1. Basic Information

1.1 CRIS Number (Year 1):
1.2 Title: Regional Development in TR90 NUTS II (DOKAP) Region*
1.3 Sector: Regional development
1.4 Location: Turkey (TR90 NUTS II Region)
1.5 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 purpose of the project is to contribute to the economic development of the priority region targeted by the pNDP for support under economic and social cohesion measures and to improve the project implementation capacity at 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):

- Development of 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.
- Strengthening 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 region concerned with an overall focus on strengthening economic and social cohesion, thus reducing regional disparities.

2.4 Contribution to National Development Plan

* TR90: Artvin, Giresun, Gümüşhane, Ordu, Rize and Trabzon
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 TR90 NUTS II Region) are selected as priority regions among 26 NUTS II regions according to the results of analysis and negotiations with 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 (Increasing the Economic Power of Regions, Reducing the Interregional Development Disparities, and Accelerating Rural Development).

Within the scope of the Development Axis 4 of pNDP, the following priorities are directly related with this project fiche. (Chapter 5.2)

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

2.5 Cross Border Impact

Not applicable

3. Description

3.1 Background and justification:

The project covers TR 90 NUTS II Region among the twelve priority regions envisaged by pNDP in Turkey. Detailed information about the target region is given in Annex 7 (Detailed Background Information – Existing Situation)

The strategic base of the programme is based on both the pNDP and as well as the Eastern Black Sea Regional Development Plan (DOKAP) prepared by the Japan International Cooperation Agency (JICA) under the coordination of State Planning Organization (DPT). These studies are considered important to envisage a basis for the determination of the components of the programme and identification of reliable indicators for the performance of the programme.
During various stages of the preparation process of the pNDP, joint discussions and consultations with relevant public institutions, NGOs at national and regional level and ECD took place. Workshops were carried out and stakeholders’ views regarding the draft documents were obtained and reflected in the final version of the pNDP. As an example, one can talk about a general meeting with the participation of 200 members including governors from 81 provinces, mayors, deputy mayors and representatives from universities, public institutions and NGOs.

Similarly, DOKAP including Artvin, Bayburt, Giresun, Gümüşhane, Ordu, Rize and Trabzon provinces was prepared with a participatory approach and its strategies were defined through the SWOT analyses carried out both at the center and in the region. During DOKAP preparation phase; “central” and “regional” steering committees were established to reflect views of various agencies, sector concerns and local interests in the scope of this multi-sectoral planning practice. These committees were established by the participation of the central ministries and major stakeholders such as; governorships; municipalities; chambers of commerce, industry, agriculture; associations; foundations; other NGOs and private sector. These steering committees were consulted starting from the very beginning by opening the joint discussions on “Development Diagnosis by Province”. For this purpose SWOT analyses were carried out by the help of consultants nominated by JICA. After the priorities were defined, formal reports were presented to the comments and evaluations of the committee members.

The Study was carried out primarily on the basis of readily available data and study reports as well as field surveys, observations and discussions with a wide range of stakeholders in the DOKAP Region. Field surveys carried out jointly by DPT/JICA Study Team. The Study was carried out in three phases. In every phase fieldwork accompanied by the consultation of the major stakeholders and review of the sectoral experts. At the final stage DPT and the JICA Study Team conducted the following series of seminars to convey the DOKAP Master Plan proposals to a wider range of audience:

<table>
<thead>
<tr>
<th>Seminar</th>
<th>venue</th>
<th>date</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Steering Committee</td>
<td>Ankara</td>
<td>February 25, 2000</td>
</tr>
<tr>
<td>Regional Steering Committee</td>
<td>Trabzon</td>
<td>February 28, 2000</td>
</tr>
<tr>
<td>Promotion Seminar</td>
<td>Istanbul</td>
<td>March 1, 2000</td>
</tr>
</tbody>
</table>

There was very large participation to these events and especially major NGOs and unions shared the strategy put forward and projects proposed in the DOKAP Study. DOKAP Operations Plan has been included in The Master Plan specifying actions to be undertaken by each implementing agency and the phasing of these activities.

