1. BASIC INFORMATION

1.1 CRIS Number:
1.2 Title: Fashion and Textile Cluster (FTC) - Phase II
1.3 Sector: ESC - SMEs
1.4 Location: Turkey
1.5 Duration: 18 months (2nd phase of the project)

The proposed programme is the second phase of a multi-annual programme, which is the complementary part of the first phase (TA) included under programming 2003, and is mainly composed of investment support.

2. OBJECTIVES

2.1. Overall Objective

- To increase the international competitiveness of SMEs active in textile and clothing sector, to improve their productivity and their share in total added value, alongside SME Strategy and Action Plan and to strengthen innovative capacity with respect to the National Development Plan (NDP) in line with the SME policy of the EC.

2.2. Project Purpose

- To increase networking among SMEs in the textile and clothing sector, at local, national and European levels, as well as with business support organisations and structures, where flexibility of at firm level is combined with economies of scale and scope in wider-collaborating groupings of firms.

2.3 Accession Partnership and NPAA priority

NPAA

- Section 4.7.2.1.d of the NPAA draws the boundary for Fashion and Textile Cluster Supports under the heading “Investment Support” for SMEs related with of common use machinery-equipment pool.

- The purpose and objectives of this project are defined in light of Section 4.17.1.d “Final Goals” of the NPAA.

- Establishment of common use machinery and equipment pool and R&D Centre, which is an outcome of Phase I, fit the “Primary Importance” under “Necessary Investments” of the NPAA.

Following citations from the NPAA stimulate the relevance of the project:

- “It is very important to improve the situation of SMEs, the sector most affected by the implementation of the Customs Union, bearing in mind their ability to adapt to changes in demand, and their contribution to the
establishment of a competitive market, creating employment and developing entrepreneurship”.

- “Policies will prioritise increased expenditure for R&D, encourage entrepreneurship and SMEs, and the development of a competitive environment”.

The report of State Planning Organization “Industrial Policy for Turkey towards EU Membership”, published in August 2003, proposes similar measures with this project.

2.4. Contribution to National Development Plan

The NDP includes several recommendations and directions related with the project proposal. Paragraph 1134 indicates increasing competitiveness of the manufacturing industry within an outward oriented structure. Paragraph 1140 pursues to support investments on R&D (assigning to ICT content the first place), improve the SMEs and create employment. Paragraph 1175 points out the need to enhance the smooth coordination among institutions, which provide services to SMEs. Paragraph 1176 declares improvement of SMEs’ productivity and competitiveness as essential objective. Paragraph 1182 summarizes the benefits of clustering and networking for SMEs. Paragraph 1184 states that SMEs shall be oriented towards R&D activities.

Pre National Development Plan, which covers the period 2004-2006, published in December 2003 after approval by the Higher Planning Council has brought a National Development Strategy. It has four strategic development axes, which are formulated according to economic and social adaptation with EU. The first axis is about increase of competitiveness of SMEs (p.v). That axis includes recommendations toward employment of advanced technologies and improvement of productivity.

2.5 Cross Border Impact:

Not applicable

3. DESCRIPTION

3.1. Background and justification

3.1.1 The Turkish Textile and Clothing Sector

- “Turkey will need to move into much higher quality segments, which require advanced design and marketing skills, in order to sustain a competitive edge. To achieve this, the financial incapability and SME structure of the industry are the biggest weaknesses.”

  Sector Profiles of Turkish Industry-A General Outlook, State Planning Organization, February 2004, p.23

- “…One of the most serious handicaps in the textile and clothing sector is the very limited R&D activities...Fashion development usually fed from R&D is influenced negatively from this situation.” (p.50) “…Strategies should be formed to let SMEs in the textile and clothing sector act together, cooperate and
collaborate.” (p.52) “…Qualified and trained workforce to utilize the technology is necessary.” (p.52)

*Competitiveness of Turkey in the Textile and Clothing Sectors and Sector’s Situation in the World, Dr.N.Kanoglu and E.Ongut, State Planning Organization, March 2003*

- “By increasing SMEs’ access to technology, capital, product markets, among other things, strategic alliances and other partnerships, as well as networks and clusters enable SMEs to combine their generally inherent flexibility and ability to adapt quickly with the advantages of scale and scope generally only available to large organizations.”

*OECD, The Small and Medium Enterprise Outlook, Paris, 2002*

The Turkish textile and clothing industry has been the backbone of the Turkish economy since the beginning of the 1980’s. Trade liberalisation and export-led policies stimulated textile and clothing production and export and besides low labour costs, a skilled workforce, cheap raw materials (including home grown cotton), and high flexibility of the mills assisted the sector’s substantial growth.

