
  - Mushroom production
  - Fruit and vegetable growing
  - Apricot, almond and walnut production
  - Planting of vineyards
  - Medicinal and cosmetic plant production

LOCAL DEVELOPMENT INITIATIVES GRANT SCHEME
- Capacity building for local stakeholders
- Small scale soft measures of collective importance for the regions such as public training, promoting the image of the region, agro tourism, eco-tourism, cultural tourism, vocational training, enhancing business advisory and support organizations, conducting research activities, processing and marketing of local products, afforestation, handcrafts, carpet making

SME GRANT SCHEME
- Provision of business support packages for SMEs and micro-enterprises including:
  - Technology transfer and innovations
  - Management and organizational development
  - Financial Management / Access to various financial sources
  - Marketing and advertising
  - Human resources development
  - Promotion and branding of local handcrafts
  - Upgrading of industrial estates
- Provision of training programmes to stimulate entrepreneurship and self employment
- Training programmes for entrepreneurship and startups
- Entrepreneurship and self-employment programmes for youth.

LOCAL DEVELOPMENT INITIATIVES GRANT SCHEME
- Qualified professionals for training and raising awareness
- Funding to public bodies, NGOs, associations, chambers cooperatives, etc. for collective support projects

SME GRANT SCHEME
- Qualified professionals for training
- Professional consultation services
- Business support packages also covering investment promotion activities
- Investment projects co-financed

institutional support
- Funds allocated to projects beneficiaries available without delays
- Good quality consultancy services at the regional level available
- Tender documentation in line with the Practical Guide prepared
**SMALL SCALE INFRASTRUCTURE GRANT SCHEME**
- Improving connections to fair sites and markets
- Enhancing access to business related infrastructure
- Improving existing industrial estates, including site preparation or refurbishment of existing buildings and connection to public utility and transport networks
- Provision of vital local services (e.g. water treatment and purification, waste disposal and recycling) to population improved and provided
- Supporting urban renewal and restoration projects
- Small-scale infrastructure related to tourism (including tourist information posts, accommodation facilities, etc.)
- Restoration of historical and cultural monuments and sites

**CAPACITY BUILDING**
- **Technical Assistance**
  - “Capacity building” type training
  - Training related to various components of the project
  - Training related to grant scheme implementation (training of local authorities and training of final beneficiaries)
- **Support to Management Structures at NUTS II Level**
  - Provision of the needs of the Service Unions to be established in each region and general coordination unit at central level in terms of equipment and material which are essential for capacity building purposes

**SMALL SCALE INFRASTRUCTURE GRANT SCHEME.**
- Cofinance for the projects selected

**CAPACITY BUILDING**
- Training packages provided for institutions and stakeholders at the central and regional levels
  - Supply contracts

**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
### Annex 2: Detailed Implementation Chart

<table>
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<td>C C C C C C C</td>
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C: Tendering and contracting  
I: Implementation and payments

**Assumption:** Financing Agreement will be signed by the end of September 2004 depending on the signing of Financing Memorandum.

1 - TA contract procedures which is envisaged to take 8 months, will be immediately started after the signing of Financial Memorandum
2 – Regarding the Support to Management Structures at NUTS II Level, supply tender procedures, which is envisaged to take 6 months, will be immediately started after the signing of Financial Agreement.
3 – The implementation of the components will be started as soon as TA and supply contracting procedures are completed.

Contracting of the individual projects, regarding the implementation of the components, will be finalized by the end of 2006, while the deadline for the execution of the contracts is envisaged to be the end of 2007.
Annex 3:
Indicative Cumulative Quarterly Contracting Schedule (MEUR)

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<tr>
<th>Project</th>
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</table>
Annex 4: Reference to feasibility/pre-feasibility studies

1. Profiles of Turkish public sector projects for foreign funding in 2002, SPO

2. Feasibility/pre-feasibility studies prepared within the scope of Eastern Anatolia Project Master Plan and Project Preparation Facility. Within this scope pre-feasibility studies have been carried out for 16 provinces including Ağrı, Ardahan, Bingöl, Elazığ, Iğdır, Kars, Malatya and Tunceli provinces. These studies can be obtained from the following link; 
   http://ekutup.dpt.gov.tr/bolgesel/dap/fizibilite/fizibilite.html

Annex 5: Reference list of relevant laws and regulations


2. Reconstruction (Land Development) Law No 3194 (Accepted on 03.055.1985-Published in the official journal dated 09.05.1985 and numbered 18749) (http://www.bayindirlik.gov.tr/kanun_yonetmelikler/imar_kanunu.htm)