In DOKAP study, basic problem areas have been defined to constitute the strategies and problem structure of the region has been designed. Major problem phenomena in DOKAP region are identified in economic, social and environmental sectors. The structure is also reflecting the priorities of the region.

The major problem defined in economic sector is the weak economic structure in the DOKAP region caused by:

- Limited access to external markets due to geographic location and under-developed transport infrastructure
- Low level of urbanization or lack of urban agglomeration
- Underdeveloped tourism resources
Improper land use and management for agriculture
• Dependence of single crop farming with tea and hazelnuts, or otherwise cereals
• Stagnation of traditional rural economics
• Large intra-regional disparities.

Therefore, supporting economic activities is very important to boost economic growth of the region. In this context SMEs are the key bodies to improve economic standards of the region as mentioned in both pNDP and DOKAP Study.

In addition to that, the major problem in the social sector of the DOKAP Region has been described as the lack of regional integration or social cohesiveness. Stagnation of traditional rural economies as well as various economic problems listed above has been shown as the roots of the problem. The importance of the Human Resources and Local Development Initiatives was stressed in every step of the Study in this respect.

It should be noted that, all provinces in the targeted region are among the priority regions for development designated by the Government of Turkey.

Neglect of rural environment, deteriorating urban environment and pollution and resource degradation in the Black Sea are highlighted under the environmental problems of the region. The lack of basic environmental infrastructure is one of the most important environment problems in TR90 NUTS II Region (DOKAP). Disposal activities are predominantly carried out at improperly controlled dumpsites directly at the seashores or vacant spaces in the valleys. This problem also threatens the tourism potential of the region.

The region has the significant potential in terms of historical/cultural sites, diverse landscapes and the unique environment surrounded by the forests to be an attractive tourism destination however, environmental structure needs to be improved and the region’s image needs to be highlighted to activate this tourism potential.

Besides, during the preparation of 2005 programming, the project profile pipeline (PPP) was formed in order to determine the basic characteristics and the needs of the DOKAP Region at the operational level and clearly determination of the priorities. 193 project summary forms related to tourism & environment infrastructure (121), transportation (13), human resources (14) and others (45) have been submitted by local governors & municipalities (142), NGO’s (28) and other responsible bodies (23). Then, submitted project summary forms have been analyzed. The analyses have shown that most of the projects are compatible with the DOKAP Strategy and the projects have a coherent characteristic with grant scheme approach.

In this context, the pNDP priorities, the DOKAP Study priorities and the EU supported programming documents and guides are matched to envisage a basis for the determination of the components of the programme and identification of reliable indicators for the performance of the programme.

3.2 Sectoral rationale

NA

3.3 Results:
The results foreseen are (1) Economic and social development in the region concerned promoted by interventions assisting community development through local initiatives, the sustainable growth of SMEs, and improvement of quality of environment and life and, (2) Key national and local institutions have the capacity to design and manage projects, including grant schemes in the framework of the EU approach to regional development with practical experience.

- **The SME Grant Scheme** the capacity of small and medium sized and micro scale enterprises through generating and conducting projects in marketing, advertising, management and utilizing technology transfer and innovations increased; the SME contribution to local and regional economy in production and investment increased; their access to external markets improved; information sources, financial sources and consultancy services improved; marketing of local products, competitiveness of local companies improved; job supply and incomes increased; income generating activities diversified; entrepreneurial activity stimulated by supporting SMEs and privately owned small businesses with resources for physical investment and business support packages including marketing, management, technology transfer, R&D and innovation, etc provided.

- **The Local Development Initiatives Grant Scheme** capacity built for local stakeholders; measures regarding human resources and collective benefits promoted; locally driven responses for development especially rural development stimulated; income generating activities in the region diversified. Capacity building for local stakeholders realized by supporting small scale soft measures for the region such as promoting the image of the region, agro-tourism, eco-tourism, cultural tourism, advisory and training services, local festivals, fairs; promotion of local products supported and skill training activities fostered.