In the year 2000, Turkey’s textile and clothing export represented 10 billion dollars and this figure represents 36.1% of Turkey’s total general exports. In 2001, this declined to 34.2% but this nevertheless demonstrates the sector’s high importance and vitality in the country’s economy.

The European Union is the major traditional market for Turkish textile and clothing sector with Turkey being the 2nd leading clothing supplier to the EU with a market share of 11.6% and the 5th leading supplier textile supplier of the EU with a current market share of 8%. Knitted clothing is the most important product group when we talk about Turkey’s textile and clothing exports representing 51.4% of export value.

In order to avoid and/or overcome negative effects of the financial crisis on some markets, Turkey needs to focus on new markets and diversify export products. The main principles of the strategies developed by the Under Secretariat of Foreign Trade is to diversify export markets according to the geographical location of Turkey and having regard to regional developments in World Trade.

In this respect, the textile industry needs to change its strategy to keep its competitiveness with other countries. The main topic of this strategy must be focus on developing fashion trends and internationally accepted trademarks. But SMEs have very limited financial resources to develop their own R&D.

To increase the international competitiveness of SMEs active in textile and clothing sector, to improve their productivity and their share in total added value, alongside Section 3.1 of SME Strategy and Action Plan (SMESAP) and to strengthen innovative capacity with respect to Paragraphs 1134, 1140, 1176 and 1184 of the National Development Plan (NDP) and Axis 1 of the National Pre-Development Plan 2003.

Employees are not qualified enough to operate modern machinery and there is a similar urgent need to train and stay up-to-date with technological developments in machinery and equipment.

World trade will be further liberalised until the year 2005 and more than 130 member countries of the World Trade organisation (WTO) will open their markets
to each other. Consequently competition will be fierce in world trade and apparel trade and there is a need for Turkish manufacturers in this sector to review and upgrade both skills and production techniques in order to remain competitive in the global economy.

Despite these challenges, many of which will be handled in Phase I, the sector is well suited to a clustering approach given that many sub-sectors exist and there is a well-established network of sector support organisations, which are necessary in order to underpin and form the focus of the clustering approach.

The EU Multi-annual Programme (MAP) for Enterprise & Entrepreneurship 2001-2005 also aims among others in relation with this project at:

a. enhancing the growth and competitiveness of business in a knowledge-based economy;

b. to give business easier access to Community support services, programmes and networks and improving the co-ordination of these facilities.

The European Charter for Small Enterprises approved at the Feira European Council in June 2000, outlines what Member States and the Commission need to do to make life better for small business. It recommends among seven others upgrade in following areas related with this project:

- Education and training for entrepreneurship,
- Availability of skills,
- Strengthen the technological capacity of small enterprises,

The Government of Turkey with other Candidate Countries endorsed the ECSE at Maribor in April 2002.

A national “SME Strategy and Action Plan (SMESAP)” in conformity with EU SME policies particularly the European Charter for Small Enterprises and the Multi-annual Programme for Enterprises and Entrepreneurship – MAP was adopted by the Turkish Government. Section 3.1 of SMESAP coincides with the purpose and objectives of this project.

The clustering approach, which forms the basis of this project, will support Turkey to complete its obligations for the ECSE, implement the national SME strategy and action plan and strengthen the competitiveness of the Turkish textile sector.

To increase networking among SMEs in the textile and clothing sector at local, national and European levels, as well as with business support organisations and structures, where flexibility at firm level is combined with economies of scale and scope in wider-collaborating groupings of firms, alongside Paragraph 1175 of the National Development Plan (NDP). The results of Phase I appear to be as a list of common use machinery-equipment, which will strengthen the capacity of the cluster and secure commitment of the companies. So SMEs will be encouraged strongly to collaborate when their machinery and equipment needs are fulfilled through a grant scheme toward a common use machinery-equipment pool. Thereby Section 3.1 of SMESAP, which indicates the development of communication and interaction between service providers, SMEs and professional organizations representing SMEs and emphasizes the strengthening of the institutional capacities and partnership skills, will be fulfilled.

3.1.2. The Istanbul Textile and Apparel Exporters Association (ITKIB)
The Istanbul Textile and Apparel Exporters’ Associations was founded by the Under-Secretariat for Foreign Trade and related private sector Associations in 1986 in order to organise the export led activities for maintaining the growth of Turkish exports. It is an NGO with partial contribution of the government, having its own elected boards. A Secretary General appointed by the Undersecretariat of Foreign Trade (UFT).

ITKIB under its General Secretariat consists of four groups which are:

- Ready Made Garments Exporters’ Association
- Textile and Raw Materials Exporters’ Association
- Leather and Leather Products Exporters’ Association
- Carpet Exporters’ Association

As of January 2005;

- Istanbul Ready Made Garments Exporters’ Association had 9,918 member exporters;
- Istanbul Textile and Raw Material Exporters’ Association had 3,902 member exporters;
- Istanbul Leather and Leather Products Exporters’ Association has more hat 2,238 member exporters;
- Istanbul Carpet Exporters’ Association has 716 member exporters.