3. Draft Law on The Establishment Of Regional Development Agencies (RDAs)


Annex 6: Reference list of relevant strategic plans and studies (may include institution sector strategies, development plans, business development plans, etc)

1. Long Term Strategy and Eighth Five Year Development Plan 2001-2005


3. Eastern Anatolia Project Master Plan
4. SME Strategy and Action Plan
Annex 7: Indicative Allocation Of The Budget Among Regions

<table>
<thead>
<tr>
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<th>Ağrı</th>
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Annex 8: Detailed Background and Justification

a. TRA2 ( Ağrı) NUTS II Region

 Ağrı, Ardahan, Iğdır and Kars are the provinces of Ağrı NUTS II region, which is situated north east of Turkey and known as one of the least developed part of Turkey. When compared with western part of the country, the region generally shows mountainous character and has long and severe winters. These geographical and climatic constraints hinder the region to reach the socio-economic development level of the country. According to the socio-economic development criteria, among the 81 provinces of Turkey, Kars, Iğdır, Ardahan and Ağrı provinces are ranked as 67th, 69th, 74th, and 80th, respectively.

The total population of the region is 1.156.150 (2000) and the total surface is 30.161 square km. The population density is very low (38 inhabitants per square km), as compared to the national average of 88 inhabitants per square km.

Although 35 percent of Turkey’s population lives in rural areas, this figure is more than 50 percent in the region of Ağrı (i.e. 51.62% in Iğdır, 52.28% in Ağrı, 56.27% in Kars, and 70.30% in Ardahan).

The region has experienced heavy out-migration especially in rural areas with a decline in population of about 12% since 1990, while total population have increased only by %5 compared to the national average of %18. Socio-economic factors such as education, unemployment rate and the insufficient infrastructure trigger migration from eastern part of Turkey to the western cities.

In addition, the region suffers from extremely low incomes with GDP per capita being only 34 % 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 development of domestic market within the region.

The economy is dominated by agriculture sector in terms of shares in both regional GDP and employment. Regional GDP per capita in Ağrı, Ardahan, Iğdır, Kars are 50%, 50%, 41% and 33% respectively. The shares of agriculture in employment are 73%, 78%, 68% and 68% in Ağrı, Ardahan, Iğdır, Kars respectively (The national figures are 28% for GDP per capita and 48% for the share of agriculture in employment)

Annual sectoral growth rates between 1995-2001 have been 3.1% in agriculture, 4.9% in the service sector and 2.5% in manufacturing. Although growth rates of these sectors are above the national averages, there is no even distribution among provinces in the region. For instance; while growth rate of agriculture sector is 6% in Ağrı, this sector has shrunk by 5.8% in Kars province.

The tourism activities within the region are underdeveloped compared to other parts of Turkey. The main activities are composed of business trips and short term visits from Georgia. The region has rich historical, cultural, natural and winter sports potential, which can not be used sufficiently due the lack of unsatisfactory infrastructure.

Schooling rate for high school (23%) and vocational education (8%) in the region are much lower than the national average (37% and 21% respectively) as all other social indicators regarding health and health benefits.

Local infrastructure indicators are well below the national average in terms of electricity consumption per capita, supply of rural settlements with potable water, the ratio of asphalted roads in rural settlements and ratio of state roads. Much the existing local infrastructure is outdated and in need of replacement.
The rate of registered unemployment (7.92%) is not high compared to national average (8.92%), since most of the registered unemployed people are dominantly male and the rate of women participation to labor force is relatively low. While the rate of male wage earners to the total male employment is 38.78%, the rate of female wage earners to the total female employment is 4.99%. This figure shows that, in general, the reason for women to be involved in employment is not to generate income. Their activities are in general low value added activities such as working in family-owned businesses.

One of the most important environmental problems of the region is domestic wastewater. There is no wastewater treatment plant in the region except Iğdır province. Iğdır city center has its own wastewater treatment plant, yet not operational. Solid wastes constitute another severe problem. There is no sanitary landfill in any of the provinces. They are disposed with outmoded methods.