- **Tourism & Environment Related Infrastructure Grant Scheme** priority needs in terms of tourism & environment related infrastructure addressed; tourism & environment related infrastructure services for the local population and local businesses provided and the quality of environment and life in the targeted region raised.

Expected results are indicatively as follows:

- Environmental Quality of the region increased
- Tourism capacity of the region increased
- Capacity of local public institutions in conducting proper tourism & environment related infrastructure projects improved
- Small-scale local infrastructure services (water treatment and purification, waste treatment, disposal and recycling, sewage system, etc.) improved
- Physical tourism investments supported (information centres, tourist accommodation facilities, etc.)
- Capacity of the region in urban renewal and historical restoration projects improved

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

3.4 Activities

All components of this integrated intervention were organized with respect to the basic needs and priorities of the region and characteristics of the target groups. This multi-sectoral approach prerequisites strong interrelations among components.

A. 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.

Activities in this component will enhance the ability of businesses in the targeted region 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, improve tourism capacity of the region, 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 for services and financial support to SMEs, in terms of grants. 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, etc.

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 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 information technology and introducing new products.

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.

The beneficiaries of this grant scheme will be privately owned small and medium sized enterprises (acc. to EU definition) from all sectors of the economy including services, agriculture, tourism and manufacturing. The beneficiaries should also demonstrate their ability to contribute their share of the proposed investment cost. 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.

**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 region. Activities in this field will be designed to support provincial and local authorities and their unions, NGOs, associations, chambers and cooperatives, etc.

Eligible activities in this component will include small-scale local development initiatives aiming to promote soft measures regarding human resources, rural development, 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, local festivals, fairs, agro tourism, eco-tourism, cultural tourism, vocational training, enhancing business advisory and support organizations, conducting research activities, processing and marketing of local products.

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.

Applicants to this scheme will, as a general rule, be non-profit institutions and organizations, such as provincial and local administrations, Service Unions, Vocational Schools, Universities and Research Institutes, Chambers of Commerce, Business Support Centres, information centres, unions, cooperatives 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.

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.

**C. Tourism & Environment Related Infrastructure Grant Scheme**

This component contributes to the quality of environment and protection of the environment. Capacity of provincial and local authorities who will be eligible for funding under this component will be improved in conducting tourism and environment related infrastructure projects.

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

- Improving existing environment and tourism infrastructure
- Improving connections to tourism sites and markets
- Supporting projects that increase the attraction value of the region-activities, facilities, infrastructure-
- Promoting and diversifying of tourism activities and facilities
• Promoting small-scale local infrastructure services (water treatment and purification, waste treatment, disposal and recycling, sewage system, etc.) to prevent environmental pollution
• Improving capacity of local public institutions in conducting proper tourism & environment related infrastructure projects
• Supporting urban and historical renewal and restoration projects
• Supporting Physical tourism investments (information centres, tourist accommodation facilities, etc.)

The direct beneficiary of this component will be provincial and local public authorities and their unions, 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. The grant amount for a tourism and environmental related infrastructure project should indicatively range between 100,000 and 2,000,000 euros. Both construction works and purchase of equipment will be eligible.

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 Delegation.

3.5 Linked activities:

Turkish Government Initiatives

In the 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.

The Eastern Anatolia Project (DAP) - Master Plan covering sixteen provinces (including Gümüşşehane provinces), was initiated by DPT 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.

The Eastern Black Sea Regional Development Plan (DOKAP) covering target region was prepared by the Japan International Cooperation Agency under the coordination of DPT. The detailed information is given in the background and justification part of the Project Fiche.

Besides the two regional plans, within the scope of the Yeşilırmak 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.

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 TRB2 NUTS II Region (Bitlis, Hakkari, Muş and Van provinces), 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.

Implementation for these three programmes (GAP Programme, EADP and Regional Development Programme for the Kastamonu, Samsun and Erzurum NUTS II Regions) has already started.