Among these Associations, Istanbul Ready Made Garments Exporters’ Association realised more than 9.1 billion US dollars in 2002, which was 70% of total Turkish apparel exports.

The main activities of the General Secretariat of ITKIB are:

- Gathering and providing accurate information on worldwide trade to its members totalling more than 15,543 companies.
- Dealing with the formalities in the exporting of related goods and assisting member exporters with documentation. The Single Administration Document (customs declaration of export) is approved by ITKIB as well as inward and outward processing documents;
- Negotiating with the European Union on Voluntary Export Restriction Agreements was one of the fundamental functions of ITKIB before the Customs Union with the EU. In addition, ITKIB contributed to the process of Customs Union with the EU until 1996. Within the framework of the customs union, Turkey has adopted new policies and legislation and ITKIB represented the textile and apparel industry at the quota restriction negotiations held by the Turkish Government with third party countries;
- Cooperation between the textile and apparel industries of Turkey and the European Union by becoming member of EU sectoral/industrial organisations like EURATEX, which provided and integration of industries at a higher level and provided advantages in trading as well as in policy making.
• ITKIB established a representative office in Brussels in 1995 in order to expand this cooperation between Turkish and EU industries.;
• Distributing export quotas among Turkish companies (exporters) and follow up the implementation of quota agreements with the US and Canada;
• Keeping statistical data for the exports of related goods.
• Carrying out market surveys.
• Organising education programmes for on-the-job training of both member and non-member companies, supports many education programmes, established four vocational high schools, owns a quality control and research laboratory.
• Acting as a consultant not only for its members, but for anyone who needs information about importing textile, apparel, carpet and leather from Turkey or co-operate with Turkish industry.
• ITKIB encourages fashion awareness and designers and organises the “Young Designers Contest” which is held every year;
• ITKIB owns a permanent showroom in New York at which the members of ITKIB can easily contact US buyers and present their collections to them in this showroom.

Publishing a periodical – a monthly magazine called “Hedef” which provides information about the industry and major issues affecting the industry and highlights new opportunities in textile and apparel trade.

3.1.3 Clustering

An industry cluster is a regional concentration of competing, complementary and interdependent firms that create added value hence wealth. The main principal incentives for cluster formation and networking are as defined in Phase I:

• To lower transaction costs
• To develop new skills
• To overcome (or create) entry barrier in markets
• To use a common infrastructure, resource and labour pool advantage
• To speed up the learning process

To strengthen Fashion and Textile Cluster support structures by equipping to ensure on carrying out the relevant services for SMEs in the textile and clothing sector in accordance with Paragraph 1182 (p.139) of the NDP. The outcomes of Phase I, namely Fashion Institute and R&D Centre will provide support to SMEs to enhance the level of technology, facilitate guidance and access to consultancy services, raise product quality, integrate main and sub-industry, improve cooperation among enterprises.

The result of Phase I is the obtained form and structure of the Fashion and Textile Cluster. To complete and vitalize the designed superstructure, an infrastructure is necessary in form of machinery and equipment. They are needed for the common use machinery and equipment pool in R&D Centre, Consultancy Centre, Fashion Institute, Cluster Coordination Agency and joint projects, which will be developed to strengthen the Fashion and Textile Cluster (FTC) and for the expansion of FTC to other regions of Turkey to serve SMEs in the textile and clothing sector, under the
public entity umbrella (CCA). So SMEs will be encouraged strongly to collaborate and cluster will be sustainable.

3.2. Sectoral rationale

The Government’s sector strategy is laid down in SME Strategy and Action Plan (SMESAP), and is directly linked to the national development plan. The contribution of the proposed programme to the SMESAP and hence to the NDP is discussed in section 2.4. KOSGEB’s support mechanisms (through governmental resources) are also geared towards enhancing productivities and exports capabilities of SMEs, and hence are in line with the proposed programme. It is assumed that during the implementation of the programme (through steering committee meetings) the complementarities between governmental support mechanisms (such as those provided through UFT, KOSGEB, and TUBITAK) will be fully exploited with a view to create synergies. This will contribute significantly to the achievement of Programme’s overall objectives.

EU funded projects within the SME sector will prioritise the issues set out in the accession agenda. Within the scope of this multi-annual programme the priorities will be determined in accordance with the EU’s renewed Lisbon Strategy and socio-economic development needs of Turkey to improve Turkey’s ability to assume the obligations of full membership.