A SWOT analysis has been made with the participation of provincial governors, representatives of municipalities and non-governmental organizations. It is a framework for the determination of objectives, strategies and priorities envisaged by DAP Master Plan prepared for the region. The SWOT analysis indicated that the region faces a number of significant constraints hindering its future development that need to be addressed. These include:

- Insufficiency in transportation infrastructure
- Lack of producers’ organizations and civil society associations
- Fragmented land units and
- Use of traditional methods in agriculture
- Small and scattered residential areas because of topographic structure
- Lack of industry focusing on the livestock production
- Lack of vegetable and fruit processing enterprises (especially in Iğdır)
- Inadequacy in the protection of land and water resources
- Problem of soil erosion and stony areas
- Insufficiency in the rehabilitation of pastures
- Poor variety of product
- Marketing problems
- Insufficient qualified workforce
- Inefficient utilisation of the land

Alongside these problems, the region has a number of strengths, which can be further developed

- Convenient agricultural areas (especially in vegetable and livestock production)
- Being a border region.
- Existence of micro-climate areas (in Iğdır)
- Potential of alternative tourism activities (climbing, nature and winter tourism)
- Possibility of handicraft to be developed in Ardahan and Iğdır

b. TR72 (Kayseri) NUTS II Region

Kayseri NUTS II region is situated east of Ankara, having three provinces, Kayseri, Sivas and Yozgat. It includes considerable amount of plateaus as well as mountain landscapes. The region covers a total surface area of 59,886 square km. Within the province of Kayseri, which is located at the southern part of Kızılırmak River Basin in Central Anatolia, there exist the highest mountain of Central Anatolia region called Mountain Erciyes. Sivas has a characteristic climate different from neighbouring cities. Terrestrial climate is seen in Sivas, summers are too hot and rainless (dry), while winters are snowy. The province of Yozgat, situated in the middle part of Kızılırmak River Basin of Central Anatolia, is located heavily on plateaus, especially Bozok Plateau.
The total population of the region in 2000 was 2,498,442, as compared with 2,289,631 in 1990. Between 1990 and 2000, in all of the provinces, rural population has declined by %14 in Sivas, %3 in Kayseri and %0,2 in Yozgat. The most densely populated province is Kayseri, with 62 inhabitants per square km, followed by Yozgat (45) and Sivas (26) all below the national average.

With respect to rate of rural population to total population, Kayseri is the only exception with the ratio of 31% below the national average, where Sivas (44%) and Yozgat (54%) well exceeds the average. The problems of rural areas are further underlined by the fact that agriculture sector has seen contraction of 1% between 1995-2001 as compared with moderate growth of 2.9% in the service sector and 4.5% in manufacturing sector while national average growth rates in agriculture, service and manufacturing sector realized as 0.3%, 2.3% and 2%, respectively.

In the region, agricultural production is an important activity in terms of employment. It amounts to 47% of the total employment in Kayseri, 66% in Sivas and 77% in Yozgat, the latter two being quite above the national average of 48%. Industry and commerce sectors are developed in Kayseri because of having convenient energy and transportation facilities. On the other hand, both in Sivas and Yozgat, the economy is dominated by agriculture and livestock production but income could not be generated sufficiently since obsolete production methods are used.

In terms of gross domestic product per capita, all of the provinces are below the national average. In 2000, Kayseri with a figure equal to 78% of national average ranked 36th among all provinces, while Sivas ranked 53rd - with 60% and Yozgat ranked 69th with 43% of the national average. According to socio-economic development criteria, among 81 provinces of Turkey Kayseri, Sivas and Yozgat were ranked 19th, 53rd and 64th, respectively. Kayseri is more industrialized province among the others.

The unemployment rate of the region (7.61%) is below national average (8.92%) since women participation to labor force is low. While the rate of unemployment for male in the region (9.53%) is almost equal to the national average (9.86%), female unemployment rate of the region (4.42%) is well below the national average (7.23%).

Overall, schooling rates for high school in 2001/2002 were below the national average of 37 in the region (34,3) - Sivas (30) and Yozgat (22) while Kayseri exceeds the national figure with 46-. The rate for vocational and technical high schools is also below the national average of 21 in the region (20,4) - Sivas (20,6) and Yozgat (17) while Kayseri exceeds the national figure with 22,5-. Erciyes University in Kayseri and Cumhuriyet University in Sivas are the main institutions of public education also covering a number of research institutions.

As far as infrastructure is concerned, all provinces are above the national average in terms of supply of rural settlements with potable water, but the ratio of asphalted roads in rural settlements fall short of the national average of 61% in Yozgat (56%) and Sivas (31%). Electricity consumption per capita in Kayseri approximates the national average while Sivas reaches 46 % and Yozgat reaches only 39% of it.

One of the biggest environmental problems of the region is air pollution. In recent years, Yozgat is in 1. degree polluted level especially according to SO2. In terms of SO2 and particulate matter analysis, Kayseri is always in 1. or 2. degree polluted level and Sivas was in 1. and 2. degree.