TRA2, TRB1, TR52 and TR72 NUTS II Regional Development Programme covering 13 provinces ( Ağrı, Ardahan, Bingöl, Elazığ, Iğdır, Karaman, Kars, Kayseri, Konya, Malatya, Sivas, Tunceli ve Yozgat) is in 2004 Programme of EU Pre-Accession Financial Assistance to Turkey. The objective of this programme is to support the objective set out in pNDP of reducing interregional disparities in Turkey and build institutional capacity at both central and regional level. The implementation of the programme is planned to start in 2005.

With TR90 NUTS II Regional Development Programme, all of 12 NUTS II Regions determined in pNDP 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 labour market strategy; promote reproductive health; strengthen the vocational education and training system; provide support for basic education; and support women entrepreneurs.

**Technical Assistance:**

Under 2005 Programming Period a “TA for Programming and Management of Regional Development Programmes & Support to the Establishment and Functioning of RDAs” will be proposed. This programme comprises Technical Assistance for TR90 NUTS II Regional Development Programme.

This project refers to the provision of TA to institutions and stakeholders at the central and regional levels for assisting 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 for grant beneficiaries in various components of the project
3. Training related to grant scheme implementation (training of local authorities and training of final beneficiaries)
4. Information campaign
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 will help national and local authorities to prepare feasibility studies and impact analysis and other required specifications. TA 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 rule.

3.6 Lessons Learned

The grant schemes implemented in other candidate countries since the early 1990s provide good examples for lessons learnt. 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.

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.

Although there is limited experience in Turkey as regards implementing grant schemes at NUTS II regional level, some lessons are learnt through various Grant Schemes (i.e. Active Labour Market Strategy, Reproductive Health and Strengthening, Vocational Education and Training etc.). For example, lack of coordination and synergy between the programmes, weakness of the indicators of achievement of programme objectives, the complicated application procedures’ limiting effect on the accessibility of the EU funded grant schemes and weak capacity of the contracting and beneficiary organisations are experienced during the implementation of these GS. Another key area of weakness is found to be 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 be a key to their selection. Where the infrastructure grant scheme is concerned, experience in Turkey has shown that one key area of weakness is securing the budget necessary to operate or maintain the infrastructure built or upgraded through the grant scheme. Tied use of TA within the project fiche can cause significant delays as examined in the case of the Regional Development programme for Samsun, Kastamonu and Erzurum NUTS II Regions (RD SKE) to bring in external assistance. Another lesson learnt from the RD SKE programme is too much time was lost from the signature of the FM through to the preparation and endorsement of the Guidelines for Applicants. Given the finite time period for contracting, the effect was to reduce the available time for implementation. These experiences provided basis for the design of the current PF.

More directly relevant lessons will be learned from the implementation of grant schemes under the South Eastern Anatolia (GAP), Eastern Anatolia Regional Development Programmes (EADP), Regional development programme for Kastamonu, Samsun and Erzurum NUTS II Regions (RD SKE) and Regional development programme for Ağrı, Konya, Kayseri and Malatya NUTS II Regions (RD AKKM). This will provide useful guidance in the preparation of guidelines for applicants under this regional programme grant schemes.
Currently, call for proposals in GAP Cultural Heritage and Rural Development components were launched as of 16 March 2004, 15 May 2004 respectively. Beside, call for proposals were launched in Joint Small Project Fund under Cross Border Cooperation Programme with Bulgaria, EADP and Kastamonu, Samsun and Erzurum NUTS II Regions as of 26 October 2004, 19 April 2005 and 04 May 2005 respectively. Therefore the lessons learnt are at the moment restricted to the stages of design of the programmes and launching the Call for Proposals.

4. Institutional Framework

**Contracting Authority**

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

**Beneficiary**

The beneficiary for the programme will be the State Planning Organization (DPT). The DPT 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.