3.2.1 Identification of projects

Phase I is expected to end with a cluster building for textile and fashion. Although the components of the cluster formation are not detailed yet, main structure is defined already. A Cluster Coordination Agency (CCA) will act as the facilitator of the cluster system with its non-profit legal status. CCA will have a state-of-the-art information and communication technologies infrastructure and run a textile and fashion concentric database and portal, which will be developed under joint project, for the benefit of the whole sector. It will be equipped with a well-developed administrative and legal secretariat. CCA will have loose links with R&D Centre, Consultancy Centre and the Fashion Institute placed in CCA’s orbit. Consultancy Centre will provide guidance in areas such as business and management consultancy, internationalisation, brand creation and management, technology management, marketing and sales, financial management, etc. R&D Centre will focus on machinery and equipment, and product development. It will establish relations with international innovation institutions and have its own facilities for R&D purposes according to needs of SMEs. R&D Centre will serve all cluster members. Joint projects, which have been elaborated following the consultation with private sector representatives and relevant stakeholders under Phase I, will crosscut these peripheral centres. There will be five joint projects being considered.

i) ICT Infrastructure of FTC and Supply Chain Management Facilities: Because of the widely dispersed geographical distribution of the SMEs, a strong Information and Communication Technologies (ICT) infrastructure, which will serve to all modules of FTC, is ultimately necessary for the sustainability, stronger bonds between members, expandability and growth of FTC. This ICT
infrastructure will certainly help every FTC module to serve all SMEs more effectively and efficiently on virtual basis such as supply chain management. As one of the emerging strategic competition factors in recent years supply chain management is getting essential for SMEs, where they are handicapped against large-scale industry. Considering the academic content of the topic a cooperation with the universities is sought. Supply chain management is directly linked with logistics and warehousing and covers inventory management as well. There are several software packages to help SMEs in supply chain management, which will be brought together and offered for common use of SMEs with guidance under IT aspects of the project.

ii) Mobile and Fixed Training and Education Facilities: The mobile training and education facilities are crucial in order to be able to reach wider target group since the characteristics of SMEs. On one hand to supply needed qualified workforce to SMEs, on the other hand to contribute to the solution of employment problem, the successful mobile training and education model application of FTC will be further developed and expanded by adding small fixed units based on demand side.

iii) Optimization of Pattern, Sample and Collection Preparation Facilities: As another strategic competition factor where SMEs are in an unfair position compared with large scale enterprises, Pattern, Sample and Collection Preparation Facilities will be handled as a joint project. Its contribution to the cluster will be beyond increase of competitiveness by improving synergy level of the cluster. In this respect, FTC will able to serve companies on non-profit basis in preparing samples for their customers or preparing collections, which are the main barrier on the internationalisation of SMEs and reaching export marketing targets of SMEs, with full support of FI, CC, R&D services via ICT infrastructure.

iv) Logistics and Warehousing Facilities: Turkish SMEs in the textile and clothing sector have an important obstacle on accessing the modern logistic and warehouse facilities, which are requested by international buyers in order to be able to decrease the delivery period and track the transportation, etc. The joint project will support FTC to develop the domestic transport model to and from cluster members and to bring an economical solution to their warehouse needs for export-import purposes.

v) Maintenance Engineering Certificate Program: Maintenance is a multidimensional and common problem for textile and ready wear industry in Turkey. There is a lack of awareness by the SMEs on one side, and a lack of qualified and certified maintenance engineers and technicians in the labour pool on the other side. The result of lack of maintenance awareness and lack of specialized staff is lower economy in the production. In addition there are developments in the direction of Total Maintenance Management and Preventive Maintenance which are applied by large-scale industry, not yet by SMEs due to above reasons. To handle this problem a Training Centre is proposed, which will be equipped with proper machinery and equipment, where new graduates from Textile Engineering and Mechanical Engineering Departments of universities and graduates of vocational higher schools will be trained and then receive a certificate when they fulfil the requirements after EU standards. Later they will be employed by SMEs in the cluster after free
labour market rules. SMEs will also be able to send their currently employed engineers and technicians to this Centre for training. The machinery producing companies are expected to support this Program.

Joint projects will act as the expansion of the Fashion and Textile Cluster to the other regions of Turkey in order to extend the services of CCA to SMEs on non-profit basis. For FTC to perform as desired, following tasks should be achieved.

1- The SME’s of the FTC should increase the relations with each other to the most effective level

2- As described above CC, R&D Centre and FI should have the necessary channels and ways to convey their services to the SME’s continuously and effectively.

3- Some activities (especially the ones for export promotions) can not be handled by most of the SME’s due to financial and technical reasons or / and lack of trained professionals. These activities are mainly proper sample preparations, pattern preparations, production planning quality control and logistics based client oriented packing, appropriate for direct distributions to sale points.