The tourism activities within the region mainly depend on business visits. However the ratio of health tourism in Yozgat is higher compared to others. Tourism for winter sports is experienced only in Kayseri.
The region has a number of significant strengths, which were identified through a regional SWOT exercise and are presented below:

- High level of entrepreneurship
- University and research facilities
- Existence of organized industrial zone and small industrial estates
- Available mining resources
- Richness in historical and cultural heritage
- Low cost of labour
- Geographical location of the region
- Variety in handicraft
- Existence of potential organic agriculture
- Convenient and fertile land for agriculture
- Natural water resources

As well as strengths, the region suffers from major weaknesses that compound the problems concerning the future development of the region. These include:

- Inefficient utilisation of land and inefficient agricultural management
- Inadequate promotion of natural and cultural assets
- Inadequacy in transportation
- Insufficiency in financial resources, especially for SMEs
- High unemployment rate and insufficient qualified workforce
- Loose relations between production and marketing in agriculture
- Insufficient coordination between university and industry
- Remoteness to harbors
- Deficiency in manufacturing sector including, lack of equipment, insufficient raw materials and high input costs
- Deficiency in research & development activities
- Unconsciousness of private sector about international quality standards
- Deficiency in infrastructure and accommodation facilities.

c. TR52 (Konya) NUTS II region

Konya NUTS II region comprises the provinces of Konya and Karaman*. The region lies to the south of Ankara and covers a total surface area of 49.925 square km. Typical of the climate in Central Anatolia, the climate in the region is very hot and dry in summer and freezing cold in winter. The Konya NUTS II region has a heterogeneous geographical structure that the northern part is predominantly composed of plain and plateau landscapes, whereas, southern part, mainly Karaman province, has a mountainous landscape.

The total population of the region in 2000 was 2.435.376, as compared with 1.967.839 in 1990. In terms of population, Konya has 2.192.166 inhabitants in 2000, while Karaman has 243.210 inhabitants. Between 1990 and 2000, in both of the provinces, annual growth rates were 22.37 and 12.24 respectively. With 56 inhabitants per square km, which is quite below the national average of 88, Konya is more densely populated than Karaman, which falls short of the national figure, having a lower density (27 inhabitants per square km).

The urban population slightly exceeds the rural one in both provinces. However, throughout the region the ratio of the rural population to the total is significantly higher than the national average.

* Karaman was a district of Konya until 1989.
In Konya province, commerce and industry are dominant sectors of the local economy while agriculture is dominant sector in Karaman province. Commonly, agricultural production, corresponding to % 25.50 of regional GDP is an important activity in the region. Specifically, it amounts to 22% of the GDP in Konya and 51% in Karaman. Konya province is a major center for the production of wheat and grain in Turkey. However, agriculture sector between 1995-2001 narrowed down by 6% although Konya NUTS II region possesses convenient land for agriculture. Furthermore, service and manufacturing sectors grown by 1.4% and 0.2% which are still under national average (2.3% and 2.0%) respectively.

Although the share of agriculture in total employment (62.7%) is very high, the contribution of agriculture to the total GDP of the region (25.50%) is considerably low due to such reasons as inefficient use of land insufficiency in irrigation, low level of agricultural productivity, fragmented land structure.

In terms of gross domestic product per capita, both provinces are below the national average. In 2000, Konya with a figure equal to 77% of national average ranked 38th among all provinces, while Karaman ranked 26th - with 95% of the national average.

The registered rate of unemployment is only 7.05% (8.81% men, 3.99% women) but it is believed that the real rate is considerably higher, due to a widespread failure to register. Low level of women unemployment rate can be explained by low level of women participation to labor force.

Schooling rates for high schools in 2001/2002 were below the national average of 37% in the region (30.1%) - Konya (30%) and Karaman (34%). The rates for vocational and technical high schools are also below the national average of 21% in the region (13.7%) - Konya (13%) and Karaman (17%). Selçuk University with its campus in Konya and branches in Karaman is the main institution of public education also covering a number of research institutions.

When the socio-economic condition of the region is taken into consideration, it can be observed that the region faces several strengths and opportunities that will contribute to the further development of the region in the future, which are summarized below;

- Extensive and fertile land for agriculture
- Historical and cultural heritage attractive for tourism
- Well-developed commercial activities because of its advantageous geographical location for transportation and acquisition of raw materials.
- Closeness to commercial and industrial centers and relatively easy access
- Active entrepreneurship which provoke manufacturing in recent years
- Significant improvement in urban infrastructure in Konya city center
- Existence of university
- Being convenient for construction because of low level of earthquake risk
- Existence of organized industrial zones and small industrial estates
- Active workforce and low cost of labor
- Highly qualified health services

Despite the strengths and opportunities presented above, the region has several disadvantages that refrain the region to activate its potentials;