**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.

*DPT*: Establishment and management of the three 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 Union/RDA: 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>Phare/Pre-Accession Instrument support</th>
<th>Co-financing</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>€M</td>
<td>National</td>
<td>Other</td>
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</tbody>
</table>

11
<table>
<thead>
<tr>
<th>Year 2005 - Investment support jointly co funded</th>
<th>Public Funds (*)</th>
<th>Sources (**)</th>
<th>Co-financing of Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Development Initiatives</td>
<td>4.2</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>SMEs</td>
<td>6.9</td>
<td>2.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Tourism &amp; Environment Related Infrastructure</td>
<td>6.9</td>
<td>2.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Investment support – sub-total</td>
<td>18</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>% of total public funds</td>
<td>Max 75 %</td>
<td>Min 25 %</td>
<td></td>
</tr>
<tr>
<td>Total project 2005</td>
<td>18</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

(*) Contributions from National, Regional, Local, Municipal authorities, FIs loans to public entities, funds from public enterprises
(**) Private funds, FIs loans to private entities

The total budget of 24 million euros will indicatively be allocated to the three components as: 23.4% to supporting Local Development Initiatives, 38.3% to SMEs and 38.3% to Tourism & Environment Related Infrastructure. Budget allocation between components is indicative. Budget reallocation among schemes may be considered during the course of the implementation, depending on absorption capacity realized.

1. All investment sub-projects supported by the pre-accession fund must receive co-financing from national public funds. Minimum requirement for co-financing from national public funds is 25% of the combined PHARE and national contributions to the overall investment support.

2. Many Institution building projects will also have a degree of co-financing – this should be quantified and included wherever possible.

3. Expenditure related to equipment (regulatory infrastructure or ESC-related) and to Technical Assistance supporting investment (e.g. pre feasibility study / supervision of works / technical specifications) should be considered as Investment support in the project fiche.

4. All co-financing must be provided on a joint basis. Parallel co-financing will, in a principle, not be accepted. Exceptions to this rule have to be agreed with the Commission in advance.

5. All co-financing should be clearly quantified, also the degree of certainty of such co financing (i.e. for National Public Funds: is it already earmarked in local or national budget, for FIs Loans, private funds: are they already approved/ under appraisal, etc..).

6. Where parallel co financing is accepted and justified per exception to the normal rule it should be provided in monetary form. If this is not possible there should be clear...
criteria set out for the valuation of any non-monetary contributions (that should be quantified in the table)

7. If twinning is involved, clearly state the expected budget of the twinning covenant

8. The financial engineering of the project should be closely monitored against actual delivery during implementation and against the objectives that were set in the project fiche so that corrective actions may be taken where required.

6. Implementation Arrangements

6.1 Implementing Agency

Contracting Authority

The Central Finance and Contracts 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 (DPT) will be the beneficiary and will be responsible for preparing, with support from CFCU and the Technical Assistance (Detailed information is given in “Linked Activities” section of the Project Fiche), 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 Delegation of the European Commission for approval.

Service Union/RDA

The DPT, 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 Union/RDA, 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 Union/RDA will take the responsibility on implementation of projects for the targeted region under the supervision of, and in close coordination with the DPT.

Technical assistance will be provided to the Service Union from Technical Assistance Project (Detailed information is given in “Linked Activities” section of the Project Fiche)

It is envisaged that Service Unions are considered to be transformed into Regional Development Agencies (RDAs) and built capacity in Service Union will be transferred to RDAs. A draft law on Establishment and Duties of Development Agencies in NUTS II Regions has been prepared and sent to the Turkish Grand National Assembly (TBMM).
The law is in enactment stage at the moment. Draft Bill is passed from “The Plan and Budget Committee” and transmitted to General Assembly. It is estimated that the law will be enacted before summer recess of the Parliament.

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/RDA, assisted by the experts of the “TA for Programming and Management of Regional Development Programmes & Support to the Establishment and Functioning of RDAs”, 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.

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.

6.2.7 Delivery Mechanisms: For all components, grant scheme mechanism will be used.

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, the project will be implemented according to the DIS.

6.5 Contracts
There will be a number of 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 grant beneficiaries will be responsible for contracting of construction contracts. 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 the all contracts above €300,000 will be subject to ex-ante control by ECD. The principles and the rules for procurement under grant contracts set in PRAG should be strictly followed but it is up to grant beneficiary to use the standard contract and tendering documents.