The joint projects will also provide feedback to CCA about the actual situation of SMEs and their needs in order to be able to revise the FTC strategy and develop new policies for the sector on timely manner. Based on the lessons learned, FTC will be definitely sustainable and will also support further development of the “Cluster” approach, which will be maintained in the other parts of the country.

3.2.2 Sequencing

The duration of the second phase will be 18 months. The sequencing is demonstrated in Annex 2. As described above, Phase II is being built on the results of the Phase I, and ultimately necessary for the successfully completion of the whole project (TA will only be provided together with adequate equipment infrastructure).

3.3. Results

3.3.1. Purpose

- To increase networking among SMEs in the textile and clothing sector, at local, national and European levels, as well as with business support organisations and structures, where flexibility of at firm level is combined with economies of scale and scope in wider-collaborating groupings of firms.

- To strengthen Fashion and Textile Cluster support structures by equipping to ensure on carrying out the relevant services for SMEs in the textile and clothing sector. The outcomes of Phase I, namely Fashion Institute, R&D Centre, Consultancy Centre, CCA and joint projects will provide support to SMEs to enhance the level of technology, facilitate guidance and access to consultancy services, raise product quality, integrate main and sub-industry, improve cooperation among enterprises.

3.3.2. Results
3.3.1. The necessary “common use equipment” infrastructure for CCA, Fashion Institute, R&D Centre, Consultancy Centre and Joint Projects supplied and operational.

3.3.2. The support services of FTC for SMEs formed, developed and functional

3.4. Activities

The following activities will be undertaken:

- Finalisation of technical specifications and supply tender dossier for the supply tender, which was drafted in the Phase I.
- Procurement of “common use equipment” for CCA, Fashion Institute, R&D Centre, Consultancy Centre and Joint projects according to the technical specifications prepared.
- Training of FTC support structures’ staff on the use of equipment, when necessary (as a part of supply contract)
- Effective working relationship between all stakeholders in order to enhance and better target the use of common equipment aimed to support SMEs in the textile sector.

Since all activities are interwoven, they are going to proceed simultaneously. The coordination responsibility of activities will be undertaken by CFCU in coordination with PCU at ITKIB, which is already staffed and equipped under Phase I.

3.5. Linked activities

- **Fashion and Textile Cluster - Phase I** being carried out by ITKIB. TAT is operational as of January 2005
- **Vocational training in the clothing sector**
  The project will set up a programme of work training (use of sewing machines, cutting repairs, supervision management etc) in the clothing sector. It is aimed primarily at young workers, and particularly at young women already working in the sector and wanting to improve their skills. The total EC contribution to the project is 1.5 million euro. The beneficiary is KOSGEB.
- **EU-Turkey Business Centre**
  The overall objective of this programme (17.3 million euros) is to contribute to the strengthening of SMEs in Turkey through the setting up of 3 business centres. The beneficiaries are TOBB and regional chambers (Aegean Regional Chambers of Industry, Kocaeli Chamber of Industry and Gaziantep Chamber of Commerce).
- **Small Enterprise Loan Programme**
  A 20 million Euro programme, that aims to make available loans to small enterprises (especially innovative SMEs, having potential for job creation and internationalisation). The beneficiaries are Turkish small enterprises with fewer than 50 employees and assets of less than € 1.1 million each. The loans will be used through private banks in Turkey.
- **Supporting GAP-GIDEMS in the SEA Region**
The project will support the operation of four GIDEMs (Mardin, Adiyaman, Diyarbakır and Urfa) that will provide business development and investment promotion services to local SMEs. The activities of the centres will cover not only management or marketing, but also financial and technology related areas like product design, quality improvement, business partnership (incl. technology transfer), etc. The total EC contribution to the project is 5.6 million euro. The beneficiary is GAP-RDA.

- **Innovation Relay Centres (IRCs)**
  The IRCs provide trans-national technology transfer to SMEs through an extensive network of IRCs, clusters and business support centres throughout Europe. In May 2004, the first IRC in Turkey (IRC-EGE) was opened, and the second IRC-Anatolia in Ankara.

3.6. Lessons Learned:

ITKIB has some experience about organising sample and collection centre management and provision of services to SMEs on logistics, training, marketing and export-import facilities. This project will increase the institutional capacity of ITKIB in supporting SMEs in a diversified and more qualified manner; particularly on fashion, design, R&D, logistic, branding in globalised economy. SMEs will learn to act together benefiting from common equipment services and collaborate with sectoral stakeholders. Scale economy through sharing of facilities created by this project will be exhibited and stakeholders will see the benefits of cooperation and sharing in a concrete manner.