- High level of social and economic disparities within the region
- Lack of infrastructure and social facilities in rural areas
- Low level of woman participation to employment
- Low level of schooling rate in primary, secondary and vocational education
- Insufficient drinking water supply
- Deficiency in financial services
d. TRB1 (Malatya) NUTS II Region

Malatya NUTS II region consists of four provinces, which are Malatya, Bingöl, Elazığ and Tunceli. The total population of the region is 1,770,597 (2000) and the region has the total surface area of 37,441 square km. The province of Malatya, which is located at the southwestern part of Eastern Anatolia, has a territorial structure of high mountains and plateaus, in general. In terms of geographical location, the province of Elazığ is at the crossroads, connecting Eastern Anatolia to the western part of the country. Because of being located on high mountains and plateaus, Bingöl has limited transport communications, especially in long and severe winters. As well as other provinces of the region, Tunceli is a mountainous province surrounded by natural borders. Communications are problematic, especially in winter, both within the region and to Ankara and Istanbul.

Since 1990, except Malatya province having both the rural and the urban population increased, the remaining three provinces had rapidly increasing urban population against a sharp decrease in rural population. As a result, the urban population of the region has increased by some 33%, while the rural population has decreased by some 9%. The problem is most severe in Tunceli province, which has lost some 53% rural and 30% total population. This rapid movement of population is mainly due to low living standards in the rural areas but not the province centers becoming economically diversified and attractive urban areas. Also the region suffers from outmigration, 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.

Considering employment figures, agricultural production is an important activity in the region. It amounts to 64% of the total employment in Malatya, 70% in Bingöl, 59% in Elazığ and 42% in Tunceli. Malatya is a major center for the production and exportation of apricot. However, as apricot is sold without processing, the value added could not accumulate in the region. Elazığ, in terms of land structure and climate, is convenient for almost all kinds of agricultural production while the share of Tunceli and Bingöl in agricultural production is lagging behind in the country because of geographical constraints and harsh climatic conditions.

The figure for those officially registered as unemployed in 2000 was 8.94% in Malatya, 9.27% in Bingöl, 10.73% in Elazığ, and 6.16% in Tunceli. 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. For example, in the region, unemployment rate for men is 11.29%, while unemployment rate for women is 6.06%.

Another regional characteristic is low incomes. The current GDP/capita for the region as a whole is just 64% of the Turkish average, although there are considerable variations among provinces, ranging from 37% (Bingöl) to 77% (Elazığ). 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.

According to the socio-economic development criteria, among the 81 provinces of Turkey, Elazığ, Malatya, Tunceli and Bingöl provinces are ranked as 36th, 41th, 52th, and 76th, respectively.
It has been observed that growth rates of agriculture and service sectors in 1995-2001 period (0.4% and 1.9%) are close to national average (0.3% and 2.3%). On the other hand manufacturing sector shrunk by 1.5% while national growth average of this sector is 2%.

Considering high school education, the level of participation is above the national average. The schooling rate of the region is 44% against 37% as the national average and the only exception is Bingöl province with a schooling rate of 26%. Paradoxically, in technical and vocational level education the region falls short of the national average of 21%, demonstrating a schooling rate of only 11%. 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 general SWOT analysis observing strengths and weaknesses of, opportunities and threats for Malatya NUTS II region deducted by using “Problems, Solutions and Potentials” prepared by Provincial Study Group in Eastern Anatolia Project (DAP) Master Plan Regional Promotion Meeting-III and information used in DAP Master Plan. According to this SWOT analysis the strengths of the region are as follows:

- Comparative advantage of the region in industry, especially in certain sub-sectors
- Being the most developed region in DAP area in terms of industry and GDP per capita
- Producing the highest value-added among regions of DAP area in agriculture and manufacturing
- Abundance of water resources
- Existence of provinces having comparative advantage in vegetable and fruit production (Malatya-apricot)
- Richness in mining resources
- Low cost of labor
- Universities of İnönü and Fırat
- Historical richness
- Organized industrial zones where infrastructure has been completed

Besides these strengths, the region has some weaknesses that are pointed below:

- Insufficiency in urban and rural infrastructure
- Deficiencies in health and education services
- Promotion and marketing problems of the produced goods and services having comparative advantage
- Inadequacy in qualified workforce
- Low level and poor variety of agricultural production
- Low level of capacity utilization rate in industry
- Deficiencies in management of water resources
- Unconsciousness of private sector about international quality standards
Annex 9: Institutional Framework

- ECR
- CFCU
- Monitoring Committee
- State Planning Organization
- Services Unions / RDAs
- TA Team

Final/Grant Beneficiaries