7. Implementation Schedule

7.1 Start of tendering/call for proposals: 1Q/2006
7.2 Start of project activity: 4Q/2006
7.3 Project completion: 4Q/2008

A restricted Call for Proposals can be applied under Tourism and Environment Related Infrastructure, in line with rules described in Section 6.6 of PRAG. The Contracting authority will invite applicants to submit a preliminary proposal. Only the short-listed applicants will be invited to submit a grant application form.

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.
3) Feasibility studies for projects within the infrastructure component will be required.

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 region 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 components to the European Commission. The EC co-financing contribution to the proposed programme will be maximum 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 region 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 DPT.

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 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:
A pre-condition for the launch of this project is that adequate implementation and monitoring structures (RDA or service union as the core of a future RDA) are established which provide over adequate premises and full staffing. After the RDA will have been established in the region, any equipment that is purchased for the benefit of the Service Union will be transferred to the RDA.

Sequencing:
Sequencing is indicated in section 7 above. 1Q/2006: Required technical documentation for funded projects prepared and draft operational guidelines to the funding Schemes along with all required documents submitted for approval to EC.

Start of tendering/call for proposals: 1Q/2006
Start of project activity: 4Q/2006
Project completion: 4Q/2008

ANNEXES TO PROJECT FICHE

1. Logical framework matrix
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. Detailed Background Information
### Annex 1: Logframe Matrix

<table>
<thead>
<tr>
<th>LOGFRAME MATRIX FOR Project</th>
<th>Programme name and number</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regional Development in TR90 NUTS II Region</strong></td>
<td><strong>Contracting period expires</strong> Disbursement period expires</td>
</tr>
<tr>
<td></td>
<td>Total budget: 24 million euros EC budget: 18 million euros</td>
</tr>
</tbody>
</table>

<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 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.</td>
<td>Percentage contribution of programme to regional GDP Number of people employed Degree of response to call for proposals Number of submissions for grant schemes Ratio of acceptable projects to submitted projects under each grant scheme Number of beneficiaries and staff of intermediary organizations trained Proportion of total project budget</td>
<td>EC Regular Report on Turkey pNDP Evaluation Reports (If available)</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 contribute to the economic development of the region targeted by the pNDP for support under economic and social cohesion measures and to improve the implementing capacity at the central and regional level.</td>
<td>- Progress reports by the DPT and TA - Monitoring and evaluation reports of projects - Project selection notes/reports</td>
<td>- Operational regional administration in place - EU policy &amp; procedures applied - National funds available - Commitment of all related partners</td>
<td></td>
</tr>
</tbody>
</table>

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* TR90: Artvin, Giresun, Gümüşhane, Ordu, Rize and Trabzon provinces
<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| TOURISM & ENVIRONMENT RELATED INFRASTRUCTURE GRANT SCHEME | - Environmental quality of the region increased  
- Tourism capacity of the region increased  
- Local public institutions’ capacity in conducting proper tourism and environmental related infrastructure projects improved  
- Small-scale local infrastructure services related to environment (e.g. water treatment and purification, waste treatment, disposal and recycling, sewage system, etc.) improved  
- Physical tourism investments supported (information centres, tourist accommodation facilities, etc.)  
- Capacity of the region in urban renewal | - Number of eligible projects/proposals  
- Number of tourism facilities built, renovated or improved  
- Length of constructed/reconstructed tourism roads  
- m$^3$ of water treated/purified  
- % increase (tones) in waste disposal and recycling  
- Number of people trained in environmental awareness and environmental management | - Strong response from the stakeholders  
- Regional administration structures staffed with well trained and committed people  
- Strong regional partnership developed  
- Service Union/RDA in the region established |
| | LOCAL DEVELOPMENT INITIATIVES GRANT SCHEME | - Monitoring and assessment reports  
- Programme evaluation reports  
- DPT reports  
- Service Union/RDA 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 | |
and historical restoration projects improved