The essential output of Phase I is the cluster formation. Cluster will have a Cluster Coordination Agency, which again will have three peripheral institutions around itself with loose links. One of the main lessons of Phase II to be learned is to experience that loose links are stronger than rigid links, which is against the common belief in Turkey. Indeed main philosophy of clustering is even this. Productivity and efficiency will be improved this way and this may teach cluster members in the advantages of sharing as well. Another expected lesson is networking and team working, which is necessary in today’s business world, at least considering scale economy but not limited with it. Technological factors and innovativeness are also closely related with cooperative and collaborative type of working, as in the well-known motto “cooperation under competition”. A third lesson will be the importance of creativity and innovation for competitiveness.

4. INSTITUTIONAL FRAMEWORK

The Secretary General of ITKIB is responsible for the management and performance of the project through the Project Coordination Unit (PCU). The PCU, which is directed by the Turkish Project Director appointed by the ITKIB, is currently working closely with the Consultant of “Phase I” of the project.

Outcomes of Phase II will operate on a not for profit basis. In the establishment agreement of Fashion Institute, R&D and Consultancy Centres, this statement will be written clearly. The legal status will be a non-profit foundation/organisation, in European terms a “social enterprise”. Final decision will be made after a careful study of Turkish laws and regulations, since “social enterprise” definition is not yet
clearly included in Turkish legislation. Throughout the project and in accordance with the EU-Turkey legal accommodation it may be introduced to Turkish legislation. Otherwise similar institutional forms may be chosen like an “economic enterprise” under a “foundation”, whose benefits must go to the foundation, and foundations are non-profit organizations as defined in the law.

The following Joint Projects - i) ICT Infrastructure of FTC and Supply Chain Management Facilities, ii) Mobile and Fixed Training and Education Facilities, iii) Optimization of Pattern, Sample and Collection Preparation Facilities, iv) Logistics and Warehousing Facilities, v) Maintenance Engineering Certificate Program/Training Center - will be realised as well. An organizational diagram of the cluster model is given on the next page (the existence and functioning was explained in Section 3.2.1):
5. DETAILED BUDGET

“Fashion and Textile Cluster - Phase II” requires investment in five main components:
- Cluster Coordination Agency
- Fashion Institute
- R&D Centre
- Consultancy Centre
- Five Joint projects

The investment will be made for the common use equipments for Turkish SMEs in textile sector.

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<th>Phare/Pre Accession Instr. Support</th>
<th>Co-financing</th>
<th>Total Cost</th>
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<td>€ M</td>
<td>National Public Funds (*)</td>
<td>Other Sources (***)</td>
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<td>Year 2005- Investment support jointly co-funded</td>
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<td>Investment support- sub-total</td>
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<tr>
<td>% of total public funds</td>
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<td>Min 25 %</td>
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Total Project 2005 | 6,750 | 2,250 | - | 2,250 | 9,000 |

Indicative Breakdown of Budget

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13
<table>
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<th>Item</th>
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<td>1,000,000</td>
</tr>
<tr>
<td>Mobile &amp; Fixed Training and Education</td>
<td>500,000</td>
</tr>
<tr>
<td>Optimization of Pattern, Sample &amp; Collection Preparation Centre</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Logistics &amp; Warehousing</td>
<td>300,000</td>
</tr>
<tr>
<td>Maintenance Engineering Certification Program./ Training Centre</td>
<td>200,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>6,750,000</td>
</tr>
</tbody>
</table>

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

The Central Financing Contracting Unit (CFCU) will be the Implementing Agency and will be responsible for all procedural aspects of the tendering process, contracting matters and financial management (including payments) of the projects activities.

Mr. Nuri Ercan Tortop  
CFCU Director  
Ehlibeyt Mahallesi 6.Sokak No: 16/8  
Eksioğlu İş Merkezi 06520 Balgat, Ankara  
Phone: +90 -312- 285 20 02  
Fax: +90 -312- 285 96 24  
E-mail: ercan.tortop@cfcu.gov.tr

The beneficiary of the Programme is Istanbul Textile and Apparel Exporters Union (ITKIB).

Ms. Erbil Cihangir  
Project Supervisor / ITKIB Education, Training and HR Department Director  
ITKIB, Istanbul, Turkey  
Phone: +90.212.454 03 65  
Fax: +90.212.454 02 77  
E-mail: eupro@itkib.org.tr

6.2. Twinning

Not applicable.

6.3. Non-standard aspects


6.4. Contracts

Single supply tender covering several lots for different types of equipment, which may result in one or possibly several contracts.

7. IMPLEMENTATION SCHEDULE

General Implementation schedule is shown on the below:

<table>
<thead>
<tr>
<th></th>
<th>Start of Tendering</th>
<th>Start of Project Activity</th>
<th>Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
7.1 **Start of Tendering**
September 2005

7.2 **Start of Project Activity**
June 2006

7.3 **Project Completion**
June 2007

8. **EQUAL OPPORTUNITY**
The programme will ensure that equitable gender participation through empowering and encouraging women entrepreneurs. Equal opportunity of men and women will be secured through appropriate information and publicity material, in the design of projects and access to the opportunities they offer and through early monitoring or the composition of take up. Take up and positive outcomes will be monitored in all projects under the grant scheme. An appropriate men/women balance will be sought on all the managing bodies for the programmes and its projects.

9. **ENVIRONMENT**
Turkey has made little progress in transposing the *acquis* in the field of air quality, waste management, water quality, nature protection, industrial pollution and risk management.

High (largely uncontrolled) abstracting of groundwater (textiles consumes 350,000 m³ water/day). Waste water treatment facilities are in place (75%) but due to cost reduction measures, these are often not operational (direct emission to surface water).

The textile industry has to make rules about environmental pollution, the efficient (use less water) and effective (less pollution) use of water. It similarly needs to clean up the water and to recycle used water.

The adoption of environmental standards and Ecolabelling are important factors to stay competitive. In order to maintain their competitive advantage, SMEs have to invest in environmental standards which represent a clear opportunity.

10. **RATES OF RETURN**
N/A

11. **INVESTMENT CRITERIA**

11.1 **Catalytic Effect**
This project will provide fresh impetus for the technology innovation in the SME sector to meet the new challenges posed by globalisation and increased competition.

11.2 Co-financing
In addition to the EU pre-accession fund the investment will receive co-financing from ITKIB budget (25%). The beneficiary will also provide appropriate building(s) for FTC support structures (i.e. Fashion Institute, R&D Centre, Consultancy Centre, CCA and joint projects). The Turkish contribution will be transferred and administered by CFCU jointly with EC Contribution.

11.3 Additionality
EC grants shall not displace other financial support especially from the private sector or international donors.

11.4 Project readiness and size
EC will only finance project if they are ready for contracting and when all necessary technical specifications and tender dossier have been completed.

11.5 Sustainability
Sustainability will be through the establishment of the Cluster Coordination Agency, Consultancy Centre, Fashion Institute and Research and Development Centre. These support centres will lend sustainability to the sector as a whole. It will also be in the form of improved employment prospects and employability of those people working in the textile and clothing sector.

11.6 Compliance with state aids provisions
The project is fully consistent with the EC Enterprise Policy based on the European Charter for Small Enterprises and the Multi-annual programme for Enterprise and Entrepreneurship, and in particular for small and medium sized enterprises 2001-2005. The common use equipment investment in all FTC support structures (non-profit entity) will be used by SMEs.

11.7 Contribution to National Development Plan or Structural Funds Development Plan
This project is within the scope of the National Development Plan.

12. CONDITIONALITY AND SEQUENCING
The implementation of this programme is conditional upon:
Preparation of the supply tender dossier (incl. technical specifications) for the common use equipments for the FTC support structures under phase I.
ANNEXES TO PROJECT FICHE

- Annex 1: Logical framework matrix in standard format
- Annex 2: Detailed implementation chart
- Annex 3: Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)
- Annex 4: Reference list of feasibility/pre-feasibility studies.
- Annex 5: Reference list of relevant laws and regulations.
- Annex 6: Reference list of relevant strategic plans and studies.
## Annex 1:

<table>
<thead>
<tr>
<th>LOGFRAME PLANNING MATRIX FOR</th>
<th>Programme name and number</th>
</tr>
</thead>
<tbody>
<tr>
<td>FASHION AND TEXTILE CLUSTER (FTC) - PHASE II</td>
<td>Contracting period expires</td>
</tr>
<tr>
<td></td>
<td>Total Budget:: € 9.000.000</td>
</tr>
</tbody>
</table>

### Overall Objective

- **Objectively Verifiable Indicators**
  - 15% of targeted SMEs reporting growth in markets

- **Sources of Verification**
  - Reports prepared by the Turkish Government, European Commission and other international organisations.
  - Specific studies for evaluating impact of programme and actions implemented.

### Project Purpose

- **Objectively Verifiable Indicators**
  - A modern information and communication technology base (e-library, distance learning, periodicals, etc.) for all cluster members and CCA together with the Fashion Institute, R&D Centre

- **Sources of Verification**
  - Internal (ITKIB) and external monitoring and evaluation reports
  - Tender documentation
  - Investment documentation