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, promoting the image of the region, agro-tourism, eco-tourism, cultural tourism, advisory and training services, local festivals, fairs, processing and marketing of local products improved
- Capacity of Human Resources developed

SME GRANT SCHEME
- SME contribution to local and regional economy increased in production and investment
- The capacity of small and medium sized and micro scale enterprises through generating and conducting projects in marketing, advertising, management and utilizing technology transfer and innovations increased;
- SMEs’ access to external markets improved;
- Information sources, financial sources and consultancy services improved;
- Marketing of local products,
competitiveness of local companies improved;
- Job supply and incomes increased;
- Income generating activities diversified;
- Entrepreneurial activity stimulated by supporting SMEs and privately owned small businesses with resources for physical investment and business support packages including marketing, management, technology transfer, R&D and innovation provided

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOURISM &amp; ENVIRONMENT RELATED INFRASTRUCTURE GRANT SCHEME</strong></td>
<td><strong>TOURISM &amp; ENVIRONMENT RELATED INFRASTRUCTURE GRANT SCHEME</strong></td>
<td>- 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 institutional support - Funds allocated to projects</td>
</tr>
<tr>
<td>- Improving existing tourism &amp; environment infrastructure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Improving connections to tourism sites and markets</td>
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<td></td>
</tr>
<tr>
<td>- Supporting projects that increase the attraction value of the region – activities, facilities, infrastructure, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Promoting and diversifying of tourism activities and facilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Promoting environment related local small scale infrastructure services (e.g. water</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Co-finance for the projects selected</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Qualified professionals for training</td>
<td></td>
<td></td>
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<tr>
<td>- Professional consultation services</td>
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<td></td>
</tr>
<tr>
<td>Treatment and purification, waste treatment, disposal and recycling, sewage system) to prevent environmental pollution</td>
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<td></td>
</tr>
<tr>
<td>Supporting urban and historical renewal and restoration projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supporting Physical tourism investments (including tourist information posts, accommodation facilities, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improving capacity of local public institutions in conducting proper tourism &amp; environment related infrastructure projects</td>
<td></td>
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</tr>
</tbody>
</table>

**LOCAL DEVELOPMENT INITIATIVES GRANT SCHEME**
- Capacity building for local stakeholders
- Small scale soft measures of collective importance for the region such as human resources, skill training, 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, advisory and training services, local festivals, fairs, processing and marketing of local products

**SME GRANT SCHEME**
- Increasing the capacity of SMEs in marketing, advertising, management and utilising technology transfer & innovations
- Improving their access to external markets, information sources, financial
- Qualified professionals for training
- Professional consultation services
- Business support packages also covering investment promotion activities
- Investment projects co-financed

**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**
- Good quality consultancy services at the regional level available
- Tender documentation in line with the Practical Guide prepared

**LOCAL DEVELOPMENT INITIATIVES GRANT SCHEME**
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**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**
- Good quality consultancy services at the regional level available
- Tender documentation in line with the Practical Guide prepared
sources and consultancy services
- Improving marketing of local products
- Improving diversification of income generating activities
- Fostering innovation and modernisation of SMEs
- Improving tourism capacity, entrepreneurship and business culture
- Improving competitiveness of local companies

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 DPT as managing authority Service Union/RDA in the region established and activated, experienced helping intermediaries in the region established
- Well developed working relationship between DPT (Central Level) and Service Union/RDA (Regional Level) secured

Annex 2: Detailed Implementation Chart

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
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<tr>
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<tr>
<td>Local Development Initiatives</td>
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<td>I</td>
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<tr>
<td>SMEs</td>
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<td></td>
<td>I</td>
</tr>
<tr>
<td>Tourism &amp; Environment Related Infra</td>
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<td>I</td>
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</table>

I: Implementation and payments

Assumption: Financing Agreement will be signed by the end of November 2005 depending on the signing of Financing Memorandum.
Annex 3:

<table>
<thead>
<tr>
<th>Project</th>
<th>1Q/06</th>
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<th>3Q/06</th>
<th>4Q/06</th>
<th>1Q/07</th>
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<td>Tourism &amp; Environment Related Infrastructure</td>
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Indicative Cumulative Quarterly Disbursement Schedule (MEUR)