- **Assumptions**
  - That the top management of ITKIB will remain committed to the project and its outcomes
  - That there will be permanence amongst the top management team at ITKIB
<table>
<thead>
<tr>
<th>Consultancy Centre, and joint projects including all the necessary hardware and software established</th>
</tr>
</thead>
<tbody>
<tr>
<td>o R&amp;D Centre activated working through CCA for better products supporting the members of the cluster</td>
</tr>
<tr>
<td>o Consultancy Centre established advising on all the required modern technology and equipment for the cluster members</td>
</tr>
<tr>
<td>o The Fashion Institute established with the objective of increasing the competitiveness of creative and innovative SMEs in the textile sector.</td>
</tr>
<tr>
<td>o Joint projects realised:</td>
</tr>
<tr>
<td>o ICT Infrastructure (HW/SW) and SCM Facilities</td>
</tr>
<tr>
<td>o Mobile &amp; Fixed Training and Education Facilities</td>
</tr>
<tr>
<td>Results</td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
</tr>
<tr>
<td>• The necessary “common use equipment” infrastructure for CCA, Fashion</td>
</tr>
<tr>
<td>Institute, R&amp;D Centre, Consultancy Centre and Joint Projects supplied</td>
</tr>
<tr>
<td>and operational in accordance with the results of Phase I</td>
</tr>
<tr>
<td>• Effective working relationship established between all stakeholders</td>
</tr>
<tr>
<td>in order to enhance and better target the delivery of existing SME</td>
</tr>
<tr>
<td>support services of ITKIB member companies</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Activities</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Finalisation of technical specifications and supply tender dossier for the supply tender, which was drafted in the Phase I. | Investment support  
Necessary staff – accommodation and other resources from ITKIB head quarters  
Purchasing contract prepared and tendered  
   • Investment (tendering process)                                           | Permanence at senior levels of ITKIB  
Top management commitment  
That there will be sufficient resources allocated within ITKIB to work jointly with TA team for administering and running a complex programme  
That there is interest and willingness of stakeholders to participate in the identification, design, implementation and dissemination of projects  
That most proposals coming forward address real deficits in the sector  
SMEs exhibit sufficient enthusiasm for the project.                       |
| Procurement of “common use equipment“ for CCA, Fashion Institute, R&D Centre, Consultancy Centre and Joint projects according to the technical specifications prepared. |                                                                                                                  |                                                                                                                                                                                                            |
| Training of FTC support structures’ staff on the use of equipment, when necessary (as a part of supply contract) |                                                                                                                  |                                                                                                                                                                                                            |
| Effective working relationship between all stakeholders in order to enhance and better target the use of common equipment aimed to support SMEs in the textile sector. |                                                                                                                  |                                                                                                                                                                                                            |
## Annex No.2

### Detailed Implementation Schedule of Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply Tender</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Preparation of TD</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Procurement of Hardware</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Installation</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>- Training</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Testing</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>- Warranty</td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

= Planning  
= Tendering  
= Implementation
## Annex 3

### Contracting and Disbursement Schedule (€)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td><strong>Contracted</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply (EU Support)</td>
<td>6.750.000</td>
<td></td>
</tr>
<tr>
<td>Sub-total</td>
<td>6.750.000</td>
<td>6.750.000</td>
</tr>
<tr>
<td>Cumulated</td>
<td>6.750.000</td>
<td>6.750.000</td>
</tr>
<tr>
<td><strong>Disbursed</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply (EU Support)</td>
<td>4.050.000</td>
<td>2.025.000</td>
</tr>
<tr>
<td>Sub-total</td>
<td>4.050.000</td>
<td>2.025.000</td>
</tr>
<tr>
<td>Cumulated</td>
<td>4.050.000</td>
<td>6.075.000</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>----------------</td>
<td>--------</td>
<td>---------</td>
</tr>
<tr>
<td>Supply (Total)</td>
<td>5,400,000</td>
<td>2,700,000</td>
</tr>
<tr>
<td>Sub-total</td>
<td>5,400,000</td>
<td>2,700,000</td>
</tr>
<tr>
<td>Cumulated</td>
<td>5,400,000</td>
<td>8,100,000</td>
</tr>
</tbody>
</table>
Annex 4

Reference list of feasibility/pre-feasibility studies

1. Inception Report of the FTC Project - Phase I
3. Competitiveness of Turkey in the Textile and Clothing Sectors and Sector’s Situation in the World, Dr. N. Kanoglu and E. Ongut, State Planning Organization, March 2003, Ankara
Annex 5

Reference list of relevant laws and regulations

1. Financing Agreement on the 2003 Programme for Turkey, which includes FTC project - Phase I.
2. Decree no 93/4616 on the Establishment of Turkish Exporters’ Board
Annex 6

Reference list of relevant strategic plans and studies

1. Strategic Exports Plan 2004-2006, by UFT


3. 8th National Development Plan (2001-2005), (approved in the 119th plenary session of Turkish Grand National Assembly on 27.06.2000, Decision no: 697)


5. Turkish National Programme for the Adoption of the EU Acquis, 2003, EUSG