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<th>1Q/06</th>
<th>2Q/06</th>
<th>3Q/06</th>
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<th>1Q/07</th>
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<td>SMEs</td>
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<tr>
<td>Tourism &amp; Environment</td>
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<tr>
<td>Related Infrastructure</td>
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<td>23,08</td>
<td>23,08</td>
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</tbody>
</table>

**Annex 4: Reference to feasibility/pre-feasibility studies**

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

2. Feasibility/pre-feasibility studies and project identification studies were prepared within the scope of The Study on the Regional Development Plan for the Eastern Black Sea Region and Project Preparation Facility.

**Annex 5: Reference list of relevant laws and regulations**


2. Reconstruction (Land Development) Law No 3194 (Accepted on 03.05.1985-Published in the official journal dated 09.05.1985 and numbered 18749) ([http://www.bayindirlik.gov.tr/kanun_yonetmelikler/imar_kanunu.htm](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. The Study on the Regional Development Plan for the Eastern Black Sea Region in the Republic of Turkey (DOKAP)
4. SME Strategy and Action Plan
Annex 7: Background Information (Existing Situation)

TR90 NUTS II Region (DOKAP) located at the north-eastern part of Turkey consists of 6 provinces: Artvin, Giresun, Ordu, Rize and Trabzon facing Black Sea and Gümüşhane situated away from the coast. The total population of the region in 2000 is 3,131,546 (%4.6 of the total Turkey population) and the region has the total surface area of 35,551 km² (%4.6 of the total surface area of Turkey).

The DOKAP region is characterized topographically by extensive mountainous areas reaching well over 3,000 m and limited lowland of high agricultural potentials within its large forest areas (the forest land covers 42% of the total DOKAP land). The region is served by only one east-west artery along the coast, and north-south lateral access capacity is very limited. These conditions reflect the harsh topography with high mountains ranges running generally in the east-west direction. Most urban centres except Gümüşhane in the region are located along the coast and the rural settlements in the region are dispersed throughout its large territory. Another problem resulted by harsh topography is lack of sizeable urban centres except Trabzon.

Although the population of Turkey has grown approximately five times since 1927, the population of the TR90 region has grown only three times in this period. Since 1990 the population of the region has increased by some 9.32 ‰. The biggest city of the region as far as the population is concerned is Trabzon, which has a population of 975,137. Then the Ordu (887,765), Giresun (523,819), Rize (365,398), Artvin (191,934) and Gümüşhane (186,953) are ranked respectively.

Considering employment figures, agriculture is an important activity in the region. It amounts to 68.5% of the total employment in the region, 60.9% in Artvin, 70.3% in Giresun, 76.5% in Gümüşhane, 73.6% in Ordu, 64.34% in Rize and 64.3% in Trabzon. The region is the major center for the production of tea and the hazelnut in Turkey. The employment in service sector in the region is 26.2% of total.

Another regional characteristic is low incomes. Per capita GRDP in the DOKAP region was only %63 of the per capita GDP of Turkey in 2000. Agriculture has a larger share in the DOKAP GRDP approximately %31, twice as large as the share of agricultural GDP in Turkey. Unlike the amounts of total employment in the service sector, the sector has a share of %56 of the total GRDP. The GRDP of the region is only %2.92 of the GDP in Turkey while the population of the region is almost %5 of the Turkey’s Population.

The figure for those officially registered as unemployed in 2000 was 7% in Artvin, 8.9% in Giresun, 6.2% in Gümüşhane, 8.1% in Ordu, 10.30% in Rize and 8.3% in Trabzon.

According to the socio-economic development criteria, among the 81 provinces of Turkey, Artvin, Giresun, Gümüşhane, Ordu, Rize and Trabzon provinces are ranked as 43rd, 50th, 71st, 62nd, 37th and 38th, respectively. Moreover, among 26 NUTS II regions of Turkey, the region is ranked as 19th.